

G. John Hassall MAP Capital (U473)

June 24, 2010

General Project Plan

Grantee: John Hassall, Inc. (“John Hassall” or the “Company”)

ESD Investment: A grant of up to \$90,000, pending passage of the New York State budget, to be used for a portion of the cost of the acquisition and installation of new machinery and equipment.

Project Location: 609-1 Cantiague Rock Road, Westbury, Nassau County

NYS Empire Zone (or equivalent): N/A

ESD Incentive Offer Accepted: October 28, 2009

Project Completion: June 2007

Number of Employees at Facility:

Initial employment at time of ESD Incentive Offer:	74
Current employment level:	74
Minimum employment through January 1, 2013:	74

Grantee Contact: Mr. Richard Stabler, Controller
609-1 Cantiague Rock Road
Westbury, NY 11590
Phone: 516-334-6200 ext. 556 Fax: 516-334-6496

Project Team:

Origination	Aida Reyes-Kuehn
Project Management	Jean Bly
Affirmative Action	Laverne Poole
Environmental	Soo Kang

Project Description:

Background

John Hassall, established in 1850, manufactures custom designed metal parts and fasteners including bolts, screws, pins, rivets, and precision-formed parts and assemblies for the aerospace, defense, automotive, commercial/industrial and consumer products industries utilizing various grades of steel, stainless steel and non-ferrous alloys, as well as high temperature/high strength aircraft alloys. Company capabilities include multi-station cold forming, hot forging, and a variety of sophisticated secondary operations such as precision turning, centerless grinding, broaching, thread rolling, heat treating, and product testing in a full metallurgical laboratory.

Company products, ranging in lengths up to 9" with shank diameters ranging from 0.018"

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up to 0.625, are distributed through its 65,000-square-foot Westbury facility or can be supplied direct to assembly facilities worldwide through strategic partnerships developed with manufacturers in Japan, China and Mexico. John Hassall is certified to ISO 9001:2008, AS 9100 and National Aerospace and Defense Contractors Accreditation Program heat-treat standards.

Major customers include Anixter International Inc. (Chicago, IL); Pratt & Whitney (East Hartford, CT); and WESCO Aircraft Hardware (Valencia, CA). Major competitors include Precision Castparts Corp. (Portland, OR); M S Aerospace Inc. (Slymnar, CA); and Slabe Machine Products (Willoghby, OH).

In Mid-2006, John Hassall notified ESD of the need to modernize its aging equipment in an effort to comply with current and projected increased market demand. State-of-the art machinery and equipment would allow for the production of higher quality products; increased capacity; new capabilities; shorter lead times; and less downtime due to current repairs and maintenance. However, the Company lacked significant financial resources to complete the capital investment. On August 14, 2006, John Hassall accepted ESD's offer of a \$200,000 capital grant resulting in the Company's decision to invest \$2.2 million on new equipment and retain 117 jobs. Following the acceptance of ESD's offer, the Company notified ESD that the new equipment would result in easier, more-efficient operation; therefore the Company would gradually reduce its workforce through attrition. ESD revised its offer on October 21, 2009, subsequently reducing ESD's assistance to a \$90,000 capital grant if the Company retained 74 jobs. Without ESD assistance, these jobs would have likely been lost if the Company could not remain competitive.

The Project

The \$1.150 million project involves the acquisition and installation of new machinery and equipment including CNC lathes, grinders, profile projectors, riggers, a marking machine, and water evaporating and exhaust systems; as well as employee in-house training on the newly-acquired equipment. The project was funded by ESD's grant; five-year equipment leases through CIT Technology Financing Services, Inc. ("CIT"), Sovereign Bank ("Sovereign"), General Electric Capital Corporation ("GE"), and Machinery Finance Resources, LLC ("Machinery Finance"); and Company equity. The Project was complete in June 2007.

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Financing Uses	Amount	Financing Sources	Amount	Percent
Machinery & Equipment	\$1,075,000	ESD Grant	\$90,000	7.83%
Training	75,000	CIT Lease ^(a)	146,765	12.76%
		Sovereign Lease ^(b)	250,000	21.74%
		GE Lease ^(c)	200,000	17.39%
		Machinery Finance Lease ^(d)	179,625	15.62%
		Company Equity	283,610	24.66%
Total Project Costs	\$1,150,000	Total Project Financing	\$1,150,000	100.00%

(a)8.34%/60mos/1st on Wasino CNC Lathe Model G07/SR, serial #3306

(b)Variable monthly payments/60mos/1st on Monza Model 510 CNC 3+1 Centerless Grinder, serial #2800

(c)Variable monthly payments/60mos/1st on Monza 510 CNC 1 Centerless Grinder, serial #9602

(d)Variable monthly payments/60mos/1st on Okuma Captain Model L370BBMW, serial #520505

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 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 outcome for the Company:

Primary Outcome: Achieve a 30% from 28,123 to at least 36,500 bolts per month.

Secondary Outcomes: Increased production of higher quality products; increased capacity and new capabilities; shorter lead times; and less downtime due to current repairs and maintenance.

Total estimated value of competitiveness and project outcomes: \$1,989,976 annually.

Financial Terms and Conditions:

1. The Company shall pay a commitment fee of 1% of the \$90,000 grant (\$900) 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

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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 \$90,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$45,000) upon completion of the project substantially as described in these materials; documentation of machinery and equipment project costs of approximately \$1.075 million; and documentation of the employment of at least 74 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 (\$45,000) will be disbursed upon documentation of the achievement of output increase of 30% from 28,123 to 36,500 bolts per month and documentation of the employment of at least 74 Full-time Permanent Employees at the Project Location, provided Grantee is otherwise in compliance with program requirements. Production output increases will be demonstrated by a production report certified by the plant manager and confirmed by a Certified Public Accountant or by such other documentation acceptable to ESD.

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 August 14, 2006 to be considered eligible project costs. All disbursements must be requested no later than April 1, 2011.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$90,000, 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

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“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.

Baseline Employment	74
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A	B
Date	Employment Goals
February 1, 2011	74
February 1, 2012	74
February 1, 2013	74

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 74 Permanent Full-time jobs at the Project Location.

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

Without ESD assistance, the Company did not have sufficient funds to complete the capital investment, which allows it to remain competitive by producing higher quality products at a

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lower cost.

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 \$2,630,964, which exceed the cost to the State.

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