

FOR CONSIDERATION

October 20, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Brockport, NY (Finger Lakes Region - Monroe County), Campbell, NY (Southern Tier Region - Steuben County) Tyrone, NY (Southern Tier Region - Schuyler County) – Certified Safety Products Working Capital – Small Business and Minority-Owned and Women-Owned Business Enterprises Transportation Capital Assistance and Guaranteed Loan Program – Empire State Development/New York State Department of Transportation – Government Contractor Loan Program

REQUEST FOR: Authorization to Make a Loan and to Take Related Actions

I. Project Summary

Borrower: Certified Safety Products, Inc.

ESD* Investment: A loan of up to \$75,687 for working capital to be used for expenses associated with three subcontracts (the “Subcontracts”) from Crane Hogan Structural Systems, Cold Spring Construction, and Vector Construction Corp., (the “Prime Contractors”) under New York State Department of Transportation (“NYSDOT”) Contracts D261576 , D261346, and D261754 (the “Prime Contracts”).

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

Project Locations: Route 19, Brockport, Monroe County
I-86, Campbell, Steuben County
Route 226, Tyrone, Schuyler County

Proposed Project: The Borrower has been awarded three Subcontracts to manufacture and install permanent traffic signs in the Finger Lakes and Southern Tier Regions. Program loan funding will help offset working capital expenses associated with the projects.

ESD Incentive Offer Accepted: September 26, 2011

Project Completion: December 2012

Security: The Subcontract proceeds pursuant to collateral assignments in favor of ESD with respect to the Prime Contract and consents by NYSDOT and the Prime Contractor to such assignment and to the direct payment to ESD by the Prime Contractor of all amounts due Subcontractor pursuant to the Subcontract. Prime Contractors' addresses are: Crane Hogan Structural Systems, 3001 Brockport Road, Spencerport, NY 14559-2105; Cold Spring Construction, 250 County Route 115, Lindley, NY 14858-9656; and Vector Construction Corp., 6364 Island Rd., Cicero, NY 13039-9375.

Borrower Contact: Christine Joyce
807 State Road 417
Andover, NY 14806
Phone: (607) 478-8467
Fax: (607) 478-8120

Anticipated
Appropriation
Source: NYSDOT Sub-Allocation

ESD Project No.: X463

Project Team:	Origination	Ron Novita
	Project Management	Destiny Burns
	Legal	Antovk Pidedjian
	Affirmative Action	Helen Daniels
	Finance	Jonevan Hornsby
	Environmental	Soo Kang

Regional Council: The Regional Councils have been made aware of this item.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Working Capital	<u>\$227,061</u>
Total Project Costs	<u>\$227,061</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Loan	\$75,687	33%	Prime*/14 months/1st on Contracts
NYSDOT Contract	<u>\$151,374</u>	<u>67%</u>	
Total Project Financing	<u>\$227,061</u>	<u>100%</u>	

* Prime rate to be set at closing

III. Project Description

A. Background

The ESD/NYSDOT Government Contractor Loan – Small Business and Minority-Owned and Woman-Owned Business Enterprises Transportation Capital Assistance and Guaranteed Loan Program (the “Program”) was established in 1993 pursuant to Section 134, Chapter 56 of the Laws of 1993 and set forth in Section 38 of the New York State Urban Development Corporation Act.

ESD entered into an agreement dated February 16, 1994 (the “Agreement”), with NYSDOT to implement the direct loan component of the Program. Pursuant to the Agreement, NYSDOT refers to ESD contractors with a NYSDOT contract(s) or sub-contract(s) who have achieved a satisfactory score on the scoring model established under the Agreement. NYSDOT, working with the Small Business Development Centers, prepares a package of information for each applicant and submits it to ESD along with copies of the applicant’s NYSDOT contract(s) or sub-contract(s) (subcontracts are accompanied by copies of the prime contract(s) with NYSDOT).

