FOR CONSIDERATION
December 18, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Cheektowaga (Erie County) – Cello-Pack MAP Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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General Project Plan

I. Project Summary

Grantee: Cello-Pack Corporation

ESD* Investment: A grant of up to $450,000 to be used for a portion of the cost of the acquisition and installation of new machinery and equipment.

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

Project Location: 55 Innsbruck Drive, Cheektowaga, Erie County

NYS Empire Zone (or equivalent): N/A

Proposed Project: The acquisition and installation of new machinery and equipment and infrastructure/site work necessary to upgrade operations and remain competitive.

ESD Incentive Offer Accepted: September 19, 2006

Project Completion: November 30, 2009

Number of Employees at Project Location:

Initial employment (at time of ESD Incentive Offer):	121
Current employment level:	128
Minimum employment through January 1, 2012:	121

Grantee Contact: Ms. Mary Lou Patterson, Vice President of Finance
55 Innsbruck Drive
Cheektowaga, NY 14227
Phone: 716-668-3111 ext. 236
Fax: 716-668-3816

Anticipated Appropriation Source: Empire State Economic Development Fund

ESD Project No.: U431

Project Team:		
	Origination	Will Welisevich
	Project Management	Jean Bly
	Affirmative Action	Helen Daniels
	Finance	Yang Song
	Environmental	Soo Kang

Financing Uses	Amount
Machinery & Equipment	$5,998,100
Computer, Telephony Equipment	192,230
Infrastructure/Site Work	136,510
Total Project Costs	$6,326,840

Financing Sources	Amount	Percent	Rate/Term/Lien
ESD-Grant	$ 450,000	7%	
First Niagara Bank Loan	3,065,490	49%	LIBOR/54 months/1st on M&E
Company Equity	2,811,350	44%	
Total Project Financing	$6,326,840	100%	

III. Project Description

A. Background

Cello-Pack Corporation ("Cello-Pack" or the "Company"), was established in 1948 as a produce bag manufacturer, converting polyethylene rollstock into bags for the apple producers of Western and Central New York. Today, Cello-Pack designs and manufactures quality flexible packaging solutions including high-barrier laminations, standup pouches, flat bags, shrink bags, lidding stocks, and other flexible packaging primarily for the food and consumer products markets.

The Company, which also offers graphic design services, can deliver off-the-shelf solutions or customs design products to exact specifications. Cello-Pack operates its manufacturing and distribution capabilities from a sole 77,000-square-foot location in Cheektowaga.

Major Customers include Carolina Industrial Resources (Rocky Mount, NC); Rosina Food Products, Inc. (Buffalo, NY); and Holiday Candy Corporation (Buffalo, NY). Major Competitors including Alcoa (Doylestown, PA); Bemis Company, Inc. (Neenah, WI); and Printpack Inc. (Atlanta, GA).

In mid-2006, Cello-Pack notified ESD that in an effort to remain competitive, it needed to upgrade its manufacturing capabilities, replace its current printed folded box packaging with highly-popular stand-up pouches and perform perforating functions in-house (then currently outsourced out-of-state). However, the Company lacked sufficient funds to proceed with the capital investment. Cello-Pack therefore sought assistance and accepted ESD's September 15, 2006 incentive offer of a $450,000 capital grant as an inducement to upgrade machinery and equipment. The project will retain 121 full-time jobs through January 1, 2012. The capital investment will allow for a new stand-up pouch product line, the replacement of twenty-year old 6-color press technology with a new, highly-efficient 10-color press; increase slitting functions which were previously at maximum capacity; increase material handling system to accommodate increased volume of raw material and completed product; and allow the Company to conduct perforating activities previously outsourced.

B. The Project

The $6,326,840 project involves the acquisition and installation of new machinery and equipment including 10-color wide web, long-repeat Windmoeller & Hoelscher press, a micro perforating and hot needle perforating machine, a slitting machine, a standup pouch machine, and an expansion of the new material handling system; infrastructure/site work including interior concrete work; roof upgrades, quality lab expansion and new color booths; and new computer and telephony equipment The project will be financed by ESD's grant, a loan from First Niagara Bank, Company equity. The project was completed in November 2009. The new machinery and equipment will significantly enhance the Company's market share in the bundling packaging and big bag/pouch markets, and enable Cello-Pack to meet the demanding customer printing needs and remain competitive.

