New York Business Development Corporation
The 504 Company

Access to Capital for Small Business

ANNUAL REPORT 2014

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NYBDC relies on the financial support of its member banks and the New York State Common Retirement Fund to support its operations. In FY 2014, 118 banks and the Common Retirement Fund provided lines of credit totaling $166 million, which supplemented our equity and significantly expanded our capacity to meet the needs of small businesses. The support of our member banks and shareholders (both separately listed in this Annual Report) makes NYBDC unique and facilitates the accomplishment of our mission.
Almost six decades ago, New York’s banks recognized the need for an additional resource to provide capital for small businesses so they could create jobs and opportunity in communities across New York State. They joined together with other public-minded companies interested in providing a resource for small businesses and created New York Business Development Corporation (NYBDC). Our enabling statute set the framework for a unique organization and also established our core mission: to create opportunity and promote prosperity by supporting the capital needs of small businesses to start, sustain and grow operations. From the beginning, NYBDC has been a bank crafted and funded alternative to address financing needs not filled by the commercial loan products available in the market. The work of NYBDC as an alternate lender is not separate or independent of its member banks, but instead represents our members’ commitment to serve small business – both directly through their own product offerings and indirectly through their support of NYBDC and its affiliates.

We have remained true to our mission and continue as the unique organization that we were intended to be. One of the aspects of our organization that makes us very different is the fact that we enjoy the financial support of 118 member banks and the New York State Common Retirement Fund, all of which provide for our working capital needs through lines of credit. Our stock in trade remains loans to start-up and early-stage businesses, loan structures with high leverage and loans to struggling businesses or to those in challenged industries. We supplement rather than duplicate the small business lending programs made available by our member banks.

As our organization has evolved it has assumed leadership roles in SBA lending and other special purpose loan programs consistent with our mission. The formation of The 504 Company (also known as Empire State Certified Development Corporation) facilitated our participation in the SBA 504 Loan Program, which provides 90 percent financing for fixed-asset projects to allow businesses to retain the working capital necessary to create jobs. In the past year, The 504 Company role has expanded considerably to support all manner of small business lending with smaller dollar loans ($250,000 or less) through the SBA Community Advantage Loan Program and New York State’s Capital Access Program.

We continue to evolve to find and fill the gaps by providing mobilization capital for minority- or women-owned businesses through New York State’s Bridge to Success Program, facilitating the financing of energy-saving solutions for small businesses in cooperation with the New York State Energy Research and Development Authority and by continuing our work with the City of New York to provide assistance to businesses impacted by Hurricane Sandy, just to name a few. We look forward to expanded opportunities to address the needs of underserved businesses through continuing to focus on finding and filling the gaps with creative, responsive and prudent programs.

All that said, we saw a significant dollar decrease in both loan approvals and fundings in FY 2014 as conventional solutions available in the market addressed a broader array of the needs of small businesses seeking larger dollar loans. However, we saw a slight increase in the overall number of loans processed as we saw a notable increase in demand for smaller dollar loans.

We also experienced a record volume of loan prepayments in FY 2014 on the heels of very high prepayment activity in FY 2013. In most cases, the prepayments were part of a larger conventional financing offered by a lending partner. We regard such prepayments as an affirmation of our mission as it reflects that a small business has evolved from one with limited financing options to one where conventional lenders seek its business in a competitive market.

Despite the decline in the dollar amount of funded loans and the brisk prepayment activity, we had a record year for earnings driven by careful funds management, substantially increased revenue at The 504 Company from Community Advantage

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Loan activity and good success at holding the line on operating expenses.

The past year was characterized by numerous highlights and accomplishments, including the following:

• Net interest income increased 7.6 percent to $6.7 million.
• The NYBDC Foundation (supported by donations from NYBDC and The 504 Company) awarded gifts or grants to 154 not-for-profit organizations.
• Fee and other income increased two percent to $11.8 million.
• The 504 Company continued a national leadership role in both the SBA 504 and Community Advantage Loan Programs.
• Income before provision for income taxes increased 8.8 percent to $3.9 million.
• Our managed portfolio is $1.3 billion.
• Loans to minority- or women-owned businesses represent 35 percent of our portfolio.

Strong financial performance year after year has helped us build a balance sheet to support expansive and creative loan programs, and we are intent on doing just that in the years to come.

NYBDC and The 504 Company supported the establishment of The Excelsior Growth Fund (Excelsior), which was designated as a Community Development Financial Institution (CDFI) by the United States Department of the Treasury. Excelsior will target its operations toward small businesses in low- and moderate-income communities in New York State, which are underserved by conventional lenders. As we write this, we are working on exciting programs at Excelsior to use technology to increase the ease and speed of obtaining loans by creditworthy businesses, to provide technical assistance programs and to supply specialized financial counseling for businesses poised for acceleration. Excelsior represents a significant opportunity to complement and expand our work as an alternate lender with smaller dollar loans offered to businesses outside of our traditional SBA loan programs. These loans will be offered to businesses in cases where use of SBA loan products is either impractical due to loan size or inappropriate for eligibility reasons not related to creditworthiness.

During FY 2014, NYBDC opened an office in Binghamton, New York to better serve the Southern Tier and the lending partners in the region. Additionally, we expanded our Albany office to accommodate our increased staffing.

Last year, The 504 Company opened an office in Philadelphia, Pennsylvania as it expanded its area of operations to include the Commonwealth of Pennsylvania. During FY 2014, we increased our presence in Pennsylvania by adding an office in Pittsburgh and expanded our area of operations to include the State of New Jersey and opened an office in Newark, New Jersey. This expansion will not only increase access to SBA 504 loans in Pennsylvania and New Jersey, but will also support an increase in staffing to process, underwrite and service loan activity generated as a result of these expansions and allow us to enjoy greater economies of scale, which translates into expanded opportunities to promote economic development in our area of operations. We are very optimistic that the synergies of a three-state operation will not only facilitate greater service to our lending partners who maintain a multi-state presence, but will also provide opportunities for expanding our role in economic development as we move towards having a greater impact as a financial services provider.

In closing, thanks to our outstanding staff. Each year new records of service and financial performance are established due to their commitment and dedication to our mission and the mutual support, guidance and encouragement they provide to each other. We have grown our staff to 84 from 41 only 10 years ago. Despite this growth and the geographic separation of our offices, our terrific staff continues to work as a strong team focused on providing solutions to fill the gaps.
When Paul Common lost his job as an equity researcher for Merrill Lynch, he capitalized on his decade-long passion. An amateur wine collector, Common opened a retail wine shop.

He read everything he could about the industry, then enlisted the help of Pace University’s Small Business Development Center to fine-tune his business plan. He drained his bank accounts of $185,000 to open Uncorked Wine Co., the retail wine shop he envisioned. But his investment covered only half of what he needed to gut, rehab and stock the tiny storefront he planned to lease in New York City’s Greenwich Village.

