

CITY COUNCIL
CITY OF NEW YORK

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TRANSCRIPT OF THE MINUTES

of the

COMMITTEE ON ECONOMIC DEVELOPMENT

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October 29, 2009

Start: 10:45 am

Recess: 11:40 am

HELD AT: Council Chambers
City Hall

B E F O R E: THOMAS WHITE, JR.
Chairperson

COUNCIL MEMBERS:
Albert Vann
Letitia James
Annabel Palma

A P P E A R A N C E S (CONTINUED)

Jared Walkowitz
Director of the Empire Zone Program
Department of Small Business Services

Jay Moorin
Executive Vice President
Epic Pharmaceutical

Richard Werber
Director
Business Services Group at Greater Jamaica
Development Corporation

Ashok Nigalaye
Senior Management Team
Epic Pharmaceutical

Ram Poti
Senior Management Team
Epic Pharmaceutical

CHAIRPERSON WHITE: Good morning.

My name is Council Thomas White. I'm the chairman of the Economic Development Committee. Today's committee shall consider a manufacture of pharmaceutical products located in Laurelton, Queens to seek final authorization as a regionally significant project under the State's Empire Zone program.

Under Section 97D I of the New York State General Municipal Law, certain business enterprises located outside of the boundaries of the Empire Zone may still be eligible to Empire Zone benefits as a regionally significant project. Because the economic activity of such enterprise is of a nature that is encouraged by the state is consistent with the economic development plan of an existing Empire Zone. And the Zone administration board of an Empire Zone agrees to have that business be considered part of the Empire Zone.

On January 6, 2009, the Zone administrative board of the South Jamaica Empire Zone passed a resolution by which it determined that Epic Pharmaceuticals, LLC meets all the

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2 requirements of the program an that the expansion
3 and increase in employment of Epic Pharmaceutical
4 LLC would be in the best interest of the
5 Department of Economic Development. It issued a
6 letter in which it previously approved Epic
7 Pharmaceutical LLC designation as a regionally
8 significant project under Section 957D.I under the
9 General Municipal Law.

10 We will not hear testimony fro
11 administration followed by representatives of the
12 Greater Jamaica Development Corporation, which is
13 the Zone administrator of the South Jamaica Empire
14 Zone and others who will have important comments
15 on the application and the program generally. I
16 would now like to call Jared Walkowitz, Department
17 of Small Business Services.

18 Let me go on record by saying that
19 members of the committee, Mr. Albert Vann, Council
20 Member Palma, Council Member Tisha James. Just
21 trying to add a levity in the morning. Proceed
22 sir.

23 JARED WALKOWITZ: Good morning
24 Chairman White and members of the Committee on
25 Economic Development. My name is Jared Walkowitz

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2 and I'm the director of the Empire Zone's program
3 for the Department of Small Business Services. I
4 am pleased to testify before you today in support
5 of Intro 1014, which would authorize the
6 designation of Epic Pharma, LLC as a regionally
7 significant project, eligible for Empire Zone
8 benefits.

9 The Empire Zone program was created
10 by the New York State legislature in 1986 to
11 stimulate private investment and job creation in
12 disadvantaged communities within New York State
13 through variety of state tax incentives such as
14 wage tax credits and investment tax credits. The
15 program allows municipalities to retain and
16 attract business that create jobs and are
17 important to the local economy.

18 In April 2005, the state adopted
19 legislation creating the regionally significant
20 project designation. Regionally significant
21 projects allow local businesses that are outside
22 of the boundaries of an Empire Zone to qualify for
23 the valuable state tax credits. This program is
24 of great importance because New York City real
25 estate prices and available building stock limits

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2 the ability of employers to expand and grow
3 operations within the city's limits.

4 For a business outside an Empire
5 Zone to qualify for these benefits, it must meet
6 strict employment generation thresholds. To
7 ensure that the regionally significant project
8 designation is used prudently, the state has
9 created an authorization process that involves the
10 state, the local legislature and an environmental
11 review process.

12 Before this process even starts the
13 project must be approved by a Zone administrative
14 board. In the case of this project, the South
15 Jamaica Zone administrative board is comprised of
16 the commissioners of the Department of Small
17 Business Services, Department of Housing
18 Preservation and Development, Human Resources
19 Administration, the president of the New York City
20 Economic Development Corporation, the Queens
21 borough president, the respective Council Members
22 who have presence in the Zone and representatives
23 from community board 9, 12 and 13.

24 The regionally significant project
25 designation process begins with local input. The

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2 Zone administrative board must conduct due
3 diligence to ensure that the business will adhere
4 to the Zone development plan which outlines the
5 economic goals of the specific Empire Zone in
6 which the business is seeking certification. The
7 business must present to the board and submit an
8 application that outlines the business growth
9 plans for the following three years, during which
10 time it must create at least 50 new jobs.

11 If 50 new jobs are not created by
12 the end of the three years than the regionally
13 significant project status is revoked. Businesses
14 can not collect credits on jobs that are not
15 created or investments that are not made.

