

FOR CONSIDERATION

November 19, 2009

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Rensselaer (Rensselaer County) – Taconic Farms 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; Determination of No Significant Effect on the Environment

General Project Plan

I. Project Summary

Grantee: Taconic Farms Inc. (“Taconic” or the “Company”)

ESD* Investment: A grant of up to \$105,468 to be used for a portion of the cost of construction of a new 23,000-square-foot facility and the renovation of an existing 10,000-square-foot building at the University at Albany’s East Campus (the “Campus”).

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

Project Location: 9 Discovery Drive, University at Albany East Campus, Rensselaer, Rensselaer County

NYS Empire Zone
(or equivalent): Rensselaer County Empire Zone

Proposed Project: Construction of a new 23,000-square-foot facility and renovation of an existing 10,000-square-foot building at SUNY Albany's East Campus to accommodate needs of lab animal surgical and isolator breeding laboratories.

ESD Incentive Offer Accepted: December 14, 2006 (revised October 6, 2009)

Project Completion: March 2008 – Isolator Building
June 2009 – Surgery Renovations

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer:	28
Current employment level:	44
Minimum employment on January 1, 2010:	44

Grantee Contact: James Vitale, Site Director
1 Hudson City Centre
Hudson, New York 12534
Phone: (518) 697-3900 x 18975
Fax: (518) 697-3905

Anticipated
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: U440

Project Team:	Origination	Arnold Will
	Project Management	Gregory E. Fitzgerald
	Affirmative Action	Laverne Poole
	Environmental	Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction	\$1,750,000
Machinery and Equipment	4,750,000
Architectural and Engineering	1,000,000
Training	<u>280,000</u>

Total Project Costs \$7,780,000

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$105,468	1%
Company Equity	<u>7,674,532</u>	<u>99%</u>
Total Project Financing	<u>\$7,780,000</u>	<u>100%</u>

III. Project Description

A. Background

Taconic Farms, Inc. is a family-owned business that has been in New York's Hudson River Valley since it was founded in 1952. Headquartered in Hudson, NY, Taconic is one of the largest laboratory rodent providers in the world, with six breeding facilities and three service laboratories in the United States and Europe. The Company offers monoclonal antibody production, drug- and animal-safety testing. The rodents that Taconic breeds are used by the biomedical industry to help researchers develop new therapies for human disease. Specially bred to be disease-free or genetically modified to exhibit certain traits, these rodents ensure that new therapies are thoroughly tested and refined before human trials begin. Taconic's major customers -- Merck, Eli Lilly, Wyeth, Amgen and Pfizer -- are now outsourcing their rodent model needs. In response to the increased market demand of rodent models and services, Taconic has decided to expand its contract (or "Isolator") breeding capacity and the surgically modified animal models portion of its business.

Since 1997, Taconic has leased laboratory and production space on University at Albany's East Campus in East Greenbush. The University Foundation owns all the land and both buildings.

In November 2006, the Company contacted ESD for assistance after receiving incentives from the state of Indiana and Wayne County, Indiana where it has an existing facility. On December 14, 2006, ESD's \$175,000 grant offer induced Taconic to expand operations in New York instead of relocating to Cambridge City, Indiana which would have resulted in the relocation of 20 jobs out-of-state. In September 2009, the number of jobs was updated and the Incentive Offer was revised accordingly to \$105,468. As a result, ESD's offer will result in the retention of 28 full-time employees, and the creation of 16 new jobs by January 1, 2010.

B. The Project

In order to offer the new Isolator reared breeding services to their clients, Taconic constructed a new 23,000-square-foot building and renovated an existing 10,000-square-foot building for surgery. The new and renovated buildings are both nearby the current facility and located on the Campus; they include office space, support space and animal laboratory space. This expansion project will meet the needs of Taconic's surgery and isolator breeding.

As a result of the new and expanded facilities, the Company was able to more than double its laboratory space. The new facility was fully operational as of February 2008 and the project was completed in March 2008. Surgery renovations were completed in June of 2009.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$105,468 capital grant (\$1,054.68) 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 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 \$105,468 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$52,734), upon completion of the project substantially as described in these materials, occupancy of the new building, and documentation verifying project expenditures of at least \$6,500,000 and employment of at least 28 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 (\$26,367) will be disbursed upon documentation of the employment of at least 36 Full-time Permanent Employees at the Project Location (Employment Increment of 8), provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$26,367) will be disbursed upon documentation of the employment of at least 44 Full-time Permanent Employees at the Project Location (Employment Increment of 8), 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 December 14, 2006 to be considered eligible project costs. All disbursements must be requested by April 1, 2010.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$105,468, 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	28
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A	B
Reporting Date	Employment Goals
February 1, 2011	28+X+Y
February 1, 2012	28+X+Y
February 1, 2013	28+X+Y
February 1, 2014	28+X+Y
February 1, 2015	28+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=8, and Employment Goals shall equal $[28 + X = 36]$ 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=8, and Employment Goals shall equal $[28 + X + Y = 44]$ 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.

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 maintain its employment level of 28, including retention of 20 jobs which were at risk of relocation to Indiana. In addition, the Company will create 16 new jobs.

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

Without ESD assistance to lower costs and make the Company's facility competitive with one in Indiana, the cost would have been too high to make the project feasible in New York.

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 \$1,713,632;
- Fiscal cost to NYS government is estimated at \$105,468;
- Project cost to NYS government per direct job is \$2,524;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$1,607;
- Ratio of project fiscal benefits to costs to NYS government is 16.25:1;
- Fiscal benefits to all governments (state and local) are estimated at \$2,870,293;
- Fiscal cost to all governments is \$105,468;
- All government cost per direct job is \$2,524;
- All government cost per total job is \$1,607;
- The fiscal benefit to cost ratio for all governments is 27.21:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$15,251,276, or \$232,397 per job (direct and indirect);
- The economic benefit to cost ratio is 144.61:1;
- Project construction cost is \$2,750,000 which is expected to generate 28 direct job years and 16 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 0.58 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 1 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

The Town of East Greenbush Planning Board, as lead agency, has completed an environmental review of the Taconic Farms project as part of the review for the SUNY East Campus Subdivision and Expansion project pursuant to the requirements of the State Environmental Quality Review Act (“SEQRA”) and the implementing regulations of the New York State Department of Environmental Conservation. This review found the project to be a Type I Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on December 19, 2001. ESD staff reviewed the Negative Declaration and supporting materials and concurs. It is recommended that the Directors make a Determination of No Significant Effect on the Environment.

VI. Affirmative Action

ESD's Non-Discrimination and Affirmative Action program will apply to this project. 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.

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

Rensselaer (Rensselaer County) – Taconic Farms 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 Taconic Farms Capital -- Empire State Economic Development Fund – General Development Financing (Capital Grant) 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 Chairman and Chief Executive Officer-Designate 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 Chairman and Chief Executive Officer-Designate 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, Chairman and Chief Executive Officer-Designate of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Taconic Farms Inc. a grant for a total amount not to exceed One Hundred and Five Thousand, Four Hundred and Sixty-Eight Dollars (\$105,468) 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 Chairman and Chief Executive Officer-Designate 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 Chairman and Chief Executive Officer-Designate 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 Chairman and Chief Executive Officer-Designate of the Corporation 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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November 19, 2009

Rensselaer (Rensselaer County) – Taconic Farms Capital – Empire State Economic
Development Fund Expansion – Determination of No Significant Effect on the
Environment

RESOLVED, that based on the material submitted to the Directors with respect to the Taconic Farms Capital Project, the Corporation hereby determines that the proposed action will not have a significant effect on the environment.

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