



FOR CONSIDERATION

June 24, 2010

TO: The Directors

FROM: Dennis M. Mullen

SUBJECT Red Hook (Kings County) – American Stevedoring, Inc. Working Capital – Empire State Economic Development Fund – General Development Financing (Working Capital Loan)

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 Loan and to Take Related Actions

I. Project Summary

Borrower: American Stevedoring, Inc.
Contact: Eric Seal, Controller
70 Hamilton Avenue
Brooklyn, NY 11231
Phone: (718) 875-4564
Fax: (718) 875-4564

ESD* Investment: A loan of up to \$1,000,000, pending passage of the New York State budget, to be used for the cost of financing payroll expenses directly related to the borrower's East of Hudson Bill of Lading Program and Trans Hudson Barge Service.

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

Project Location: Red Hook Container Terminal, 70 Hamilton Avenue, Brooklyn

NYS Empire Zone
(or equivalent): South-West Brooklyn Empire Zone

Proposed Project: Provide a working capital loan to assist the borrower in meeting certain payroll expenses until the Trans Hudson Barge Service becomes economically viable.

Number of Employees at Project Location:

Current employment level: 250
Minimum employment through January 1, 2014: 250

Effect of Loan on
Project Financing:

The proposed \$1,000,000 loan will provide permanent financing for a four (4) year term at an annual interest rate of not less than 3%.

Anticipated
Appropriation
Source:

Empire State Economic Development Fund

ESD Project No.: X062

Project Team:

Project Management Kevin J. Rutkowsky
Legal Jonathan Beyer
Finance Ross Freeman
Affirmative Action Laverne Poole
Environmental Soo Kang

II. Project Cost and Financing Sources

Financing Uses
Stevedore Expenses
(defined below)

Amount
\$120,315,886

Total Project Costs

\$120,315,886

Financing Sources

ESD-Loan**
Company Equity

Amount
\$1,000,000
119,315,886

Percent
1%
99%

Rate/Term/Lien
3%/4yrs./Unsecured

Total Project Financing

\$120,315,886

100%

**The ESD loan will be interest only for the first three years followed by equal monthly payments of interest and principal over the final year.

III. Project Description

A. Background

American Stevedoring Incorporated (“ASI”), a privately held and family operated subchapter S corporation, is a multi-service port operator and transportation service provider. Sabato Catucci founded the company in 1965, and currently is the Chief Executive Officer of ASI and its related subsidiaries. ASI is in the business of waterborne transportation, providing port development services, direct stevedoring and lashing for container, bulk and neo-bulk products, state of the art warehouse operations, and related truck, chassis and container support services. ASI operates two container facilities in the Port of New York and New Jersey – a 100 acre facility with four container

cranes on the Brooklyn waterfront in Red Hook, and a smaller, 20 acre container/barge facility, with rail access in Newark, New Jersey. Conflicting policy and development alternatives caused a significant loss of business at ASI. Funding is necessary to bridge a period over the next several years as ASI continues to rebuild its volume towards long term sustainability and preserve maritime jobs.

The Directors have previously authorized an allocation of over \$8,000,000 in Bi-State Dredging funds for ASI and additional economic initiatives along the Brooklyn Waterfront. Approximately \$7,869,238 of this allocation was used to benefit ASI, including payments for the purchase of equipment, grants to be used as credits against rent arrearages and other costs incurred by ASI and owed to the PANY&NJ in connection with ASI leases at PANY&NJ marine terminal facilities and other activity rentals, and a grant for the operation of ASI's Trans Hudson Barge Service.

B. The Project

The project involves financing for ASI's stevedoring payroll directly related to the East of Hudson Bill of Lading Program (the "Program") and the Trans Hudson Barge Service (the "Barge") but excluding operating expenses and administrative and operating costs (the "Stevedoring Expenses"). The Program provides for the direct ocean transport of essential goods directly into Brooklyn rather than out-of-state ports. Via the Program, the Red Hook Container Terminal ("RHCT"), which is operated by ASI under lease from the Port Authority of New York and New Jersey, is specifically designated as a destination port, and goods for consumption in New York City, Long Island and their environs arrive east of the Hudson River, rather than in New Jersey. The Program also contributes to public policy goals of congestion mitigation, better air quality, job retention and an increase in affordability to New Yorker's of essential goods such as apparel, food and household items.

