

## B. Hinspergers Poly Capital (W166)

May 23, 2011

### General Project Plan

**Grantee:** Hinspergers Poly Industries Inc. (“Hinspergers” or the “Company”)

**ESD Investment:** A grant of up to \$60,000 for a portion of the costs related to construction and the purchase of machinery and equipment.

**Project Location:** 430 West Oak Orchard Street, Medina, Orleans County

**ESD Incentive Offer Accepted:** June 6, 2008

**Project Completion:** January 2009

**Number of Employees at Facility:**

Initial employment at time of ESD Incentive Offer:	45
Current employment level:	53
Minimum employment on January 1, 2013:	65

**Grantee Contact:** Mark Bedford, Vice President Finance  
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<b>Project Team:</b>	Origination	Helen Blum
	Project Management	Edward Muszynski
	Affirmative Action	Helen Daniels
	Environmental	Soo Kang

**Project Description:**

Background

Hinspergers Poly Industries Inc., headquartered in Ontario, Canada, manufactures a wide range of protective covers fabricated from polyethylene. The Company opened its first US plant in Medina, New York in 2002 where it manufactures and distributes lower cost winter covers, solar blankets and related products for the US swimming pool market. These products consist of safety covers for in-ground swimming pools, woven poly covers for both in-ground and above-ground swimming pools, and swimming pool solar blankets. The Company is the only North American mass manufacturer of these lower priced covers, as all the other such manufacturers have sent their production to the Asia.

Production of Hinspergers’ solar blankets is constrained due to the high cost of the raw material. The raw material is similar to packing bubble wrap. The Company wanted to

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manufacture its own bubble material, and in 2008, it approached ESD and the NYS Office of Community Renewal (“OCR”) for assistance to reduce costs and make the project feasible in Medina. ESD responded with an offer of a \$60,000 capital grant and OCR offered a \$200,000 loan, both of which the Company accepted in June 2008. Without ESD and OCR assistance, and Empire Zone benefits, the Company would have considered expanding in Ontario, Canada or in Ohio.

ESD assisted the Company in 2002 with a \$50,000 capital grant as an incentive to establish a facility in NYS, and in 2004 with a \$50,000 grant for an expansion. Both projects were completed and the grants were disbursed. For the second grant, ESD recaptured \$21,500 and job targets were proportionately reduced, after which Company maintained its required job level.

### The Project

The Company has completed construction of a new 32,000-square-foot addition to its 50,000 square-foot facility and installed machinery and equipment (“M&E”). The M&E included a custom-made bubble forming and laminating machine, a computerized cutting table and sewing machines. Hinspergers has already created 12 of the 20 new jobs to which it has committed.

Financing Uses	Amount	Financing Sources	Amount	Percent
Construction	\$1,780,000	ESD Grant	\$60,000	2%
Machinery & Equipment	1,040,000	OCR Loan*	200,000	7%
		Bank of Castile Loan**	500,000	18%
		Company Equity	2,060,000	73%
Total Project Costs	\$2,820,000	Total Project Financing	\$2,820,000	100%

\* First \$100,000: 2%, 5 yrs. Second \$100,000: interest-free convertible loan, forgiven if job commitments are met. Both are unsecured.

\*\*3.44% for 48 months, after which becomes 5.76% /10 yrs/1<sup>st</sup> lien on all assets

### **Financial Terms and Conditions:**

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$60,000 capital grant (\$600) 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 at least 10% of the total project cost in the form of equity contributed after the Company’s written acceptance of ESD’s offer.

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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 \$60,000 will be disbursed to the Grantee in three installments as follows:
  - a) an Initial Disbursement of an amount equal to 50% of the grant (\$30,000) upon documentation of building construction/machinery and equipment project costs totaling \$2,820,000, including a certificate of occupancy, and documentation of the employment of at least 45 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 (\$15,000) will be disbursed upon documentation of the employment of at least 55 Full-time Permanent Employees at the Project Location (Employment Increment of 10), provided Grantee is otherwise in compliance with program requirements;
  - c) a Third Disbursement of an amount equal to 25% of the grant (\$15,000) will be disbursed upon documentation of the employment of at least 65 Full-time Permanent Employees at the Project Location (Employment Increment of 10), 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 June 6, 2008 to be considered eligible project costs. All disbursements must be requested by April 1, 2013.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$60,000, 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

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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	45
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A	B
Reporting Date	Employment Goals
February 1, 2012	45+X+Y
February 1, 2013	45+X+Y
February 1, 2014	45+X+Y
February 1, 2015	45+X+Y

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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.  $X=10$ , and Employment Goals shall equal  $[45 + X = 55]$  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 5 above (i.e.  $Y=10$ , and Employment Goals shall equal  $[45 + X + Y = 65]$  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  $Y=0$ .

### 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 45 full-time jobs and create 20 new full-time jobs.
2. The project would be unlikely to take place in New York State without the requested assistance.  
Without ESD and other assistance to lower costs in New York, the solar blanket manufacturing line would likely have been relocated to an existing facility in Ontario, Canada or to Ohio.
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 \$652,083, which exceed the cost to the State.
4. The requirements of Section 10(g) of the Act are satisfied.  
See cover memo.

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Town of Medina (Orleans County) – Hinspergers Poly Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) – Determination of No Significant Effect on the Environment

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RESOLVED, that based on the material submitted to the Directors with respect to the Hinspergers Poly Capital – Empire State Economic Development Fund – General Development Financing (Capital Grant) Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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