

FOR CONSIDERATION

March 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Rochester (Monroe County) – Intrinsic Materials Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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General Project Plan

I. Project Summary

Grantee: Intrinsic Materials, Inc. (“Intrinsic” or the “Company”)

ESD\* Investment: A grant of up to \$1,200,000 to be used for a portion of the cost of Phase I renovations and purchase of machinery and equipment

\* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: 1100 Ridgeway Avenue, Building 320, Rochester, Monroe County

Proposed Project: Renovations to leased space at Eastman Business Park and the purchase of machinery and equipment to create a manufacturing facility

ESD Incentive Offer Accepted: April 13, 2010

Project Completion: September 2011

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	0
Current employment level:	1
Minimum employment on January 1, 2015:	158*

\* This level may also be met by the combined employment at Intrinsic, Omni and Quintel of at least 250 full-time permanent employees at the Project Location.

Grantee Contact: José Coronas, General Partner  
Trillium Group, LLC  
1221 Pittsford-Victor Road  
Pittsford, NY 14534  
Phone: (585) 383-6580 x13  
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Anticipated  
Appropriation  
Source: Empire State Economic Development Fund

ESD Project No.: X065

Project Team:	Origination	Adam Tkaczuk
	Project Management	Edward Muszynski
	Affirmative Action	Helen Daniels
	Finance	Jonevan Hornsby
	Environmental	Rachel Shatz

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Phase I	
Building Renovations	\$1,221,000
Machinery & Equipment	<u>1,379,000</u>
Total Project Costs (Phase I)	<u>\$2,600,000</u>
Phase II	
Building Renovations	\$3,200,000
Machinery & Equipment	<u>11,200,000</u>
Total Project Costs (Phase II)	<u>\$14,400,000</u>
Total Project Costs (Phases I and II)	<u>\$17,000,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
Phase I		
ESD-Empire State Economic Development Fund Grant (X065)	\$1,200,000	46.0%
Company Equity	<u>1,400,000</u>	<u>54.0%</u>
Total Project Financing (Phase I)	<u>\$2,600,000</u>	<u>100.0%</u>
Phase II		
ESD-Upstate Regional Blueprint Fund Grant*	\$2,400,000	17.1%
Monroe County Grant & Loan**	230,000	1.6%
Company Equity	<u>11,770,000</u>	<u>81.3%</u>
Total Project Financing (Phase II)	<u>\$14,400,000</u>	<u>100.0%</u>
Total Project Financing (Phases I and II)	<u>\$17,000,000</u>	

\*To be presented to the Directors at a later date

\*\*Anticipated

### III. Project Description

#### A. Background

Trillium Group, LLC is a privately held Rochester-based venture company. Its affiliate Trillium International-I owns several companies, Intrinsic Materials, Inc., Omni ID USA, Inc. (“Omni”), and Quintel USA, Inc. (“Quintel”), located in California’s Silicon Valley and abroad. Worldwide, Intrinsic, Omni and Quintel have 23, 93 and 35 employees, respectively. These companies sought a new U.S. location to co-locate their advanced product development and considered Rochester, NY because of the region’s core competencies in optics, imaging, medical devices, radio frequency (“RF”) engineering, and silicon materials. The area’s talent pool includes educational institutions, defense and engineering laboratories. Moreover, the Eastman Business Park (“EBP”), a former Eastman Kodak Company manufacturing site, was an ideal location for these three companies and provided synergies with their business growth plans. Intrinsic’s focus is on nano scale silicon manufacturing, Omni’s area of concentration is RF identification tags, and Quintel’s focus is on advanced cell tower antennas.

Due to the common ownership of the three companies and their co-location, ESD’s job compliance will be considered both individually and collectively, that is, any combination of jobs at Intrinsic, Omni and Quintel totaling 250 shall be considered the same as each company meeting its respective targets of 158, 24 and 68 full-time employees. The companies occupy an area of 37,295 square feet at EBP, with separate built-out areas for each company and shared lobby, lunchroom, hallway, and restroom facilities. Each company has a separate CEO and maintains separate operations.

Intrinsiq's technology is the result of a decade of R&D by U.K.'s Ministry of Defense, followed by five years of private investment, development and commercialization. Its products include next-generation printed electronics and photovoltaics created using "nano" inks; antimicrobial materials; more effective personal care products and cosmetics containing natural ingredients; and "nutraceuticals" that augment nutrition. Intrinsiq is headquartered in the U.K., where it has facilities in both Farnborough and Malvern. Its North American business development office is in Menlo Park, CA. Intrinsiq's Parent Company is Intrinsiq Cayman, Ltd., based in the Cayman Islands.

Examples of current commercial applications under contracts held by Intrinsiq include formulations for printed electrodes for solar cells and touch screens, printed antennae for mobile phones, inks for printed thin-film-transistors, safer and more effective toothpaste formulations and vitamin enhanced animal feed.