16 Epic Pharma manufactures
17 pharmaceuticals. It is located in Laurelton,
18 Queens. In July of 2008, Epic purchased the
19 assets of a large international manufacturer,
20 Sandoz Incorporated and continued the operations
21 as fully functional by maintaining a majority of
22 Sandoz employees but operating under the name Epic
23 Pharma. This facility produces and ships powders,
24 tablets, capsules and time release products.

25 Epic Pharma will create the minimum

1
2 50 net new jobs and invest approximately \$2.4
3 million in capital improvements to the facility by
4 the end of 2011. Epic Pharma currently employs
5 195 people, 120 of whom are from Queens with an
6 additional 31 employees from other areas in New
7 York City. 85% of employees from Sandoz were
8 retained by Epic Pharma.

9 The new job that will be created
10 over the next three years are specialty machine
11 operators, general machine operators, IT,
12 supervisors, office workers and sales. 60% of the
13 jobs at Epic Pharma are union jobs. Following my
14 testimony you will hear from the Executive Vice
15 President of Epic Pharma, Jay Moorin. He will
16 describe Epic's existing operations and how the
17 regionally significant project designation will
18 help them operate competitively and create new
19 jobs in southeast Queens.

20 I believe that you will agree that
21 the growth of business like Epic Pharma is crucial
22 to our economy. Thank you again for the
23 opportunity to appear before you today. I'm happy
24 to address any questions that you may have.

25 CHAIRPERSON WHITE: Thank you.

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2 What efforts did the Economic Development
3 Corporation or any other city agency undertake to
4 find suitable locations for Epic Pharmaceutical
5 within any Empire Zone in the city?

6 MR. WALKOWITZ: That may be a
7 question to ask the Greater Jamaica Development
8 Corporation because they have the first contact
9 with the business. Greater Jamaica Development
10 Corporation made the first contact with Epic
11 Pharma and since they purchased the assets, which
12 was in the location, I believe that question could
13 be better answered by the business.

14 CHAIRPERSON WHITE: How did you
15 reach a determination that there is no suitable
16 property within the boundaries of the South
17 Jamaica Empire Zone or any other Empire Zone
18 within the city of Epic Pharmacy, which I guess
19 would be the same answer.

20 MR. WALKOWITZ: Correct.

21 CHAIRPERSON WHITE: On April 30,
22 2008, the Empire State Development Corporation
23 made a preliminary determination of eligibility of
24 Epic Pharmaceutical as a regionally significant
25 other project and established a schedule for Epic

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2 Pharmaceutical to create 50 new jobs or the full
3 time equivalent of 50 new jobs in order to retain
4 designation as a regionally significant other
5 project. How does your agency monitor a business'
6 progress in meeting its projection for investment
7 and job creation?

8 MR. WALKOWITZ: Every certified
9 business under the Empire Zone's program fills out
10 a survey, which is called the business annual
11 report and that's report to the state. The state
12 monitors that to make sure that they meet the
13 minimum criteria to be a regionally significant
14 project. And they do the same with any business
15 that is certified.

16 CHAIRPERSON WHITE: Do you have any
17 independent kind of monitorship to see whether or
18 not those who get that designation are living up
19 to the criteria?

20 MR. WALKOWITZ: Yes, it is reported
21 to each local zone and then that is reported to
22 the state. You can do certify and if the Zone
23 administrative board for South Jamaica feels that
24 the business is not adhering to the goals that
25 they have set then they could be recommended for

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2 de-certification. But the ultimate decision lies
3 with the state.

4 CHAIRPERSON WHITE: Okay. Council
5 Member Palma.

6 COUNCIL MEMBER PALMA: Thank you
7 Mr. Chair. When we talk about the new jobs, these
8 are brand new positions and not transferring of
9 employees from one facility to the next?

10 MR. WALKOWITZ: Right, they are new
11 jobs.

12 COUNCIL MEMBER PALMA: Do you have
13 an example of any other facility who has failed to
14 meet the requirement of creating the new jobs and
15 those tax credits have not been given to them?

16 MR. WALKOWITZ: There have been no
17 de-certifications of regionally significant
18 projects in the city so I don't have an example
19 for you there. But if they do not create jobs
20 that they project or make the investments, they
21 won't receive credits so the state isn't losing
22 any tax money.

23 COUNCIL MEMBER PALMA: Thank you.
24 Thank you, Mr. Chairman.

25 CHAIRPERSON WHITE: Thank you very

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much.

MR. WALKOWITZ: Thank you.

CHAIRPERSON WHITE: Mr. Jay Noreeni, Epic Pharmaceutical and we might as well have Mr. Webber from the Greater Jamaica Development Corporation sitting with you.

JAY MOORIN: Good morning. My name is Jay Moorin, Executive Vice President of Epic Pharma. I, along with my fellow owners, Dr. Ashok Nigalaye and Mr. Ram Poti comprise the executive management team at Epic. I'm here today to testify in support of Intro 1014 that designates Epic Pharma and its site as a regionally significant project under the Empire Zone.

