

## **B. INX International Capital (X203)**

March 23, 2011

### General Project Plan

**Grantee:** INX International Ink Company (“INX” or the “Company”)

**ESD Investment:** A grant of up to \$75,000 to be used for a portion of the cost of the acquisition and installation of new of machinery and equipment.

**Project Location:** 3257 Middle Road, Dunkirk, Chautauqua County

**ESD Incentive Offer Accepted:** October 13, 2010

**Project Completion:** February 2011

**Number of Employees at Facility:**

Initial employment at time of ESD Incentive Offer:	50
Current employment level:	50
Minimum employment on January 1, 2014:	53

**Grantee Contact:** David J. Maternowski, General Manager  
3257 Middle Road  
Dunkirk, New York 14048  
Phone: (716) 366-6010 ext. 5901 Fax: (716) 366-2820

**Project Team:**

Origination	Robert Iszard
Project Management	Jean Bly
Affirmative Action	Helen Daniels
Environmental	Rachel Shatz

### **Project Description:**

#### Background

INX, originally established in 1942 as Chemical Process and Supply (“CPS”) through a partnership between the Koessler family and Greater Buffalo Press, is a printing ink and coatings manufacturer for the large scale printing industry. In 1989, CPS was sold to INX International, a subsidiary of Sakata INX Corporation (the “Parent”), a \$1.1 billion company based in Japan that has been producing inks since 1896. INX, headquartered in Schaumburg, IL, operates more than 25 plants in North America, with over 50 locations worldwide. Through its sister company, INX Digital, INX is a leading provider of inkjet inks for digital printing while offering a full complement of technology, application and system integration services.

INX develops eco-friendly products by selecting raw materials that offer bio-renewal content; environment friendly product solutions; naturally green energy-curable UV inks that are formulated without VOC-producing solvents; flexographic inks that are water-based; and low temp heatset inks that allow printers to reduce energy usage. The Company’s

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ColorTrac™ and INXText™ inks are used primarily in the production of various newspapers, magazines, catalogs, sale inserts, books, forms, and envelopes. Major customers include R.R. Donnelley & Sons Company (Chicago, IL), Vertis Communications (Baltimore, MD), and Publishers Printing Co. LLC (Shepherdsville, KY). Major competitors include Sun Chemical Corporation (Parsippany, NJ) and Flint Ink Corporation (Detroit, MI).

In 2009, INX was downsizing nationwide and the Dunkirk facility was slated to close by year end. However, it would receive a reprieve from closing if it could sustain and expand operations. In early 2010, INX notified ESD of an opportunity to modify its existing heatset ink manufacturing line allowing it to become one of the largest ink manufacturing sites in North America. The expansion of the Company's existing sister INX facility in Chicago, IL was also being considered for the project. The Dunkirk facility was at a disadvantage due to more costly infrastructure costs, utilities and property taxes. The Chicago facility also was in close proximity to its primary customer, R. R. Donnelley & Sons Company, the world's largest printer. In September 2010, ESD provided an Incentive Proposal to the Company to expand operations in Dunkirk, retain 50 jobs and create 3 new jobs by January 1, 2014. Without ESD assistance, the capital investment in Dunkirk would not have proceeded, placing that facility at risk of being closed.

### The Project

The project involved interior renovations to the 120,000-square-foot existing facility including electrical and process piping (air, steam, product, insulation) upgrades; the acquisition and installation of new machinery and equipment including bulk storage tanks, tank instrumentation, and pumps; employee training and soft costs associated with modifications to the Company's existing heatset ink manufacturing line. As a result of the project, the Company has been able to retain 50 existing jobs in New York State.

Financing Uses	Amount	Financing Sources	Amount	Percent
Building Renovations	\$140,000	ESD Grant	\$75,000	19%
Machinery & Equipment	220,000	Company Equity	315,000	81%
Employee Training	15,000			
Soft Costs	15,000			
Total Project Costs	\$390,000	Total Project Financing	\$390,000	100%

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### **Financial Terms and Conditions:**

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$75,000 capital grant (\$750) and 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 will be required to contribute at least 10% of the total project cost in the form of equity contributed after the Company's written acceptance of ESD's offer. 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 \$75,000 will be disbursed to the Grantee in two installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$37,500) upon completion of the project substantially as described in these materials, documentation of new machinery and equipment project costs totaling \$200,000, and documentation of the employment of at least 50 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 (\$37,500) will be disbursed upon documentation of the employment of at least 53 Full-time Permanent Employees at the Project Location (Employment Increment of 3), 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. Expenditures must be incurred on or after October 13, 2010, to be considered eligible project costs. All disbursements must

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be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$75,000, 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.

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Baseline Employment	50
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A	B
Reporting Date	Employment Goals
February 1, 2012	50+X
February 1, 2013	50+X
February 1, 2014	50+X
February 1, 2015	50+X
February 1, 2016	50+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=3, and Employment Goals shall equal  $[50 + X = 53]$  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:

- 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 50 jobs and create 3 new jobs by January 1, 2014 in the Dunkirk-Sheridan Empire Zone.
- The project would be unlikely to take place in New York State without the requested assistance.  
The Company considered relocating its operations in close proximity to the Parent and a significant portion of customers in and near Chicago, Illinois. ESD's assistance helped to reduce costs and make the project feasible in New York.
- 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 fiscal benefits to New York State government are expected to be \$2,909,772, which exceed the cost to the State.
- The requirements of Section 10(g) of the Act are satisfied.  
See cover memo.