

## D. Maco Bag Capital (W522)

October 21, 2010

### General Project Plan

**Grantee:** Maco Bag Corporation (“Maco” or the “Company”)

**ESD Investment:** A grant of up to \$65,000 to be used for a portion of the cost of the purchase of machinery and equipment.

**Project Location:** 412 Van Buren Street, Newark, Wayne County

**NYS Empire Zone:** Wayne County Empire Zone

**ESD Incentive Offer Accepted:** April 7, 2009

**Project Completion:** June 2010

**Number of Employees at Facility:**

Initial employment at time of ESD Incentive Offer:	156
Current employment level:	157
Minimum employment on January 1, 2013:	196

**Grantee Contact:** Craig Miller, President  
412 Van Buren Street  
Newark, NY 14513  
Phone: (315) 226-1000 X107 Fax: (315) 226-1050

**Project Team:**

Origination	Helen Blum
Project Management	Edward Muszynski
Affirmative Action	Helen Daniels
Environmental	Soo Kang

### **Project Description:**

#### Background

In business for over 50 years, Maco Bag Corporation manufactures flexible packaging products, including heat sealable and custom bags, and offers contract packaging services. As a flexible packaging converter, the Company purchases packaging materials and converts these to bags and pouches. Maco concentrates on the value-added niche marketplace, serving the pharmaceutical, photographic, dental, electronic, food, and retail sectors. Major customers include Carestream Health, Church & Dwight and Beechnut. Major competitors include Valley Packaging and Poly Shapes.

In 2008, the Company needed to expand its product lines in order to compete with off-shore flexible packaging companies. Maco considered expanding and modernizing its Newark

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facility or its 12-year-old facility in Guadalajara, Mexico. In order to help the Company reduce costs and make the project feasible in New York, ESD offered a \$65,000 capital grant, which Maco accepted on April 7, 2009. As a result, the Company upgraded its plant in Newark to manufacture new products. Without ESD's assistance and Empire Zone benefits, the project would have likely gone to Mexico and 27 jobs would have been lost.

### The Project

Maco has purchased and installed machinery and equipment, including a high-speed pouch machine, weigh scale, in-line capper, machinery for a liquid packaging line, and new tooling. The Company also trained employees so that Maco could become industry-certified as a dry foods packager by the American Institute of Baking ("AIB"). AIB certification denotes a superior score on an audit of plant quality and is highly regarded in the industry. Managers and employees needed to be trained on how to audit quality and maintain standards.

Financing Uses	Amount	Financing Sources	Amount	Percent
Machinery & Equipment	\$1,225,000	ESD Grant	\$65,000	5%
Employee Training	75,000	JPMorgan Chase Bank Loan*	300,000	23%
		Company Equity	935,000	72%
Total Project Costs	\$1,300,000	Total Project Financing	\$1,300,000	100%

\*LIBOR +1.75%/3 yrs./1<sup>st</sup> lien on M&E

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

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$65,000 capital grant (\$650.00) 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-

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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 \$65,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$32,500) upon documentation of machinery and equipment project costs totaling \$900,000, and documentation of the employment of at least 156 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 (\$16,250) will be disbursed upon documentation of the employment of at least 176 Full-time Permanent Employees at the Project Location (Employment Increment of 20), provided Grantee is otherwise in compliance with program requirements;
  - c) a Third Disbursement of an amount equal to 25% of the grant (\$16,250) will be disbursed upon documentation of the employment of at least 196 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. Expenses must be incurred on or after April 7, 2009 to be considered eligible project costs. All disbursements must be requested by April 1, 2013.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$65,000, 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

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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	156
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A	B
Reporting Date	Employment Goals
February 1, 2012	156+X+Y
February 1, 2013	156+X+Y
February 1, 2014	156+X+Y
February 1, 2015	156+X+Y

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 [156 + X = 176] 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 Third Disbursement of the Grant as described in section 5 above (i.e. Y=20, and Employment Goals shall equal [176 + X + Y = 196] 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.

**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.

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As a result of this project, the Company will maintain its employment level of 156 jobs, including retention of 27 jobs which were at risk of elimination.

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

The Company considered relocating its operations to Mexico, where it has a facility. 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 \$1,576,044, which exceed the cost to the State.

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