The ultimate purpose of the Program is to provide contract-specific financing to qualifying small contractors that will successfully complete their contracts and thereby establish credibility and creditworthiness with private funding sources for future capital requirements. Programmatic policy also states that preference should be given to applicant firms that currently do not qualify for bank business credit under normal guidelines. Consideration may also be given to firms that have received or currently benefit from existing credit facilities, but that do not qualify for additional credit to be able to finance the NYSDOT contact award.

Certified Safety Products, Inc., the Borrower, is a subcontractor of the Prime Contractors under Prime Contracts with NYSDOT.

Certified Safety Products, Inc., is a New York State certified Minority and Woman-owned Business Enterprise (“MWBE”) located in Andover, NY. The Borrower secured three Subcontracts to

manufacture and install permanent traffic signs from Prime Contractors, Crane Hogan Structural Systems, Cold Spring Construction and Vector Construction Corp. under Prime Contracts with NYSDOT. Without this loan, the Borrower would not be able to complete the Subcontracts.

B. The Project

The proceeds of the loan will be used by the Borrower for working capital requirements for the Borrower's work pursuant to the Subcontracts. Specifically the Borrower will manufacture and install temporary and permanent traffic signs. Together the Subcontracts are valued at \$187,181. The work began August 2011 and is expected to be completed in December 2012.

C. Financial Terms and Conditions

1. The Borrower will demonstrate no material adverse change in its financial condition prior to closing.
2. The Borrower or the Borrower'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 Borrower financial statements or Borrower accounts, if so requested by ESD.
3. Personal Guaranty by Christine Joyce.
4. Disbursement Terms: 100% of the loan (\$75,687) shall be disbursed at the closing upon assignment of the Subcontracts, evidence of commencement of work as defined, and such other documentation as ESD may require.
5. Repayment will be fully amortized in 14-monthly installments; the first installment is due 30-days after ESD loan closing. The Prime Contractor will pay directly to ESD all of the assigned Subcontract proceeds, ESD will promptly apply the proceeds to the payment of the accumulated installments, interest and other amounts then due and owing to ESD from the Borrower, and ESD shall promptly forward to the Borrower all proceeds in excess of such amounts.
6. Collateral: First assignment in favor of ESDC of the proceeds of the Borrower's Subcontracts with the Prime Contractors on NYSDOT Contracts and the consents of NYSDOT and the Prime Contractors with respect to the said assignment and the direct payment to ESDC by the Prime Contractors of all Subcontract payments and Borrower's irrevocable instruction to the Prime Contractors regarding payment to ESDC of Subcontract payments.

IV. Statutory Basis

The project is undertaken in compliance with New York State Urban Development Corporation Act Section 38.

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. The Company 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 Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply since the project will not directly create or retain jobs.

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
Project Finance Memorandum

October 20, 2011

Brockport (Finger Lakes Region - Monroe County), Campbell (Southern Tier Region - Steuben County) and Tyrone (Southern Tier Region - Schuyler County) – Certified Safety Products Working Capital – Small Business and Minority-Owned and Woman-Owned Business Enterprises Transportation Capital Assistance and Guaranteed Loan Program – Empire State Development/New York State Department of Transportation Government Contractor Loan Program Project Authorization to Make a Loan 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 Certified Safety Products, Inc. Working Capital – Small Business and Minority – and Woman-Owned Business Enterprises Transportation Capital Assistance and Guaranteed Loan Program – Empire State Development/New York State Department of Transportation – Government Contractor Loan Program Project (the “Project”), the Corporation is hereby authorized to make to Certified Safety Products, Inc. a loan for a total principal amount not to exceed Seventy-Five Thousand Six Hundred Eighty-Seven Dollars (\$75,687) from the New York State Department of Transportation Sub-Allocation, 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 President 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 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 (3) availability of funds from the New York State Department of Transportation Sub-Allocation; and be it further

RESOLVED, that the President 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.

* * *