The three companies approached ESD and Greater Rochester Enterprise, a regional economic development organization, for assistance to close a funding gap associated with facility renovations and purchase of equipment to relocate aspects of all three companies. ESD offered Intrinsiq two capital grants, \$1,200,000 from the Empire State Economic Development Fund and \$2,400,000 from the Upstate Regional Blueprint Fund, each targeted to separate stages of the company's operations and growth, divided into Phase I and Phase II for budgetary clarity. The Company accepted in April 2010. The Upstate Regional Blueprint Fund grant for Phase II will be presented to the Directors at a later date. As a result, Intrinsiq has agreed to relocate its headquarters and the majority of its manufacturing and R&D to Rochester. Intrinsiq's presence is expected to enhance an innovation economy not only in Rochester but throughout the Upstate corridor through anticipated relationships with universities and research institutions. Without ESD and local assistance, and Empire Zone benefits, Intrinsiq would have likely expanded in the U.K. and California or sought to relocate elsewhere.

#### B. The Project

Intrinsiq has relocated its headquarters and is in the process of renovating leased space at Eastman Business Park. Over the next several months, the Company will add a formulation laboratory, product development facility and manufacturing plant. Intrinsiq will formulate its high tech "additives" that improve its commercial partners' products, such as nano inks for printed circuit boards and other electronics and anti-viral composite materials for incorporation into countertops, draperies and facemasks. Through Phase I, Intrinsiq will be able to scale up and add vital capacity to meet current commercial demand. The Company moved into temporary space in October 2010 and began its renovations at EBP. Completion of Phase I is anticipated in fall 2011, with Phase II completion projected in 2014.

#### C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$1,200,000 capital grant (\$12,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.

2. The Company will demonstrate no material adverse change in its financial condition prior to disbursement.
3. Trillium International-I will guarantee the grant repayment obligation of Intrinsiq, in the event of an Employment Shortfall or other default, as defined in these materials or the Grant Disbursement Agreement.
4. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after the Company's acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
5. 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.
6. Up to \$1,200,000 will be disbursed to Grantee upon documentation of signed leases for Intrinsiq, Omni and Quintel, and executed purchase orders for these three companies totaling \$3,000,000, assuming that all project approvals have been completed and funds are available. Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after April 13, 2010 to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

Upon completion of \$1,200,000 in Phase I project costs and payments to vendors, expected by September 2011, Intrinsiq will document such costs with invoices and proof of payment, such as cancelled checks or their equivalent, in a form satisfactory to ESD. No additional grants will be presented to the ESD Directors for the Company if the Company fails to provide acceptable documentation.

Should ESD not receive the above-referenced documentation by December 31, 2011, the entire grant will be subject to recapture by ESD.

7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,200,000, 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.

8. 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.

Baseline Employment	0
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A	B
Reporting Date	Employment Goals
February 1, 2012	0
February 1, 2013	0
February 1, 2014	0
February 1, 2015	158*
February 1, 2016	158*
February 1, 2017	158*

\* This level may also be met by the combined employment at Intrinsicq, Omni and Quintel of at least 250 full-time permanent employees at the Project Location.

#### IV. Statutory Basis

1. The proposed 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 158 new jobs.
2. The proposed project would be unlikely to take place in New York State without the requested assistance.  
ESD assistance is needed to fill a financing gap to allow the Company to relocate to Rochester.
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, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$7,533,442;
- Fiscal cost to NYS government is estimated at \$3,600,000;
- Project cost to NYS government per direct job is \$36,406;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$21,365;
- Ratio of project fiscal benefits to costs to NYS government is 2.09:1;
- Fiscal benefits to all governments (state and local) are estimated at \$12,747,783;
- Fiscal cost to all governments is \$3,600,000;
- All government cost per direct job is \$36,406;
- All government cost per total job is \$21,365;
- The fiscal benefit to cost ratio for all governments is 3.54:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$82,008,974, or \$486,698 per job (direct and indirect);
- The economic benefit to cost ratio is 22.78:1;
- Project construction cost is \$2,500,000 which is expected to generate 23 direct job years and 17 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.66 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 4 years.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

4. The requirements of Section 10(g) of the Act are satisfied.  
No residential relocation is required because there are no families or individuals residing on the site.

## VI. Environmental Review

ESDC staff has determined that the project constitutes a Type II 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 the project.

## VII. Affirmative Action

ESD’s Non-Discrimination and Affirmative Action policy will apply. Intrinsic is encouraged to include minorities and women in any job opportunities created by the project and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

## VIII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

## IX. Additional Submissions to Directors

Resolutions  
New York State Map  
Project Finance Memorandum  
Cost-Benefit Analysis

March 23, 2011

Rochester (Monroe County) – Intrinsic Materials Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Intrinsic Materials Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project (the “Project”), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that

1. The proposed 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;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the “Plan”) for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer – Designate of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the President and Chief Executive Officer – Designate of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, President and Chief Executive Officer – Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Intrinsic Materials, Inc. a grant for a total amount not to exceed One Million Two Hundred Thousand Dollars (\$1,200,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer – Designate of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the President and Chief Executive Officer – Designate of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer – Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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