At this time I would like to thank the Committee Chair, Council Member White, for convening this hearing. I would also like to thank Council Member who sits on the Jamaica Zone board, namely Council Members White once more, Comrie and Gennaro. Thank you Council Member James Sanders for our Council district for his support and also the staff of the Speaker office and his committee, who have been very helpful. I would also like to give a special mention to the

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2 State Senate, Malcolm Smith who encouraged us to
3 make this application. I would also like to thank
4 the Mayor's Office, in particular the Office of
5 Industrial and Manufacturing Business and its
6 director Robert Walsh. And currently staff member
7 Jared Walkowitz. Finally, thank you to the
8 Economic Development Corporation and the
9 Development of Small Business Services.

10 Now I would like to make a few
11 statements about Epic Pharma. Epic manufactures
12 and distributes a wide array of pharmaceutical.
13 Epic currently has a contract with minimum sales
14 volume for the first year of its existence with
15 Sandoz, Corporation, a global pharmaceutical
16 company. We are using the financial security that
17 this contracts allow us to launch our own new Epic
18 product label.

19 Epic began as one among a multitude
20 of contract manufacturers for Sandoz, spread
21 throughout the United States. In less than one
22 year, Epic has become the most reliable, most
23 consistent and highly quality contract
24 manufacturer used by Sandoz in USA. Sales in the
25 fiscal year will be more than double the first

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2 year estimate. While keeping our long term goal
3 and satisfying our current demand, we are trying
4 to grow the size of the facility by looking at
5 expanding the current site and seeking additional
6 space in Empire Zone.

7 On a personal note, I previously
8 held a variety of positions at this location for
9 some of the previous owner assisting them to grow
10 into buildings of dollar in this company. I have
11 known most of these employees since I was a young
12 man. Ashok Nigalaye, PhD, President of Epic
13 Pharma previously worked in this facility as well.
14 He understands and defines future direction of the
15 company. Ram Poti is certified public assistance
16 and VP of Business Development, has an excellent
17 business mind.

18 We believe we can make an excellent
19 thing. As an example, since July 2008 we have
20 revamped the product flow increasing production by
21 20%. As part of the regionally significant
22 project program, we expect to increase employment
23 significantly and expand our customer base, most
24 of which is outside of New York.

25 On the other front, Epic believes

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2 in providing benefits to employees. Over 93% of
3 our employees have health benefits through the
4 company. Some choose not to because their spouse
5 has. Many of our employees are union members of
6 Team 1310. Moreover, Epic's success has allowed
7 it to work with employees to improve their pay.
8 As a regional significant project, Epic intends to
9 not only increase employment but also expand its
10 program for its current employees.

11 Epic Pharma is committed to
12 increasing its employment, meeting its obligation
13 and continue to produce high quality product that
14 makes a difference. Once again, Epic Pharma would
15 like to thank the Council and the Mayor's Office
16 for its support. And we look forward to being in
17 the city for many years. I would like to take
18 this opportunity to testify.

19 But I just like five minutes, if
20 the Councilman can. I just want to explain. I'm
21 a former employee of Epic Pharma. I've been there
22 for 25 years. I've gone to many of the employee
23 weddings and their children's weddings. These
24 employees are not employees working for me,
25 they're like my family. I've been with them for

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25 years.

The reason I went back to this facility to purchase it, because they were closing this facility and it was difficult for me to see 190 people going unemployment. Because they've been there a long time, 30 years, 35 years, 40 years. The salary that they are making now it would be difficult to go to. There are a lot of single mothers there who depend on this job every single day. That is one of the reasons I went back with this company.

After they decided to close the facility, I went to Dr. Humple the CEO of Sandoz because I have my own business and I could not see this facility close. I told him that please give me a chance. These people don't deserve to be treated like this. They wanted to take all the product and take it to North Carolina and lay the people off. I begged him. I said please give me a chance. I want to save this job here.

We took the company around and turn it around. Let me tell you what I did for the employees, just to show how passionate I am for these people. I give them the same pay that

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2 Sandoz was paying. I had a chance because the day
3 I took over I could have started everybody new, I
4 did not. That's how passionate I am. I give them
5 the same pay, I give them the same benefit, I give
6 them the same bonus, I give them 401(k). I give
7 them bonus that they used to \$50, I give them \$350
8 and I pay the taxes.

9 I promote people who never got
10 promotion in this company. I believe in internal
11 promotion. We have started with 165 and I'm proud
12 to say today I'm 190 and I want to continue to
13 grow this company. Under our management, Dr.
14 Nigalaye, Ram, John, manage, we are going to make
15 this company very successful.

16 Today I'm here to tell you what we
17 have done so far with this company. I have my own
18 business. I went back there just for the people
19 because I could not see driving past that
20 building, see it closed and those people go on the
21 street. Thank you.

22 RICHARD WERBER: Well, good day Mr.
23 Chairman, committee members and Council staff.
24 I'm Richard Werber, I'm the Director of the
25 Business Services Group at Greater Jamaica

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2 Development Corporation. I want to thank you for
3 this opportunity to speak with you about Epic
4 Pharma LLC's application for designation as a
5 regionally significant project under the New York
6 State Empire Zone program.

