

SMART LOCATIONS

Update on Business Developments in New York's Hudson Valley

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President's Message

With the falling dollar, the Hudson Valley has never been more attractive than it is now for foreign investment.

Our nine-county region is already home to the U.S. headquarters of numerous international firms, including Bayer Diagnostics, Heineken USA, Dannon, Fujifilm, Cadbury Schweppes and Swiss Reinsurance America.

Dozens of others have large manufacturing, R&D or sales offices here. On the top of this long list are Novartis, Plasmaco, Hitachi, Minolta, Pentax, Akzo Nobel, Nokia and Fujitsu. All told, companies from more than 30 countries have a stake in over 240 businesses located in the valley.

What makes the Hudson Valley so alluring for multinational companies? No doubt our close proximity to New York City plays a role - as an international gateway, the financial center of the world and a cultural and arts capital. But our affordable cost of doing business, given easy access to all of that, coupled with a high quality of life also contribute to the region's pull.



As one executive recently put it, "I can be doing business in the heart of Rockefeller Center in the morning and strolling the beautiful grounds of the Rockefeller estate overlooking the Hudson River in the afternoon. It doesn't get any better than that."

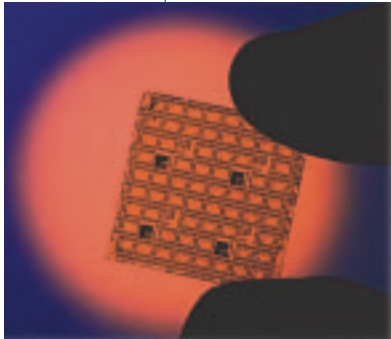


I couldn't agree more. Please join us in the Hudson Valley, one of the world's most vibrant centers of commerce.

Anthony Campagiorni
President and CEO

IBM and other Global Companies To Invest \$2.7 Billion In Hudson Valley

Consortium To Advance Computer Chip Technology



IBM is leading a consortium of global companies that are planning to invest nearly \$2.7 billion to create new manufacturing and research facilities in the Hudson Valley that will nurture the invention of cutting-edge computer chips. The initiative was announced by Gov. George Pataki in his recent State of the State address.

About \$1.9 billion of the new investment will be made by IBM, Sony, Toshiba, Samsung, Infineon Technologies, Advanced Micro Devices and Chartered Semiconductor Manufacturing to expand IBM's microchip plant in East Fishkill, New York. An annex will add 380,000 square feet to the original \$2.5 billion, 728,000 square foot facility opened in 2002. Among the world's most advanced manufacturing plants for 300mm chips, the factory makes chips for its own computers, as well as for a wide range of customers such as Apple and Nintendo.

Construction on the new IBM 300mm wafer expansion is scheduled to be complete in the second half of 2005. The expanded facilities in East Fishkill will

combine certain IBM chip-making breakthroughs on 300mm wafers, with features more than 1,500 times thinner than a human hair.

Gov. Pataki also announced that IBM and other companies are establishing two new major research projects at the Albany Center of Excellence in Nanoelectronics, which is associated with the State University of New York at Albany. ASML, the world's leading chip equipment manufacturer, will invest more than \$325 million to create its first ever R&D center outside of Europe. In addition, IBM and a group of the largest equipment suppliers in nanoelectronics, including TEL and Applied Materials, intend to invest \$450 million to expand the R&D capabilities of the Center of Excellence.

"New York State has just scored two major victories to seal its role as an international powerhouse in high-technology research and economic development," Gov. Pataki said. "We are proud and gratified that industry leaders such as IBM and Sony have recognized that New York is fast becoming a leading destination for new high-tech related investment, economic growth and job creation."

New York State will provide \$150 million in government money to support the projects, which are expected to generate 750 new high-tech jobs in the state.

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Triac Moves Headquarters To Rye Brook

Triac, a Manhattan-based holding company that franchises the Arby's restaurant system and operates about 235 restaurants nationwide, is moving its headquarters from Park Avenue to Rye Brook.

The company plans to relocate its corporate and executive offices and 55 jobs to the former Kraft Foods International headquarters building. The company will spend an estimated \$5 million to renovate about 53,000 square feet of penthouse space and plans to take occupancy in January 2006.

After considering locations in both Westchester County and Greenwich, Connecticut, the company opted for the Rye Brook building after the Westchester County Industrial Development Agency awarded \$400,000 in sales tax exemptions in connection with the lease and renovation of the offices.

A publicly traded company, Triac also owns a majority interest in Deerfield & Company, a Chicago-based asset management company, and a 25% interest in Jurlique, an Australian organic cosmetics company.



