

FOR CONSIDERATION

June 15, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Buffalo (Erie County) – Snyder Transportation Capital – Urban and Community Development Program (Capital Loan)

REQUEST FOR: Findings and Determinations Pursuant to Sections 5(4), 16-d and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions

General Project Plan

I. Project Summary

Borrower: Snyder Transportation, LLC

ESD* Investment: A loan of up to \$500,000, pending passage of the New York State budget, to be used for the acquisition of new fleet paratransit vehicles.

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

Project Location: 401 East Amherst Street, Buffalo, Erie County

NYS Empire Zone
(or equivalent): Buffalo Empire Zone

Proposed Project: The acquisition of First Call Transportation assets; the acquisition of new fleet vehicles; the acquisition and installation of new furniture, fixtures and equipment; and related soft costs.

ESD Incentive Offer Accepted: December 4, 2009

Project Completion: Asset Acquisition: September 2009
Furniture, Fixtures & Equipment and New Vehicles: December 2010

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer: 80*
Current employment level: 80*
Minimum employment on January 1, 2013: 95

*Employees of First Call Transportation to be retained by Snyder Corporation, LLC.

Security: Sole lien on vehicles acquired from First Call Transportation.

Borrower Contact: Mr. Paul L. Snyder, III, CEO
6 Fountain Plaza
Buffalo, NY 14202
Phone: 716-332-4214
Fax: 716-332-4202

Anticipated
Appropriation
Source:

Urban and Community Development Program

ESD Project No.: W916

Project Team:	Origination	Ray Witzleben/Christina Orsi
	Project Management	Jean Bly
	Legal	Lawrence Gerson
	Finance	Ross Freeman
	Environmental	Soo Kang
	Affirmative Action	Helen Daniels

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Asset Acquisition	\$ 800,000
New Vehicle Fleet Acquisition	1,000,000
Furniture, Fixtures & Equipment	100,000
Soft Costs	<u>100,000</u>
Total Project Costs	<u>\$2,000,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Loan	\$ 500,000	25%	**
Erie County IDA Loan	500,000	25%	4%/5yrs/1 st of new set of vehicles
Five Star Bank Loan	500,000	25%	3.75%/5yrs/1 st on acquired First Call assets.
Company Equity	<u>500,000</u>	<u>25%</u>	
Total Project Financing	<u>\$2,000,000</u>	<u>100%</u>	

** 3% interest rate (increasing to P+2% for any year in which baseline employment goals are not met)/5-year term/first lien on approximately 8-12 newly acquired vehicles. Fully amortizing, sixty (60) monthly principal and interest payments beginning after disbursement of the loan.

III. Project Description

A. Background

Snyder Transportation, LLC (“Snyder” or the “Company”) was established in 2009 by Snyder Corp., for the purpose of acquiring the assets of First Call Transportation (“First Call”) which was ceasing operations. First Call, also known as Transportation Solutions and Southtowns Wheelchair Van Service, is a paratransit company that transports the physically and mentally challenged to and from work, residences, medical appointments, school and other venues. More than 1,000 clients are transported within the Greater Buffalo Niagara area in First Call’s fleet of approximately 80 vans, mid-size coaches and wheelchair accessible vehicles. Snyder Transportation and Snyder Corp are privately-owned entities with common ownership, Paul Snyder II and Paul Snyder III, who also have common ownership of PLS III, LLC d/b/a We Care Transportation, a local paratransit company and competitor of First Call.

First Call provides fixed route and demand response transportation services. Fixed routes transport mentally and physically disabled adults to and from group homes and family residences to adult day programs run by a variety of agencies including People Inc., Autistic Services, Opportunities Unlimited and Niagara Cerebral Palsy. These routes require both a driver and a monitor to control client(s) behavior. The demand response routes involve transportation of wheelchair-bound clients to medical appointments, dialysis clinics, hospital outpatient services and family visits. The Company also provides discharge services from hospitals, nursing homes and rehabilitation centers. A majority of service payment is provided by government and social service agencies.

The paratransit transportation industry has grown steadily both locally and nationally and is positioned for continued growth with the largest segment of the U.S. population, the “Baby Boomers,” entering retirement age. According to the 2004 United States Census, it is projected that the over-65 age group will increase 45% in the next 25 years. In 2009, Snyder notified ESD that it had identified an opportunity to expand operations by acquiring its competitor, First Call. However, the Company lacked the financial resources to complete the acquisition. Snyder therefore sought assistance and accepted ESD’s November 18, 2009 incentive offer of a \$500,000 loan as inducement to acquire First Call. As a result of this grant, the Company will retain 80 jobs in the Buffalo Empire Zone and create 15 new jobs by January 1, 2013. Without ESD assistance, First

Call would have likely been acquired by an out-of-state company or closed completely.