Staff at Pace’s SBDC referred Common to NYBDC, which approved a $185,000 loan for Uncorked Wine Co. for furniture, fixtures, equipment, inventory and working capital.

“NYBDC was the only lender that came through,” Common said.

Steve Willard, NYBDC senior vice president, said he was impressed by Common’s extensive knowledge of wines, solid business plan and the shop’s unique model. Uncorked employs technology by which customers can taste wines for free, removing the uncertainty from their purchasing decisions. It’s a critical selling tool because the average cost of a bottle of wine at Uncorked is $25, compared with a national average of $8 per bottle, Common said.

The wine shop’s $50,000 technology allows for up to 40 opened bottles of wine at a time. Argon gas in 10 separate wine stations depressurizes the bottles after they are uncorked. This gives the wine two-months’ longevity, rather than the typical life span of two days.

“This ‘try before you buy’ option turned out to be quite a hit with the store’s growing clientele, and the equipment serves to both control the sample sizes and reduce waste typically associated with opened, unfinished bottles for tastings,” Willard said.

Common said the technology addresses the biggest challenge he faced as a wine lover: his frustration at receiving bad advice – or no advice at all – from wine sellers.

“You can test-drive a car, try on a pair of jeans or even taste a piece of cheese before you buy. Why not test-drive your wine?” he said.

It also provides an edge over the half dozen other wine shops in the neighborhood. Revenue at Uncorked Wine increased 25 percent annually since the shop opened in 2012. Sales in 2014 are expected to top $650,000. Common, the shop’s only full-time employee, said he needs to reach $1 million in sales a year to earn a living and support his family.

Nationwide, one-half of all wine sales occur in the last two months of the year, when people are buying for gifts or home consumption, said Common, so the key is bolstering interest during those off-times. Common is working to boost participation in the store’s Wine of the Month Club, currently five percent of all revenue. He counts on foot traffic for the bulk of sales.

“No question this would not have been possible without NYBDC’s loan. The start-up costs were too high,” Common said.
Steve Willard of NYBDC and Paul Common of Uncorked Wine Co.
Andrea and Leslie Bloome have a lot invested in sound. Their company, Alchemy Post Sound, produces sounds called “Foley” for film and television.

Foley, one of five sound elements heard in all feature films, TV shows, commercials and video games, is a highly detailed sound effect specific to an actor’s movements, such as footsteps, the rustle of clothing or the crinkling of paper. Foley sounds are added to the film or TV soundtrack in the post-production process.

The husband-and-wife team had been operating a successful post-production music recording studio since 2002. As demand for Foley sounds grew in the entertainment industry, the couple saw an opportunity to perform more of the highly specialized work. They opened a small Foley sound stage (named for director Jack Foley, who wanted to hear the sounds of actors’ footsteps as they entered or left the stage) just outside Peekskill in Westchester County in 2010, and their reputation quickly gained a foothold in the New York sound community. When they decided to expand, they could not find a bank willing to lend them money.

“It was a new business model, and we were considered to be high risk. We tried to find traditional lenders, but they weren’t interested,” said Andrea Bloome. She is the company’s chief operations officer and a former online marketing specialist for such notables as Sports Illustrated, Getty Images and Bank of America. Leslie, Alchemy Post Sound’s CEO, is a 21-year Foley artist with more than 250 feature-length film and television credits.

That’s when NYBDC stepped up.

“The business was successful and quickly grew out of its space,” said Tamara Underwood, NYBDC vice president. “It was also turning down big opportunities because of its basement set-up, making it difficult to market to the likes of such big names as HBO.”

NYBDC partnered with The 504 Company, to make a $350,000 loan available to convert 3,500 square feet of a former warehouse in Peekskill into a soundproof studio, buy and equip two sound booths and live music-recording space, and provide working capital.

“It was a great process. They were flexible in terms of our construction budget, and allowed us to move money to accommodate costs,” Andrea Bloome said.

Bloome says NYBDC’s impact on Alchemy Post Sound extended far beyond the loan. Underwood and others were instrumental in connecting the couple with private bankers and other influential members of the community who can partner with the company as it continues to grow.

“They put us in touch with people who might provide resources for us in the future,” Andrea Bloome said.

Alchemy Post Sound opened in its new space in November 2013 and expects to increase revenue four-fold in the next two years. Since expanding, the company attracts work from as far away as Europe and Israel. The larger space also allows the Bloomes to expand the music recording side of their business. The company employs three people and plans to add two more positions.
Tamara Underwood of NYBDC and Andrea Bloome and Leslie Bloome of Alchemy Post Sound.
When Hurricane Sandy barreled up the East Coast in 2012, its devastation left K. Sidrane Inc. in Freeport under four feet of water and Neil Sidrane contemplating the future of the second-generation label-printing and packaging company. One painful lesson from the storm was certain: The business could not continue to operate in the flood zone.

Over the years, Sidrane, the Long Island company’s owner and president, had considered moving the 66-year-old manufacturing business into larger space. But he never felt enough pressure to make it happen. “Other times, it would have been nice. This time was different,” Sidrane said. “This time, I needed to make it work.”

The 504 Company and K. Sidrane’s longtime banking partner, Bank of America, collaborated on a $4.25 million loan that allowed the manufacturer to buy and equip a new location near its storm-damaged property, but outside the flood zone. The 22,000-square-foot building, just 15 years old, also has room to expand.

“It’s beautiful,” Sidrane said. The new location needed gutting and a total rehab after years of being occupied by a sheet metal manufacturer, but the result was worth the investment. “When you walk in you say, ‘Wow, this is where I want to do business.’ ”

Sidrane said the move would not have been possible without the loan through the 504 program. His company was required to contribute only 10 percent, or $425,000, of the project, rather than the 20 percent required by conventional lenders. It also was able lock in interest rates on a 20-year term.

“No question the loan was absolutely helpful. And they were nice people,” Sidrane said. And despite a 20 percent sales dip between 2012 and 2013 that was created when the business lost equipment and had to close temporarily after the storm, “our bank obviously had enough faith in us to make the loan.”

Bank of America recognized the manufacturer’s unfortunate situation as a growth opportunity.

“We were proud to partner with The 504 Company to provide a comprehensive financing package, including funds for renovations and new equipment,” said Warren D. Krug, senior credit solutions specialist, Bank of America. “The move to a larger and more efficient building in the aftermath of Superstorm Sandy has positioned K. Sidrane well for future growth.”

The new facility opened February 14, 2014. Year-over-year revenue is expected to jump 50 percent at the close of one full year in the new facility. K. Sidrane currently employs between 40 and 50 people, depending on production demand, and the increased volume is expected to add up to 12 new jobs.

