

B. D'Arcinoff Group Working Capital (X033)

June 24, 2010

Grantee: D'Arcinoff Group, Inc. ("DG" or "the Company")

ESD Investment: A grant of up to \$100,000, pending passage of the New York State Budget, to be used for a portion of the cost of the United States Export Import Bank's loan guarantee application fees

Project Location: Multiple potential sites in New York State

NYS Empire Zone (or equivalent): N/A

ESD Incentive Offer Accepted: March 9, 2010

Project Completion: June 2010

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Project Team:

Origination	Michael Morse
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Affirmative Action	Laverne Poole
Environmental	Soo Kang

Project Description:

Background

D'Arcinoff Group, Inc. is a privately-owned alternative technology development company that was established in 1960 as a marketing and consulting firm. The Company is comprised of transportation, defense and energy industry veterans that rely upon strong relationships with industrial partners to exploit strategic synergies. DG has developed the DG Energy System, an integrated, green energy supply system that delivers large-scale power generation, distribution and storage.

The DG Energy System is a cost effective solution to providing clean fuel for electric generation and the aviation industry. It will provide in excess of 33,750 megawatts of power and over five billion gallons of jet fuel per year while operating at approximately 25 different major facilities in the United States and Europe.

DG approached ESD in the summer of 2009 for assistance in implementing the DG Energy System. Both DG and ESD have since worked together to identify large, vacant industrial sites in New York that would be suitable for manufacturing the DG Energy System. In order to fund the project, DG planned to apply to the U.S. Export Import Bank to secure a multi-billion dollar loan guarantee. When DG became aware of the \$2,000,000 application fee, DG requested financial assistance from ESD. In order to induce a portion of the DG

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Energy System manufacturing to occur in New York State, ESD responded by offering a \$100,000 grant. New York State’s support for the application increases DG’s likelihood of success with the U.S. Export Import Bank. DG accepted ESD’s offer in March 2010. If the application is successful, the DG Energy System could potentially create up to 15,000 new jobs in New York State.

The Project

DG has submitted an application to the U.S. Export Import Bank for the purpose of securing a multi-billion dollar loan guarantee to fund the multi-faceted DG Energy System project. DG will use ESD’s \$100,000 grant for a portion of the \$2,000,000 application fee to the U.S. Export Import Bank.

If successful in obtaining the multi-billion dollar loan guarantee, the DG Energy System will require the mass production of wind turbines and related equipment. DG, with ESD’s assistance, has negotiated commitments for five vacant industrial sites in New York and anticipates negotiating commitments for one or two other sites as the project progresses. It is anticipated that these sites will be activated for the manufacture of wind turbines and related equipment, resulting in the creation of up to 15,000 jobs in New York State.

Financing Uses	Amount	Financing Sources	Amount	Percent
U.S. Export Import Bank Application Costs	\$2,000,000	ESD Grant	\$100,000	5%
		Grants from Other States*	400,000	20%
		Company Equity	1,500,000	75%
Total Project Costs	\$2,000,000	Total Project Financing	\$2,000,000	100%

*\$125,000 from Massachusetts, \$100,000 from Ohio, \$100,000 from Indiana, and \$75,000 from Connecticut.

Financial Terms and Conditions:

1. At the time of disbursement, the Company will reimburse ESD for all out-of-pocket expenses incurred in connection with the project, if any.
2. The Company will be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. The Company or the Company’s shareholders 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. Up to \$100,000 will be disbursed to Grantee as a single advance installment, assuming that all project approvals have been completed and funds are available. Within thirty (30) days of disbursement, Grantee will submit documentation verifying payment of the U.S. Export Import Bank application fee(s) totaling approximately \$2,000,000. ESD will be entitled to recoup the entire grant funding, including cumulative interest charges of 8% compounded daily from the day of disbursement to the day of repayment, if the

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Grantee fails to submit an application to the United States Export Import Bank.

Grantee will be required to submit to ESD an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after March 9, 2010 to be considered eligible project costs.

5. 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.

Environmental Review:

ESD staff has determined that the approval of funding to be used for a portion of the cost of the application fee for the loan from the United States Export Import Bank does not constitute an action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with this approval. The project sponsor will be responsible for complying with SEQRA, as applicable, for the DG Energy Systems project that will ultimately be funded using the loan from the United States Export Import Bank.

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 submit an application to the United States Export Import Bank. If successful, it is anticipated that this project will lead to the creation of up to 15,000 jobs in New York State.
2. The project would be unlikely to take place in New York State without the requested assistance.
Without ESD assistance, this project would likely not take place in New York, and would focus on manufacturing in the states that are contributing toward the United States Export Import Bank application costs.
3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.
By providing assistance, ESD facilitates the potential reuse of vacant industrial facilities for the manufacturing of wind turbines and other energy production-related activities.
4. The requirements of Section 10(g) of the Act are satisfied.
See cover memo.