FOR CONSIDERATION
March 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Rochester (Monroe County) – Omni ID 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: Omni ID USA, Inc. ("Omni" or the "Company")

ESD* Investment: A grant of up to $500,000 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 design, R&D and advanced manufacturing facility

ESD Incentive Offer Accepted: April 13, 2010

Project Completion: July 2011

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	0
Current employment level:	3
Minimum employment on January 1, 2015:	24*

* This level may also be met by the combined employment at Intrinsiq, 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
Fax: (585) 383-0042

Anticipated Appropriation Source: Empire State Economic Development Fund

ESD Project No.: X066

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

Financing Uses	Amount
Phase I	
Building Renovations	$500,000
Machinery & Equipment	833,000
Total Project Costs (Phase I)	$1,333,000
Phase II	
Building Renovations	$367,000
Machinery & Equipment	1,083,000
Total Project Costs (Phase II)	$1,450,000
Total Project Costs (Phases I and II)	$2,783,000

Financing Sources	Amount	Percent
Phase I		
ESD-Empire State Economic Development Fund Grant	$500,000	37.5%
Company Equity	833,000	62.5%
Total Project Financing (Phase I)	$1,333,000	100.0%
Phase II		
ESD-Upstate Regional Blueprint Fund Grant*	$1,020,000	70.3%
Company Equity	430,000	29.7%
Total Project Financing (Phase II)	$1,450,000	100.0%
Total Project Financing (Phases I and II)	$2,783,000	

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

III. Project Description

A. Background

Trillium Group, LLC is a privately held Rochester-based venture company. Its affiliate Trillium International-I owns several companies, Intrinsiq Materials, Inc. ("Intrinsiq"), Omni ID USA, Inc., and Quintel USA, Inc. ("Quintel"), located in California's Silicon Valley and abroad. Worldwide, Intrinsiq, 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, a former Eastman Kodak Company manufacturing site, was an ideal location for these three companies and provided synergies with their business growth plans. Intrinsiq'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; any combination of jobs at Intrinsiq, 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.

Using technologies originally developed by U.K.'s Ministry of Defense and commercialized over the last four years, Omni has developed advanced radio frequency identification ("RFID") tags. The RFID tags provide virtual 100% accurate "read levels" when used

on metals and liquids. Applications include placement on computers, electronics equipment and liquid-filled containers to track these assets. The Company has established itself as an industry leader in tracking information technology industry equipment and components. A primary partner in this effort has been IBM. Other partners and customers include Bank of America, Johnson & Johnson, Boeing, and Sun Microsystems/Oracle. Omni is now expanding its product line and moving into other sectors, such as defense/government, manufacturing/industrial, and transportation/logistics. At present, Omni maintains offices located in Farnham, UK, Qingdao, China, and Foster City, California. Omni's Parent Company is Omni-ID Cayman, Ltd., based in the Cayman Islands.

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 all three companies. ESD offered Omni two capital grants, $500,000 from the Empire State Economic Development Fund and $1,020,000 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, Omni agreed to relocate its product development and advanced engineering to Rochester, where it will design and develop its future products. It is expected that this effort will accrue significant benefits in the form of attracting other industry players to the region. Without ESD and local assistance and Empire Zone benefits, Omni would have likely remained in California and the U.K. or sought to relocate elsewhere.

B. The Project

Omni has expanded its product development and advanced engineering offices and is in the process of renovating leased space at Eastman Business Park to create a design, and R&D facility, including an RFID test range. Additionally, Omni will expand its development efforts by establishing a world-class center in advanced RFID research. Phase I work will allow the Company to establish operations, adding computer work stations, prototyping equipment for new product assembly, range test equipment, offline test equipment, and general office and lab equipment. As a result of the project, Omni will be able to scale up and add vital capacity to meet current commercial demand. Omni's presence enhances an innovation economy not only in Rochester, but throughout the Upstate corridor through expected relationships with universities/research institutions. The Company moved into temporary space in October 2010 and began its renovations at EBP. Completion of Phase I is anticipated in summer 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 $500,000 capital grant ($5,000) 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 Omni, 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 $500,000 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 $500,000 in Phase I project costs and payments to vendors, expected by July 2011, Omni 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 $500,000, 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

A	**B**
Reporting Date	Employment Goals
February 1, 2012	0
February 1, 2013	0
February 1, 2014	0
February 1, 2015	24*
February 1, 2016	24*
February 1, 2017	24*

*This level may also be met by the combined employment at Intrinsiq, 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 24 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 $1,294,112;
- Fiscal cost to NYS government is estimated at $1,520,000;
- Project cost to NYS government per direct job is $92,361;
- Project cost to NYS government per job (direct plus indirect) is estimated at $55,733;
- Ratio of project fiscal benefits to costs to NYS government is 0.85:1;
- Fiscal benefits to all governments (state and local) are estimated at $2,190,352;
- Fiscal cost to all governments is $1,520,000;
- All government cost per direct job is $92,361;
- All government cost per total job is $55,733;
- The fiscal benefit to cost ratio for all governments is 1.44:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at $14,157,467, or $519,103 per job (direct and indirect);
- The economic benefit to cost ratio is 9.31:1;
- Project construction cost is $867,000 which is expected to generate 8 direct job years and 6 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 over 7 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. Omni 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) – Omni ID 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 Omni ID 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 Omni ID USA, Inc. a grant for a total amount not to exceed Five Hundred Thousand Dollars ($500,000) 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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Project Summary
Benefit-Cost Evaluation[1]

Omni ID USA, Inc.

Initial Jobs: **0** **Construction Job Years (Direct)**: **8**
New Jobs: **24 over 3 years** **Construction Job Years (Indirect)**: **6**

Evaluation Statistics	Project Result NYS Govt.	NYS Govt. Benchmarks for ESD Projects[2]	Project Results State & Local Governments	State & Local Government Benchmarks for ESD Projects
Fiscal Costs[3]	$1,520,000	$ 794,250	$1,520,000	$ 1,020,500
Fiscal Benefits[4]	$1,294,112	$ 2,085,600	$2,190,352	$ 4,271,980
Fiscal Cost /Direct Job	$92,361	$ 3,000	$92,361	$ 4,110
Fiscal Cost/Total Jobs	$55,733	$ 1,424	$55,733	$ 1,964
Fiscal B/C Ratio	0.85	7.00	1.44	10.60

	Project Results	Benchmarks for ESD Projects
Economic Benefits[5]	$14,157,467	$ 119,468,000
Econ. Benefits/Total Jobs	$519,103	$ 147,600
Economic B/C Ratio	9.31	50.00

1 Dollar values are present value calculated over a 7-year period. Separate evaluations are made and reported for New York State government assistance alone and for State and Local government.

2 The current project evaluation results (both fiscal and economic) are compared to performance measure benchmarks based on results of a sample of ESD non-retail projects.

3 Fiscal cost includes the value of grants, loans and associated default risks, and discretionary subsidies (such as tax exemptions or abatements on sales, property, and interest income).

4 Fiscal benefits are the loan repayments and tax revenues to New York State and Local governments generated by project activity. This includes estimated taxes on personal incomes from project direct and indirect employment, corporate and business incomes, excise and user taxes, property taxes, and other taxes.

5 Economic benefits are estimated project benefits measuring fiscal flows to government plus net resident disposable income from project direct and indirect employment net of transfers, without adjusting for individual income earners' opportunity cost of employment.