The former Kraft headquarters building - which is distinguished by a soaring sky-lit atrium - was purchased by the White Plains-based RPW Group last year and President and Principal Robert P. Weisz has been transforming the space from a single-tenant building to upscale commercial offices for tenants needing as little as 5,000 square feet of space. Interest in the building has been very strong, Mr. Weisz said.

Cadence Design Systems Ramps Up Operations in Ulster County

It didn't take **Cadence Design Systems** long after it bought chip-testing technology from IBM in 2002 to decide that it didn't want to go far from the Big Blue facility in Poughkeepsie, New York.

The billion dollar company, which is based in San Jose, California and is considered one of the world's leading suppliers of electronic design technology and engineering services, identified a former IBM building in nearby Lake Katrine, New York and has begun renovating about 15,000 square feet of space. Interior renovations will carve out more than 20 private offices, conference rooms, hardware lab and a server mainframe room.

Built by IBM in 1983, the building in which Cadence will operate at 701 Grant Avenue has plenty of room for growth - with about 315,000 square feet of space. Approximately half of that is currently occupied by tenants ranging from Harte-Hanks Interactive to American Home Mortgage.

Former IBM Buildings Find New Life

Cadence Design Systems isn't the only company to discover the benefits of moving into former IBM properties left vacant when the company went through a downsizing in the mid-1990s. Well-built and landscaped, the buildings are usually conveniently located with plenty of on-site parking and other amenities. Here's a sampling of a few that have been recently snapped up, as well as some that still have prime space available:

- **New York Life** recently moved about 1,000 employees or roughly one-quarter of its Manhattan workforce to the Mount Pleasant Executive Center, which was formerly the Latin American headquarters for IBM.
- **Snapple** and **Motts** are consolidating their headquarters in an IBM-built office building in Rye Brook, where they will take 135,000 square feet of space.
- **Chazen**, an environmental engineering firm, has transformed an IBM building in Poughkeepsie into new offices, taking advantage of its location in an Empire Zone to reduce operating costs.
- **Cervalis**, a data back-up and disaster recovery center, operates in a former IBM data center at 167 Myers Corners Road in Wappingers Falls. Manhattan-based Savanna Partners recently purchased an adjoining building at 169 Myers Corners Road and has plans for significant renovations and improvements. Known as Dutchess Corporate Center, the modern data center is already home to Emerald Technology, Core Care National and Epson Research & Development.

Emisphere and Roche Sign Bone Drug Agreement



Emisphere Technologies, a Tarrytown, New York biotechnology firm, signed a licensing agreement with Swiss-based **Roche Holding AG** to develop oral forms of injections used to treat bone-related diseases, such as osteoporosis and cancer.

Under terms of the pact, Roche will pay an initial upfront fee, as well as future milestone payments of up to \$18.5 million for each product developed using Emisphere's "eligen" technology, which uses synthetic chemical carriers to transport molecules throughout the body. The agreement also calls for Roche to fund all preclinical, clinical and manufacturing costs and for Emisphere to be entitled to royalties.

Emisphere, which is one of more than 60 biopharmaceutical companies thriving in the Hudson Valley, appears to be on a roll. The company signed a deal with **Novartis AG** in September to develop an oral form of its recombinant human growth hormone, which stimulates muscle and bone quality in adults.

Prime Properties



900 Dutchess Turnpike Poughkeepsie, New York

Known as the Poughkeepsie Business Park, this 381,718 square foot building offers more than 267,000 square feet of space for high-tech classrooms, offices, manufacturing or storage.

125 Greenbush Road South Orangeburg, New York

Winner of national architectural awards when it was built by Volkswagen in 1969, this two-story building near I-87 and the Palisades Parkway has 70,000 square feet of space available for offices and 87,000 square feet for warehouse or other flex use.

45 Turner Drive Walkkill, New York

Just completed in 2004, this new flex facility offers high visibility and direct accessibility from Route 17 (future I-86). More than half, or about 100,000 square feet, is still available for office or warehouse use.

IBM Protects Global Business in New York's Hudson Valley with Continuity/Recovery Center

The Hudson Valley is home to the **IBM Business Continuity and Recovery Service Center**. This global services unit started in 1989 after the company identified a need from existing clients to diversify their business platform. Today, IBM has 76 data centers in 140 countries - with the largest in Sterling Forest, New York. Less than 50 miles from New York City, the facility continues to be one of IBM's most successful operations protecting Fortune 500 companies, banks and Wall Street giants.

