

FOR CONSIDERATION

March 23, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Middletown (Orange County) – President Container 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; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: President Container, Inc. (“President” or the “Company”)

ESD* Investment: A grant of up to \$500,000 to be used for a portion of the acquisition cost of machinery and equipment.

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

Project Location: 290 Ballard Road, Middletown, Orange County

Proposed Project: Purchase and installation of machinery and equipment associated with the Company’s expansion.

ESD Incentive Offer Accepted: February 4, 2009

Project Completion: March 2011

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer: 0
 Current employment level: 209
 Minimum employment on January 1, 2014: 222

Grantee Contact: Thomas Sinclair, CFO
 200 West Commercial Avenue
 Moonachie, New Jersey
 Phone: (201) 933-7500 Fax: (201) 933-9574

Anticipated
 Appropriation
 Source: Empire State Economic Development Fund

ESD Project No.: W240

Project Team: Origination Paul Taxter
 Project Management Jill Wolfeld
 Affirmative Action Denise Ross
 Finance Ross Freeman
 Environmental Rachel Shatz

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Moving & Installation of Machinery	\$1,570,000
Machinery and Equipment	19,615,000
Real Estate	23,803,959
Permits, Architect & Engineer Fees	<u>2,215,327</u>
Total Project Costs	<u>\$47,204,286</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$500,000	1.1%	
TD Bank - Loan	10,000,000	21.2%	6.2%/7 yrs/lien on RE
TD Bank - Loan	8,800,000	18.6%	Floating*/7 yrs/lien on RE
TD Bank - Loan	7,000,000	14.8%	5.75%/7 yrs/lien on Equipment
Orange County Funding Corp. - Loan	5,000,000	10.6%	Floating**/7 yrs/lien on Equipment
GE Capital - Loan	3,200,000	6.8%	6.55%/7 yrs/lien on Equipment
Equipment Financing Corporation - Loan	2,530,000	5.4%	6.75%/7 yrs/lien on Equipment
People's Capital - Loan	2,000,000	4.2%	5.49%/7 yrs/lien on Equipment
Company Equity	<u>8,174,286</u>	<u>17.3%</u>	
Total Project Financing	<u>\$47,204,286</u>	<u>100.0%</u>	

*Interest is the higher of 3.5% or 3% plus the one month LIBOR rate

** Floating rate determined at 3.6188 over 3 month LIBOR rate

III. Project Description

A. Background

President Container, Inc. is a family owned company founded in 1955 by the Grossbard family. The Company currently manufactures corrugated containers, displays and point of purchase packaging which involves many different structural corrugated components and dye cutting. President's current sales are approximately \$75 million a year and the Company is the largest independent manufacturer of corrugated products in the region.

In the 1980's, President had as many as twenty-five direct local competitors which, over time, have gone out of business due to a lack of reinvestment in new technology. The Company's survival and growth can be attributed to its diligence in staying pace with the demand of its customers which include Revlon and Premio foods. At present, the Company's major competitors are Bell Container and Mannkraft. The Company's strengths involve its focus on customer satisfaction and its ability to consistently utilize technology to improve both its production capacity and ability to satisfy the client.

In 2008, the Company began planning on investing in a new generation of machinery and equipment and additional space to accommodate its projected growth. The Company considered making such an investment to expand operations in Pennsylvania and New Jersey, where it already has a strong presence. ESD offered President a \$500,000 capital grant to encourage the Company expand in New York State, which it accepted on February 4, 2009. The Company will create 222 new jobs that would have been lost to Pennsylvania or New Jersey.

B. The Project

The project began in March 2009 with the purchase of a 522,000-square-foot former food distribution facility located on 47 acres of land in Middletown, New York. Immediately, following the purchase of the facility, the Company began renovations to convert the building into a manufacturing facility. The renovations included improving the buildings overall energy efficiency and replacing the HVAC system. In addition, the interior was reconfigured to maximize the efficiency of the manufacturing and automating the process.

