

FOR CONSIDERATION

October 20, 2011

TO: The Directors

FROM: Kenneth Adams

SUBJECT: Port Washington (Long Island Region – Nassau County) – Aceto 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

General Project Plan

I. Project Summary

Grantee: Aceto Corporation (“Aceto” or the “Company”)

ESD* Investment: A grant of up to \$489,000 to be used for a portion of the cost of renovations.

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

Project Location: 4 Tri-Harbor Court, Port Washington, Nassau County

Proposed Project: Purchase and renovate a 48,000-square-foot facility associated with the relocation of the Company’s headquarters.

ESD Incentive Offer Accepted: November 3, 2009 (initial); December 22, 2009 (revised)

Project Completion: April 2011

Number of Employees at Project Location:

| | |
|--|----|
| Initial employment at time of ESD Incentive Offer: | 80 |
| Current employment level: | 89 |
| Minimum employment through January 1, 2016: | 80 |

Grantee Contact: Douglas Roth, Vice President, CFO
4 Tri Harbor Court
Port Washington, NY 11050
Phone: (516) 627-6000 Ext. 540
Fax: (516) 478-9840

Anticipated
Appropriation

Source: Empire State Economic Development Fund

ESD Project No.: W909

| | | |
|---------------|--------------------|----------------------|
| Project Team: | Origination | Carol Mead |
| | Project Management | Javier Roman-Morales |
| | Affirmative Action | Gowshihan Sriharan |
| | Finance | Amit Nihalani |
| | Environmental | Soo Kang |

Regional Council: The Long Island Regional Council has been made aware of this item.

II. Project Cost and Financing Sources

| <u>Financing Uses</u> | <u>Amount</u> |
|-------------------------|------------------|
| Building Acquisition | \$3,500,000 |
| Construction/Renovation | <u>4,318,651</u> |

Total Project Costs \$7,818,651

| <u>Financing Sources</u> | <u>Amount</u> | <u>Percent</u> |
|--------------------------|--------------------|----------------|
| ESD-Grant | \$489,000 | 6% |
| Company Equity | <u>7,329,651</u> | <u>94%</u> |
| Total Project Financing | <u>\$7,818,651</u> | <u>100%</u> |

III. Project Description

A. Background

Aceto Corporation was incorporated in 1947 and is a publicly traded on the NASDAQ market under the trading symbol "ACET". Aceto is a global leader in the marketing and distribution of pharmaceutical intermediates and active ingredients, finished dosage form generics, nutraceutical products, agricultural protection products and specialty chemicals. The Corporation is structured across three business segments-health sciences, specialty chemicals and agricultural protection products. Aceto presence in China, Germany, France, the Netherlands, Singapore, India, Hong Kong, Japan, the United Kingdom and the United States enable the Corporation to respond faster to its customers demand for finished products and/or raw materials and assure customers of a consistent and accessible delivery of high quality products. Aceto sources approximately two-thirds of its products from Asia, buying from approximately 500 companies in China and 200 in India.

In an effort to reduce its operating expenses, the Company conducted an extensive site search to relocate its headquarters located in Lake Success, NY. The Company determined that it would be more cost effective to purchase a property than continuing leasing its space. In August 2009, Aceto Corporation met with ESD to discuss the possibility of financial assistance in order to keep the Company from leaving New York. The Company had also been considering an offer from Pennsylvania to move its headquarters. Such a move would have resulted in the loss of all 80 full-time jobs from Long Island. Another alternative considered was the purchase of a building in order to relocate within New York State. In November 2009, ESD offered a \$550,000 Empire State Economic Development Fund Grant to relocate its headquarters to Port Washington, NY. This incentive offer was subsequently reduced to \$489,000 as a result of a decrease in the Company's job commitment. The revised offer was accepted on December 22, 2009. Without ESD's assistance, Aceto would have likely relocated its headquarters in Pennsylvania.

B. The Project

In February 2010, Aceto Realty LLC, a real estate partnership of Aceto Corporation, purchased a 48,000-square-foot building in Port Washington, NY. The renovation of the building began in October 2010 and was completed in March 2011. The total project cost was \$7,818,651 and include replacing the entire roof, new HVAC, plumbing, and upgrading electrical and data systems. The Company moved into its new headquarters in April 2011. Aceto Corporation occupies 70% and will lease the remaining 30%. As a result of the project, Aceto Corporation has retained all 80 full-time jobs and has created an additional 9 jobs to surpass its employment commitment.

C. Financial Terms and Conditions

1. Upon execution of the grant disbursement agreement, the Company shall pay a commitment fee of 1% of the \$489,000 capital grant (\$4,890) 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 any 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 \$489,000 will be disbursed to the Grantee in three installments as follows:
 - a) an Initial Disbursement of an amount equal to 50% of the grant (\$244,000) will be disbursed upon completion of the project substantially as described in these materials as evidence by a certificate of occupancy, \$4.7 million of project costs 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 25% of an amount equal to the grant (\$122,250) will be disbursed no sooner than 12 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 80 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 (\$122,250) will be disbursed no sooner than 24 months after the date the Initial Disbursement was made, upon documentation of the employment of at least 80 Full-time Permanent Employees at the Project Location, provided Grantee is otherwise in compliance with program requirements.

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 December 22, 2009, to be considered eligible project costs. All disbursements must be requested by April 1, 2014.

6. ESD may reallocate the project funds to another form of assistance, at an amount no greater than \$489,000, 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 |
|---------------------|----|

| 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 retain 80 jobs which were at risk of relocation to another state.

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

Without ESD assistance, this project would likely have been relocated to an existing facility in Pennsylvania.

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 \$4,390,495;
- Fiscal cost to NYS government is estimated at \$489,000;
- Project cost to NYS government per direct job is \$8,886;
- Project cost to NYS government per job (direct plus indirect) is estimated at \$4,206;
- Ratio of project fiscal benefits to costs to NYS government is 8.98:1;
- Fiscal benefits to all governments (state and local) are estimated at \$9,391,176;
- Fiscal cost to all governments is \$691,744;
- All government cost per direct job is \$12,571;
- All government cost per total job is \$5,950;
- The fiscal benefit to cost ratio for all governments is 13.58:1;
- Economic benefits (fiscal plus total net resident disposable income from project employment) are estimated at \$49,086,140, or \$422,186 per job (direct and indirect);
- The economic benefit to cost ratio is 70.96:1;
- Project construction cost is \$3,765,000, which is expected to generate 27 direct job years and 17 indirect job years of employment;

- For every permanent direct job generated by this project, an additional 1.17 indirect jobs are anticipated in the state's economy;
- The payback period for NYS costs is two 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.

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. The Client is encouraged to use its best efforts to achieve a Minority Business Enterprise participation goal of 10% and a Women Business Enterprise participation goal of 5% of the total dollar value of work performed pursuant to contracts or purchase orders entered into in connection with the construction work related to the project and to include minorities and women in any job opportunities created by the project.

VII. ESD Employment Enforcement Policy

ESD's Employment Enforcement Policy will not apply since the project will not directly create or retain jobs.

VIII. 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.

IX. Additional Submissions to Directors

Resolutions

New York State Map

Project Finance Memorandum

Benefit-Cost Analysis

October 20, 2011

Port Washington (Long Island Region – Nassau County) – Aceto 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 Aceto 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 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 Aceto Corporation a grant for a total amount not to exceed Four Hundred and Eighty-Nine Thousand Dollars (\$489,000) 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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