

FOR CONSIDERATION

September 19, 2013

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Rochester (Finger Lakes Region – Monroe County) – Quintel USA URB Capital – Upstate Regional Blueprint Fund – Business Investment (Convertible Loan)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-q 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: Quintel USA, Inc. (“Quintel” or the “Company”)

UESD* Investment: A loan of up to \$1,500,000 to be used for a portion of the cost of machinery and equipment.

* The Upstate Empire State Development Corporation (the “Corporation”), a subsidiary of the New York State Urban Development Corporation doing business as Empire State Development (“ESD”)

Project Location: 1200 Ridgeway Avenue, Suite 132, Rochester, Monroe County (to include any other future locations at Eastman Business Park)

Proposed Project: Purchase of machinery and equipment for Quintel’s engineering facility at Eastman Business Park.

Project Type: New business location involving job creation.

Regional Council: The Finger Lakes Regional Council (the “Council”) has been made aware of this item and fully supports the project. The Incentive Offer was accepted in April 2010 predating the Regional Council Initiative. The project is consistent with the Regional Plan’s goal to support advanced technology and manufacturing.

Furthermore, the project is located at the Eastman Business Park, the development of which is the Council's highest priority project.

Employment: Initial employment at time of ESD Incentive Offer: 0
 Current employment level: 20 FTE*
 Minimum employment on anniversary of loan closing in 2016: 68**

* Full-time equivalent employees

** This level may also be met by the combined employment at Quintel USA, Inc., Intrinsic Materials, Inc., and Omni ID USA, Inc. of at least 250 full-time permanent employees at the Project Location (Eastman Business Park).

Loan Financing: The loan will provide permanent financing for a four-year term at an annual interest rate of 3%, convertible to a grant over that term if required job levels are maintained.

Security: First lien on M&E

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>		
Machinery & Equipment	<u>\$3,000,000</u>		
Total Project Costs	<u>\$3,000,000</u>		
<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD – Loan***	\$1,500,000	50%	3%/4 years/1 st on M&E
Company Equity	<u>1,500,000</u>	<u>50%</u>	
Total Project Financing	<u>\$3,000,000</u>	<u>100%</u>	

***First tranche of a \$2,580,000 Upstate Regional Blueprint Fund loan.

III. Project Description

A. Borrower

Industry: Wireless network antenna development and manufacturing.

Company History: Quintel is a privately held wireless network antenna development and manufacturing company. The Company's core technologies originated in the U.K. Ministry of Defense and have been commercialized over the last seven years. Quintel currently has over 140 patents. Its technology enables multiple wireless carriers to consolidate infrastructure and share a single antenna while

maintaining independent control to optimize quality of service (“QoS”). Alternatively, a single operator can engage multiple services (e.g. 3G, 4G, and other platforms) concurrently on a single antenna while separately optimizing QoS. The Company has the only antenna that can increase a wireless network’s capacity and number of services without increasing the number of antennas, which is critical in metropolitan areas where there are limited towers.

- Ownership:** 100% owned by Quintel Cayman, Ltd. Quintel Cayman, Ltd. is 100% owned by Trillium International-I GP LLC, a private equity firm.
- Size:** Quintel also has offices in Milton Keynes, UK, and Mountain View, California, and an Asia business development office in Mumbai, India.
- Market:** Principal customers in the US are AT&T Mobility, Verizon Wireless and Sprint. Markets in the EU and Asia are under development, with early sales to Indus Towers and American Tower Corporation in India. The US market alone uses about 300,000 new antennas per year. Major competitors include CommScope, Kathrein and Amphenol.
- ESD Involvement:** In 2010, Quintel and its two sister companies, Intrinsic Materials, Inc. (“Intrinsic”) and Omni ID USA, Inc. (“Omni”) approached ESD and Greater Rochester Enterprise, a regional economic development organization, for assistance to close a funding gap associated with facility renovations and the purchase of equipment to relocate aspects of all three companies to New York. ESD offered Quintel a capital grant of \$1,300,000 from the Empire State Economic Development Fund and a \$2,580,000 loan from the Upstate Regional Blueprint Fund, each targeted to separate stages of the company’s operations and growth. The Company accepted the initial offer in April 2010, and a modified offer in September 2012.
- Competition:** Without ESD and local assistance and Empire Zone benefits, Quintel would have likely remained in the U.K. or sought to relocate elsewhere. When the incentives were offered, Quintel was in the process of evaluating both its Mountain View, CA and its U.K. offices for use as its long-term headquarters. Although Quintel continues to maintain a design center in Mountain View, the ESD funds were instrumental in the construction of its state-of-the-art R&D and operations center in Rochester. Corporate headquarters and the bulk of the Company’s employees are now located in at the Eastman Business Park.

