

## 1. C Speed Capital (W504)

March 26, 2010

### General Project Plan

**Grantee:** C Speed, LLC (“C Speed” or the “Company”)

**ESD Investment:** A grant of up to \$50,000 to be used for a portion of building purchase and renovation costs.

**Project Locations:** 4465 Steelway Blvd. North, Liverpool, Onondaga County\*  
316 Commerce Boulevard, Liverpool, Onondaga County

\* Project activity site; other is job-retention site

**NYS Empire Zone (or equivalent):** N/A

**ESD Incentive Offer Accepted:** October 27, 2008

**Project Completion:** December 2009

**Number of Employees at Facility:**

Initial employment at time of ESD Incentive Offer:	15
Current employment level:	25
Minimum employment on January 1, 2012:	25

**Grantee Contact:** David Colangelo, Director, Strategic Marketing and Global Development  
316 Commerce Boulevard  
Liverpool, NY 13088  
Phone: 315-453-1043 Ext. 252 Fax: 315-506-6756

**Project Team:**

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

**Project Description:**

Background

C Speed, founded in 1996, is a product development and engineering services company serving a diverse base of local, national, and international clients in industries including consumer electronics, medical products, military systems, and test and measurement equipment. It develops and integrates subsystems (components of larger systems) with a

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focus on radar and instrumentation systems. In addition to hardware/software design, it manufactures components and prototypes for its customers which include Welch Allyn, Lockheed Martin, both located in the Syracuse, NY area, and LeCroy Corporation located in Chestnut Ridge, NY.

C Speed's engineering and manufacturing operations were fragmented and cramped in two small leased facilities in Liverpool at 316 Commerce Boulevard (4,300 square feet) and 103 Commerce Boulevard (3,500 square feet). The Company realized that it needed to consolidate operations to operate more cost effectively as well as to expand manufacturing capabilities to remain competitive in markets served. The Company had found a 11,000-square-foot facility also located in Liverpool which suited its needs and which could be used for manufacturing and product development. Its engineering services would then be consolidated into the 316 Commerce Boulevard location. Costs for the project were estimated at \$700,000. The Company approached ESD for financial assistance in October 2008 to help conserve cash flow, thus making the project more financially feasible and allowing the Company to proceed with the project. ESD responded with an offer of a \$50,000 capital grant, accepted by C Speed on October 27, 2008. The project will help secure the future of the 15 jobs in place at the time of the ESD offer as well as result in the creation of 10 new jobs by 2012. Without this project, the Company was at risk of losing competitive ground and its long-term viability would have been threatened.

### The Project

The project, completed in December 2009, involved the acquisition and renovation of an 11,000-square-foot facility in Liverpool. The building has approximately 2,500 square feet of office space, 6,000 square feet of environmentally-controlled manufacturing space and 2,500 square feet of unfinished warehouse space. Renovations included roof repairs, and electrical, heating, ventilation and air conditioning work. The project also entailed the purchase of machinery and equipment which included a second surface mount electronic assembly automatic component placement machine. The building is owned by L& L 4465 Steelway Boulevard Associates, LLC, a real estate holding company formed by the owners of C Speed.

Since the acquisition of the Steelway building, the Company has been able to install a second manufacturing line for new products in the areas of high-speed data acquisition and processing for the visualization of data for the defense, and test and measurement markets. Sales are expected to increase 25% in 2010. Employment is currently at 25 which meets the job goals projected for the project.

Financing Uses	Amount	Financing Sources	Amount	Percent
Building Purchase	\$450,000	ESD Grant	\$50,000	7%
Renovation/Sitework	129,000	Company Equity	656,000	93%
M&E	125,000			
Relocation Costs	2,000			
Total Project Costs	\$706,000	Total Project Financing	\$706,000	100%

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**Financial Terms and Conditions:**

1. The Company shall pay a commitment fee of 1% of the \$50,000 grant (\$500) 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.
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 Locations 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 Locations 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 \$50,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$25,000) upon completion of the project substantially as described in these materials, documentation of \$600,000 in eligible building acquisition, renovation/sitework and machinery and equipment costs, and documentation of the employment of at least 15 Full-time Permanent Employees at the Project Locations, 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 (\$12,500) will be disbursed upon documentation of the employment of at least 20 Full-time Permanent Employees at the Project Locations (Employment Increment of 5), provided Grantee is otherwise in compliance with program requirements;
  - c) a Third Disbursement of an amount equal to 25% of the grant (\$12,500) will be disbursed upon documentation of the employment of at least 25 Full-time Permanent Employees at the Project Locations (Employment Increment of 5), provided Grantee is otherwise in compliance with program requirements.

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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 October 27, 2008 to be considered eligible project costs. All disbursements must be requested by April 1, 2012.

5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$50,000, 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 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.

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Baseline Employment	15
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A	B
Reporting Date	Employment Goals
February 1, 2011	15+X+Y
February 1, 2012	15+X+Y
February 1, 2013	15+X+Y
February 1, 2014	15+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=5, and Employment Goals shall equal  $[15 + X = 20]$  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=5, and Employment Goals shall equal  $[15 + X + Y = 25]$  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.

**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 maintain its employment level of 15, including retention of all 15 existing jobs in place at the time of the ESD offer. These jobs were at risk of future elimination if the Company had not proceeded with the project which allowed for greater operational efficiencies and greater manufacturing capacity, thus improving competitiveness in markets served. In addition, the Company will create 10 new jobs.
2. The project would be unlikely to take place in New York State without the requested assistance.  
ESD's assistance helped the Company to conserve cash flow, thus making the project more financially feasible and allowing C Speed to proceed with its project.
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 \$1,226,722, which exceed the cost to the State.
4. The requirements of Section 10(g) of the Act are satisfied.  
See cover memo.