

FOR CONSIDERATION

October 20, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Liverpool (Central New York Region – Onondaga County) – Syracuse Label MAP Capital – Empire State Economic Development Fund - General Development Financing (Capital Grant)

REQUEST FOR: Findings and Determinations Pursuant to Sections 16-m 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: Syracuse Label Company, Inc. (“Syracuse Label” or the “Company”)

ESD* Investment: A grant of up to \$150,000 to be used for a portion of the cost of the purchase of machinery and equipment.

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

Project Location: 110 Luther Avenue, Liverpool, Onondaga County

Proposed Project: Purchase of new machinery and equipment and improvements to manufacturing facility to improve competitiveness, reduce production costs and waste, and improve operational efficiencies and product quality.

ESD Incentive
Offer Accepted: March 7, 2011

Project Completion: July 31, 2011

Number of Employees at Project Location:
Initial employment at time of ESD Incentive Offer : 80
Current employment level: 80
Minimum employment on January 1, 2016: 80

Grantee Contact: Kathleen Alaimo , President
110 Luther Avenue
Liverpool, NY 13088
Phone: (315) 422-1037
Fax: (315) 422-6763

Anticipated
Appropriation
Source: Empire State Economic Development Fund

ESD Project No.: X358

Project Team: Origination Bonnie Palmer
Project Management Beverly Bobb
Affirmative Action Helen Daniels
Environmental Soo Kang

Regional Council: The Central New York Regional Council has been made aware of this item.

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction	\$97,650
Machinery and Equipment Acquisition	1,827,350
Employee Training	<u>25,000</u>

Total Project Costs \$1,950,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>	<u>Rate/Term/Lien</u>
ESD-Grant	150,000	7.7%	
M&T Bank	1,300,000	66.7%	TBD/5 years/TBD
Company Equity	<u>500,000</u>	<u>25.6%</u>	

Total Project Financing \$1,950,000 100.0%

III. Project Description

A. Background

Founded in 1967, Syracuse Label Company, a privately owned manufacturing facility located in Liverpool, New York, began as a printer of pressure-sensitive labels and diversified to include a multitude of printing applications and industries. The Company's products are sold in the northeastern United States and marketed to the food, plastics and consumer products industries. It operates from a 35,000-square-foot facility which includes production space, warehousing and office space.

In November 2007, Syracuse Label's president decided to retire and the Company underwent an Employee Stock Ownership Plan ("ESOP") purchase. It currently provides various printing applications for over 300 companies, and major customers include Turkey Hill in Conestoga, Pennsylvania; Invitrogen Corporation in Grand Island, New York; and Sterilite Corporation in Townsend, Massachusetts. Annual sales range between \$12 million and \$14 million.

Due to the ever changing market for new and better printing capabilities and technologies, Syracuse Label's older presses and processes were no longer energy efficient and lengthy setup times were causing overhead cost and waste. The Company had begun to experience a decrease in revenue due to higher prices, lower profit margins and technology limitations. In an effort to expand the Company's product line and services to their existing and new potential customers, the Company needed to purchase newer presses, technologies and software updates.

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 ESD'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.

In January 2011, Syracuse Label approached ESD for financial assistance to purchase a new press that will improve its long-term viability by allowing it to compete in the growing, flexible packaging markets, while simultaneously reducing operational costs and improving production efficiencies. Without ESD assistance, the Company would need to reduce its workforce and eventually close. To reduce the cost of the machinery and equipment and facility enhancements, ESD offered Syracuse Label an incentive offer for \$150,000, which the Company accepted on March 7, 2011. As a result of the project, the Company was able to replace older technology, reduce waste and increase efficiencies, as well as offer a new product line to its customers.

In December 2009, the ESD Directors approved an \$110,000 MAP grant, which the Company used for the acquisition of state-of-the-art digital printing equipment. The project was completed and the funds have been fully disbursed.

B. The Project

The project, completed in July 2011, included the purchase and installation of machinery and equipment, infrastructure costs and system enhancements totaling \$ 1,950,000. To increase the Company's technological capabilities, purchases included a new 22" Nilpeter FA5/6 Press that will be used to replace current older technologies. In addition to the purchase of the press, Syracuse Label expanded its inspection capabilities with the purchase of a CEI inspection machine which provides the capability to inspect the larger wider rolls produced on the 22" Nilpeter FA5/6. The addition of the wider web inspection machine helps to increase efficiencies with larger orders and reduce lead times. The equipment additions and technology advancements, with state-of-the-art presses, will enhance the Company's competitive edge in the printing industry and allow it to offer customers a more complete printing package. The Company will maintain 80 full-time employees at the Project Location.

