

FOR CONSIDERATION

June 15, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Newark (Wayne County) – Legendary Auto Interiors 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; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: Legendary Auto Interiors, Ltd.

ESD* Investment: A grant of up to \$165,000, pending passage of the New York State budget, to be used for a portion of the cost of construction, renovations 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: 121-122 Westshore Boulevard, Newark, Wayne County

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

Proposed Project: Construct a new 20,000-square-foot facility, renovate an existing building and invest in new machinery and equipment in order to meet increased demand.

ESD Incentive Offer Accepted: November 10, 2008

Project Completion: November 2009

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	60
Current employment level:	64
Minimum employment on January 1, 2013:	78

Grantee Contact: Martin J. Beckenbach, President
121 Westshore Bouelvard
Newark, New York 14513
Phone: (315) 331-0903 x215
Fax: (315) 331-5619

Anticipated
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: U671

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>
New Building Construction	\$982,789
Building Renovation	140,822
Fixtures & Misc.	78,650
Soft Costs	145,247
Site Work & Utilities	453,063
Equipment	<u>201,582</u>

Total Project Costs \$2,002,153

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$165,000	8.2%	
Lyons National Bank-Loan (with SBA Guarantee)	1,235,294	61.7%	5.75%/20 yrs/1 st lien on RE
Wayne County IDA-Loan	297,000	14.8%	4.0 %/5 yrs/ 2 nd lien on RE
Company Equity	<u>304,859</u>	<u>15.3%</u>	
Total Project Financing	<u>\$2,002,153</u>	<u>100.0%</u>	

III. Project Description

A. Background

Legendary Auto Interiors, Ltd. (“Legendary” or the “Company”) was founded in 1985 by Martin Beckenbach, an upholstery craftsman and muscle car enthusiast. He decided to manufacture auto interiors to match the original interiors of 1960s, 1970s and 1980s Chrysler Corporation cars. This included original seat upholstery, door panels and various other products known as “soft trim.” Legendary’s reputation spread, and the Company became the leader in its industry, serving both the retail and wholesale markets. In the 1990s, the Company expanded beyond Chrysler products into classic General Motors (Buick) and American Motors (AMX/Javelin) specialized interiors. It later added products for interiors of various Oldsmobile models (such as the 442 and Cutlass), for Chevrolet (Malibu and El Camino), and for Pontiac (GTO and Lemans). Legendary has aggressively targeted an increasing wholesale market, adding new dealers. The Company now offers over 23,000 interior and exterior soft trim components in the car restoration marketplace, an industry which is estimated at \$2 billion per year. Major competitors include Parts Unlimited, based in Louisville, KY, and Distinctive Automotive Interiors, based in Huntington Beach, CA.

The Company’s rapid growth has necessitated its need for more space. In 2008, Legendary approached ESD regarding the need to expand. On October 24, 2008, ESD offered a \$165,000 capital grant, which the Company accepted on November 10, 2008. The Company also considered expanding in North Carolina, Ohio or Pennsylvania, where the cost of doing business is less. Without ESD’s assistance, Empire Zone benefits, and a loan from the Wayne County Industrial Development Agency (“IDA”), the entire company could have gone to another state. Instead, Legendary will remain and expand its unique business in New York, retaining 60 at-risk jobs and creating 18 new jobs by 2013.

B. The Project

The Company completed construction of a 20,000-square-foot steel and concrete building for its production and warehousing facility with supporting offices. It also renovated the existing adjacent 10,000 block-and-concrete building for production. Equipment purchased includes an order picker, two-ply cradle roll feeders, vacuum forming machine, two sewing machines, digital press, computer numerical controlled milling machine, and two display vehicles. As a result of the project, the Company was able to more than double its manufacturing and warehouse space.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$165,000 capital grant (\$1,650) 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 \$165,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$82,500) upon documentation of real estate/machinery and equipment project costs totaling \$1,792,126, submission of a Certificate of Occupancy, and documentation of the employment of at least 60 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 (\$41,250) will be disbursed upon documentation of the employment of at least 69 Full-time Permanent Employees at the Project Location (Employment Increment of 9), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$41,250) will be disbursed upon documentation of the employment of at least 78 Full-time Permanent Employees at the Project Location (Employment Increment of 9), 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 November 10, 2008 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 \$165,000, 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.

Baseline Employment	60
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A	B
Reporting Date	Employment Goals
February 1, 2011	$60+X+Y$
February 1, 2012	$60+X+Y$
February 1, 2013	$60+X+Y$
February 1, 2014	$60+X+Y$
February 1, 2015	$60+X+Y$

X = 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. X=9, and Employment Goals shall equal $[60 + X = 69]$ 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.

Y = 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. Y=9, and Employment Goals shall equal $[60 + X + Y = 78]$ 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 Y=0.

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 maintain its employment level of 60 jobs, which were at risk of relocation to another state. In addition, the Company will create 18 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.

The Company considered relocating its operations to North Carolina, Ohio or Pennsylvania. 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, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$2,489,217;
- Fiscal cost to NYS government is estimated at \$200,535;
- Project cost to NYS government per direct job is \$3,032;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$1,606;
- Ratio of project fiscal benefits to costs to NYS government is 12.41:1;
- Fiscal benefits to all governments (state and local) are estimated at \$4,181,277;
- Fiscal cost to all governments is \$442,600;
- All government cost per direct job is \$6,691;
- All government cost per total job is \$3,545;
- The fiscal benefit to cost ratio for all governments is 9.45:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$18,478,000, or \$147,994 per job (direct and indirect);
- The economic benefit to cost ratio is 41.75:1;
- Project construction cost is \$1,645,000 which is expected to generate 16 direct job years and 11 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.89 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.)

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

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.

VII. Affirmative Action

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

June 15, 2010

Newark (Wayne County) – Legendary Auto Interiors 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

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 Legendary Auto Interiors 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 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 Legendary Auto Interiors, Ltd. a grant for a total amount not to exceed One Hundred Sixty-Five Thousand Dollars (\$165,000) 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 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.

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June 15, 2010

Newark (Wayne County) – Legendary Auto Interiors 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
Legendary Auto Interiors 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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