Directors have been provided with a confidential finance memo for this project.

B. The Project

The project involves the purchase of the key assets of First Call including existing seventy-four paratransit vehicles, office furniture and equipment, inventory, leasehold improvements to leased property and transportation contracts; the acquisition of a new fleet of up to twenty paratransit vehicles, new furniture fixtures and equipment and soft costs required to maintain and expand operations. The project will be financed by Company equity and a bridge loan from Five-Star Bank, which will be satisfied upon disbursement of the ESD and Erie County Industrial Development Agency loans. Snyder acquired the assets in September 2009; and will complete the acquisition of the furniture, fixtures, and equipment and new vehicle fleet by December 2010.

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 \$3,300,971;
- Fiscal cost to NYS government is estimated at \$500,000;
- Project cost to NYS government per direct job is \$5,983;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$4,918;
- Ratio of project fiscal benefits to costs to NYS government is 6.60:1;
- Fiscal benefits to all governments (state and local) are estimated at \$5,340,407;
- Fiscal cost to all governments is \$500,000;
- All government cost per direct job is \$5,983;
- All government cost per total job is \$4,918;
- The fiscal benefit to cost ratio for all governments is 10.68:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$28,442,526, or \$279,780 per job (direct and indirect);
- The economic benefit to cost ratio is 56.89:1;
- There is no construction activity related to this project;
- For every permanent direct job generated by this project, an additional 0.22 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 1 year.

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

C. Financial Terms and Conditions

1. The Company shall pay a 1% commitment fee (\$5,000) at the time of closing. In addition, at the time of closing, the Company will 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 closing.
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 loan 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. 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.

6. In consideration for the making of the Loan, Borrower will achieve the Employment Goals set forth in column B of the table below. If the number (for the preceding calendar year) of Borrower’s Full-time Permanent Employees, as defined above, as of each reporting date set forth in column B of the table below, is less than eighty-five percent (85% of the Employment Goal set forth in column B), ESD reserves the right to raise the interest rate on the loan to prime plus 2% at its discretion. The Borrower’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	80
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A	B
Reporting Date	Employment Goals
February 1, 2011	80
February 1, 2012	80
February 1, 2013	95
February 1, 2014	95
February 1, 2015	95

7. ESD is not obligated to disburse on any vehicle until it is completed and ready for transfer to the Borrower. Furthermore, ESD will not release the funds until the Borrower has completed the acquisition of First Call Transportation as substantially described in these

materials as evidenced by a copy of the deed of sale; and provide documentation of the employment of at least 80 Full-time permanent employees at the Project Location, and verification of participation of other financing sources, assuming that all project approvals have been completed and funds are available. Project expenditures incurred prior to the acquisition of First Call Transportation will not be reimbursed by ESD.

8. ESD will take a first lien on approximately eight to twelve new fleet vehicles to be acquired. Total debt not to exceed 100% of documented cost.
9. The term of the loan is up to five years, not to exceed the useful life of the Collateral. The Loan becomes immediately due and payable if Borrower closes Project Location.
10. Corporate Guarantees are required from any entity or commonly controlled entities together owning 50% or more of the Borrower, including Snyder Corporation and First Call Transportation.
11. Personal Guarantees are required from any individual or family members together owning 20% or more of the Borrower, including Paul L. Snyder II and Paul L. Snyder, III.
12. The Company will submit to ESD annual audited financial statements and quarterly internal financial statements certified by an officer of the Company.
13. The Company may not make any distributions/dividends in an amount in excess of federal, state, and local income taxes payable by the members of the Company at statutory tax rates during the term of the loan without ESD's prior written approval.

IV. Statutory Basis

This project is authorized under Sections 5(4) and 16-d of the New York State Urban Development Corporation Act (the "Act") and satisfies the eligibility criteria for an urban and community development assistance grant as set forth in the Act and the rules and regulations for the Urban and Community Development Program. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

ESD 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.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Snyder Transportation LLC 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.

VII. 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.

VIII. Additional Submissions to Directors

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

Buffalo (Erie County) – Snyder Transportation Capital – Urban and Community Development Program (Capital Loan) – Findings and Determinations Pursuant to Sections 5(4), 16-d and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Loan and to Take Related Actions

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 Upstate Empire State Development Corporation (the “Corporation”), relating to the Snyder Transportation Capital – Urban and Community Development Program (Capital Loan) Project (the “Project”), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the “Act”), that 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 Chairman and Chief Executive Officer 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 Chairman and Chief Executive Officer 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, that the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Snyder Transportation, LLC a loan for a total amount not to exceed Five Hundred Thousand Dollars (\$500,000) from the Urban and Community Development Program, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer 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 Chairman and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the loan, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan or collateral securing the loan as he or she may deem necessary or appropriate in the administration of the loan; 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 Chairman and Chief Executive Officer 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.