C. 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 outcomes for the Company:

Primary Outcome: Increase production capacity and potential output from 2.7mm square inches to 6.3mm square inches of labels annually.

Secondary Outcome(s): 25% reduction in downtime; 25% reduction in material waste from current 20% Letterpress technology to estimated 15% for the 22" Nilpeter FA 5/6.

Total estimated value of competitiveness and project outcomes: \$ 1.7 million increase over baseline annually by the end of the third year.

D. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$150,000 capital grant (\$1,500) and reimburse ESD for all out-of-pocket expenses incurred in connection with the project.
2. The Company will demonstrate no material or adverse changes 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 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.
5. Up to \$150,000 will be disbursed to the Grantee in two installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$75,000) will be disbursed upon documentation of machinery and equipment project costs totaling \$1,500,000, and documentation of the employment of at least 80 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 (\$75,000) upon written verification by a third party Certified Public Accountant (or other method acceptable to ESD) of expenditures totaling an additional \$350,000 of the Project Budget and of production of 1,500,000 MSI of commercially acceptable printed material within a consecutive six-month period and employment of at least 80 Full-time Permanent Employees.

Payment will be made upon presentation to ESD of an invoice and such other documentation as ESD may reasonably require. Expenses must be incurred on or after March 7, 2011 to be considered eligible project costs. All disbursements must be requested no later than April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$150,000, 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.

Baseline Employment	80
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A	B
Date	Employment Goals
February 1, 2013	80
February 1, 2014	80
February 1, 2015	80
February 1, 2016	80

IV. 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 investments in its manufacturing facility, thereby ensuring its continued viability and the retention of 80 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.

Without ESD assistance to complete the funding needed for the project, the Company would not have been able to proceed with its project, thereby jeopardizing its competitive position in markets served.

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, the following are anticipated project impacts (dollar values are present value):

- Fiscal benefits to NYS government from the project are estimated at \$2,079,691;
- Fiscal cost to NYS government is estimated at \$150,000;
- Project cost to NYS government per direct job is \$3,390;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$1,982;
- Ratio of project fiscal benefits to costs to NYS government is 13.86:1;
- Fiscal benefits to all governments (state and local) are estimated at \$3,533,901;
- Fiscal cost to all governments is \$150,000;
- All government cost per direct job is \$3,390;
- All government cost per total job is \$1,982;
- The fiscal benefit to cost ratio for all governments is 23.56:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$19,774,426, or \$261,286 per job (direct and indirect);
- The economic benefit to cost ratio is 131.83:1;
- Project construction cost is \$97,650, which is expected to generate one direct job year and one indirect job year of employment;
- For every permanent direct job generated by this project, an additional 0.71 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is one year.

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

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

No residential relocation is required because there are no families or individuals residing on the site.

V. 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 and the implementing regulations of the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action policy will apply. Syracuse Label Company, 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.

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
Cost-Benefit Analysis

October 20, 2011

Liverpool (Central New York Region – Onondaga County) – Syracuse Label MAP Capital – Empire State Economic Development Fund - General Development Financing (Capital Grant) – Findings and Determinations Pursuant to Sections 16-m 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 Syracuse Label MAP Capital -- Empire State Economic Development Fund - General Development Financing Project (the "Project"), the Corporation hereby determines pursuant to Sections 16-m and 10 (g) of the New York State Urban Development Corporation Act of 1968, as amended (the "Act"), that

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;
2. The project would be unlikely to take place in New York State without the requested assistance;
3. The project is reasonably likely to accomplish its stated objectives and that the likely benefits of the project exceed costs;
4. 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 upon written finding of the President and Chief Executive Officer of the Corporation or his designee(s) that no substantive negative testimony or comment has been received at the public hearing held on the Plan, such Plan shall be effective at the conclusion of such hearing, and that upon such written finding being made, the President and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Syracuse Label Company, Inc. a grant for a total amount not to exceed One Hundred Fifty Thousand Dollars (\$150,000) from the Empire State Economic Development 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.

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