C. MAP Project Findings and Outcomes

This project qualifies as a Manufacturing Assistance Program project because the Company i) is a resident New York State manufacturer with between 50 and 1,000 employees; ii) exports at least 30% of its production beyond its region or provides at least 30% of its production to a manufacturer that exports beyond the Company's region; and iii) is making a substantial investment of at least $1,000,000 in order to improve its competitiveness and productivity and thereby enhance its long-term viability in the State of New York.

The project is expected to produce the following measurable outcomes for the Company:

Primary Outcome: 40% increase in plant capacity to produce commercially acceptable flexible packaging from 236 million feet per year to 331 million feet per year.

Documentation of at least 47.5 million feet per year of commercially acceptable product from the new press will be required for disbursement (50% of the expected increased capacity).

Secondary Outcome: Significantly reduce outsourcing of perforating to competing states, provide three times greater average run speeds, and increase physical movement inventory and shipments.

Total estimated value of competitiveness and project outcomes: $13.15 million annually.

D. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the $450,000 capital grant ($4,500) upon execution of the grant disbursement agreement. In addition, at the time of disbursement, the Company will reimburse ESD for all out-of-pocket expenses incurred in connection with the project.

2. The Company will demonstrate no material adverse change in its financial condition prior to disbursement.

3. The Company or the Company's shareholders will contribute at least 10% in equity to the project.

4. Prior to disbursement, the Company must employ at least the number of Full-time Permanent Employees set forth as the Baseline Employment in the table below. A Full-time Permanent Employee shall mean (a) a full-time, permanent, private-sector employee on the Grantee's payroll, who has worked at the Project Location for a minimum of thirty-five hours per week for not less than four consecutive weeks and who is entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Grantee's payroll, who have worked at the Project Location for a combined minimum of thirty-five hours per week for not less than four consecutive weeks and who are entitled to receive the usual and customary fringe benefits extended by Grantee to other employees with comparable rank and duties.

5. Up to $450,000 will be disbursed to the Grantee in two installments as follows:
   a) an Initial Disbursement of an amount equal to 50% of the grant ($225,000) upon completion of the project as described in these materials including documentation of project costs totaling $4 million in the acquisition and installation of new machinery and equipment, and documentation of the employment of 121 Full-time Permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available;

   b) a Second Disbursement of an amount equal to 50% of the grant ($225,000) will be disbursed upon documentation of the achievement of production of 47.5 million feet per year of commercially accepted product from the new press as verified by a letter by the Plant Manager and certified by an independent Certified Public Accountant, and the

employment of 121 Full-time Permanent Employees at the Project Location, provided Grantee is otherwise in compliance with program requirements;

Payment will be made upon presentation to ESDC of an invoice and such other documentation as ESDC may reasonably require. Expenses must be incurred on or after September 19, 2006 to be considered eligible project costs. Disbursements may be requested simultaneously. All disbursements must be requested no later than September 30, 2010.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than $450,000, for this project if ESD determines that the reallocation of the assistance would better serve the needs of the Company and the State of New York. In no event shall the total amount of any assistance to be so reallocated exceed the total amount of assistance approved by the Directors.

7. In consideration for the making of the Grant, Grantee will achieve the Employment Goals set forth in Column B of the table below. If the Full-time Permanent Employee Count for the year prior to the reporting date set forth in Column A of the table below is less than 85% of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESDC, Grantee shall be obligated to repay to ESDC a portion of each disbursement of the Grant, as follows:

The Recapture Amount is based on the time that has lapsed between when the Grant funds were disbursed and when the Employment Shortfall occurred. The Recapture Amount shall be calculated by aggregating the Recapture Amount for each disbursement of the Grant, which in each instance shall be equal to:

(i) 100% of the disbursed amount if the Employment Shortfall occurred in the calendar year that the disbursement was made, or in the first full calendar year after the disbursement was made;
(ii) 80% of the disbursed amount if the Employment Shortfall occurred in the second full calendar year after the disbursement was made;
(iii) 60% of the disbursed amount if the Employment Shortfall occurred in the third full calendar year after the disbursement was made;
(iv) 40% of the disbursed amount if the Employment Shortfall occurred in the fourth full calendar year after the disbursement was made;
(v) 20% of the disbursed amount if the Employment Shortfall occurred in the fifth full calendar year after the disbursement was made.

