

FOR CONSIDERATION

June 28, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Yonkers (Westchester County) – POP Displays Capital – Downstate Revitalization Fund – Business Investment (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-r and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions.

General Project Plan

I. Project Summary

Grantee: POP Displays USA, LLC (“POP Displays” or the “Company”)

ESD* Investment: A grant of up to \$300,000 to be used for a portion of the cost of new machinery and equipment.

* The New York State Urban Development Corporation doing business as the Empire State Development Corporation (“ESD” or the “Corporation”)

Project Location: 555 Tuckahoe Road, Yonkers, Westchester County

Proposed Project: Purchase and installation of machinery and equipment to upgrade manufacturing operations.

ESD Incentive Offer Accepted: August 24, 2010

Project Completion: June 2012

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	615
Current employment level:	615
Minimum employment through January 1, 2016:	615

Grantee Contact: Scott Katcher, Senior Vice President
 555 Tuckahoe Road
 Yonkers, NY 10710
 Phone: (914) 771 4313
 Fax: (914) 771-4562

Anticipated
 Appropriation
 Source: Downstate Revitalization Fund

ESD Project No.: X198

Project Team:	Origination	Chris St. Lawrence
	Project Management	Simone Bethune
	Affirmative Action	Denise Ross
	Finance	Amit Nihalani
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Machinery, Equipment and Technology	\$1,500,000
Total Project Costs	<u>\$1,500,000</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	\$300,000	20%	
Wells Fargo-Loan	300,000	20%	*See below
Wells Fargo or other Financing-Loan	650,000	43%	TBD
Company Equity	<u>250,000</u>	<u>17%</u>	
Total Project Financing	<u>\$1,500,000</u>	<u>100%</u>	

*5-year capital lease with a \$1 buy out at end of term.

III. Project Description

A. Background

Founded in 1953, POP Displays USA, LLC manufactures plastic, permanent, and semi-permanent purchase displays and merchandizing solutions for major retailers and marketing companies at its 435,000-square-foot facility in Yonkers, Westchester County. The Company's display models have been used to showcase cosmetics, skin care items, electronics, home and garden products, and grocery displays. From its origins as a direct manufacturer for the display industry, the Company has evolved to become one of the industry's first full service manufacturers. In 2002, The Company merged with Diam International, a worldwide retail merchandising solutions provider whose accomplishments included strategic analysis and creative design, engineering and manufacturing. At that time, POP Displays changed its name to Diam USA.

In 2006, the Company was acquired by Sun Capital Partners, a private investment firm founded in 1995 with combined sales in excess of \$40 billion and investments in 140 companies worldwide. After its acquisition by Sun Capital Partners, Pop Displays regained its original name, POP Displays USA, LLC. Subsequently, POP Displays Intermediary, Inc. was formed for the purpose of owning POP Displays USA, LLC under Sun Capital Partners.

A unique operation in the purchase manufacturing industry, POP Displays has evolved from using primarily wood and plastic fabrication for its designs to an innovative, vertically integrated operation of 31 injection-molding machines that utilize cellular manufacturing. Utilizing this process reduces waste and optimizes efficiency, output and quality. POP Displays is also an eco-conscious company, recycling its oil, water and plastic. The Company competes in a highly fragmented market of large competitors and some small, family-owned businesses.

The Company approached ESD in May 2010 because it faced increased operating costs, which would have forced it to move out of New York State. The Company struggles to match the output of competitors who are increasingly turning to offshore sourcing and production. An upgrade to operating machinery to improve output and maintain their ability to compete would allow the Company to increase efficiency and decrease operating costs, thereby maintaining speed-to-market and quick turn-around time to clients. ESD made an incentive offer to the Company from the Downstate Revitalization Fund in October of 2010 after receiving a RFO in December 2009. Without ESD's assistance, POP Displays would have moved its operations out of New York State or even offshore and 615 jobs would have been lost in New York State.

B. The Project

POP Displays will purchase new machinery and equipment that will be installed at its 435,000-square-foot warehouse in Yonkers. The machinery and equipment will be vital to improving the Company's efficiency and productivity, enabling them to compete in a changing market. Some of the machinery and equipment may consist of a CNC Router Model Shop, a Warehouse Management (IT), a vacuum pump, and robotics for molding machines. The project began in July 2010 and is expected to be completed in June 2012; the project will retain 615 jobs.

