

A. Inscape Capital (X061)

April 26, 2011

General Project Plan

Grantee: Inscape (NY) Inc. (“Inscape” or the “Company”)

ESD Investment: A grant of up to \$100,000 to be used for a portion of renovation costs.

Project Location: 221 Lister Avenue, Falconer, Chautauqua County

ESD Incentive Offer Accepted: April 29, 2010

Project Completion: May 2011

Number of Employees at Facility:

Initial employment at time of ESD Incentive Offer:	66
Current employment level:	83
Minimum employment on January 1, 2014:	96*

*including 5 full-time contract employees

Grantee Contact: Ken Smallwood, Chief Financial Officer & General Manager
221 Lister Ave
Falconer, NY 14701
Phone: (716) 665-6210
Fax: (716) 483-2355

Project Team:	Origination	Robert Iszard
	Project Management	Jim Seymour
	Affirmative Action	Helen Daniels
	Finance	Cecile Fu
	Environmental	Soo Kang

Project Description:

Background

Inscape (NY) Inc. is a privately held business that was formed in 2001. Inscape serves commercial and institutional customers operating in conventional offices that require moveable wall products. The Company’s products offer the opportunity for customers to divide spaces with floor to ceiling solutions that are significantly more environmentally sustainable than conventional interior construction. Customers who are interested in pursuing LEED accreditation are a prime market because the Company’s wall products earns them credit towards being a LEED facility. Inscape continually seeks to expand its product portfolio to be more successful in reaching its customer and affect design influences.

Inscape’s major customers include Hensel Phelps Construction, State Farm Insurance and Shaw Energy. Major competitors include Dirtt (Alberta Canada), KI (Wisconsin), Michigan

A. Inscape Capital (X061)

April 26, 2011

Steelcase (Michigan) and Teknion (Toronto, Canada).

In mid-2010, Inscape considered purchasing its current facility in an effort to reduce operating costs. By acquiring the facility, the Company can avoid escalations in its annual lease, which make it difficult for the Company to operate a profitable enterprise. The Company indicated that its only other option was to transfer the business and employees to its corporate manufacturing location in Holland Landing, Ontario, Canada, and therefore, the Company sought ESD assistance. On April 29, 2010, accepted ESD's offer of a \$100,000 grant, resulting in the Company's decision to purchase the facility, renovate, and invest in new machinery and equipment at its Falconer facility. As a result, 66 jobs will be retained and 25 new full-time and 5 contract jobs will be created by January 1, 2014. Without this grant, these jobs would likely have been relocated out of the country. The project will improve the Company's physical space and facilitate its efforts to increase sales. The purchase of the site will solidify the business location that will allow the Company to actively pursue various investments and grow the company while continuing to be an asset to Falconer, New York.

The Project

The project involves renovation of the office and showroom area of the Company's manufacturing location along with purchase of new machinery and equipment for the Company's new product line. This project has been undertaken in conjunction with the \$2.8 million building acquisition, completed in January 2010. The project is scheduled to be completed in May 2011 and will create a more modern facility.

Financing Uses	Amount	Financing Sources	Amount	Percent
Real Estate	\$2,800,000	ESD Grant	\$100,000	3%
Renovations	150,000	Company Equity	2,950,000	97%
Machinery & Equipment	100,000			
Total Project Costs	\$3,050,000	Total Project Financing	\$3,050,000	100%

Financial Terms and Conditions:

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$100,000 capital grant (\$1,000) 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 a minimum of 10% of the total project cost in the form of equity contributed after the Company's 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

A. Inscape Capital (X061)

April 26, 2011

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. A Full-time Contract Employee is a full-time private sector employee (or self-employed person) who is not on the Grantee's payroll but who works exclusively for the Grantee at the Project Location for a minimum of 35 hours per week for not less than four consecutive weeks, providing services that would otherwise be provided by a Full-time Permanent Employee. The position held by a Full-time Contract Employee must be a year-round position.

5. Up to \$100,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$50,000) upon documentation of a property deed, project costs totaling \$3,050,000, , and documentation of the employment of at least 66 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 (\$25,000) will be disbursed upon documentation of the employment of at least 78 Full-time Permanent Employees at the Project Location (Employment Increment of 12), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$25,000) will be disbursed upon documentation of the employment of at least 91 Full-time Permanent Employees and 5 Full-Time Contract Employees at the Project Location (Employment Increment of 18), 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 29, 2010 to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

A. Inscape Capital (X061)
April 26, 2011

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 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.

A. Inscap Capital (X061)
April 26, 2011

Baseline Employment	66
---------------------	----

A	B
Reporting Date	Employment Goals
February 1, 2012	66+X+Y
February 1, 2013	66+X+Y
February 1, 2014	66+X+Y
February 1, 2015	66+X+Y
February 1, 2016	66+X+Y

X = Grantee's Employment Increment that will be the basis of the Second Disbursement of the Grant as described in section C.5 above (i.e. X=66, and Employment Goals shall equal [66 + X = 78] 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 C.5 above (i.e. Y=18*, and Employment Goals shall equal 66 + X + Y = 96] 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

*including 13 Full-time Employees and 5 Full-time Contract Employees

Environmental Review:

ESD staff has determined that the project constitutes a Type II action as defined by the New York State Environmental Quality Review Act ("SEQRA") and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

Affirmative Action:

ESD's Non-Discrimination and Affirmative Action policy will apply. Inscap (NY) Inc. 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 – Empire State Economic Development Fund:

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 maintain its employment level of 66 jobs and create 30 new jobs by January 1, 2014.
2. The project would be unlikely to take place in New York State without the requested assistance.
Without ESD assistance, this project would likely have been relocated to an existing facility

A. Inscape Capital (X061)

April 26, 2011

in Holland Spring, Ontario, Canada.

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 \$3,029,956, which exceed the cost to the State
4. The requirements of Section 10(g) of the Act are satisfied.
See cover memo.