The Company will also train all new employees hired. A safety consultant will be hired to help enhance the safety procedures of the plant reduce injuries. President purchased new machinery in December 2010 to automate some processes and increase efficiency and productivity throughout the plant.

Currently, 209 jobs are already in place and all machinery and equipment has been installed. The facility will be fully operational by March 2011.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay 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 will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed. Equity is defined as cash injected into the project by the Company or by investors and should be auditable through Company financial statements or Company accounts, if so requested by ESD. Equity cannot be borrowed money secured by the assets in the project.
4. 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 \$500,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$250,000) upon documentation of machinery and equipment acquisition project costs totaling \$19,600,000 and documentation of an executed long-term lease with option to buy, and documentation of the employment of at least 30 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 (\$125,000) will be disbursed upon documentation of the employment of at least 115 Full-time Permanent Employees at the Project Location (Employment Increment of 85), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$125,000) will be disbursed upon documentation of the employment of at least 222 Full-time Permanent Employees at the Project Location (Employment Increment of 107), 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 February 4, 2009, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$500,000, 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:

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	0
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A	B
Reporting Date	Employment Goals
February 1, 2012	0+X+Y+Z
February 1, 2013	0+X+Y+Z
February 1, 2014	0+X+Y+Z
February 1, 2015	0+X+Y+Z
February 1, 2016	0+X+Y+Z

X = Grantee's Employment Increment that will be the basis of the First Disbursement of the Grant as described in section C.5 above (i.e. X=30, and Employment Goals shall equal $[0 + X = 30]$ 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.

Y = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. Y=85, and Employment Goals shall equal $[0 + X + Y = 115]$ if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Y=0.

Z = Grantee's Employment Increment that will be the basis of the Third Disbursement of the Grant as described in section C.5 above (i.e. Z=107, and Employment Goals shall equal $[0 + X + Y + Z = 222]$ if the Third Disbursement is made, in the year such disbursement is made and for each year thereafter). If the Third Disbursement has not yet been made then Z=0.

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 has relocated its facility to New York State and will create 222 new jobs.

2. The proposed project would be unlikely to take place in New York State without the requested assistance.
The Company considered locating its facility to Pennsylvania or New Jersey. ESD's assistance helped to reduce costs and make the project feasible in New York.

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 \$7,074,569;
 - Fiscal cost to NYS government is estimated at \$500,000;
 - Project cost to NYS government per direct job is \$3,445;
 - Project cost to NYS government per job (direct plus indirect) is estimated at \$1,793;
 - Ratio of project fiscal benefits to costs to NYS government is 14.15:1;
 - Fiscal benefits to all governments (state and local) are estimated at \$12,388,805;

- Fiscal cost to all governments is \$500,000;
- All government cost per direct job is \$3,445;
- All government cost per total job is \$1,793
- The fiscal benefit to cost ratio for all governments is 24.78:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$65,408,955, or \$234,578 per job (direct and indirect);
- The economic benefit to cost ratio is 130.82:1;
- Project construction cost is \$3,785,327 which is expected to generate 29 direct job years and 15 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.93 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.)

V. Environmental Review

ESDC 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 for the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD's Non-discrimination and Affirmative Action policy will apply. The Company is encouraged to include minorities and women in any job opportunities created by the project, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with the project.

VII. ESD 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

March 23, 2011

Middletown (Orange County) – President Container Capital – Empire State Economic Development Fund Capital – 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

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 President Container 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 President 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 President 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 President and Chief Executive Officer – Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to President Container, Inc. a grant for a total amount not to exceed Five Hundred Thousand Dollars (\$500,000) 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 President 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 President 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 President 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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March 23, 2011

Middletown (Orange County) – President Container Capital – Empire State Economic
Development Fund Capital – Determination of No Significant Effect on the Environment

RESOLVED, that based on the material submitted to the Directors with respect to the President Container Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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