"The Hudson Valley works for several reasons," noted IBM Senior Marketing Executive Pat Corcoran. "A company executive or security specialist can be in Manhattan on Monday morning and our back-up facility that afternoon. Access to the region by numerous modes of transportation and road networks along with incredible human capital make this center a key to the success of our clients."

The center provides executive office space, recreational facilities, and of course, plenty of space to maintain a mirrored network of some of the most trusted names in business today.

The IBM Business Continuity and Recovery Service Center has been joined in the Hudson Valley in recent years by several other back-up facilities for financial, insurance and other institutions. For details, go to www.hvedc.com/backup.



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FALA Technologies Prospers In Kingston; Firm Has Kept Pace with Semiconductor Industry

When **FALA Technologies** got its start in Kingston, New York, just after World War II came to an end, it was an old-fashioned machine tool maker that served typical old-line manufacturers of precision industrial and consumer goods. To compete in today's worldwide marketplace, the company has morphed into a global custom engineering and precision machine manufacturer. It serves high-tech industries ranging from aviation and military to nanotechnology and biotechnology.

"The Hudson Valley has seen a tremendous transformation from low-tech to hi-tech industries since my father founded the business in 1946," said Frank S. Falatyn, FALA President and CEO. "From the 60s thru the 90s, our work mainly focused on helping IBM develop and improve semiconductor manufacturing equipment which led the world in computer mainframe and chip technology. Today, following along with the semi industry's trend towards forming partnerships to develop new technologies, FALA is working with International SEMATECH and Albany NanoTech, two recently

established technology consortiums in the Hudson Valley, to develop and commercialize next-generation EUV (Extreme Ultraviolet



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President & CEO

Lithography) and 300mm chip manufacturing technologies," he noted. "These are technologies which will continue to lead the world ... technologies being developed right here in my backyard - the Hudson Valley."

FALA now operates out of a 50,000 square foot facility and employs 48 people. With the lion's share of its business relating to the semiconductor industry, the company also manufactures and sells its own series of semiconductor products including cleanroom-grade ceramic bearings, mini-environments, automated front-end handling systems, reticle depodders/shufflers and more.

Short Takes

Companies on the Move

CRS Retail Systems, a leading supplier of retail management software, hardware and services, is expanding its Newburgh, New York headquarters by 70,000 square feet and 70 jobs. Among the company's customers are Barnes & Noble, J. Crew, Ann Taylor and Yankee Candle.

Orange County Choppers, which has garnered worldwide recognition for its custom-built motorcycles and is featured on Discovery Channel's "American Chopper," recently expanded its Montgomery, New York manufacturing operation by 33,000 square feet and added 20 jobs. The company also opened a retail shop this past summer at the Woodbury Commons outlet.

Advanced Viral Research Corp., a Yonkers-based pharmaceutical research firm, recently received a \$12 million cash infusion from private investors. The sale of 120 million shares of stocks and warrants will help the company continue its efforts to get its drug, an immune system regulator it calls AVR118, through the U.S. Food & Drug Administration testing process.

Peekskill Stages a Comeback

Like many communities across America, Peekskill, New York, has gone through some hard times in the past two decades. But the city of about 22,000 residents is clearly now on the rebound.

Located on the Hudson River approximately 40 miles north of New York City, Peekskill has numerous revitalization projects either in the works or on the drawing boards. The three most pivotal projects include:

■ **Downtown Reconstruction** - Work is already under way by Manhattan-based CPC Resources Inc. to improve the facades and modernize the interiors of several old brick buildings in the heart of the downtown. While the ground-floor space will be designed to attract restaurants and retail outlets, the upper stories will serve as artists' lofts.



■ **Waterfront Revitalization** - The city is working with Ginsburg Development Corp. (GDC) to redevelop the waterfront. Preliminary plans call for 400 new residential units, restaurants, retail shops and a 500-car parking garage.

■ **Peekskill Landing** - Peekskill and the non-profit Scenic Hudson jointly own a 4-acre parcel of land on the Hudson River on the north end of the existing Riverfront Green Park. Hearings have been held to discuss options for the prime riverfront property ranging from a town marina to pure park land.

8 Empire Zones in Hudson Valley Are Thriving

For some people, a phrase like "Empire Zone" has a negative connotation, conjuring up images of depressed, crime-plagued downtowns. It's just the opposite in the Hudson Valley, where many of the eight Empire Zones are located either in a bucolic setting or an area already humming with activity.

EMPIRE ZONES ARE DESIGNED TO ALLOW COMPANIES TO OPERATE ON AN ALMOST TAX-FREE BASIS FOR UP TO 10 YEARS.

