

B. Cortland Plastics Capital (V935)

July 23, 2009

General Project Plan

Grantee: Cortland Plastics International, LLC (“CP” or the “Company”)

ESD Investment: A grant of up to \$70,000 to be used for a portion of the cost of machinery and equipment purchase and installation.

Project Location: 215 South Main Street, Cortland, Cortland County

NYS Empire Zone (or equivalent): Cortland County Empire Zone

ESD Incentive Offer Accepted: January 4, 2008

Project Completion: September 2008

Number of Employees at Facility:

Initial employment (at time of ESD Incentive Offer):	20
Current employment level:	40
Minimum employment on January 1, 2010:	40

Grantee Contact: Patrick Dessen, CEO
215 South Main Street
Cortland, NY 13045
Phone: (607) 662-0120 Fax: (607) 662-0139

Project Team:	Origination	James Fayle
	Project Management	Meg Paskins
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

Project Description:

Background

CP, a medium-sized blow molding company, was formed in 2006 and began production in March 2007. It is located in 25,000 square feet of leased space in Cortland County. The Company manufactures high density plastic bottles for the pharmaceutical, amenity, lawn and garden, personal care, food, chemical, household chemicals, cosmetic and pool chemical industries. CP currently operates six blow molding machines and manufactures 42 different stock keeping units (“SKU”) that range in size from .75 ounces to one gallon.

During 2007, two of CP’s customers requested production of specific bottle types, but both needed CP to institute a process where the bottles could be made competitively. It was critical that very little plastic be wasted during the molding process. CP estimated the cost

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for this new line at approximately \$800,000. As CP was a relatively new company, there was a limit as to how much outside financing it could secure. It approached ESD in November 2007 regarding assistance for its project, and ESD responded with an offer of a \$70,000 grant, accepted by CP in January 2008. The ESD funding helped CP attract additional investor funding sufficient to proceed with the project. At the time of the 2007 offer letter, CP employment was 20. The expansion project would result in the creation of 20 new jobs by 2009.

The Project

The project, completed in September 2008, involved the purchase and installation of a new Uniloy UMS 100 blow molding machine and related ancillary equipment necessary to add an additional production line to Cortland Plastics' operation. The line has added over \$1.2 million in new sales and now services four customers and seven different SKU products. The Company has met its job goals as employment has reached 40.

In addition to this \$70,000 grant, the Company received a \$69,000 grant from ESD's Environmental Investment Program ("EIP") in July 2008. The grant provided funding to install regrinding capacity on the new production line as well as an existing line. To date, the two new scrap recovery systems have resulted in a 30% reduction of plastic scrap on the two lines.

Financing Uses	Amount	Financing Sources	Amount	Percent
Machinery and Equipment	\$802,906	ESD Grant	\$70,000	9%
		EIP Grant	\$69,000	8%
		Private Placement Funding*	432,906	54%
		Company Equity	231,000	29%
Total Project Costs	\$802,906	Total Project Financing	\$802,906	100%

* Comprised of 5 investors/12% interest/three-year term

Financial Terms and Conditions:

1. The Company shall pay a commitment fee of 1% of the \$70,000 grant (\$700) 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 be obligated to advise ESD of a material adverse change in its financial condition prior to disbursement.
3. The Company or the Company's owners will contribute at least 10% in equity to the Project. Equity is defined as any non-debt source of capital, and should be auditable through Company financial statements or Company accounts, if so requested by ESD.

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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 \$70,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$35,000) upon completion of the project substantially as described in these materials, documentation of \$802,906 in eligible machinery and equipment purchase and installation costs, and documentation of the employment of at least 20 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 25% of the grant (\$35,000) upon documentation of the employment of at least 40 Full-time Permanent Employees at the Project Location (Employment Increment of 20) 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. Disbursements may occur simultaneously. Expenses must be incurred on or after January 4, 2008, to be considered eligible project costs. All disbursements must be requested by April 1, 2011.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$70,000, 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 eighty-five percent (85%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESD, Grantee shall be obligated to repay to ESD a portion of each disbursement of the Grant, as follows:

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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	20
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A	B
Reporting Date	Employment Goals
February 1, 2010	20+X
February 1, 2011	20+X
February 1, 2012	20+X
February 1, 2013	20+X

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section 5 above (i.e. X=20 and Employment Goals shall equal $[20 + X = 40]$ if the Second Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Second Disbursement has not yet been made then X=0.

Statutory Basis – Empire State Economic Development Fund:

1. The project would promote the economic health of New York State by facilitating the creation or retention of jobs or would increase activity within a municipality or region of the State or would enhance or help to maintain the economic viability of family farms.
As a result of this project, the Company will maintain its employment level of 20 and create 20 new jobs.

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

ESD assistance was needed to fill a financing gap as it helped leverage additional investor funding which allowed the project to proceed.

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, project total fiscal benefits to New York State government are expected to be \$507,899 which exceeds the cost to the State.

4. The requirements of Section 10(g) of the Act are satisfied.

See cover memo.