Evaluated over a seven-year period, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$9,266,900;
- Fiscal cost to NYS government is estimated at \$300,000;
- Project cost to NYS government per direct job is \$1,461;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$804;
- Ratio of project fiscal benefits to costs to NYS government is 30.89:1;
- Fiscal benefits to all governments (state and local) are estimated at \$16,322,800;
- Fiscal cost to all governments is \$300,000;
- All government cost per direct job is \$1,461;
- All government cost per total job is \$804;
- The fiscal benefit to cost ratio for all governments is 54.41:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$87,320,219, or \$234,117 per job (direct and indirect);
- The economic benefit to cost ratio is 291.07:1;
- There is no construction activity related to this project;
- For every permanent direct job generated by this project, an additional 0.80 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is three years.

(See Project Summary Benefit-Cost Evaluation attached for detail and definitions.)

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$300,000 capital grant (\$3,000) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no material adverse change in its financial condition prior to disbursement.
3. POP Displays Intermediary, Inc. will guarantee the grant repayment obligation of its subsidiary, POP Displays USA, LLC, in the event of an Employment Shortfall or other default, as defined in these materials or the Grant Disbursement Agreement.
4. The Company will be required to contribute a minimum of 10% of the total project cost in the form of equity contributed after August 24, 2010. 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.

5. 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.

6. Up to \$300,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$150,000) will be disbursed upon partial completion of the project, submission of documentation verifying project expenditures of approximately \$750,000, and employment of at least 615 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 25% of an amount equal to the grant (\$75,000) will be disbursed upon submission of documentation verifying additional project expenditures of approximately \$750,000 (cumulative expenditures of \$1.5 million) and evidence of employment of at least 615 Full-Time Permanent Employees; and
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$75,000) will be disbursed no sooner than 12 months after the second disbursement upon evidence of employment of at least 615 Full-time Permanent Employees at the Project Location, 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 July 1, 2010, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

7. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$300,000, 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.

8. 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.

Baseline Employment	615
A	B
Date	Employment Goals
February 1, 2012	615
February 1, 2013	615
February 1, 2014	615
February 1, 2015	615
February 1, 2016	615

IV. Statutory Basis

This project is authorized under Section 16-r of the New York State Urban Development Corporation Act (the “Act”) and satisfies the eligibility criteria in the Act and the rules and regulations for the Downstate Revitalization Fund Program. No residential relocation is required as there are no families or individuals residing on the site.

V. 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.

VI. 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.

VII. ESD Financial Assistance Subject to Availability of Funds and Additional Approval

The provision of ESD financial assistance is contingent upon the availability of funds and the approval of the State Division of the Budget.

VIII. Additional Submissions to Directors

Resolutions
New York State Map
Project Finance Memorandum
Cost-Benefit Analysis

June 28, 2011

Yonkers (Westchester County) – POP Displays Capital – Downstate Revitalization Fund Business Investment (Capital Grant) – Findings and Determinations Pursuant to Sections 16-r and 10 (g) of the Act; Authorization to Adopt the Proposed General Project Plan; Authorization to Make a Grant and to Take Related Actions

RESOLVED, that on the basis of the materials presented to this meeting, a copy of which is hereby ordered filed with the records of the Corporation, relating to the POP Displays Capital - Downstate Revitalization Fund - Business Investment (Capital Grant) Project (the "Project"), the Corporation hereby determines pursuant to Section 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the "Act"), that there are no families or individuals to be displaced from the project area; and be it further

RESOLVED, that the Corporation does hereby adopt, subject to the requirements of Section 16(2) of the Act, the proposed General Project Plan (the "Plan") for the Project submitted to this meeting, together with such changes therein as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, a copy of which Plan, together with such changes, is hereby ordered filed with the records of the Corporation; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to POP Displays USA, LLC a grant for a total amount not to exceed Three Hundred Thousand Dollars (\$300,000) from the Downstate Revitalization Fund, for the purposes, and substantially on the terms and conditions, set forth in the materials presented to this meeting, with such changes as the President and Chief Executive Officer of the Corporation or his designee(s) may deem appropriate, subject to the availability of funds and the approval of the State Division of the Budget; and be it further

RESOLVED, that the President and Chief Executive Officer of the Corporation or his designee(s) be, subsequent to the making of the grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the grant as he or she may deem necessary or appropriate in the administration of the grant; and be it further

RESOLVED, that the provision of ESD financial assistance is expressly contingent upon: (1) the approval of the Public Authorities Control Board, if applicable, and (2) receipt of all other necessary approvals; and be it further

RESOLVED, that the President and Chief Executive Officer or his designee(s) be, and each of them hereby is, authorized in the name and on behalf of the Corporation to execute and deliver any and all documents and to take all actions as he or she may in his or her sole discretion consider to be necessary or proper to effectuate the foregoing resolutions.

* * *

POP Display Capital
Yonkers
Westchester County