Rob Root, vice president with The 504 Company, says K. Sidrane’s long, successful history and solid management team made the company a good risk.

“The low equity requirement allowed the company to preserve capital needed to reinvest in the company to rebuild and support its projected growth. In the aftermath of Superstorm Sandy, the second-generation company has positioned itself well for the future,” Root said.

K. Sidrane Inc. was started by Neil’s father in an apartment in New York City on a press that the elder Sidrane built from scratch. It has evolved into a full-service manufacturer of self-adhesive labels and medical device packaging.
Grady Laird first started selling bottles of his cold-brewed coffee concentrate to co-workers at GQ Magazine in 2009, when he was working as a production editor there. Laird and two friends, Dave Sands and Kyle Buckley, started making the coffee concentrate in Laird’s apartment kitchen in Brooklyn, and as business grew they brought on friends and family as investors.

Sales were steadily increasing, and in early 2012 while searching Craigslist, Laird found Grady’s Cold Brew a new home in a 6,000-square-foot brewery, in space sandwiched between Brooklyn’s fast-growing Williamsburg and Greenpoint neighborhoods. At the time, the space was adequate for production because Grady’s was only beginning to find its way to the shelves of a few local grocery stores. Grady’s Cold Brew is sold in 16- and 32-ounce bottles that must be refrigerated. The concentrate is added to water, regular milk, soy milk or other beverages to make iced coffee.

By the summer of 2013, expansion came to a halt. More than two dozen Whole Foods outlets from New York City to Maine, as well as Fairway and Fresh Direct, were selling the New Orleans-style coffee concentrate in their grocery stores, and Grady’s production had reached capacity.

“We were on a sales freeze because we knew we couldn’t make enough product,” Laird said. The small group of the company’s initial investors had decided early on that they would not take on additional investors because it would mean giving up equity in the business, and private lenders would not take on the risks associated with their startup.

About a year earlier, the owners considered a loan through NYBDC, but quickly determined they were not ready to take on such a large financial burden. “We weren’t confident enough yet to take on a loan,” Laird said.

After gaining a foothold in the coffee market, Grady’s Cold Brew was ready. The business received a $415,000 loan from NYBDC through its NYC Food & Beverage Manufacturers Growth Fund for machinery, equipment, site upgrades and other expenses. This NYBDC loan program is supported by loans from the New York City Economic Development Corp. and Goldman Sachs’ Urban Investment Group. The Food & Beverage Manufacturers Growth Fund will provide up to $10 million to support NYBDC’s provision of affordable growth financing for the small, food-manufacturing sector that is a critical piece of New York City’s economy. Loan amounts range from $50,000 to $750,000.

The growth fund loan allowed Grady’s to increase capacity (production could increase 10-fold this year), maintain working capital and launch a new product. Grady’s has hired a handful of new sales people, bringing its total employees to 12. Laird expects to hire as many as 10 new employees as demand for the company’s new product grows. The new product, brew-it-yourself, cold-brew grounds called Grady’s Cold Brew Bean Bags, debuted in late March.

Laird says NYBDC provided Grady’s with more than money. The application process required a business plan – something the owners had never developed.

“The loan turned out to be an incredibly good thing for more than one reason,” Laird said. “It forced us to put together a profile that gave us a nice, solid business foundation.”
Paul Halayko, Charles Benedetti and Christopher Basso of Newburgh Brewing; Antonio Vinciguerra of JP Morgan Chase Bank; and Cedric Carter of NYBDC

Dave Hanold of NYBDC and Dave Sands, Grady Laird and Kyle Buckley of Grady's Cold Brew.
Buffalo Boss

Buffalo Boss cranked out more than 73 tons of organic chicken wings in 2013. The casual restaurant, with 32 employees at three locations in Brooklyn, is poised to top $1.8 million in revenue in 2014 and open its fourth location.

It was a much different story in 2010, when Jamar White and Ron Lee were looking for money to open their first location, a 400-square-foot storefront on Fulton Street in northern Brooklyn. The fledgling entrepreneurs had been rejected by traditional lenders, and so they maxed-out their credit cards and brought on friends and family (including White’s cousin, rapper and music producer Jay-Z) as investors.

Buffalo Boss was a hit from the start. Customers loved the all-natural, hormone-free chicken wings, and business grew at rapid-fire pace. The restaurant on Fulton Street turned a profit in its 13th month.

“When we started building up a fan base and seeing high-volume sales, we realized this wings concept had ‘legs.’ We also knew that a single, small store doesn’t pay the rent,” White said.

White and Lee began plans for a second location, this one on Jay Street in Brooklyn. On the advice of a friend, whose Blue Marble Ice Cream in Brooklyn received a loan through NYBDC in 2011, the two men pursued a similar loan program through NYBDC’s affiliate, The 504 Company. Immediately, The 504 Company’s Christina Lopez saw the partners’ passion and enthusiasm for building their brand, as well as their 16-hour-a-day dedication to the enterprise.

“Buffalo Boss is an example of a company that knows its customer. Both primary owners are personally committed to the company’s success and are involved in day-to-day operations and decision making,” said Lopez, assistant vice president, The 504 Company.

The $243,600 loan that White and Lee received in 2012 through the SBA Community Advantage Loan Program helped fund the opening of the partners’ Buffalo Boss on Jay Street. “If we hadn’t received the loan, it would have been much more difficult to proceed. It probably would have taken us at least a year and a half longer to pull things together,” Lee said.

Proceeds from the loan also helped pay off a high-interest loan that the partners took out to cover fees when they opened a Buffalo Boss concession at Brooklyn’s Barclays Center earlier that year. Those concession rights established Buffalo Boss’ wings as the official chicken wings of the Brooklyn Nets.

Now, the partners are working with NYBDC to close on a 7(a) loan that will help finance a fourth location. It will be in Manhattan – the first Buffalo Boss outside Brooklyn – and will create another 20 jobs. Their model includes a five-year plan to open 10 more Buffalo Boss restaurants.

“We want to continue to promote our brand in the five (New York City) boroughs, then push nationwide,” Lee said.

White and Lee take great pride in the jobs that their restaurants create, especially for a population of individuals that have difficulty finding employment. They work with local rehabilitation programs and halfway houses to train previously incarcerated people and recovering individuals to work in their establishments.

“At the end of day, these types of business loans are so important to small businesses like ours. They create new opportunities and jobs, and help grow the economy as well,” White said. “We really believe in investing in a community that is investing in us.”
Jamar White of Buffalo Boss, Christina Lopez of NYBDC, and Ron Lee of Buffalo Boss.
Most small businesses start with a spark of creativity and enthusiasm, or as Sheila Dowhy referred to it as “a moment of insanity.” Both Mark and Sheila Dowhy were well established in their respective professions in the health care industry when they decided to pursue a dream of opening a bed and breakfast.

