

D. Rem-tronics Capital (W171)

March 23, 2011

General Project Plan

Grantee: Rem-tronics, Inc. (“Rem-tronics” or the “Company”)

ESD Investment: A grant of up to \$75,000 to be used for a portion of the cost of real estate and building renovations.

Project Location: 659 Brigham Road, Dunkirk, Chautauqua County

ESD Incentive Offer Accepted: April 9, 2008 (initial offer); June 5, 2009 (revised offer)

Project Completion: March 2011

Number of Employees at Facility:

Initial employment at time of ESD Incentive Offer:	56
Current employment level:	67
Minimum employment on January 1, 2013:	63

Grantee Contact: Matt Karalunas, General Manager
192 Central Avenue
Silvercreek, NY 14136
Phone: (716) 934-2697 ext. 101 Fax: (716) 934-9538

Project Team:

Origination	Robert Iszard
Project Management	Jean Bly
Affirmative Action	Helen Daniels
Environmental	Rachel Shatz

Project Description:

Background

Rem-tronics, established in 1950, is a private contract manufacturer of high-reliability coil winding, micro coils, thermo-set plastic molded components and electronic assemblies including electromagnetic and electromechanical products, and fiber optic assemblies. Company products are ultimately used in a wide variety of aerospace, military, medical and industrial applications including missile systems; satellites; and robotic, biomedical, industrial automation, aircraft, automotive and mining equipment. Rem-tronics’ automated processes ensure repeatable product quality aligned to specific customer requirements. Major customers are Moog (East Aurora, NY); Woodward (Denver, CO), and Harmac Medical (Buffalo, NY).

In early 2008, the Company expanded its expertise with the introduction of Micro-Coil Technology, the introduction of miniature coils (46 gauge to 58 gauge) in a number of configurations including a solid wire core. This technology enabled Rem-tronics to serve the nanotechnology market with the same high-reliability processes applied to its existing

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product lines. However, Rem-Tronics notified ESD that it needed to improve its manufacturing efficiencies to compete with overseas companies and accommodate future growth. As the Company's existing Silver Creek manufacturing operation consisted of an inefficient, three-story 10,000-square-foot building constructed in 1923, the Company was considering relocating its operations to either a one-story vacant facility in Dunkirk, located at 90 Willowbrook Road, or to a new location in Cleveland, OH. The Dunkirk location was at a disadvantage as Company owners lived and operated other companies in or near Cleveland. In April 2008, ESD provided an Incentive Proposal to the Company to relocate operations to Dunkirk. The offer was subsequently revised in July 2009. The Company accepted the \$75,000 incentive to relocate to Dunkirk and retain 56 jobs and create 7 new jobs.

The Project

The project involves the acquisition of a 21,769-square-foot facility in Dunkirk and interior renovations including a conference room, clean room, and HVAC systems. In addition, the Company will acquire and install machinery and equipment including transfer molding presses, vacuum systems, ovens, a generator, and office furniture, which will allow the Company to operate more efficiently and expand operations in order to compete globally. The project is also expected to create 7 full time jobs and retain 56 existing jobs. The Company has already hired 11 new employees, who are currently being trained in anticipation of the March 2011 relocation to the Dunkirk facility.

Financing Uses	Amount	Financing Sources	Amount	Percent
Real Estate Acquisition	\$252,300	ESD Grant	\$75,000	8%
Building Renovations	420,900	City of Dunkirk Grant*	125,000	14%
Machinery & Equipment	204,500	CCIDA Loan**	495,000	55%
Soft Costs	30,000	Company Equity	212,700	23%
Total Project Costs	\$907,700	Total Project Financing	\$907,700	100%

* 3.5%/3yrs/Silent 1st on real estate. Loan reverts to grant if Company maintains operations and employment of not less than 40 FTE employees at the Project Location for 36 months.

** 4%/20yrs/2nd on real estate; reverts to 1st following dismissal of City of Dunkirk mortgage in year 4.

Financial Terms and Conditions:

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$75,000 capital grant (\$750) and 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 will be required to contribute at least 10% of the total project cost in the form of equity contributed after the Company's written acceptance of ESD's offer. Equity is defined as cash injected into the project by the Company or by investors, and

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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.

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 \$75,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$37,500) upon completion of the project substantially as described in these materials, documentation of real estate, building renovations, and machinery and equipment project costs of approximately \$907,700, and documentation of the employment of at least 56 Full-time Permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available;
 - b) a Second Disbursement of an amount equal to 50% of the grant (\$37,500) will be disbursed no sooner than 12 months after the Initial Disbursement and upon documentation of the employment of at least 63 Full-time Permanent Employees at the Project Location (Employment Increment of 7), 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. Expenditures must be incurred on or after July 2, 2009, to be considered eligible project costs. All disbursements must be requested by April 1, 2013.
6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$75,000, 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

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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	56
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A	B
Reporting Date	Employment Goals
February 1, 2012	56+X
February 1, 2013	56+X
February 1, 2014	56+X
February 1, 2015	56+X

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=7, and Employment Goals shall equal [56 + X = 63] 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.

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Environmental Review:

The County of Chautauqua IDA, as lead agency, has completed an environmental review of the proposed project, pursuant to the requirements of the State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project would not have a significant effect on the environment. ESDC staff reviewed the supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

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 56 and create 7 new jobs.
2. The project would be unlikely to take place in New York State without the requested assistance.
The Company considered relocating and expanding its operations to Cleveland, Ohio. ESD’s assistance helped to reduce costs and make the project feasible in New York.
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 fiscal benefits to New York State government are expected to be \$3,277,426, which exceed the cost to the State.
4. The requirements of Section 10(g) of the Act are satisfied.
See cover memo.

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Dunkirk (Chautauqua County) – Rem-tronics Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Rem-tronics Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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