7 Greater Jamaica, GJDC, is the local
8 administrator for the Jamaica Empire Zone and as
9 such, help them complete their application,
10 collected, confirmed and presented the facts
11 regarding their application to the Jamaica Empire
12 Zone board and provided the administrative board
13 an opinion regarding approval. We recommended to
14 the Jamaica Zone administrator board that Epic
15 Pharma LLC be deemed eligible as a regionally
16 significant project. We are pleased that the
17 board supported the designation per their
18 resolution dated January 6, 2009.

19 New York State Department of
20 Economic Development concurred with that
21 resolution by issuing a letter of preliminary
22 approval dated April 30, 2009. As an aside, we
23 had that approval extended to allow us to continue
24 to work with Epic Pharma until they get final
25 approval from the Council, which we hope and

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encourage it to happen.

We are here today to respectfully ask the Council to take the next important step in that process. Epic Pharma produces and packages medical powders, tablets, capsules and time released drugs at their FDA approved facility in Laurelton, Queens. The company has a track record for growth and a solid plan for continued growth into the future, which includes expansion of their packaging capabilities and research and development to improve the efficacy of existing drugs.

Total jobs at the company's current location were 171 in April of this year when the state provided their preliminary approval for the project. They've already grown by 19 jobs to 190. Their business plan, which in addition to R & D for new products includes joint ventures with partner companies bodes very well for increased local employment.

Minimum increase of 15 jobs in year one, 20 jobs in year two and 20 in year three, following final approval of the project, a total of at least 55 jobs over those three years. This

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2 level of job growth meets the state mandated
3 minimum requirements that "a regionally
4 significant project shall main, a manufacturer
5 projecting the creation of 50 jobs".

6 Of particular interest to the city
7 and the Council, Epic is a company that is aligned
8 with the purposes of the South Jamaica Empire Zone
9 and the economic development needs of southeast
10 Queens. As stated in the development plan for the
11 Jamaica Empire Zone "Zone administrator board will
12 target the following industries: clean light labor
13 intensive manufacturing activities such as food
14 and food related industries."

15 When writing the development plan
16 in 2004, we could have used the first hand
17 knowledge gained when we toured Epic's production
18 facilities. When it comes to clean, labor
19 intensive manufacturing activities, it's hard to
20 find a better example than the pharmaceutical
21 industry. Epic Pharma is a minority owned firm
22 founded by their current management team in July
23 of 2008. This team ran the pharmaceutical
24 manufacturing facility they now occupy for Sandoz,
25 Inc as Jay so eloquently explained.

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2 They structured a deal to save the
3 facility and its jobs by purchasing Sandoz' assets
4 and continuing operations as an independent
5 company. They retained Sandoz as a key client.
6 Employees in the production, packaging and
7 shipping departments, comprising of approximately
8 60% of the total workforce are unionized. Recent
9 employment data show that three-quarters of the
10 total workforce resides in New York City and over
11 half live in southeast Queens. Their company is
12 committed to continue their policy to hire
13 locally.

14 GJDC as the Empire Zone
15 administrator made an initial determination to
16 assist with their application for designation as a
17 regionally significant project after meeting with
18 the company and touring their facility on November
19 4, 2008. Empire Zone tax credits were request to
20 help retain the capital required to pursue its
21 aggressive growth strategy. Lacking the ability
22 to take advantage of the tax credits offered
23 through the Empire Zone program may require Epic
24 to delay some of the research and development
25 efforts that are linked to its expansion plans.

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2 Therefore Greater Jamaica
3 Development Corporation, as the local Empire Zone
4 administrator, respectfully asks the members of
5 the Council to approve Introduction 1014, which
6 will grant Epic Pharma LLC status as a regionally
7 significant project. Empire Zone certification
8 will facilitate the company's expansion at its
9 present location. The company's growth will
10 continue to support the economic development of
11 Queens, of the city and of the Empire State.

12 Thank you for your time and
13 attention. We'd be glad to answer any questions
14 you may have. Thank you.

15 CHAIRPERSON WHITE: Thank you.

16 COUNCIL MEMBER PALMA: I have a
17 question. I have more of a comment. I just want
18 to commend you for your testimony. In the six
19 years that I've been serving as a member of the
20 Council representing the Bronx, I've never heard a
21 business person come in and testify before of how
22 important it was to save jobs and jobs with good
23 benefits and living wages attached to them. I
24 just needed to publicly thank you because it is
25 people like you who will continue to help us move

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this city forward.

I know we're not voting on this piece of legislation today but I look forward to voting on this. Thanks. Thank you, Mr. Chairman.

CHAIRPERSON WHITE: Thank you.

Okay, before I share the same sentiments as my colleague, Council Member Palma, I do have some questions seeing that I am the Councilman for the adjacent Councilmatic district in the 28th. And your business is on the North Conduit and the 31st Councilmatic district of Council Member Sanders.