“We were always the entertainers of our group of friends and family. Mark loves to cook and I am a bit compulsive about cleaning,” said Sheila. “We didn’t want to open a restaurant, but there was something about the idea of cooking breakfast and being a host that really appealed to both of us.”

The Great Tree Inn, an 1820s farmhouse and barn in Mayville, New York, at the northern tip of Lake Chautauqua, includes seven en suite rooms in a bucolic 10-acre setting adjacent to the famous Chautauqua Institution, a community founded in 1874 that encourages intellectual exploration and enrichment through a unique slate of fine and performing arts, lectures, interfaith worship, programs and recreational activities throughout the year.

The Great Tree Inn met the qualifications on the Dowhys’ business checklist. The owner was looking to retire, seven rooms made the inn economically sustainable and it was located in close proximity to their day jobs. The next step was financing.

The Dowhys didn’t hear back from the first local bank that they approached, but Adam Desmond at First Niagara saw the potential of the project and brought in NYBDC to partner on the $650,000 loan to help the Dowhys purchase the property and assets.

“It can be an intimidating process for new business owners to go through the analysis that the financing process requires, but Mark and Sheila had everything in order and had done their research,” said Desmond. “We weren’t just looking at the pedigree and the possibility of The Great Tree Inn, we were looking at Mark and Sheila. People like them are the best reason to make this type of investment.”

“NYBDC partners with local banks to help support financing in what would be considered risky investments,” said Michael Taylor, senior vice president of NYBDC. “The hospitality industry is tough for a number of reasons, but The Great Tree Inn has a lot of merits, especially the dedication and professionalism that the Dowhys brought to the table.”

The Dowhys have enjoyed great success as the proprietors of The Great Tree Inn. They exceeded their first-year expectations and are now exploring ideas to market to new audiences, such as special wine and dine packages and reaching out to birding and hiking clubs.

“This is fulfilling and rewarding,” said Mark, who has since stepped away from his previous career. “It’s great to meet all different types of people and see them take a breath and relax. We love to see the nice compliments on TripAdvisor and have return visitors. That’s why we are doing this.”
Michael Taylor of NYBDC and Mark Dowhy and Sheila Dowhy of The Great Tree Inn.
The first of Shmaltz Brewing Co.’s He’Brew Beer and Coney Island Craft Lager lines rolled off the company’s own assembly lines in July 2013. It was the first time that the nationally recognized craft beer maker had brewed its own labels since its owner, Jeremy Cowan, started the company in 1996.

Cowan credits a $3.5 million loan through The 504 Company for making it happen. Until his microbrewery in Clifton Park, a suburb in Upstate New York’s Saratoga County, began operations, the beer maker had been contracting out all of its brewing and packaging. The new microbrewery created 11 full-time and five part-time positions and is preparing to add four new full-timers.

The 504 Company partnered with Ballston Spa National Bank to issue the $3.5 million in funding that Cowan used to buy equipment and fit-up the leased property. The benefits of the 504 program: a longer-term loan, lower interest rate and less money down.

“I guarantee you that this would not have happened without the SBA’s 504 program. I approached private lenders, but could not have gotten the ratios that allowed us to do this project,” said Cowan, who in years past grew Shmaltz using small personal loans, credit cards and, eventually, a line of credit. Cowan, of New York City, created Shmaltz Brewing Co. with $2,000 of his personal savings and contracted with a private company to brew and label his He’Brew and Coney Island Craft Lager brands.

Several breweries across the state have expanded with the help of the 504 program. Equipment costs alone can balloon into multi-million-dollar investments and those in the fledgling craft beer industry have not generated enough income to afford the 20 percent initial cash outlay required for conventional loans. The craft beer movement is gaining momentum, and The 504 Company recognizes Cowan and brewers like him must expand to meet a rising demand for their products.

“When Jeremy Cowan came to The 504 Company, he had done a stellar job of building his brands,” said Ross Pancoe, vice president, The 504 Company. “He had delicious beers to support them, but he just needed access to enough capital to make building a brewery a reality. The 504 Company was able to provide him the access to capital that he needed.”

Shmaltz’s new 20,000-square-foot microbrewery can produce up to 20,000 barrels (or 250,000 cases) a year, and Cowan is already planning for growth. He and Ballston Spa National Bank are working to finalize a separate, $300,000 loan to buy more fermentation tanks and other brewing equipment. The expansion should increase production by 40 percent later this summer, and another 40 percent in the fall. Sales are up 40 percent over 2013’s $6 million, and the increased production should add even more jobs.

Cowan describes the 504 program as “a very productive collaboration between private business and federal programs.” He expects that coming through the process successfully will open doors in the future.
Timothy Collins of Ballston Spa National Bank, Jeremy Cowan of Shmaltz Brewing, and Ross Pancoc of NYBDC.
When Michael Allen contemplated the future of Z-AXIS Inc., its outlook appeared grim. Parent owner Video Display Corp., a publicly traded company based in Georgia, was selling Z-AXIS, and Allen saw two possible outcomes for his employer of 25 years. Neither prospect boded well for the electronics company and its 60 employees, many of whom had worked at Z-Axis for decades.

“The largest likelihood would have been that we were acquired by a company that had synergy with us, the companies would combine and they would shut us down,” said Allen, an electrical engineer who was named president of Z-AXIS in 2006. “The second likely situation would have us acquired by someone else, and we would be run as just another division.”

Allen had inquired about buying Z-AXIS over the years, but the timing was never right. Now, with Video Display’s majority owner selling off his companies, Allen and his wife, Robin, made the bid for Z-AXIS.

“The alternative would have been disastrous to my employees, who were devoted to our customers, had been here a long time and really cared about what we were doing,” said Allen, who was recently honored with the 2014 SBA Small Business Person of Year Award for New York.

The $10 million deal came together with the help of more than $5 million in loans through The 504 Company and the SBA’s 7(a) program. The 7(a) loan, which totaled $3.85 million, was used to purchase the business and working capital. The $931,600 504 loan, along with a $1.65 million First Niagara Bank loan, helped the Allens buy the property and equipment. Additional funding came from the Ontario County IDA, Cephas Capital, a seller note and the Allens.

Z-AXIS designs, tests and manufactures circuit boards and other power supplies at its 30,000-square-foot plant in Phelps, a town in Ontario County located 35 miles east of Rochester. Half of its business comes from $1 billion companies – predominantly in the medical sector – that are located throughout North America. The other half is contract work, with 95 percent performed for New York State businesses.

Pennie Smith, vice president of The 504 Company, met Allen after receiving a referral from the Ontario County IDA. Allen was concerned that an out-of-state buyer interested in buying Z-AXIS would eventually move operations out of New York, leaving 60 people without work.

