

**1. Southern Tier Forest Products Capital (W187)
November 19, 2009**

General Project Plan

Grantee: Southern Tier Forest Products, Inc. (“STFP” or the “Company”)

ESD Investment: A grant of up to \$40,000 to be used for a portion of the cost of the acquisition and installation of new machinery and equipment.

Project Location: Company facility, Cattaraugus County

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

ESD Incentive Offer Accepted: May 9, 2008

Project Completion: August 31, 2009

Number of Employees at Facility:

Initial employment at time of ESD Incentive Offer:	23
Current employment level:	23
Minimum employment on January 1, 2012:	38

Grantee Contact: Judson Beattie, President
296 Rochester Street
Salamanca, New York 14779
Phone: 716-945-4779 Fax: 716-945-0235

Project Team:

Origination	Robert Iszard
Project Management	Jean Bly
Affirmative Action	Helen Daniels
Environmental	Soo Kang

Project Description:

Background

STFP, established in 1983 as a small cord firewood and logging business, is currently a manufacturer of kiln-dried, U.S. Department of Agriculture certified, bug-free, bundled and boxed firewood products. The Company’s products range from shrink-wrapped .75-cubic-foot, twenty-five pound bundles sold under the trademark “Bundle of Warmth” to .30 and .50 cubic foot “Kindling Bundles and Boxes”. Company products are manufactured from its 57,000-square-foot location in Salamanca utilizing northeastern premium hardwoods, including Ash, Hickory, Beech, Birch, Cherry, Chiminea and Maple, harvested primarily from Pennsylvania’s green certified forest lands.

A majority of STFP’s products are sold in palletized truckloads to home improvement

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centers; grocery store chains; convenient stores and campgrounds. Smaller quantities can be purchased through the Company's website. Major customers include Lowe's (North Wilkesboro, NC), Arctic Glacier (Fairport, NY) and C&S Wholesale Grocers, Inc. (Williamsville, NY). Major competitors include Hot Sticks (New Cumberland, PA); Simple Simon Firewood (Edison, NJ); and Lost Coast Forest Products (Santa Rosa, CA).

In early 2008, STFP advised ESD that it needed to expand operations to support current and projected further growth. The Company was considering expanding operations in Salamanca or relocating and expanding at one of two identified sites in Kane or Sheffield, Pennsylvania. The existing Salamanca location was at a disadvantage as it required facility upgrades to repair safety issues and allow for the installation of new machinery and equipment. Furthermore, the two Pennsylvania sites were in closer proximity to the Company's raw material and offered lower utility rates. On May 9, 2008, STFP accepted ESD's offer of a \$40,000 capital grant resulting in the Company's decision to upgrade and expand capabilities in the Cattaraugus County Empire Zone. As a result, 23 jobs will be retained and 15 new jobs will be created by January 1, 2012. Without ESD assistance, these jobs would likely have been relocated to Pennsylvania.

The Project

The \$493,275 project involves the acquisition and installation of new machinery and equipment including a Multi-Tek firewood processor, racking, and kindling splitter; and building renovations including brick, window, roof and floor repairs; bathroom renovations; lighting upgrades; fencing; drainage; exterior re-pointing of brickwork; and an interior concrete pad installation necessary to accommodate the new machinery and equipment. The project, which was complete in August 2009, has allowed STFP to add an additional packing and box line, increasing production by 250,000 bundles annually.

Financing Uses	Amount	Financing Sources	Amount	Percent
Building Renovations	\$113,000	ESD Grant	\$40,000	8%
Machinery & Equipment	380,275	Cattaraugus County Bank Loan*	350,000	71%
		Company Equity	103,275	21%
Total Project Costs	\$493,275	Total Project Financing	\$493,275	100%

*5%/60 months/co-equal w/Cattaraugus County Industrial Development Agency on company assets.

Financial Terms and Conditions:

1. The Company shall pay a commitment fee of 1% of the \$40,000 grant (\$400) 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.

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3. The Company or the Company's shareholders 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.
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 \$40,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$20,000) will be disbursed upon completion of the project substantially described in these materials; documentation of machinery and equipment project costs totaling \$250,000; and documentation of the employment of at least 23 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 (\$20,000) will be disbursed upon documentation of the employment of at least 38 Full-time Permanent Employees at the Project Location (Employment Increment of 15), 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 May 9, 2008 to be considered eligible project costs. Disbursements must be requested by no later than April 1, 2012.
6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$40,000, 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 one hundred percent (100%) of the Employment Goal set forth in Column B (an "Employment Shortfall"), then upon demand by ESDC, the entire Grant will be

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subject to recapture by ESD.

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	23
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A	B
Reporting Date	Employment Goals
February 1, 2011	23 + X
February 1, 2012	23 + X
February 1, 2013	23 + X
February 1, 2014	23 + X

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section 5(b) above (i.e. X=15, and Employment Goals shall equal [23 + X = 38] 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 retain its employment level of 23 and create 15 new jobs by January 1, 2012.
2. The project would be unlikely to take place in New York State without the requested assistance.
The Company considered relocating its operations to KcKean or Warren County, Pennsylvania. 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, project fiscal benefits to New York State government are expected to be \$328,319, which exceed the cost to the State.
4. The requirements of Section 10(g) of the Act are satisfied.
See cover memo.