The Grantee's number of Full-time Permanent Employees shall be deemed to be the greater of the number as of the last payroll date in the month of December for such year or the average employment for the 12 month period computed by quarter.

Baseline Employment	121

A	B
Date	Employment Goals
February 1, 2011	121
February 1, 2012	121

IV. Statutory Basis

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms.

As a result of this project, the Company will make significant investments in its manufacturing facility, thereby ensuring its continued viability and the retention of 121 employees. In addition, this project will help make the Company more competitive, and thus increase the economic viability of the state's manufacturing industry.

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

Without ESD assistance, this project would not have taken place, reducing the Company's ability to remain viable and placing 121 manufacturing jobs at risk.

3. The project is reasonably likely to accomplish its stated objectives and the likely benefits of the project exceed costs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at $2,967,372;
- Fiscal cost to NYS government is estimated at $450,000;
- Project cost to NYS government per direct job is $6,530;
- Project cost to NYS government per job (direct plus indirect) is estimated at $2,686;
- Ratio of project fiscal benefits to costs to NYS government is 6.59:1;
- Fiscal benefits to all governments (state and local) are estimated at $5,041,205;
- Fiscal cost to all governments is $450,000;
- All government cost per direct job is $6,530;
- All government cost per total job is $2,686;
- The fiscal benefit to cost ratio for all governments is 11.20:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at $22,418,378, or $133,824 per job (direct and indirect);
- The economic benefit to cost ratio is 49.82:1;

- Project construction cost is $328,740 which is expected to generate 4 direct job years and 2 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.43 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 1 year.

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

4. The requirements of Section 10(g) of the Act are satisfied.
No residential relocation is required because there are no families or individuals residing on the site.

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. Cello-Pack Corporation is encouraged to include minorities and women in any job opportunities created by the Project and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the Project.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

VIII. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Cost-Benefit Analysis

December 18, 2009

Cheektowaga (Erie County) – Cello-Pack MAP Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

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RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the Cello-Pack MAP Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project (the "Project"), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the "Act"), that

1. The proposed project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the state or would enhance or help to maintain the economic viability of family farms;

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

3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;

4. There are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the "Plan") for the Project submitted to this meeting, together with such changes therein as the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that upon written finding of the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Cello-Pack Corporation a grant for a total amount not to exceed four Hundred and Fifty Thousand Dollars ($450,000) from the Empire State Economic Development Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) may

deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

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Project Summary
Benefit-Cost Evaluation[1]

Cello-Pack Corporation

Initial Jobs: **121** **Construction Job Years (Direct)**: **4**
Retained Jobs: **121** **Construction Job Years (Indirect)**: **2**

Evaluation Statistics	Project Result NYS Govt.	NYS Govt. Benchmarks for ESD Projects[2]	Project Results State & Local Governments	State & Local Government Benchmarks for ESD Projects
Fiscal Costs[3]	$450,000	$ 794,250	$450,000	$ 1,020,500
Fiscal Benefits[4]	$2,967,372	$ 2,085,600	$5,041,205	$ 4,271,980
Fiscal Cost /Direct Job	$6,530	$ 3,000	$6,530	$ 4,110
Fiscal Cost/Total Jobs	$2,686	$ 1,424	$2,686	$ 1,964
Fiscal B/C Ratio	6.59	7.00	11.20	10.60

	Project Results	Benchmarks for ESD Projects
Economic Benefits[5]	$22,418,378	$ 119,468,000
Econ. Benefits/Total Jobs	$133,824	$ 147,600
Economic B/C Ratio	49.82	50.00

[1] Dollar values are present value calculated over a 7-year period. Separate evaluations are made and reported for New York State government assistance alone and for State and Local government.

[2] The current project evaluation results (both fiscal and economic) are compared to performance measure benchmarks based on results of a sample of ESD non-retail projects.

[3] Fiscal cost includes the value of grants, loans and associated default risks, and discretionary subsidies (such as tax exemptions or abatements on sales, property, and interest income).

[4] Fiscal benefits are the loan repayments and tax revenues to New York State and Local governments generated by project activity. This includes estimated taxes on personal incomes from project direct and indirect employment, corporate and business incomes, excise and user taxes, property taxes, negative transfers, and other taxes.

[5] Economic benefits are estimated project benefits measuring fiscal flows to government plus net resident disposable income from project direct and indirect employment net of transfers, without adjusting for individual income earners' opportunity cost of employment.