

**B. Healthway Home Products Capital (W472)**

September 17, 2009

General Project Plan

**Grantee:** Healthway Home Products, Inc. (“Healthway”)

**ESD Investment:** A grant of up to \$50,000 to be used for a portion of construction/renovation and machinery and equipment project costs.

**Project Location:** 3420 Maple Avenue, Pulaski, Oswego County

**NYS Empire Zone (or equivalent):** N/A

**ESD Incentive Offer Accepted:** September 29, 2008

**Project Completion:** May 2009

**Number of Employees at Facility:**

Initial employment (at time of ESD Incentive Offer):	22
Current employment level:	22
Minimum employment on January 1, 2012:	42

**Grantee Contact:** Vincent Lobdell, President/CEO  
3420 Maple Avenue  
Pulaski, NY 13142  
Phone: (315) 298-2904 Fax: (315) 298-6992

**Project Team:**

Origination	James Fayle
Project Management	Meg Paskins
Affirmative Action	Helen Daniels
Environmental	Kang Soo

**Project Description:**

Background

Healthway, formed in 2004, is a privately held company that manufactures and sells new state-of-the-art air cleaning products for homes and light commercial applications. It utilizes enhanced media filtration technology (“EMF”) that was developed for military germ warfare bio-aerosol control for treating air taken into military vehicles in war zones. Healthway holds patents in the United States and a number of foreign countries on the EMF technology as well as a range of products comprising the EMF technology. In addition to its Pulaski facility, its products are also manufactured in Xhenzhen, China.

The Company sells its products through 3 major sales channels: 1) the Company sells thru water softener/purification distributors worldwide by training regional distributors how to

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sell and service the Company's EMF technology and products; 2) the Company has a strategic alliance and joint venture with Pure LLC, a Swedish based company, to provide allergy friendly rooms and air cleaning products for the hotel industry worldwide; and 3) the Company has acquired manufacturing agreements with various private label companies to manufacture air quality products.

The emergence and publicity of harmful diseases and bio-aerosol contaminants has greatly increased consumer awareness around the world to the negative health effects of poor indoor air quality. As a result of the increased demand for the Company's products, it outgrew its 7,500 square foot facility in the Village of Pulaski.

The 18,000 square foot Ontario Iron Works building, also located in Pulaski and unoccupied since 1963, was the perfect fit for Healthway's growing operation. While private bank financing and company equity were available to fund project costs, there still remained a financing gap. The Company approached ESD for assistance with its expansion project and ESD responded with an offer of a \$50,000 capital grant that was accepted by Healthway in September 2008. The ESD financing allowed the project to move forward making the project financially feasible and conserving Company cash flow. The move to a larger facility will result in the creation of 20 new jobs, bringing employment to 42 by 2012.

### The Project

The project, completed in May 2009, consisted of a gut renovation of an 18,000-square-foot facility in Pulaski. When purchased, the building was a brick shell and all systems including electrical, heating and plumbing needed to be installed. Additional costs included computer/network costs, relocation costs and soft costs for items such as legal, architect, and engineering fees. The building is owned by Vincent Lobdell, Healthway's owner.

The move to a larger facility will facilitate the Company's efforts to meet increased customer demand. Sales are anticipated to increase 17% in 2009. Employment at the Pulaski facility is currently 22.

Financing Uses	Amount	Financing Sources	Amount	Percent
Construction/Renovation	\$485,852	ESD Grant	\$50,000	9%
Equipment	38,457	M&T Bank *	232,000	42%
Moving Costs	18,574	Company Equity	269,842	49%
Soft Costs	8,959			
Total Project Costs	\$551,842	Total Project Financing	\$551,842	100%

\* M&T Bank – 4% interest rate/20-year term/secured by first mortgage on real estate

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**Financial Terms and Conditions:**

1. The Company shall pay a commitment fee of 1% of the \$50,000 grant (\$500) 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. 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 \$50,000 will be disbursed to the Grantee in two installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$25,000) upon completion of the project substantially as described in these materials as evidenced by a certificate of occupancy, documentation of \$391,125 in construction/renovation and machinery and equipment expenditures, and documentation of the employment of at least 22 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 (\$25,000) will be disbursed upon documentation of the employment of at least 42 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 September 29, 2008 to be considered eligible project costs. All disbursements must be requested by April 1, 2012.

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6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$50,000, 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	22
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A	B
Reporting Date	Employment Goals
February 1, 2011	22+X
February 1, 2012	22+X
February 1, 2013	22+X
February 1, 2014	22+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=20, and Employment Goals shall equal [22 + X = 42] 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.

**Environmental Review:**

ESD staff has determined that, although the funding of this project by ESD may constitute an “action” as defined by the State Environmental Quality Review Act (“SEQRA”), the project itself has been previously completed. ESD’s action in the funding decision will not alter the adverse environmental impacts, if any, of the project as completed. ESD staff accordingly believes that funding the completed project will not have any significant adverse impacts on the environment.

**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 maintain its employment level of 22 and create 20 new jobs.
  
2. The project would be unlikely to take place in New York State without the requested assistance.  
ESD assistance allowed the Company to complete the financing needed for the construction/renovation project and made the project financially feasible.
  
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 total fiscal benefits to New York State government are expected to be \$560,260, which exceed the cost to the State.
  
4. The requirements of Section 10(g) of the Act are satisfied.  
See cover memo.