

FOR CONSIDERATION

June 15, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT: Port Washington (Nassau County) – Pall Corporation 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: Pall Corporation (“Pall” or the “Company”)

ESD* Investment: A grant of up to \$500,000, pending passage of the New York State budget, to be used for a portion of the cost of renovations of existing facility and construction of new office space.

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

Project Location: 25 Harbor Park Drive, Port Washington, Nassau County

NYS Empire Zone
(or equivalent): N/A

Proposed Project: Construction and renovations of office facility and purchase of office furniture, associated with consolidation of two Long Island facilities.

ESD Incentive Offer Accepted: August 24, 2007

Project Completion: October 2009

Number of Employees at Project Location:

Initial employment at time of ESD Incentive Offer: 569*
Current employment level: 573
Minimum employment through January 1, 2015: 517

** Includes 245 jobs to be relocated from the East Hills facility.*

Grantee Contact: William C. Palmer, Senior Vice President
25 Harbor Park Drive
Port Washington, NY 11050
Phone: (516) 484-5400
Fax: (516) 801-9643

Anticipated
Appropriation
Source: Empire State Economic Development Fund

ESD Project No.: V591

Project Team: Origination Jeff Janiszewski
Project Management Wai Shiu
Affirmative Action Laverne Poole
Finance Jonevan Hornsby

Environmental Soo Kang

II. Project Cost and Financing Sources

<u>Financing Uses</u>	<u>Amount</u>
Construction	\$47,248,802
Furniture	3,446,524
Indirect/Soft Costs	<u>6,961,070</u>
Total Project Costs	<u>\$57,656,396</u>

<u>Financing Sources</u>	<u>Amount</u>	<u>Percent</u>
ESD-Grant	\$500,000	1%
Company Equity	<u>57,156,396</u>	<u>99%</u>
Total Project Financing	<u>\$57,656,396</u>	<u>100%</u>

III. Project Description

A. Background

Pall Corporation, incorporated in 1946, and listed on the New York Stock Exchange (PLL), is a leading supplier of filtration, separation and purification technologies. The Company serves customers through two business groups globally: Life Sciences and Industrial. The Life Sciences business group is focused on developing, manufacturing and sells products to customers in the medical and bio-pharmaceuticals marketplaces. The Industrial business group is focused on developing, manufacturing and selling products to customers in the aerospace and transportation, microelectronics and energy, water and process technologies markets.

The global drivers for the Company's products include increasing potable water and energy demands, emerging pathogens, environmental concerns and regulations, industrial globalization and consolidation, increasing government regulations and process innovation and optimization. The Company's primary competition comes from alternative, often older, technologies; and significant barriers to entry limit the number of qualified suppliers in many markets. Pall Corporation has over \$2 billion in sales worldwide and has more than 10,000 employees.

In 2006, Pall maintained four locations in New York State: East Hills, Port Washington, Hauppauge, and Cortland, with a total of over 1400 employees. The East Hills facility served as Company headquarters and also functioned as an R&D center with some manufacturing. The Port Washington facility housed its Scientific and Laboratory Services group and other shared services functions. The Hauppauge and Cortland locations are both manufacturing sites.

The Company recognized that there was tremendous strategic and economic value to be gained in consolidating its corporate, business unit, technical and R&D functions into one facility. But due to the high costs of doing business in Long Island, the Company was considering consolidating its operations in North Carolina or Virginia, both of which had offered incentives for the Company to acquire property and tax benefits based on its employment level. In order to induce Pall to remain in New York State, ESD offered the Company a \$500,000 grant, which it accepted in August 2007. Pall also received assistance from the Nassau Industrial Development Authority, including a 10-year PILOT real estate tax benefit, and sales tax exemptions. The Company's consolidation in NYS would result in the loss of 52 redundant positions. Without ESD's assistance, Pall would likely have relocated its headquarters out of NYS and 569 jobs would be lost.

The Company received a \$75,000 grant from ESD in 2000. Pall complied with all requirements and the grant was closed in 2003.

B. The Project

The project plan consisted of the renovation of over 85% of the 233,000-square-foot structure of Pall's existing Port Washington facility and the addition of 43,000 square feet for office, cafeteria, R&D laboratory, and front entrance space. The ESD grant will be used to reimburse for expenditures spent on construction and related activities.

The project was completed in October 2009, when Pall vacated its East Hills facility and consolidated that facility's personnel and operations to the Port Washington location. As a result, the Company is expected to retain 517 employees in Long Island through January 1, 2015.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 1% of the \$500,000 capital grant (\$5,000) 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 demonstrate no 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 Locations 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 Locations 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 \$500,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$250,000) will be disbursed upon completion of the project as evidenced by documentation verifying \$35,000,000 in expenditures on renovation and improvements at the Port Washington location and a certificate of occupancy, and documentation of the employment of at least 517 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 (\$125,000) will be disbursed no sooner than 12 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 517 Full-time Permanent Employees at the Project Location, provided Grantee is otherwise in compliance with program requirements;
 - c) a Third Disbursement of an amount equal to 25% of the grant (\$125,000) will be disbursed no sooner than 24 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 517 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

August 24, 2007 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 \$500,000, 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	517
---------------------	-----

A	B
Date	Employment Goals
February 1, 2011	517
February 1, 2012	517
February 1, 2013	517
February 1, 2014	517
February 1, 2015	517

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 corporate facility and retain 517 jobs that were at risk of relocation out-of-state.

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

The Company considered relocating its operations to North Carolina or Virginia. ESD’s assistance helped to reduce costs and 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 \$23,950,507;
- Fiscal cost to NYS government is estimated at \$1,364,939;
- Project cost to NYS government per direct job is \$4,836;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$2,274;
- Ratio of project fiscal benefits to costs to NYS government is 17.55:1;
- Fiscal benefits to all governments (state and local) are estimated at \$43,808,465;
- Fiscal cost to all governments is \$2,581,846;
- All government cost per direct job is \$9,148;
- All government cost per total job is \$4,301;
- The fiscal benefit to cost ratio for all governments is 16.97:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$256,827,539, or \$427,855 per job (direct and indirect);

- The economic benefit to cost ratio is 99.47:1;
- Project construction cost is \$54,209,872 which is expected to generate 420 direct job years and 265 indirect job years of employment;
- For every permanent direct job generated by this project, an additional 1.18 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 North Hempstead Town Board, as lead agency, has completed an environmental review of the proposed 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 an Unlisted Action, which would not have a significant effect on the environment. The lead agency issued a Negative Declaration on September 11, 2007. 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 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.

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 15, 2010

Port Washington (Nassau County) – Pall Corporation 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 Pall Corporation 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 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 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 Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to Pall Corporation a grant for a total amount not to exceed Five Hundred Thousand Dollars (\$500,000) 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 Chairman 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 Chairman 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 Chairman and Chief Executive Officer 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.

* * *

June 15, 2010

Port Washington (Nassau County) – Pall Corporation Capital – Empire State
Economic Development Fund – General Development Financing (Capital Grant) –
Determination of No Significant Effect on the Environment

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

* * *