“His passion for the company and his dedication to employees were very evident. I knew this was a project we wanted to be a part of. Although Mike had limited personal funds, the project came together with the support of the Ontario County IDA, seller debt and venture capital funds,” Smith said.

Allen has hired 15 more employees since buying the company in January of this year, and he expects to grow the company’s revenue 50 percent in 2015.

First Niagara Bank recognized Allen’s talents to lead Z-AXIS during a period of change, and his ability to identify new markets and develop new products to meet the needs of those markets, said Paul Hohensee, vice president of business banking for First Niagara. “As a result of Michael’s efforts, Z-AXIS reversed its fortunes, restored profitability, and increased employment at the company by 23 percent between 2010 and 2013.”
Growth at Hi-Lite Airfield Services has been in the double digits for the last 15 years. The business, which began as a highway- and airport-striping business 25 years ago, has developed into an industry-leading airfield contractor that performs runway painting and maintenance for some of the world’s largest airports.

To continue expanding, John S. McNeely, Hi-Lite’s president and CEO, knew the company had to invest in costly equipment and improve cash flow. That opportunity came when Hi-Lite secured a $6.371 million loan package through NYBDC, the U.S. Department of Agriculture and NBT Bank. The two loans were provided through the USDA’s Rural Development Program, a program that supports small businesses in rural areas with the intention of creating jobs and improving the local economy.

Hi-Lite used the financing to buy equipment and refinance debt, allowing for a longer-term loan, a lower rate of interest and the freeing up of cash. Another component of the financing came from the Jefferson County IDA, which provided an $800,000 term loan. NBT additionally provided working capital for the company.

“If we had not gotten these loans, we would have taken on fewer contracts and grown less,” said McNeely, who owns the company with his brother and sister-in-law, Calvin and Rhonda McNeely. “This will allow me to grow the business and pursue new opportunities. I have great partners moving forward.”

Robert Markowski, vice president, NBT Bank, said the bank has maintained a long-standing relationship with Hi-Lite. As such, NBT is confident in the company’s management and high-quality work. However, its explosive growth was difficult to support with only traditional bank funding.

“Being able to partner with the NYBDC, Jefferson County IDA and the USDA allowed all of us to provide the financing the company needed for continued expansion and future success, while providing an overall loan structure that NBT Bank could support,” Markowski said.

With 135 people on the payroll, Hi-Lite is one of the largest employers in Jefferson County. The airline maintenance contractor plans to hire at least 12 more workers and fill three salaried positions over the next two years, a plan made possible by the loan package. McNeely expects to finish 2014 with almost $30 million in revenue, triple that of 2010, and the company is poised to double sales over the next five years. Hi-Lite Airfield Services specializes in airfield surface preparation, runway rubber and paint removal, pavement maintenance and friction testing.

This is the second time that NYBDC and its affiliates have helped fuel the company’s growth. In 2009, Hi-Lite used financing through The 504 Company to expand its maintenance shop. The expansion shifted much of the equipment maintenance in house, saving money that then was directed to add customers and grow sales.

“Hi-Lite Airfield Services has shown a commitment to growing their business in New York State, and the North Country in particular,” said Brian Bund, NYBDC vice president. “Working in conjunction with NBT Bank and the Jefferson County IDA, we were able to put this recent financing together and position Hi-Lite for future success.”
Dick McNeely, Linda McNeely, John McNeely, Rhonda McNeely and Calvin McNeely of Hi-Lite Airfield Services; Robert Markowski of NBT Bank; and Brian Bund of NYBDC.
Milos Simovic had grand plans for Cape Race. He bought the 125-foot fishing trawler in 2006 and planned to charter the impressive yacht for research and pleasure excursions. Simovic pumped $1.3 million of his own money into the venture, and Cape Race began chartering small oceanic research expeditions for the U.S. Navy, NASA and the National Science Foundation, and occasionally hosting film and TV projects.

Still, despite the high-end upgrades, the vessel lacked some of the elements necessary to comply with health codes, making it ineligible to serve a wealthy clientele interested in private adventure travel – a market in which Simovic saw great potential.

Then in 2012, after Hurricane Sandy tore up the East Coast, Cape Race became an unofficial base camp for agency and government officials who would conduct storm-related business from the boat. “We were one of the few places with power, so we’d offer hot showers and I’d cook,” said Simovic, who docks in Red Hook, Brooklyn. It was during one of these on-board meetings that Simovic met NYBDC President Patrick MacKrell.

“That was a godsend for me,” said Simovic, who does business as Drifting Society Corp. “I had invested everything – run up credit cards, taken money from friends and exhausted my savings. And you’re certainly not a candidate for a traditional loan when you own a ship.”

In 2013 Simovic received a $225,000 loan through The 504 Company and New York’s Capital Access Program (NYSCAP) to purchase additional equipment and complete renovations on the boat. Those renovations included building out some of the cabins and renovating bathrooms. The funding also paid for a washer and dryer, air conditioning and an awning on the deck. Working capital was used for website development, reserve fuel and six months of operating expense.

The NYSCAP provides loan loss reserve support for loans for working capital needs, technology or facility upgrades, business startups or business expansions.

David Hanold, vice president, The 504 Company, said Cape Race did not have an extensive operating history at the time it was being considered for the loan, and its short tenure made it difficult to secure traditional financing.

“However, due to the pipeline of upcoming expeditions and projected revenue, The 504 Company was able to provide $225,000 in financing for ongoing repairs and renovations,” Hanold said. “These renovations helped the business secure more contracts for 2014, 2015 and beyond to destinations as diverse as the Arctic Ocean, Caribbean Islands and the coast of Brazil.”

The private excursions on Cape Race run from $40,000 for a week in the Caribbean, to $140,000 for a 10-day charter to new, untouched routes in the Arctic. One client reserved the 10-cabin yacht for a private trip to the Amazon.

Without the loan, Simovic said, he would not have been able to book the private adventure travel excursions for the last two seasons. “No doubt we would still be restoring the ship piecemeal because we wouldn’t have had the money to do everything right away.”
Early in 2014, New York Business Development Corporation announced a $100,000 grant to Red Hook Initiative (RHI) in support of “500 Futures,” a four-year campaign designed to reach 500 Red Hook youth annually to ensure that they graduate from high school and go on to college or to a strong career path.

RHI’s work over the last decade has demonstrated that education, employment, social support systems, and improved infrastructure will ensure long-term resilience for Red Hook residents. The 500 Futures program aims to raise $1.25 million per year over the next four years to meet an increased demand for comprehensive services for Red Hook youth. The non-profit believes that young people cannot only be recipients of services, but can also be trained to deliver the message and to create their own social change. More than 80 teenagers are employed annually at RHI; many work at the center throughout their four years of high school, earning money while focusing on a plan for their future. NYBDC and its affiliate, The 504 Company, jointly supported the grant, which will be disbursed in equal installments over the next four years.