Knowing a little bit of the history, at one point several years ago there was some community opposition to, I guess, the prior owners concerning the federal guidelines for the environmental protection standards that were exceeded the environmental standards. The community wanted a reduction in or some modification in the production of certain pharmaceutical or vitamins or some supplies that were being manufactured by the previous owner. Am I correct with that statement?

MR. MOORIN: You are correct. What happened, there are quotas now. The regulation

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2 states that we have to have a certain quota and we
3 have to follow that. For example, alcohol, we
4 would only get a certain amount of alcohol and we
5 have to use it within that 12 month period. So
6 you're perfectly correct.

7 CHAIRPERSON WHITE: So the concerns
8 of the community at that time, if I hear you
9 correctly, were heard and adjustments were made to
10 fit the federal guidelines that was put forward by
11 the federal government and it satisfies the
12 community.

13 MR. MOORIN: Yes.

14 CHAIRPERSON WHITE: Okay, I'm glad
15 to hear that. In terms of the Epic Pharmaceutical
16 approach to the South Jamaica Empire Zone seeking
17 affiliation, did you approach or was the company
18 approached on behalf of the Zone?

19 MR. MOORIN: I think--go ahead.

20 MR. WERBER: The company came to us
21 originally through their consultation, I imagine--

22 CHAIRPERSON WHITE: [interposing]
23 Us meaning the Greater Jamaica Development.

24 MR. WERBER: Came to the Greater
25 Jamaica Development Corporation because as you

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2 know in these regionally significant projects,
3 they are not really in our specific area and we
4 weren't tracking them as carefully as we would a
5 company in our area. So they did come to us and
6 the first thing that we do when that occurs is to
7 make a site visit and to kind of make sure that
8 this is a reasonable application and then started
9 collecting data to see if we would follow through
10 and support the application.

11 MR. MOORIN: I would just like to
12 say one thing, this is a very highly regulated
13 industry. In our building there are products that
14 were developed there, it's not easy to transfer it
15 outside or to take it to a different location. It
16 would be very difficult because it would entail a
17 new buyer study, which each product would be
18 \$600,000 just to transfer it from one facility to
19 the next. That's why it's so regulated and we're
20 hoping to get this facility approved.

21 Because one other thing is that in
22 order for the company to create more jobs, we need
23 to make sure that we have enough space to do it.
24 Some of the things we might have to do is put the
25 warehouse outside and use the entire facility for

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manufacturing.

MR. WERBER: If the thrust of the question, Mr. Chairman, returns to your earlier question about finding other space, correct me if I'm wrong, Jay, but I think you're about in 100,000 square feet or 112.

MR. MOORIN: 115,000.

MR. WERBER: 115,000 square feet of a very highly specialized building. And when we look at M Zone space that is in the existing Empire Zone in Jamaica, one would be hard pressed to find 100,000 square feet that would satisfy the needs of a company like Epic Pharma. I think the biggest section we have right now might be 60,000 square feet and that's a long way from 115. So it would be very, very difficult, not just in terms of the specialization of the space, but in terms of the actual space needed for the facility to find that space in the Empire Zone as it exists right now.

CHAIRPERSON WHITE: I had some questions here but I think that Mr. Narin, is that correct?

MR. MOORIN: Yeah, sure.

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2 CHAIRPERSON WHITE: That you
3 answered. In the application for designation, new
4 state that you hope to draw your new employees
5 from surrounding communities and Epic
6 Pharmaceuticals is committed to working with such
7 organizations as the Queens Workforce One Center
8 and the Greater Jamaica Development Corporation to
9 accomplish this goal.

10 MR. MOORIN: Yes, we love to work
11 with them because we believe in having people in
12 our community because it's close proximity from
13 where they're living to that location.

14 CHAIRPERSON WHITE: What training
15 would you provide to the new employees?

16 MR. MOORIN: Let me just say, I
17 just had a 15 young kids from the community. They
18 came because they were working on this house call
19 health care stuff. One of the members asked me to
20 bring them, that if they can come in our facility
21 and take a walk and see what we are doing. I tell
22 them about my story, coming from an immigrant with
23 \$15 bucks in America and wife and three children.
24 I mop the floor and paint the bathroom to then
25 become the owner of the company. I give them that

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story that you can be somebody if you decide to work hard enough. So--

CHAIRPERSON WHITE: [interposing]

That's very commendable. It really is.

MR. MOORIN: In this country, you got to work hard. There is nothing easy in life. You got to work hard and I'm proud to say I paint the bathroom. Sometimes my buddies tell me not to say it but I painted, I feel proud doing it, paint the bathroom, tar the roof and come back. Because it's something I'm leaving for people. When I sit in front of those 15 kids, they brought a photograph of President Obama. On his hand for me like this high.

They come to me and they come back a second time, each one of them to thank me for what I have done for them. If whatever I said to them makes a little difference it means a hell of a lot to me.

CHAIRPERSON WHITE: You're a role modelmanship and your information that you gave, those young people is commendable. But I need a specific answer in to what training would you provide to the new employees that we're talking

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about hiring?

