

A. US Optical Capital (V716)

July 23, 2009

General Project Plan

Grantee: US Optical LLC (“US Optical” or the “Company”)

ESD Investment: A grant of up to \$100,000 to be used for a portion of the cost of machinery and equipment purchase and installation.

Project Location: 6848 Ellicott Drive, East Syracuse, Onondaga County

NYS Empire Zone (or equivalent): Onondaga County Empire Zone

ESD Incentive Offer Accepted: August 17, 2007

Project Completion: January 2009

Number of Employees at Facility:

Initial employment (at time of ESD Incentive Offer):	0
Current employment level:	25
Minimum employment on January 1, 2011:	35

Grantee Contact: Ralph Cotran, Owner
6848 Ellicott Drive
East Syracuse, NY 13057
Phone: (315) 447-5555 Fax: (315) 637-2170

Project Team:

Origination	James Fayle
Project Management	Meg Paskins
Affirmative Action	Helen Daniels
Environmental	Soo Kang

Project Description:

Background

US Optical was formed in February 2007 by three brothers, Ralph, Robert and Ronald Cotran. Each of the three has more than 20 years experience in operations involving the manufacture of prescription lenses. The Company commenced operations in March 2008 in a 12,000-square-foot facility in East Syracuse.

US Optical manufactures prescription eyeglass lenses of every kind and uses a new high-tech method of manufacturing called digitized surfacing of progressive lenses (no-line bifocals) also referred to as “free form”. It is one of the first laboratories in the country to specialize in this type of manufacturing, considered the future of the optical industry. It has over 300 small accounts country wide and it targets small boutique stores with operations of one to three dispensaries with a specific focus on the major metropolitan cities in Florida, California, New York, Massachusetts, Illinois, and Texas. These types of stores focus on high-end eyeglass frames and state-of-the-art prescription brands and lenses and usually

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July 23, 2009

require fast, overnight service and competitive pricing.

As the Company's customer base is located throughout the country, nothing required that it be located in New York State. Locations in Fort Lauderdale, Florida and San Diego, California, were also being considered. Management approached ESD in July 2007 as to possible financial assistance to establish a new prescription lens manufacturing facility in East Syracuse. ESD responded with an offer of a \$100,000 capital grant, accepted by US Optical in August 2007. The decision to choose New York for its manufacturing operation will result in the creation of 35 new jobs.

The Project

The Company completed the renovation and equipping of a 12,000- square-foot facility in East Syracuse in January 2009. Renovations to the facility included installation of new windows and a new HVAC system as well as electrical, plumbing and insulation work. Machinery and equipment purchase and installation costs included a SatisLOH RX Free Form Surfacing unit, a Zeiss AR Coating Chamber & Wash, a GerberCoburn Traditional Line, and various other equipment such as edgers, blockers, and a taping machine. US Optical leases the facility from Ellicott Drive, LLC, a related real estate holding company, which acquired the building in August 2007.

The Company projects that by 2010 it will be manufacturing 760 jobs per day, broken down between free form and traditional lenses. These jobs will generate an estimated \$11 million in sales. US Optical currently employs 25 people at the Project Location.

Financing Uses	Amount	Financing Sources	Amount	Percent
Machinery and Equipment	\$1,952,823	ESD Grant	\$100,000	4%
Renovations	400,000	First Niagara Bank ¹	709,000	30%
		First Niagara Bank ²	500,000	21%
		Company Equity	1,043,823	44%
Total Project Costs	\$2,352,823	Total Project Financing	\$2,352,823	100%

¹First Niagara Bank: \$709,000 loan – 7 years/6.39%/first lien on specific equipment;

²First Niagara Bank: \$500,000 loan – 5 years/6.39%/first lien on specific equipment

Financial Terms and Conditions:

1. The Company shall pay a commitment fee of 1% of the \$100,000 grant (\$1,000) upon execution of the grant disbursement agreement. In addition, at the time of disbursement, the Company will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement

A. US Optical Capital (V716)
July 23, 2009

3. The Company or the Company's owners will contribute at least 10% in equity to the Project. Equity is defined as any non-debt source of capital, and should be auditable through Company financial statements or Company accounts, if so requested by ESD.
4. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.
5. Up to \$100,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$50,000) upon completion of the project substantially as described in these materials, submission of a certificate of occupancy and documentation of \$1,400,000 in eligible machinery and equipment related expenses, assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 25% of the grant (\$25,000) will be disbursed upon documentation of the employment of at least 18 Full-time Permanent Employees at the Project Location (Employment Increment of 18), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$25,000) will be disbursed upon documentation of the employment of at least 35 Full-time Permanent Employees at the Project Location (Employment Increment of 17), provided Grantee is otherwise in compliance with program requirements.

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after August 17, 2007 to be considered eligible project costs. Disbursements may occur simultaneously. All disbursements must be requested by April 1, 2011.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$100,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.
7. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee

A. US Optical Capital (V716)

July 23, 2009

Count for the year prior to the reporting date set forth in Column A of the table below is less than eighty-five percent (85%) of the Employment Goal set forth in Column B (an “Employment Shortfall”), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

- (i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
- (ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
- (iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
- (iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
- (v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee’s number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	0
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A	B
Reporting Date	Employment Goals
February 1, 2010	0+X+Y
February 1, 2011	0+X+Y
February 1, 2012	0+X+Y
February 1, 2013	0+X+Y

X = Grantee’s Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section 5 above (i.e. X=18, and Employment Goals shall equal [0 + X = 18] if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then X=0.

Y = Grantee’s Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section 5 above (i.e. Y=17, and Employment Goals shall equal [0 + X + Y = 35] if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Y=0.

A. US Optical Capital (V716)
July 23, 2009

Statutory Basis – Empire State Economic Development Fund:

1. The project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the State or would enhance or help to maintain the economic viability of family farms.
As a result of this project, the Company will create 35 new jobs.

2. The project would be unlikely to take place in New York State without the requested assistance.
Without ESD assistance to make the project more financially feasible, US Optical could have chosen a number of locations outside of New York State, including Fort Lauderdale, Florida and San Diego California, as the site for its new prescription lens manufacturing facility.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.
Evaluated over a seven-year period, project total fiscal benefits to New York State government are expected to be \$866,022, which exceed the cost to the State.

4. The requirements of Section 10(g) of the Act are satisfied.
See cover memo.