

FOR CONSIDERATION

March 26, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Liverpool (Onondaga County) – GIS Information Systems Working Capital  
– Empire State Economic Development Fund – General Development  
Financing (Working Capital Loan)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the  
Act; Authorization to Make a Loan and to Take Related Actions

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I. Project Summary

Borrower: GIS Information Systems, Inc. d/b/a Polaris Library Systems (“GIS” or  
the “Company”)

ESD\* Investment: A loan of up to \$1,000,000 to be used for a portion of Company acquisition  
costs.

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

Project Location: 103 Commerce Boulevard, Suite A, Liverpool, Onondaga County

NYS Empire Zone  
(or equivalent): N/A

Proposed Project: The purchase of the Company by PLS Solutions, Inc., a six member  
management buy-out and investment team.

ESD Incentive Offer Accepted: December 10, 2009

Project Completion: December 2009

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer: 63  
Current employment level: 68  
Minimum employment on January 1, 2013: 72

Effect of Loan on

Project Financing: The loan will provide permanent financing for a six-year term at an annual interest rate of 4% for the first three years and 3% for the last three years.

Security: Co-equal second lien on all Company assets with Croydon, Inc., the seller, only until such time as Croydon, Inc. has received full payment on its \$4 million loan. Sole first lien on all Company assets once Croydon, Inc. and M&T Bank loans are satisfied.

Borrower Contact: William Schickling, President  
103 Commerce Boulevard,, Suite A  
Liverpool, NY 13088  
Phone: 315-634-4580  
Fax: 315-457-5883

Anticipated  
Appropriation  
Source:

Empire State Economic Development Fund

ESD Project No.: W945

Project Team: Origination James Fayle  
Project Management Meg Paskins  
Legal Lawrence Gerson  
Finance Ross Freeman  
Affirmative Action Helen Daniels  
Environmental Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Acquisition	\$11,500,000
Total Project Costs	<u>\$11,500,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Loan	\$1,000,000	9%	*%/6 yrs/co-equal second security interest on all business assets
M&T Bank	2,700,000	23%	3.875%/5 yrs/first security interest on all business assets
M&T Bank	1,800,000	16%	6.295%/5 yrs/ first security interest on all business assets
Croydon, Inc.	4,000,000	35%	**/co-equal second security interest on all business assets
PLS Solutions, Inc. ***	<u>2,000,000</u>	<u>17%</u>	
Total Project Financing	<u>\$11,500,000</u>	<u>100%</u>	

\* 4% interest rate for the first three years; 3% for the remaining three years.

\*\* Company requested interest rate and term be omitted due to confidentiality issues.

\*\*\* Six member management buy-out and investment team.

### III. Project Description

#### A. Background

GIS Information Systems, Inc. d/b/a Polaris Library Systems ("GIS" or the Company") develops, supports and sells library automation solutions for public libraries in the US and Canada. It operates in 16,200 square feet of leased space in Liverpool, Onondaga County and has 63 employees. GIS also employs 15 staff working from home offices in North Carolina, Ohio, Pennsylvania, South Carolina, Utah, Tennessee, Texas and Hawaii.

The Company's primary product offering is the Polaris Integrated Library System ("ILS"), an enterprise-wide software system that enables a library to acquire, catalog, and circulate items, as well as serves as an interface for patrons to locate library materials. The ILS is compatible with products from more than 30 companies which provides a comprehensive solution for library automation needs. GIS also provides training and consulting services, and offers a variety of proprietary and third party hardware, software and subscription based products. These ancillary products and services are sold both in the ILS contract at the point of sale, as well as on an ongoing basis to existing customers through an inside sales department. The Company has 320 customer contracts serving a total of 1,600 library locations.