According to Congresswoman Nydia M. Velázquez (D-NY 7), “Investing in our young people and their education serves to strengthen our communities over the long term. This innovative program targets needed assistance to local youth, helping them finish high school and pursue higher education or a productive career.”

Jill Eisenhard, RHI’s founder and executive director, said, “We are thrilled to partner with NYBDC and The 504 Company through the 500 Futures campaign. Because of their support, we will be able to provide customized and high-quality programs for 40 young people in the community. If those young people are able to identify and achieve short- and long-term goals now, they will...
be well positioned to succeed in academic and professional pursuits, and ultimately break the cycle of intergenerational poverty.”

“I have been impressed with RHI from our very first encounter with the organization shortly after Hurricane Sandy,” said Patrick J. MacKrell, president and chief executive officer of NYBDC and The 504 Company. “As NYBDC worked with small businesses in Red Hook in connection with the Hurricane Sandy Small Business Emergency Loan Fund, we constantly heard about the good works and vision for change at RHI. When we took a closer look at the organization and learned of the 500 Futures program, we saw an immediate alignment with our mission to promote opportunity and our overall commitment to economic development. Opportunity leads change; the education and job experience supported by 500 Futures will open the door to that opportunity in a very direct and meaningful way.”

In October 2012, Hurricane Sandy severely damaged Red Hook closing businesses and leaving thousands of residents without electricity, heat and water. Shortly after the storm hit, NYBDC, NYBA, the City of New York and Goldman Sachs set to work to develop and fund small business emergency loan programs to serve the immediate needs of impacted small businesses. Through the Hurricane Sandy Small Business Emergency Loan Fund, NYBDC was able to help more than 50 small businesses in Red Hook access more than $1.1 million to rebuild after the storm.

The RHI staff and participants created a plan and took action to help their community in the immediate wake of Hurricane Sandy. The RHI building, undamaged by the storm, became a place of shelter for thousands to get a hot meal, charge their phones, and pick up supplies. RHI continues to create opportunities for Red Hook residents and to adapt and address the needs of the neighborhood. The 500 Futures campaign is an example of this.

Individuals or corporations who are interested in becoming part of the campaign can get involved by donating, volunteering their time and services, or by signing up to assist with fundraising within their own personal networks. For more information, visit www.rhicenter.org.

RHI is a community center in Red Hook, Brooklyn that serves more than 1,500 Red Hook residents annually. Founded in 2002, RHI believes that social change to overcome systemic inequities begins with empowered youth. More than 95 percent of RHI’s employees are Red Hook residents.
Chairman’s Leadership Award

Jeanne Hulit

The Chairman’s Leadership Award for FY 2014 was awarded to Jeanne Hulit in recognition of her support of small business during her tenure at the United States Small Business Administration where she served as Regional Administrator (Region I), Associate Administrator for Capital Access and, ultimately, as a member of the President’s Cabinet as SBA Administrator. During her tenure at the SBA, Jeanne was a tireless advocate for small business, with a particular focus on efforts to simplify and streamline credit programs to facilitate the broadest possible access and impact.

“Thanks to the Brooklyn Chamber’s partnership with NYBDC, we were able to create The Brooklyn Fund, which has already exceeded $2 million in funding to small businesses across the borough. That funding has helped Brooklyn’s businesses expand and grow stronger, and has created nearly 40 jobs. Our partnership also allowed for the donation of $20,000 to non-profits in Brooklyn, like the Caribbean American Chamber of Commerce and The Brooklyn Community Improvement Association. I want to thank NYBDC for all of their great work, and I look forward to continuing to work with them in the future to make Brooklyn even better!”

Carlo A. Scissura
President and CEO
Brooklyn Chamber of Commerce
The longstanding partnership between NYBDC and the New York Bankers Association has produced important gains for our state economy by providing critical support for our all-important job creators. NYBA is deeply proud of its collaboration with the NYBDC.”

Michael P. Smith
President & CEO
New York Bankers Association
“SBA’s outstanding partnership with NYBDC has been vital to ensure that new and expanding small businesses have adequate access to capital. Without this partnership, starting or expanding a business in New York would be much more difficult. This is particularly true in areas of the state that have less advantage. Owning a small business will always continue to present new challenges. I am confident that together we will be on good footing to meet those challenges for many years to come.”

Bernard J. Paprocki
U.S. Small Business Administration
District Director
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>James J. Byrnes</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>Bruce W. Boyea</td>
<td>Vice Chairman</td>
</tr>
<tr>
<td>Patrick J. MacKrell</td>
<td>President &amp; Chief Executive Officer</td>
</tr>
<tr>
<td>Nancy A. Reinhart</td>
<td>Executive Vice President &amp; Chief Administrative Officer</td>
</tr>
<tr>
<td>Andrew M. Linehan</td>
<td>Executive Vice President &amp; Senior Loan Officer</td>
</tr>
<tr>
<td>Owen F. Burns IV</td>
<td>Senior Vice President &amp; Chief Financial Officer</td>
</tr>
<tr>
<td>Leesa Naimo-Fredette</td>
<td>Senior Vice President &amp; General Counsel</td>
</tr>
<tr>
<td>James J. Conroy III</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Bryan Doxford</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>James J. Goldrick</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Thomas K. McHale</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Chester A. Sadowski</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Michael A. Taylor</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Steven M. Willard</td>
<td>Senior Vice President</td>
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<tr>
<td>Michael G. Zihal</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Linda Zou</td>
<td>Senior Vice President</td>
</tr>
<tr>
<td>Richard Amsterdam</td>
<td>Vice President</td>
</tr>
<tr>
<td>Cheryl Antalek</td>
<td>Vice President</td>
</tr>
<tr>
<td>Timothy Brosnan</td>
<td>Vice President</td>
</tr>
<tr>
<td>John J. Hogan III</td>
<td>Vice President</td>
</tr>
<tr>
<td>David B. Hanold</td>
<td>Vice President</td>
</tr>
<tr>
<td>Arami Jung</td>
<td>Vice President</td>
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<tr>
<td>John T. King</td>
<td>Vice President</td>
</tr>
<tr>
<td>Timothy C. Larson</td>
<td>Vice President</td>
</tr>
<tr>
<td>Joshua A. Leffler</td>
<td>Vice President</td>
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<tr>
<td>Sabrina N. Morton</td>
<td>Vice President</td>
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<tr>
<td>Justin Nadeau</td>
<td>Vice President</td>
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<tr>
<td>Wendy Ng</td>
<td>Vice President</td>
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<tr>
<td>Kevin G. O’Leary</td>
<td>Vice President</td>
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<tr>
<td>Ross Pancoe</td>
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<tr>
<td>Gregory J. Powell</td>
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<tr>
<td>David T. Reaske</td>
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<tr>
<td>Jeffrey B. Reid</td>
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<tr>
<td>Robert Root</td>
<td>Vice President</td>
</tr>
<tr>
<td>Pennie L. Smith</td>
<td>Vice President</td>
</tr>
<tr>
<td>Tamara Underwood</td>
<td>Vice President</td>
</tr>
<tr>
<td>Daniel Vaccaro</td>
<td>Vice President</td>
</tr>
<tr>
<td>Kathleen M. Russom</td>
<td>Secretary</td>
</tr>
<tr>
<td>Nicoleta Augustin</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Brittany Bernhoft</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Brian Bund</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Jonathan Dare</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Paola Garcia</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Joanne Jones</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Ryan G. Lockhart</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Christina Lopez</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Yahaira M. Nuñez</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Yurinha Schmidt</td>
<td>Assistant Vice President</td>
</tr>
<tr>
<td>Thomas Green</td>
<td>Assistant Treasurer</td>
</tr>
<tr>
<td>Joanne S. Karmazyn</td>
<td>Assistant Secretary</td>
</tr>
<tr>
<td>Diane J. McDonald</td>
<td>Assistant Secretary</td>
</tr>
<tr>
<td>Deborah A. Mercora</td>
<td>Assistant Secretary</td>
</tr>
</tbody>
</table>