MR. MOORIN: Well, because our business is so regulated, every employee coming in there they would have to be trained. If there is a machine operator, they would have to be trained by us, by our people so they would be getting training in house. If there's a specific operation, we would get them outside training.

And by the way, I just wanted to say that when it was Sandoz the rate of pay was \$8.00 and our I changed it to \$10.00 bucks an hour for starting employees.

CHAIRPERSON WHITE: Okay. Our staff research also indicates that there is an agreement described as a strategic alliance agreement between Epic Pharmaceutical and an entity named Epic Investments Inc. on one hand and an entity named Elite Pharmaceuticals Inc on the other. What is Epic Investment Inc and what is it's legal and operational relationship to Epic Pharmaceutical, LLC.

MR. MOORIN: This is a strategic alliance between Elite Pharmaceutical and Epic. What happened with Elite Pharmaceuticals. Elite

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2 Pharmaceuticals was a company that they've locked
3 in some new product. They run into trouble, not
4 able to develop it. It's an abused resistance
5 OPIs. It's for pain management. They couldn't
6 get it right. They had spent millions and
7 millions of dollars.

8 With Dr. Nigalaye and myself and
9 Ram, we are putting \$4.5 million into this
10 facility to make this product. So right now that
11 investment, because an R & D facility, we don't
12 have that big of facility for R & D so we are
13 investing in that facility to develop both
14 products inside the facility. It will be a big
15 help for Epic getting these two products on the
16 market.

17 CHAIRPERSON WHITE: What's the
18 legal relationship between the two?

19 MR. MOORIN: The legal
20 relationship, Epic owns 48% of the company in
21 stock and Epic in return would have to develop the
22 two products and eight additional products. I can
23 get Ram, the business partner and Dr. Nigalaye,
24 they can explain. Ram is the business
25 development, he can explain that to you. Dr.

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Nigalaye, you.

CHAIRPERSON WHITE: Please Doctor.

DR. ASHOK NIGALAYE: Good morning.

CHAIRPERSON WHITE: Good morning.

DR. NIGALAYE: My name is Ashok Nigalaye and I'm glad to answer any questions you have.

CHAIRPERSON WHITE: You're a doctor?

DR. NIGALAYE: I'm a PhD.

CHAIRPERSON WHITE: Okay. Well, you heard the question, right?

DR. NIGALAYE: Yes, Epic Investment was a company we created because we started this company only one year ago. We really didn't have finances to really invest into Elite. We needed R & D effort because in three years Sandoz reduce some volume for us or may not be. But just we need to grow and you need R & D for that effort. So we invested money into a company, which is an R & D company. To get the finances we created a company, which is Epic Investment LLC.

CHAIRPERSON WHITE: Why did Epic Pharmacy, why couldn't they?

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DR. NIGALAYE: Invest?

CHAIRPERSON WHITE: Invest.

DR. NIGALAYE: The problem was--

CHAIRPERSON WHITE: [interposing]

And there may not be anything wrong with it. I'm just saying.

DR. NIGALAYE: The problem is, I will tell you that. Who is Epic Pharma? Epic Pharma is three individuals, me, Jai and Ram. When we started with this project, we had only \$25,000 in hand and we started this project. During one year we raised \$4.5 million to buy this facility from Sandoz. We have bank owners how much we can invest and what kind of risk we can take and what we can not take.

Under our bank's comments, we couldn't. Even if we had money to invest in Elite, we couldn't invest it because bank would say, give us our loan back rather than you go and invest. Because we are a one year old company and bank doesn't allow us to invest in other ventures without their approvals. To circumvent that, we had to go and raise additional capital but however we didn't want to dilute ourselves in Epic.

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2 That's why we did is we created
3 Epic Investments LLC, which is a separate company
4 which is like almost 50% owned by Epic Pharma
5 original company. The 50% we got the capital from
6 outside. And that's what Epic Investment is. I
7 hope you.

8 CHAIRPERSON WHITE: What's the
9 composition of your outside investors?

10 MR. MOORIN: In which one? Two
11 companies?

12 CHAIRPERSON WHITE: Epic
13 Investments.

14 DR. NIGALAYE: Epic Investments we
15 have about, how much?

16 CHAIRPERSON WHITE: Yeah, pull a
17 chair up. State your name for the record, please.

18 RAM POTI: Ram Poti. Out of the \$2
19 million we have invested so far, Epic Pharma has
20 invested \$250,000 and \$1.75 million was bought by
21 outside investors including us.

22 CHAIRPERSON WHITE: You're an
23 outside investor?

24 MR. POTI: No, the bank comments
25 goes in such a way that as Epic Pharma we can not

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2 invest money out of company. That's why even when
3 we invested we had to invest as an outsider to buy
4 stock in to Epic Investment.