Past ESD Support: Quintel is Empire Zone certified, but has not yet drawn benefits.

In the past 5 years, funding to Quintel is summarized as follows:

Program	Project #	Amount	Date Start (ESD Directors' Approval date)	Date End (Project Completion: Contract Expiration or Job Requirement)	Purpose
Empire State Economic Development Fund	X067	\$1,300,000	March 2011	November 2012	Capital Grant – Renovations and machinery and equipment

B. The Project

Completion: September 2013 (reached threshold for loan closing)

Activity: The Company has added software and hardware for advanced antenna design, prototyping equipment for new product assembly, and development and test equipment, which has allowed it to expand its product offerings. Among the items acquired are a “nearfield range” (an indoor chamber simulating actual outdoor antenna conditions), test equipment, fixtures, power and hand tools, and workbenches for its development laboratory. The Company also purchased individual and lab computers, servers and software, including sophisticated simulation software used in antenna development. The project began in February 2011 and will be completed by December 2013.

Results: As a result of the project, the Company has been able to ramp up capacity to meet current commercial demand and deploy its antennas around the globe. Quintel’s presence enhances the innovation economy not only in Rochester but throughout the Upstate New York corridor through expected relationships with universities, research institutions and suppliers. The Company will create 68 new jobs, of which 20 full-time equivalent jobs have already been created. In addition to the Quintel employees, the Company is directly responsible for the creation of approximately 25 jobs at a manufacturing partner in neighboring Newark, NY, a number which is expected to grow as Quintel expands.

Business

Investment Project: Benefit-Costs Evaluations are used in evaluating projects that are categorized as Business Investment, Infrastructure Investment, and Economic Growth Investment and that involve 1) job retention and/or creation and/or 2) construction-related activity. For Business Investment projects, benefits typically reflect the impact of both jobs and construction-related activity. For Infrastructure Investment and Economic Growth Investment projects, which generate long-term benefits not captured in the period of analysis and may involve no permanent job commitments, the estimated benefits typically reflect

only construction-related activity.

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 \$6,048,054;
- Fiscal cost to NYS government is estimated at \$3,880,000;
- Project cost to NYS government per direct job is \$94,866;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$19,647;
- Ratio of project fiscal benefits to costs to NYS government is 1.56:1;
- Fiscal benefits to all governments (state and local) are estimated at \$10,162,867;
- Fiscal cost to all governments is \$3,880,000;
- All government cost per direct job is \$94,866;
- All government cost per total job is \$19,647;
- The fiscal benefit to cost ratio for all governments is 2.62:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$57,682,916, or \$292,086 per job (direct and indirect);
- The economic benefit to cost ratio is 14.87:1;
- Project construction cost is \$2,000,000, which is expected to generate 18 direct job years and 14 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 3.86 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is one year.

The benefit cost results are based on the total ESD assistance for Phases I and II of the project.

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

Borrower Contact: John W. Semion, VP, CFO & Chief Counsel
1928 Old Middlefield Way, Suite B
Mountain View, CA 94043
Phone: (650) 353-4250

ESD Project No.: W975

Project Team:	Origination	Merideth Andreucci
	Project Management	Edward Muszynski
	Legal	Stephen Gawlik
	Contractor & Supplier Diversity	Vikas Gera
	Finance	Ross Freeman
	Environmental	Soo Kang