“The Independent Bankers Association of New York State (IBANYS) and our member institutions – local community banks and thrifts throughout New York – value the partnership we share with the NYBDC. Throughout the years, Pat MacKrell and NYBDC’s outstanding staff have greatly enhanced the small business lending environment that is so vital to New York’s economy and our local communities. We look forward to continuing this partnership in the future.”

John J. Witkowski
President & CEO
Independent Bankers Association of New York State
Lenders of the Year

These bankers have worked extensively and creatively with NYBDC and The 504 Company to promote access to capital for New York’s small businesses.

NYBDC Lender of the Year – Robert Grady
Senior Vice President
Suffolk County National Bank

“For many years, Bob has been committed to supporting the needs of small businesses across Long Island with the highest level of service. He is focused on identifying the needs of small businesses and applying creative and appropriate solutions to meet those needs. In doing so, Bob has been a consistent supporter of NYBDC and its mission to promote employment and economic development throughout New York State by providing creative long-term financing solutions to creditworthy businesses. We thank Bob for his tireless efforts and look forward to working with him and his colleagues at Suffolk County National Bank for many years to come.”

James J. Goldrick
Senior Vice President - Long Island Regional Manager
NYBDC

The 504 Company Lender of the Year – Dorothy Cheung
Small Business Division Sales Manager
Citibank

“Dorothy is one of the most hardworking bankers I have ever known. She has so much passion for providing access to capital for businesses in the boroughs and is a big fan of the SBA 504 loan program. We look forward to our continued partnership with Dorothy and Citibank for many years to come.”

Linda Zou
Senior Vice President
NYBDC
Community Partners provide loan referrals and technical assistance to our borrowers

Accion East, Inc.
Aidroonack Economic Development Corporation
Albany-Colonie Regional Chamber of Commerce
Albany Local Development Corporation
Amherst Industrial Development Agency
Bronx Overall Economic Development Corp.
Brooklyn Economic Development Corporation
Brooklyn (Kings County) Hispanic Chamber of Commerce
Broome County Industrial Development Agency
Business Council of Westchester
Catskill Watershed Corporation
Cattaraugus Empire Zone Corporation
Center for Economic Growth
Central New York Regional Planning & Development Board
Chamber of Schenectady County
City of Middletown Industrial Development Agency
City of Mount Vernon Urban Renewal Agency
Clinton County Area Development Corp.
Community Capital New York
Community Development Corporation of Long Island, Inc.
Cornell Agriculture & Food Technology Park
Cortland County BDC-IDA
County of Chautauqua Industrial Development Agency
County of Orleans Industrial Development Agency
County of Otsego Industrial Development Agency
Credit, Inc.
Development Authority of the North Country
Dutchess County Economic Development Corporation
East Williamsburg Valley Industrial Development Corporation
Economic Development Corporation for Erie County
Essex County Industrial Development Agency
Fulton County Chamber of Commerce
Genesee County Economic Development Center
Herkimer County Industrial Development Agency
Hudson Development Corporation
Jefferson County Industrial Development Corp.
Livingston County Industrial Development Agency
Local Development Corp of East New York
Local Development Corporation of Laurelton, Rosedale and Springfield Gardens
Lockport Industrial Development Agency
Mohawk Valley Chamber of Commerce
Mohawk Valley Economic Development Growth Enterprises Corp.
Montgomery County Chamber of Commerce
Montgomery County Economic Opportunity and Development
Morris Park Local Development Corporation
NFC Development Corp.
New York State Small Business Development Centers
Ogdensburg Growth Fund Development Corporation
Ontario County Industrial Development Agency
Orange County Business Development Corporation
Orange County Partnership
Putnam County Economic Development Corporation
Queens Economic Development Corporation
REDEC Relending Corporation
Renaissance Economic Development Corporation
Rensselaer County Industrial Development Agency
Rensselaer County Regional Chamber of Commerce
Rensselaer Gateway Development Corporation
Rockaway Development & Revitalization Corp.
Rockland Business Association
Rockland Economic Development Corp.
Rome Industrial Development Corp.
St. Nick’s Alliance
Saratoga Economic Development Corp.
Schenectady Economic Development Corporation
Schoharie County Planning & Development Agency
Schuyler County Partnership for Economic Development
Seneca County Industrial Development Agency
Southern Tier Economic Growth, Inc.
Southwest Brooklyn Industrial Development Corp.
Steuben County IDA
Sullivan County Chamber of Commerce
Sullivan County Partnership for Economic Development
Tier Information & Enterprise Resources, Inc.
Tioga County Economic Development & Planning
Tompkins County Area Development, Inc.
Ulster County Development Corp.
Washington County Local Development Corporation
Wayne County Industrial Development Agency
West Brighton Community Local Development Corporation
Westchester County Association Inc.
Women’s Enterprise Development Center, Inc.
Women’s Venture Fund, Inc.
Wyoming County Industrial Development Agency
Yates County Industrial Development Agency
Yonkers Local Assistance Corp.

“The New York State Economic Development Council represents local and regional development organizations throughout the state. As economic development professionals work to attract investment and jobs to their communities, NYBDC is an invaluable partner in meeting the capital needs of small business owners – New York’s job creators. Large economic development projects make headlines, but small businesses make local economies sustainable. Through steady and strong leadership, a talented staff, and deep capital resources, NYBDC is a leader in helping communities grow.”