5 CHAIRPERSON WHITE: Question, the
6 investors have to be paid back, right?

7 MR. POTI: Yes.

8 CHAIRPERSON WHITE: Do you have a
9 list of your investors?

10 MR. POTI: Yeah, we can provide
11 that.

12 CHAIRPERSON WHITE: Would you
13 provide a list?

14 MR. MOORIN: Yes.

15 MR. POTI: Sure we can provide
16 that.

17 CHAIRPERSON WHITE: To the
18 committee.

19 DR. NIGALAYE: But the Epic
20 Investors, this is all, I think, over 98% are
21 accredited investors so this is a risk capital.

22 CHAIRPERSON WHITE: I understand.

23 DR. NIGALAYE: It will make it or
24 it will become zero.

25 MR. POTI: They will be owning the

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stock of the Elite. The Epic Investment LLC is the tracking stock of the Elite.

DR. NIGALAYE: It's the public traded company. We are LLC company and we invested into a public company so there are a lot more complications that we could not do the way direct. And the bank wouldn't allow us, also. It would have been a very simple thing for us to go and go directly but it's just because the current banking system and what happened to banks. It is very tough to right now do any deals which are...

MR. MOORIN: The banking situation was so bad because Bear Sterns had just went down. None of the American banks wanted to give us money. We tried Bank of America, Norfolk, all the banks of America, not one wanted to give us money. The only bank that stand up for us was TD Bank North.

DR. NIGALAYE: TD Bank.

CHAIRPERSON WHITE: Which one?

MR. MOORIN: TD Bank.

DR. NIGALAYE: TD Bank North.

MR. MOORIN: They believed in us, they were the only ones. So the situation and the

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climate now with the banking institutions, you know it much more than I do now.

DR. NIGALAYE: Too many strings attached.

MR. MOORIN: They are so much over protective right now so to do anything your hand is tied. You can not. They don't allow you to do anything.

MR. WERBER: These two principals, personally got-- [pause]

MR. MOORIN: We are personally guarantors for the bank.

CHAIRPERSON WHITE: Fine, I'm glad you got the money. I'm glad you got financing. I'm glad you have the business. I'm glad you are producing a product that is much needed in the medical field. So that was not the question. Just wanted a list of the investors.

MR. MOORIN: We will provide you a list of them. Yeah. We had just second closing just now.

MR. POTI: We can provide you in a couple of days.

CHAIRPERSON WHITE: Okay, fine.

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According to some of the research that we've done by the staff and the City Council it appears that the building was not actually purchased by Epic Pharmaceutical but by Epic Holding Company, which is reported to be a subsidiary of Epic Pharmacy. Is this correct and if so, why did Epic Pharmaceutical not buy the building directly.

DR. NIGALAYE: It's again the same. I'm going to give you banking jargon. Because bank wants to protect building first and we had to separate building and business. Because at the time, getting loans was very tough because the building is valued at around \$16 million to \$17 million and we purchased the business for \$14.5 million. So they wanted to...

MR. MOORIN: Hold the building.

DR. NIGALAYE: Hold the building for \$10.5 million because that was a positive, what do you call...

CHAIRPERSON WHITE: Leverage?

DR. NIGALAYE: ...collateral for them.

CHAIRPERSON WHITE: Collateral.

DR. NIGALAYE: So it is very--right

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2 now anything you do the bank really tells you what
3 is acceptable, what is not. If you need loan, you
4 got to just, there are lots of restrictions which
5 we have to go through. There are very few choices
6 right now if you're a borrower. A bank will make
7 sure that they have any loan which is they are
8 giving is fully collateralized and is kind of
9 secured.

10 MR. MOORIN: We also cross-
11 guaranteed with the loan.

12 DR. NIGALAYE: At the same time,
13 myself and Jay, we are guarantors for these loans
14 too. This is unbelievable so if things fails we
15 will be living in tents. That's exactly what they
16 told us.

17 MR. WERBER: I would add here, Mr.
18 Chairman, that in our experience at Greater
19 Jamaica dealing with a lot of manufacturing firms,
20 it's extremely common in the world of industrial
21 and manufacturing firms that they set up a
22 separate holding company to hold the property for
23 financing reasons and for other business reasons.
24 This is very, very common in the business world.

25 CHAIRPERSON WHITE: Yes, it might

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2 be very common we just need some clarity. It's
3 like moving from Peter to Paul and Paul to pay
4 Peter and you really don't know who to hold
5 responsible for the business. To put it more
6 succinctly, if Epic Pharmaceutical is not the
7 title owner of the manufacturing property, how
8 would it qualify for any benefits related to the
9 real property?

10 MR. POTI: Okay, now the answer to
11 that is--

12 CHAIRPERSON WHITE: [interposing]
13 Do you understand the nature of the question?

14 MR. POTI: I understand, I
15 understand.

16 CHAIRPERSON WHITE: Okay.

17 MR. POTI: The investors in Epic
18 Pharma and Epic Holding Company are the same,
19 exactly the same as we can provide you the
20 documentation showing that they are the same.

21 CHAIRPERSON WHITE: We'll take it.

22 MR. POTI: Okay, fine. We will
23 provide that.

24 CHAIRPERSON WHITE: Thank you.

25 [pause]

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CHAIRPERSON WHITE: Greater

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Jamaica, Walkowitz, are you here? Can you come up

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and sit next to? Greater Jamaica? If the

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principals of both entities that we're discussing

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are the same then how do they qualify for the

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benefits?

