

FOR CONSIDERATION

June 15, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Geneseo (Livingston County) – Coast Professional Capital – JOBS Now Program – Capital Grant

REQUEST FOR: Findings and Determinations Pursuant to Section 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: Coast Professional, Inc.

ESD* Investment: A grant of up to \$200,000, pending passage of the New York State budget, to be used for a portion of the cost of building construction and the 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: 4273 Volunteer Road, Geneseo, Livingston County

NYS Empire Zone
(or equivalent): Livingston County Empire Zone

Proposed Project: Construction and equipping of a 4,100-square-foot call center to accommodate business growth.

ESD Incentive Offer Accepted: June 8, 2008

Project Completion: December 2009

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	0
Current employment level:	28
Minimum employment on January 1, 2012:	100

Grantee Contact: Roxanne Baker, Vice President of Operations
4273 Volunteer Road
Geneseo, NY 14454
Phone: (585) 991-5200
Fax: (585) 991-5222

Anticipated
Appropriation
Source: JOBS Now Program

ESD Project No.: W221

Project Team:	Origination	Helen Blum
	Project Management	Edward Muszynski
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Land Acquisition	\$325,000
Building Construction	859,786
Furniture	55,000
Equipment	371,664
Soft Costs	<u>100,948</u>

Total Project Costs \$1,712,398

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$200,000	11.7%	
OCR- Grant	540,000	31.5%	
Steuben Trust Company	754,000	44.0%	Prime/10 years/1 st on RE
Company Equity	<u>218,398</u>	<u>12.8%</u>	

Total Project Financing \$1,712,398 100.0%

III. Project Description

A. Background

Founded in California in 1976, Coast Professional, Inc. (“Coast” or the “Company”) manages student loan accounts receivables. In addition to its office in Anaheim, CA, it has a location in West Monroe, LA (headquarters) and its newest office in Livingston County, NY. Coast is 100% focused on education receivables management, setting it apart from all but three others in the student debt collection industry. Its main three competitors are Williams and Fudge, Account Control Technology, and Conserve. The Company’s mission is to preserve the integrity of educational institutions before, during and after the collection process. It helps increase the profitability of its clients by assisting its borrowers in the resolution of their obligations in a customer-friendly manner. In difficult economic times, the debt collection industry has grown to over 144,000 individuals and over \$12 million in annual revenues.

In 2008, due to increased business the Company sought to create a new call center somewhere in the U.S., as their work is not location sensitive. It considered expanding at its California or Louisiana locations or a site in Western New York. The Company’s management identified a site in Livingston County’s Empire Zone on which to construct a facility. On June 5, 2008, ESD offered a capital grant of \$200,000 and New York State’s Office of Community Renewal (“OCR”) offered a grant of \$540,000 to the Town of Geneseo on behalf of Coast. The Company accepted the offer on June 8, 2008. Without these incentives, the project would likely have gone to Coast’s location in Louisiana or California, each of which had room for expansion.

B. The Project

The Company completed land acquisition and construction of a 4,100-square-foot call center. It installed needed computer equipment, furnishings and fixtures. The Company currently has 28 employees. As a result of the project, the company has an entirely new presence in Livingston County, and its business in New York has increased substantially.

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 \$2,197,014;
- Fiscal cost to NYS government is estimated at \$200,000;
- Project cost to NYS government per direct job is \$2,922;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$2,245;
- Ratio of project fiscal benefits to costs to NYS government is 10.99:1;
- Fiscal benefits to all governments (state and local) are estimated at \$3,704,098;
- Fiscal cost to all governments is \$200,000;
- All government cost per direct job is \$2,922;
- All government cost per total job is \$2,245;
- The fiscal benefit to cost ratio for all governments is 18.52:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$19,103,407, or \$214,458 per job (direct and indirect);
- The economic benefit to cost ratio is 95.52:1;
- Project construction cost is \$960,734 which is expected to generate 9 direct job years and 7 indirect job years of employment;

- For every permanent direct job generated by this project, an additional 0.30 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 commitment fee of 1% of the \$200,000 capital grant (\$2,000) upon execution of the grant disbursement agreement. In addition, at the time of disbursement, the Company will 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 or the Company's shareholders 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 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 \$200,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$100,000) upon documentation of real estate acquisition, construction, machinery and equipment, and soft project costs totaling \$1,700,000, and documentation of the employment of at least 15 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 25% of the grant (\$50,000) will be disbursed upon documentation of the employment of at least 58 Full-time Permanent Employees at the Project Location (Employment Increment of 43), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$50,000) will be disbursed upon documentation of the employment of at least 100 Full-time Permanent Employees at the Project Location (Employment Increment of 42), 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 June 8, 2008 to be considered eligible project costs. All disbursements must be requested by January 1, 2012.

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

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.

Reporting Date	Employment Goals
February 1, 2011	X+Y+Z
February 1, 2012	X+Y+Z
February 1, 2013	X+Y+Z
February 1, 2014	X+Y+Z

X = Grantee's Employment Increment that will be the basis of the First Disbursement of the Grant as described in section C.5 above (i.e. X=15, and Employment Goals shall equal $[0 + X = 15]$ if the First Disbursement is made, in the year such disbursement is made and for each year thereafter). If the First Disbursement has not yet been made then X=0.

Y = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. Y=43, and Employment Goals shall equal $[0 + X + Y = 58]$ 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 Y=0.

Z = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e. Z=42, and Employment Goals shall equal $[0 + X + Y + Z] = 100$) if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Z=0.

IV. Statutory Basis

The project meets the statutory requirement of a JOBS Now 100 Project because the Company will create at least 100 new full-time permanent private sector jobs. No residential relocation is required as there are no families or individuals residing on the site.

V. Environmental Review

The Town of Geneseo Planning Board, 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. ESD staff reviewed the supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Coast 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

Resolutions
New York State Map
Cost-Benefit Analysis

Geneseo (Livingston County) – Coast Professional Capital – JOBS Now Program – Capital Grant – Findings and Determinations Pursuant to Section 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant 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 Corporation, relating to the Coast Professional Capital – JOBS Now Program – Capital Grant 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, the Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Coast Professional, Inc. a grant for a total amount not to exceed Two Hundred Thousand Dollars (\$200,000) from the JOBS Now 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 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 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.

June 15, 2010

Geneseo (Livingston County) – Coast Professional Capital – JOBS Now Program –
Capital Grant – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Coast Professional Capital – JOBS Now Program – Capital Grant Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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