Brian McMahon
Executive Director
New York State Economic Development Council
### COMBINED STATEMENTS OF FINANCIAL CONDITION – September 30, 2014 and 2013

#### Assets

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loans receivable</td>
<td>$210,355,260</td>
<td>$206,614,689</td>
</tr>
<tr>
<td>Less allowance for loan losses</td>
<td>(5,748,924)</td>
<td>(6,147,280)</td>
</tr>
<tr>
<td>Net loans receivable</td>
<td>204,606,336</td>
<td>200,467,409</td>
</tr>
<tr>
<td>Cash</td>
<td>878,621</td>
<td>151,529</td>
</tr>
<tr>
<td>Restricted cash</td>
<td>4,255,867</td>
<td>6,618,069</td>
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<tr>
<td>Accrued interest receivable</td>
<td>949,866</td>
<td>913,894</td>
</tr>
<tr>
<td>Investments</td>
<td>2,451,144</td>
<td>2,212,052</td>
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<tr>
<td>Deferred tax benefit</td>
<td>2,819,822</td>
<td>3,082,465</td>
</tr>
<tr>
<td>Other assets</td>
<td>2,920,024</td>
<td>2,257,472</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td><strong>$218,881,680</strong></td>
<td><strong>$215,702,890</strong></td>
</tr>
</tbody>
</table>

#### Liabilities and Equity

**Liabilities**

<table>
<thead>
<tr>
<th>Notes payable:</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Members</td>
<td>$45,000,000</td>
<td>$40,054,737</td>
</tr>
<tr>
<td>New York State Common Retirement Fund</td>
<td>73,203,856</td>
<td>77,447,793</td>
</tr>
<tr>
<td>Bank and other lines of credit</td>
<td>49,438,473</td>
<td>47,419,266</td>
</tr>
<tr>
<td>Bank term loans</td>
<td>13,794,468</td>
<td>16,540,555</td>
</tr>
<tr>
<td>Other obligations</td>
<td>3,384,016</td>
<td>2,159,803</td>
</tr>
<tr>
<td><strong>Total notes payable</strong></td>
<td><strong>184,800,813</strong></td>
<td><strong>183,622,154</strong></td>
</tr>
<tr>
<td>Accrued interest payable</td>
<td>418,762</td>
<td>435,811</td>
</tr>
<tr>
<td>Accrued expenses and other liabilities</td>
<td>4,739,616</td>
<td>5,002,098</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>189,959,191</strong></td>
<td><strong>189,060,063</strong></td>
</tr>
</tbody>
</table>

**Equity**

<table>
<thead>
<tr>
<th>Capital stock, no par value, authorized 500,000 shares; issued and outstanding</th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>217,444 shares, $5 stated value per share</td>
<td>1,087,220</td>
<td>1,087,220</td>
</tr>
<tr>
<td>Paid-in capital</td>
<td>3,572,955</td>
<td>3,572,955</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>18,318,565</td>
<td>17,050,418</td>
</tr>
<tr>
<td>Accumulated other comprehensive income</td>
<td>146,358</td>
<td>71,160</td>
</tr>
<tr>
<td><strong>Total stockholders' equity</strong></td>
<td><strong>23,125,098</strong></td>
<td><strong>21,781,753</strong></td>
</tr>
</tbody>
</table>

| Net assets of Empire State Certified Development Corporation                  | 5,797,391        | 4,861,074        |
| **Total equity**                                                              | **28,922,489**   | **26,642,827**   |
| **Net assets of Empire State Certified Development Corporation**              | $218,881,680     | $215,702,890     |

### COMBINED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME – Years Ended September 30, 2014 and 2013

<table>
<thead>
<tr>
<th></th>
<th>2014</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income</td>
<td>$11,613,645</td>
<td>$11,266,069</td>
</tr>
<tr>
<td>Interest expense</td>
<td>4,959,322</td>
<td>5,084,610</td>
</tr>
<tr>
<td>Net interest income</td>
<td>6,654,323</td>
<td>6,181,459</td>
</tr>
<tr>
<td>Provision for loan losses</td>
<td>301,243</td>
<td>109,523</td>
</tr>
<tr>
<td>Net interest income after provision for loan losses</td>
<td>6,353,080</td>
<td>6,071,936</td>
</tr>
<tr>
<td>Fees and other income</td>
<td>11,884,675</td>
<td>11,730,523</td>
</tr>
<tr>
<td>Income before operating expenses</td>
<td>18,237,755</td>
<td>17,802,459</td>
</tr>
<tr>
<td>Operating expenses:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and employee benefits</td>
<td>8,949,550</td>
<td>8,951,786</td>
</tr>
<tr>
<td>Other expenses</td>
<td>5,357,214</td>
<td>5,238,431</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>14,306,764</td>
<td>14,190,217</td>
</tr>
<tr>
<td>Income before provision for income taxes</td>
<td>3,930,991</td>
<td>3,612,242</td>
</tr>
<tr>
<td>Provision for income taxes</td>
<td>1,476,466</td>
<td>1,517,923</td>
</tr>
<tr>
<td>Net income</td>
<td>2,454,525</td>
<td>2,094,319</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net unrealized gains on investment securities available for sale, net of tax</td>
<td>75,198</td>
<td>4,905</td>
</tr>
<tr>
<td>Comprehensive income</td>
<td>$2,529,723</td>
<td>$2,099,224</td>
</tr>
</tbody>
</table>
COMBINED LOAN APPROVALS: Combined loan approvals as of September 30, 2014 exceeded $239 million, a 16% decrease over the prior year.

COMBINED LOAN VOLUME: The combined loan volume as of September 30, 2014 exceeded $192.0 million or approximately 104% of the budgeted volume for the year.

LOAN LOSSES: Loan losses (charge-offs, net of recoveries) for NYBDC are $948.0 thousand for FY 2014. This figure represents approximately 45 basis points of the loan receivable balance ($210.0 million).

NYBDC Staffing Levels: NYBDC has grown its staffing base by 47% over the past 5 years, and now employs 84 full time employees, spread across 8 offices.
NEW YORK LOCATIONS

Albany
50 Beaver Street
Albany, NY 12207
(518) 463-2268

Binghamton
2 Court Street
Binghamton, NY 13901
(607) 584-3397

Buffalo
300 International Drive
Williamsville, NY 14221
(716) 626-3423

Long Island
534 Broadhollow Road
Melville, New York 11747
(516) 845-2700

New York City
5 Hanover Square
New York, NY 10004
(212) 785-5642

Rochester
70 Linden Oaks
Rochester, NY 14625
(585) 662-4150

Syracuse
The Tech Garden
235 Harrison Street
Syracuse, New York 13202
(315) 453-8195

White Plains
445 Hamilton Avenue
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