HUDSON VALLEY EMPIRE ZONES

Columbia County
Dutchess County
Orange County
Mt. Vernon
Sullivan County
Yonkers
Ulster County
Greene County

Take the Empire Zone in Dutchess County, for instance. IBM recently ramped up the world's most advanced 300mm chip manufacturing plant in East Fishkill in the heart of an Empire Zone characterized by rolling countryside, superb highway access and small vibrant communities. Likewise, Empire Zones in Sullivan, Greene and Ulster counties are distinguished more by their beauty than any kind of blight.

IBM's new plant in East Fishkill is a prime example of the benefits of locating in an Empire Zone. According to a *Site Selection* magazine report shortly after the deal was announced, the company was eligible for \$156 million in Empire Zone benefits over 10 years, in addition to other tax breaks and financial incentives it received that could add up to some \$660 million in all.

Empire Zones are designed to allow companies to operate on an almost tax-free basis for up to 10 years. They also provide additional savings on a declining basis in years 11 through 15. New Empire Zone businesses can eliminate state income tax and state sales tax, as well as eliminate local property tax.

Qualifying companies can also receive:

- reduced utility rates
- employee tax credits
- capital credits
- reduced interest rates
- technical assistance

Sundazed Music Prospers in Greene County

Although the Hudson Valley is home to more than 100 Fortune 500 companies, the region has also proven to be fertile ground for smaller, more entrepreneurial companies. Case in point is **Sundazed Music**, located near the banks of the Hudson River in the town of Coxsackie.

Launched more than a decade ago by Bob and Mary Irwin, the company reissues specialty music ranging from surf and soul to garage rock and psych pop on both CD and vinyl records. The growing company recently expanded into a three-story,



century-old brick building with space for its team of graphic artists, sales offices and state-of-the-art studio.

Recapturing the "low-slung feel of a 1960s airport VIP lounge" and the "high-rolling glamour of a Las Vegas casino from the Kennedy years," the company's new digs could easily be a SOHO loft. "Artists love working in our new building," says Mr. Irwin. "It's a time warp, we admit it. And we love it."

Culinary Institute of America Makes Its Mark from Hyde Park, New York



Photo Credit: CIA

Perched high on a bluff overlooking the Hudson River, the Culinary Institute of America (CIA) in Hyde Park, New York is the oldest culinary college in America and arguably one of the world's premier culinary institutes. Among its most prominent graduates are the executive chef at the White House, Todd English, Sara Moulton, Alfred Portale and many other top chefs at restaurants from Maine to Maui.

Established in 1946 as a storefront cooking school in downtown New Haven, Connecticut, the CIA moved to its current location, a former Jesuit seminary on 80 acres of land, in 1970. Today, 2,400 students representing every state and 30 foreign countries are enrolled in the bachelor and associate degree programs in culinary arts and baking and pastry arts. There is also a continuing education program, as well as an active slate of programs for food enthusiasts.

Located near both the Franklin D. Roosevelt National Historic Site and Vanderbilt Mansion, the CIA is a popular tourist destination in its own right. Visitors can dine at American Bounty, Ristorante Caterina de Medici (shown at right), St. Andrews Café and the Escoffier Restaurant, or just watch students hard at work in the glass-walled kitchens. Either way, the CIA is a treat to visit.



Photo Credit: CIA/Lorna Smith

Best-Kept Secret: Warwick



Rolling hills and farmland dotted with red barns and gracious old farmhouses. A vibrant village with bustling cafes, restaurants and retail shops. A great farmer's market every Saturday during the growing season and a nationally recognized Applefest every autumn. These are a few of the reasons why Warwick is one of the Hudson Valley's best-kept secrets.

Located 55 miles from New York City near the border of New Jersey in Orange County, the affluent village is home to many executives who commute to Manhattan or Bergen County, but it also has a strong live/work population that gives it a more "real" feel than many bedroom communities.

Lovely old Colonial and Victorian homes line the tree-shaded streets and Main Street is alive with commerce. Demarest Hill Winery and two other vineyards offer wine tastings and families can enjoy picking their own apples, pears and pumpkins at Warwick's numerous orchards. There are two theater groups, several charming B&Bs and a handful of artists' studios tucked away in town. Sugarloaf, a picturesque hamlet known for its antique and craft shops, is just down the road.

In the winter, Mount Peter offers residents the ability to ski practically in their own backyards. During warmer months, nearby Greenwood Lake offers sailing and waterskiing. Several challenging golf courses, as well as hiking on the nearby Appalachian Trail, provide other recreational diversions.

Shhhh. Don't tell anyone.



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