Full deployment of the Program, however, is conditioned on the more extensive use of the Barge by ASI, which is not economically viable under current levels. The Barge is the sole water connection for the movement of foreign commerce cargo containers between New York and New Jersey, and plays an essential role in connecting RHCT with the hinterland. Largely, containers shipped to Red Hook that are destined for west of the Hudson River are barged to New Jersey for rail connection. The current ratio of inbound cargo containers arriving at RHCT which are required to be transferred to inter-modal transit (i.e. freight rail system) by way of the Barge is expected to improve over the next four (4) years to the point of viability of the Barge. ASI has invested approximately \$21,000,000 for this service to date. The project will result in the retention of 250 jobs at ASI's facility in Brooklyn. The loan will be unsecured, and will not be personally guaranteed by any stockholders.

C. Financial Terms and Conditions

1. The Company shall pay a commitment fee of 2% of the \$1,000,000 working capital loan, half of which shall be rebated at time of closing. In addition, at the time of closing, 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 closing.

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 Borrower'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 Borrower to other employees with comparable rank and duties; or (b) two part-time, permanent, private-sector employees on Borrower'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 Borrower to other employees with comparable rank and duties.
5. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$1,000,000 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.
6. In consideration for the making of the Loan, the Borrower will achieve the Employment Goals set forth in column C of the table below. If the number (for the preceding calendar year) of the Borrower's Full-time Permanent Employees, as defined above, as of each reporting date set forth in column B of the table below, is less than eighty-five percent (85%) of the Employment Goal set forth in column B, ESD reserves the right to raise the interest rate on the loan to prime plus 2% at its discretion. The Borrower'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	250
A	B
Reporting Date	Employment Goals
February 1, 2011	250
February 1, 2010	250
February 1, 2012	250
February 1, 2013	250
February 1, 2014	250

7. The ESD loan will be disbursed following completion of the project substantially as described in these materials and documentation of project costs and verification of participation of other financing sources, assuming that all project approvals have been completed and funds are available, and upon documentation by the Borrower of employment of 250 Full-Time Employees at the Project Location.

8. The ESD loan will be at an interest rate of 3% for a term of four years, with interest only for the first three years followed by equal monthly payments of interest and principal over the final year of the loan.
9. The Company will submit to ESD annual reviewed financial statements and quarterly internal financial statements certified by an officer of the Company.
10. The loan will be unsecured. It will not be personally guaranteed by stockholders of the ASI, and no UCC's will be filed.

III. 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.

As a result of this project, the Company will maintain its employment level of 250 jobs.

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

Without ESD assistance to help sustain operations, the future viability of the Company was in doubt.

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 \$9,958,668;
- Fiscal cost to NYS government is estimated at \$929,126;
- Project cost to NYS government per direct job is \$11,506;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$3,797;
- Ratio of project fiscal benefits to costs to NYS government is 10.72:1;
- Fiscal benefits to all governments (state and local) are estimated at \$18,645,666;
- Fiscal cost to all governments is \$929,126;
- All government cost per direct job is \$11,506;
- All government cost per total job is \$3,797;
- The fiscal benefit to cost ratio for all governments is 20.07:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$112,301,109, or \$458,936 per job (direct and indirect);
- The economic benefit to cost ratio is 120.87:1;
- There is no construction activity related to this project;
- For every permanent direct job generated by this project, an additional 1.97 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is 3 years.

(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.

IV. Environmental Review

ESDC staff has determined that the authorization of the working capital loan for ASI does not constitute an action as defined by the New York State Environmental Quality Review Act (“SEQRA”) and the implementing regulations for the New York State Department of Environmental Conservation. No further environmental review is required in connection with the project.

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 or retained, and to solicit and utilize Minority and Women-owned Business Enterprises for any contractual opportunities generated in connection with this project.

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

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

VII. Additional Submissions to Directors

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

June 24, 2010

Red Hook (Kings County) – American Stevedoring, Inc. Working Capital Loan – Empire State Economic Development Fund – General Development Financing (Working Capital Loan) – 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 Loan 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 American Stevedoring, Inc. Working Capital Loan -- Empire State Economic Development Fund – General Development Financing (Working Capital Loan) 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 Chairman and Chief Executive Officer of the Corporation or his designee(s) be, and each of them hereby is, authorized to make to American Stevedoring, Inc. a loan for a total amount not to exceed One Million Dollars (\$1,000,000) 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 loan and grant, and each of them hereby is, authorized to take such actions and make such modifications to the terms of the loan or grant or collateral securing the loan as he or she may deem necessary or appropriate in the administration of the loan and 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.

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