

A. Hamilton Printing MAP Capital (V143)

September 17, 2009

General Project Plan

Grantee: Hamilton Printing Company (“Hamilton” or the “Company”)

ESD Investment: A grant of up to \$100,000 to be used for a portion of the cost of the purchase and installation of machinery and equipment.

Project Location: 22 Hamilton Way, Castleton On Hudson, Rensselaer County

NYS Empire Zone (or equivalent): N/A

ESD Incentive Offer Accepted: March 9, 2007(initial offer); August 14, 2009 (revised offer)

Project Completion: July 2007

Number of Employees at Facility:

Initial employment at time of Application to ESD:	104
Current employment level:	99
Minimum employment through January 1, 2013:	95

Grantee Contact: Michael H. Hart, Vice President - Finance
22 Hamilton Way
Castleton On Hudson, NY 12033
Phone: (518) 732-4491 Fax: (518) 732-0059

Project Team:

Origination	Linda Dillion
Project Management	Gregory E. Fitzgerald
Affirmative Action	Laverne Poole
Finance	Ross Freeman
Environmental	Soo Kang

Project Description:

Background

Hamilton Printing Company is a privately held, family owned company that began its operations in 1912 as a small letterpress shop in Albany. Today, the Company is a niche printer of paperbacks and hardcover books providing single-color, 7 x 10 books to its customers. Hamilton has a 120,000-square-foot manufacturing facility in Castleton On Hudson, NY and a 70,000-square-foot warehouse in East Greenbush, NY. At the Castleton facility, the Company prints and binds books for clients including Oxford University Press, John Wiley & Sons and Pearson Publishing.

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The printing industry is extremely competitive and Hamilton's top rivals include RR Donnelly, Courier, and Quebecor World. These companies are larger and have a distinct competitive advantage, including larger facilities in multiple locations, regularly replacing outdated machinery, and outsourcing work to overseas partners with lower labor and raw material costs. Recently, the industry trend has moved toward using full-service printers who are able to print and bind books with little to no outsourcing. Customers expect a fast turnaround time at a very competitive price.

Much of Hamilton's production equipment is outdated and requires labor-intensive processes. In order for the Company to become more efficient and remain competitive, it had to increase its in-house capacities by improving production output and quality.

Manufacturing is the most significant wealth-creating and value-adding sector of the NYS economy outside of the New York City metropolitan area. The purpose of the ESDC's Manufacturing Assistance Program ("MAP") is to encourage New York State manufacturers to invest in projects that substantially improve the competitiveness and productivity of their operations, thus increasing their long-term viability and ensuring the health of the state's manufacturing economy. Hamilton Printing Company sought to achieve operational efficiencies, increase in-house production and expand its product line to assist the Company to achieve its goals. In March 2007, ESD offered a MAP grant to help the Company overcome its restrictions and to improve its competitive position through the purchase of new machinery and equipment. In August 2009, the number of jobs was updated and the Incentive Offer was revised. As a result of the ESD Incentive, the Company will retain 95 jobs through January 1, 2013.

The Project

The project involves the purchase of three new pieces of specialized equipment which will facilitate the Company's ability to offer its customers complete in-house book manufacturing. The Kolbus DA270 Casemaker will enhance Hamilton's casemaking capabilities and will replace a 20-year old machine. The Casemaker applies hardcover material to wood pulp fiber board to form a hardcover case. A Xerox IGen 110 Four Color Digital Press produces digital four color, paperback covers, hardcover material, dust jackets and inserts. Also, it can produce digital four color books and digital one color books. A companion D&K Laminator applies a thin clear film coating to protect paperback covers, hardcover material and dust jackets. In the past, the Company has had to contract out these services. As a result of this new equipment, the Company is more efficient, increased its in-house production and has expanded its product line. The project began in early spring 2007 and was completed in July 2007.

MAP Project Findings and Outcomes

This project qualifies as a Manufacturing Assistance Program project because the Company i) is a resident New York State manufacturer with between 50 and 1,000 employees; ii) exports at least 30% of its production beyond its region or provides at least 30% of its production to a manufacturer that exports beyond the Company's region; and iii) is making a substantial

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investment of at least \$1,000,000 in order to improve its competitiveness and productivity and thereby enhance its long-term viability in the State of New York. .

The project is expected to produce the following measurable outcomes for the Company:

Primary Outcomes: Achieve 1,300,000 commercially acceptable book cases with the Kolbus DA270 Casemaker and produce 420,000 commercially acceptable covers, jackets, and preprints with the Xerox IGen1 10 printer by September 2008.

Secondary Outcomes: Expand the Company’s product line, increase in-house production and operational efficiencies.

Financing Uses	Amount	Financing Sources	Amount	Percent
Machinery and Equipment	\$1,033,263	ESD Grant	\$100,000	9%
Site Prep	8,162	Company Equity	990,804	91%
Training	5,264			
Working Capital	44,115			
Total Project Costs	\$1,090,804	Total Project Financing	\$1,090,804	100%

Financial Terms and Conditions:

1. The Company shall pay a commitment fee of 1% of the \$100,000 grant (\$1,000) 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. In lieu of certain financial disclosure requirements, Grantee will be required to furnish ESD with an irrevocable standby letter of credit, acceptable to ESD, for a period of five years. The balance of the letter of credit shall be no less than the applicable amount that may be recaptured by ESD pursuant to the Grant Disbursement Agreement and not be reduced for at least nine months after the reporting date. As well, the balance cannot be reduced until the 2011 fiscal year \$100,000 disbursement is reduced.
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

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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 \$100,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$50,000) will be disbursed upon employment of at least 95 Full-time permanent Employees at the Project Location, assuming that all project approvals have been completed and funds are available and documentation of production outcomes as follows: Hamilton Printing will produce 1,300,000 commercially acceptable book cases with the Kolbus DA270 Casemaker, and Hamilton Printing will produce 420,000 commercially acceptable covers, jackets, and preprints with the Xerox IGen110 printer. Both the Kolbus and IGen production will be verified by a certification of the plant manager with supporting documentation; and
 - b) a Second Disbursement of an amount equal to the grant (\$50,000) will be disbursed upon employment of at least 95 Full-time permanent Employees and documentation of the expenditure of \$1,028,000 in Machinery and Equipment as agreed upon in the Initial Disbursement.

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 March 9, 2007 to be considered eligible project costs.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$100,000, 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 ESDC, Grantee shall be obligated to repay to ESDC 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:

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- (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	95
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A	B
Reporting Date	Employment Goals
February 1, 2011	95
February 1, 2012	95
February 1, 2013	95
February 1, 2014	95
February 1, 2015	95

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.

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 will make significant investment(s) in its manufacturing facility, thereby ensuring its continued viability and the retention of 95

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employees. In addition, this project will help make the Company more competitive, and thus increase the economic viability of the state's manufacturing industry.

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

In order to increase its manufacturing capacity and become more competitive, Hamilton needed to purchase new machinery and equipment. ESD assistance is needed to fill a financing gap.

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 \$3,192,750, which exceed the cost to the State.

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

See cover memo.