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MR. WERBER: Well, one of the main

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benefits is going to be wage tax credits for the

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operating company, which are going to accrue to

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the operating company regardless of what happens.

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The structure of the property tax credit, which is

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what you're talking about now, I'd actually have

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to check in to. But I do believe that if they are

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the same owners they can apply for the property

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tax credit as well. You probably want to touch

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base. Maybe Jared has more details on that.

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CHAIRPERSON WHITE: Jared?

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MR. WALKOWITZ: So the program is

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aware that this is sometimes the case. So if in

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the lease it states that the certified is company

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is paying the real property taxes, then that

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business can receive the real property tax credit.

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If there is a lease, yes.

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CHAIRPERSON WHITE: You say if

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there is a, but is there?

MR. WALKOWITZ: Yes. I think--

CHAIRPERSON WHITE: [interposing]

Could you provide that as well?

MR. WALKOWITZ: Yeah, we can.

CHAIRPERSON WHITE: Okay. Greater Jamaica, for the record, on what basis did the Zone administrator board of South Jamaica enterprise zone determine that the pharmaceutical manufacturing activities of Epic Pharmaceutical fits the zone economic development plan and who performed that analysis for the Zone board?

MR. WERBER: The original development plan was developed in 2004 with the cooperation of both the state, ourselves and the members of the board who had to adopt the policy or the program or the development plan after it's two or three drafts through. So that was all kind of a joint process of developing that plan. The key parts of the plan were to identify certain strategic industries that would be of particular interest to the development and job development in Jamaica.

One of those industries was

1
2 manufacturing, specifically. So this particular
3 company fit very, very well with that. There was
4 really no issue with the Zone administrative board
5 regarding Epic Pharma as a very, very good fit
6 with the development plan that has been adopted in
7 2004.

8 CHAIRPERSON WHITE: Now, the
9 previous owners were.

10 MR. WERBER: It was Sandoz.

11 CHAIRPERSON WHITE: Sandoz.

12 MR. WERBER: Right, exactly.

13 CHAIRPERSON WHITE: In 2004, Sandoz
14 was still the owner.

15 MR. WERBER: Correct but there was
16 no regionally significant project program in 2004.

17 CHAIRPERSON WHITE: Right. So you
18 came in 2005?

19 MR. WERBER: Well, RSPs came in to
20 being out of the 2005 legislation, correct.

21 CHAIRPERSON WHITE: Okay.

22 [pause]

23 CHAIRPERSON WHITE: The
24 predecessor, the former owners, Sandoz Inc, if the
25 predecessors entitled to Epic Pharmaceutical the

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recipient any economic benefits from any city or state agency.

MR. WERBER: No, not that I'm aware of.

MR. MOORIN: We don't have anything.

CHAIRPERSON WHITE: No, Sandoz.

MR. MOORIN: Sandoz is subsidiary of Novartis, it's the number one company in the world. They're not really interested in--they bought Ihan, which was a real company for \$2.8 billion so what we are looking for them doesn't even come into their radar.

So we are guys who are entrepreneurs. We started like really shoe.

CHAIRPERSON WHITE: Shoe string.

MR. MOORIN: Yes, show string operation. We got money from our friends, families and we got this thing started. So I think our whole looking at thing is different than a big multi-national corporations. We are really locally based company. We are here to stay.

CHAIRPERSON WHITE: Okay, thank you very much. And you've agreed to forward the

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2 necessary information that was requested by the
3 Chair and it will go to our Council. Any question
4 that we may have we'll get back to you on it. I
5 want to thank you for coming today and doing your
6 testimony in front of the economic development
7 committee and I want to thank you for your
8 passionate commitment to helping others in terms
9 of work. Greater Jamaica, for its continued good
10 work. Hopefully we'll have the same outcome with
11 Flying Foods with those 500 jobs. I believe it's
12 about a \$12 million to \$24 million for Flying
13 Foods.

14 MR. WERBER: The latest number was
15 \$25.5.

16 CHAIRPERSON WHITE: \$25.5.

17 MR. WERBER: That was the latest
18 number.

19 CHAIRPERSON WHITE: To move into
20 John F. Kennedy to buy that hanger.

21 MR. WERBER: Building 146.

22 CHAIRPERSON WHITE: 146, you're
23 doing good work.

24 MR. WERBER: Thank you.

25 CHAIRPERSON WHITE: Thank you very

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much. Meeting is adjourned. Yes, I'm made an

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error. Are there any witnesses here that would

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like to submit testimony or to testify? There

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being none, the meeting stands adjourned.

C E R T I F I C A T E

I, Amber Gibson, certify that the foregoing transcript is a true and accurate record of the proceedings. I further certify that I am not related to any of the parties to this action by blood or marriage, and that I am in no way interested in the outcome of this matter.

Signature Amber Gibson

Date November 8, 2009