C. Financial Terms and Conditions

1. The Borrower shall pay a commitment fee of 1% of the \$1,500,000 loan (\$15,000). In addition, at the time of closing, the Borrower will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Borrower will demonstrate no materially adverse changes in its financial condition prior to closing.
3. The Borrower will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after ESD's announcement of the project. Equity is defined as cash injected into the project by the Company or by investors, and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
4. Up to \$1,500,000 will be disbursed to the Borrower upon documentation verifying machinery and equipment project expenditures of \$2,588,000, assuming that all project approvals have been completed and funds are available. Expenses reimbursed by ESD's loan must be incurred on or after February 1, 2011. Disbursement of the loan must be requested by April 1, 2014.
5. 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 Borrower to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on 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 Borrower to other employees with comparable rank and duties.
6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,500,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Borrower 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. Rate/Term: 3% interest rate over 4 years (forty-eight months). Loan becomes immediately due and payable if Borrower sells or closes the Project Location or otherwise relocates from Eastman Business Park. Borrower shall be permitted to expand into any additional space at the Eastman Business Park campus.
8. Repayment Term: Interest accrued over the forty-eight (48) month term shall not be due until maturity (end of the 48th month), with outstanding principal due in full in the 48th month, subject to any incremental reductions in principal based upon Borrower's achievement of Job Commitments and Loan Compliance (See Conversion Terms below).
9. Conversion Terms: The loan principal may be subject to incremental reductions of 25% annually over the four-year term of the loan for each respective year of the loan. Upon timely submission by Borrower of an annual Principal Reduction Request Form verifying Job Commitments and Loan Compliance as approved by ESD, the principal balance of the loan shall be reduced for such year by \$375,000. Each such approved reduction shall be deemed a prepayment of the Borrower's Promissory Note to ESD pursuant to the terms contained therein. If during the term of the loan, Job Commitments and/or Loan Compliance are not submitted and approved for any particular year, principal reduction will not occur for that year and the corresponding amount of principal, when added to any other unconverted principal, shall remain payable upon maturity. (See Job Commitments below.)

Job Commitments:

Baseline Employment	0
Reporting Date	Employment Goals
Anniversary Date of Loan Closing 2014	0*
Anniversary Date of Loan Closing 2015	0*
Anniversary Date of Loan Closing 2016	68*
Anniversary Date of Loan Closing 2017	68*
Anniversary Date of Loan Closing 2018	68*
Anniversary Date of Loan Closing 2019	68*

*This level may also be met by the combined employment at Intrinsic, Omni and Quintel USA of at least 250 full-time permanent employees at the Project Location.

10. The Borrower will submit to ESD annual reviewed financial statements and quarterly internal financial statements certified by an officer of the Borrower.
11. Financial Disclosure: Updated financial disclosure on Borrower acceptable to ESD must be provided prior to closing.
12. Lien/Collateral: First lien on machinery and equipment. The loan shall be collateralized by

Company assets sufficient to maintain a loan-to-value ratio of 0.7

13. Due Diligence: Appraisals, engineering and environmental reviews acceptable to ESD must be provided prior to closing, if applicable.

IV. Statutory Basis

This project is authorized under Section 16-q of the New York State Urban Development Corporation Act (the "Act") and satisfies the eligibility criteria in the Act and the rules and regulations for the Upstate Regional Blueprint Fund 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. Non-Discrimination and Contractor & Supplier Diversity

Pursuant to New York State Executive Law Article 15-A, ESD recognizes its obligation under the law to promote opportunities for maximum feasible participation of certified minority- and women-owned businesses (MWBs) in the performance of ESD projects. For purposes of this project, however, goals will not be established due to the unavailability of certified MWBs for performance of this contract.

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
Project Finance Memorandum
Benefit-Cost Analysis

September 19, 2013

Rochester (Finger Lakes Region – Monroe County) – Quintel USA URB Capital – Upstate Regional Blueprint Fund – Business Investment (Convertible Loan) – Findings and Determinations Pursuant to Sections 16-q 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 Corporation, relating to the Quintel USA URB Capital 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 is a feasible method for 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 President 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 President 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 President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Quintel USA, Inc. a loan for a total amount not to exceed One Million Five Hundred Thousand Dollars (\$1,500,000) from the Upstate Regional Blueprint 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 President and Chief Executive Officer 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 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 President and Chief Executive Officer 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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