

**C. Allred & Associates Capital (W777)**

October 21, 2010

General Project Plan

**Grantee:** Allred & Associates, Inc. (“Allred” or the “Company”)

**ESD Investment:** A grant of up to \$35,000 to be used for a portion of construction costs associated with a 6,000-square-foot expansion of the Company’s existing facility.

**Project Location:** 321 Route 5 West, Elbridge, Onondaga County

**NYS Empire Zone:** N/A

**ESD Incentive Offer Accepted:** September 24, 2009

**Project Completion:** June 2010

**Number of Employees at Facility:**

Initial employment at time of ESD Incentive Offer:	38
Current employment level:	40
Minimum employment on January 1, 2013:	42

**Grantee Contact:** J.B. Allred, President  
321 Route 5 West  
Elbridge, NY 13060  
Phone: 315-252-2559 Fax: 315-252-0502

**Project Team:**

Origination	James Fayle
Project Management	Meg Paskins
Affirmative Action	Laverne Poole
Environmental	Soo Kang

**Project Description:**

Background

Allred, incorporated in 1995, is an engineering/design, research and development, manufacturing firm. Its business lines and products range from consulting on medical device design to producing machines used to manufacture violins and other specialty products. Currently, its specialty is engineering and custom manufacturing of carbon fiber laminates and composite products which satisfy critical engineered commercial and military applications requiring an extremely high strength-to-weight ratio. The Company has been successful in becoming a sub-contract manufacturer for the US Department of Defense through one of its major customers, Syracuse Research Corporation.

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In 2007, the Company designed and built a new 15,000-square-foot facility and invested in machinery and equipment needed to keep pace with customer demand for its products. ESD assisted Allred with its 2007 expansion with a \$100,000 capital grant approved by the ESD Directors in October 2007. The Company, employing 22 workers before the expansion, projected employment to reach 38 workers by 2010 as a result of the project.

In August 2009, Allred, which had grown its workforce to 38, again approached ESD for financial assistance needed to construct a 6,000-square-foot expansion to its facility. The expansion would allow Allred to maintain its competitive edge by increasing productivity as the result of a larger and more efficient layout of manufacturing operations leading to reduced cycle times. It would also allow for cost savings/containment resulting in competitive pricing necessary to ensure the continuation of existing contracts as well as opportunities for new sales revenue.

The cost for the expansion was estimated at \$650,000- \$700,000 which included the Company's cost for adjacent property needed for the expansion and expenditures associated with the construction of the addition. Allred secured financing from M&T Bank but a small funding gap remained. ESD made an offer of a \$35,000 capital grant to Allred which was accepted in September 2009. The expansion project will result in the retention of 7 of the 38 existing employees in place at the time of the ESD offer. Without the expansion, Allred would ultimately lose its ability to remain competitive resulting in the eventual downsizing of its workforce. The project will also result in the creation of 4 new jobs.

### The Project

The project, completed in June 2010, entailed the construction of a 6,000-square-foot addition onto Allred's existing 15,000-square-foot structure. The addition will be used as warehouse space thereby allowing Allred to increase its manufacturing area. Allred will then be able to produce larger items such as various truss structures and custom engineered carbon fiber ladders it could not do because of space limitations. These larger items coupled with productivity improvements are estimated to result in \$2-\$3 million in additional revenues over the next few years. The facility is owned and leased to the Company by Allred Real Properties, LLC, a related real estate holding company formed by the owners of Allred. Employment is currently at 40.

Financing Uses	Amount	Financing Sources	Amount	Percent
Land	\$150,000	ESD Grant	\$35,000	5%
Construction	538,150	M&T Bank *	471,416	69%
		Company Equity	181,734	26%
<b>Total Project Costs</b>	<b>\$688,150</b>	<b>Total Project Financing</b>	<b>\$688,150</b>	<b>100%</b>

*\* 15-year term/5.05% interest rate (reviewed after 5 years)/secured by real property*

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### **Environmental Review:**

ESD staff has determined that, although the funding of this project by ESD may constitute an “action” as defined by the State Environmental Quality Review Act (“SEQRA”), the project itself has been previously completed. ESD’s action in the funding decision will not alter the adverse environmental impacts, if any, of the project as completed. ESD staff accordingly believes that funding the completed project will not have any significant adverse impacts on the environment.

### **Financial Terms and Conditions:**

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$35,000 capital grant (\$350) 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 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 \$35,000 will be disbursed to the Grantee in two installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$17,500) upon completion of the project substantially as described in these materials and as evidenced by a certificate of occupancy, documentation of \$650,000 in eligible project costs, and documentation of the employment of at least 38 Full-time Permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available;

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b) a Second Disbursement of an amount equal to 50% of the grant (\$17,500) will be disbursed upon documentation of the employment of at least 42 Full-time Permanent Employees at the Project Location (Employment Increment of 4), 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. Expenses must be incurred on or after September 24, 2009 to be considered eligible project costs. Disbursements may occur simultaneously. 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 \$35,000, 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	38
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A	B
Reporting Date	Employment Goals
February 1, 2012	38+X
February 1, 2013	38+X
February 1, 2014	38+X
February 1, 2015	38+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=4, and Employment Goals shall equal [38 + X = 42] 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.

**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 38, including retention of 7 of the existing 38 jobs that were at risk of future elimination if the Company did not maintain and improve its competitiveness in markets served. In addition, the Company will create 4 new jobs.
2. The project would be unlikely to take place in New York State without the requested assistance.  
ESD assistance is needed to fill a financing gap.
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 \$237,280, 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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Elbridge (Onondaga County) – Allred Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Determination of No Significant Effect on the Environment

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RESOLVED, that based on the material submitted to the Directors with respect to the Allred 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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