During 2009, the Croydon Company ("Croydon"), a private investment firm in New York City which owned GIS, made the decision to sell the Company. A six member management buy-out and investment team, PLS Solutions, Inc. ("PLS"), was formed to buy GIS. One of the

Company's competitors, headquartered in Israel with US operations in Boston and Chicago, was also interested in purchasing GIS. If successful, the Liverpool operation would be relocated to one of the competitor's US locations and 63 jobs would be lost.

Factoring in a management incentive of \$1 million, the acquisition would cost \$11.5 million and PLS secured \$8.5 million in financing from M&T Bank ("M&T") and Croydon. PLS would also be injecting \$2 million in equity which left a \$1 million funding gap. Management approached ESD for assistance with its bid to purchase GIS and ESD responded with an offer of a \$1 million working capital loan in December 2009. The project will result in the retention of the 63 jobs in place at the time of the ESD offer. In addition, the project will result in the creation of 9 new jobs.

#### B. The Project

The ESD loan is part of the financing related to the acquisition of GIS. The sale to PLS took place in December 2009 and assured the continuation of the Company in Central New York. The growth strategy for the Company includes continuing to focus marketing, sales support and development efforts on the Polaris ILS product and investigating new sales opportunities in the community college and corporate library markets. Management projects sales to increase by 10% year over year. Employment has reached 68.

#### C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 2% of the \$1,000,000 loan (\$20,000 total fee), half of which shall be rebated at 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 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 Borrower 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 Borrower'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 the Borrower to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on the Borrower'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 the Borrower 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 \$1,000,000, 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	63
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A	B
Reporting Date	Employment Goals
February 1, 2011	63
February 1, 2012	63
February 1, 2013	72
February 1, 2014	72
February 1, 2015	72

7. The ESD loan will be disbursed following completion of the project substantially as described in these materials, documentation of \$11.5 million in acquisition costs, documentation of the employment of at least 63 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.
8. Personal joint and general guarantees from the Management Team, James Carrick, and Andrew Gorelik.
9. ESD will take a co-equal second security interest on all Company assets with Croydon only until such time as Croydon receives full payment on its \$4 million loan. ESD will take a sole first lien on all Company assets once Croydon and M&T loans are satisfied.
10. The Company will submit to ESD annual audited financial statements and quarterly internal financial statements certified by an officer of the Company.

#### 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 63, including retention of all 63 existing jobs in place at the time of the ESD offer. These jobs were at risk of elimination if GIS had been bought by one of its competitors. In addition, the Company will create 9 new jobs.

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

Without ESD assistance to fill a financing gap in the financial package needed to acquire GIS, the Company might have been acquired by a competitor whose intent was to move the Liverpool operation out of state.

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 \$3,466,419;
- Fiscal cost to NYS government is estimated at \$1,000,000;
- Project cost to NYS government per direct job is \$22,989;
- Project cost to NYS government per job (direct plus indirect ) is estimated at \$14,286;
- Ratio of project fiscal benefits to costs to NYS government is 3.47:1;
- Fiscal benefits to all governments (state and local) are estimated at \$5,329,638;
- Fiscal cost to all governments is \$1,000,000;
- All government cost per direct job is \$22,989;
- All government cost per total job is \$14,286;
- The fiscal benefit to cost ratio for all governments is 5.33:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$29,105,563, or \$415,795 per job (direct and indirect);
- The economic benefit to cost ratio is 29.11:1;
- There is no construction activity related to this project;
- For every permanent direct job generated by this project, an additional 0.61 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 3 years.

( 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.

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. GIS Information Systems, Inc. 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

March 26, 2010

Liverpool (Onondaga County) – GIS Information Systems Working Capital – Empire State Economic Development Fund – General Development Financing (Working Capital Loan) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Make a Loan and to Take Related Actions

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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 GIS Information Systems Working Capital – Empire State Economic Development Fund – General Development Financing (Working Capital Loan) 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 Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to GIS Information Systems, Inc. d/b/a Polaris Library Systems a loan for a total amount not to exceed One Million Dollars (\$1,000,000) 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-Designate 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-Designate 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-Designate 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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