

St. Lawrence County Industrial Development Agency
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Patrick J. Kelly
 Chief Executive Officer

PROJECT ACTIVITY REPORT

Project: Kingston Pharma, LLC
Project Address: 5 County Route 42
 Massena, New York 13662
Application Date: June 7, 2018
Board Approval Date: June 22, 2018 (IDALDC Loan for \$75,000)
 July 10, 2018 (IDALDC-RVRDA Loan for \$96,000)
Assistance Date: July 26, 2018

Project Overview:

Kingston Pharma, LLC is a Massena-based manufacturer of over-the-counter (OTC), store brand & private label liquid dose pharmaceutical drugs and nutraceuticals products in a US FDA registered facility. Kingston’s mission is delivering these high-quality products made under US FDA guidelines to domestic and international markets at a lower cost than that of comparable national and international brand products.

In November 2016, the SLCIDA-LDC authorized an equipment lease to Kingston Pharma, LLC for up to \$105,000 from the St. Lawrence River Valley Redevelopment Agency fund, and that lease allowed the Company to acquire Pasteurizer and Filler equipment which has enabled the Company to produce pediatric electrolytes initially, and ultimately similar pharmaceutical products.

Kingston Pharma, LLC has applied to the SLCIDA-LDC and North Country Alliance for up to \$150,000 in loan financing to provide working capital to assist in the continued growth of the company’s Massena operations. The company also applied to the SLCIDA-LDC St. Lawrence River Valley Redevelopment Agency loan fund for \$96,000 in financing to buy out an existing equipment lease in order to help reduce monthly operating expenses.

The project will be divided into 3 phases. The initial step in the expansion involves purchasing the currently leased machinery and equipment (“M&E”) from SAI, LLC and upgrading to increase the capacities of the M&E. The equipment upgrades also help in making the work environment safer for the employees, make products faster and assure the integrity of packaging. The anticipated cost of the total project is expected to be around \$2,830,000.

Actions Taken:

Proposed Financial Assistance:

St. Lawrence County IDA – Local Development Corporation (Loan).....	\$75,000
SLCIDA- LDC St. Lawrence River Valley Redevelopment Agency (Loan)	\$96,000

Other Financing Leveraged:

North Country Alliance (Loan)	\$75,000
Commercial Lender (Loan).....	\$248,000
Company Equity.....	\$136,000

Economic Indicators:

Jobs Maintained and Generated: Kingston Pharma, LLC took over the leases of the former operator of the facility and started rebuilding the operations from September 2016. The Company started with 6 employees in September and increased to 25 full-time equivalent employees by June 2018, exceeding its projections to retain

11 and create 5 new jobs as a result of leasing the equipment. The project is part of a multimillion-dollar expansion that is expected to create 5 new full-time equivalent jobs because of its current growth.

Capital Investment: The total cost of the project is \$2,830,000. The Company is expected to contribute \$291,000 of its own money in addition to acquiring \$1,898,000 in loan financing from a commercial lender. The estimated cost to purchase the currently leased machinery and equipment from SAI, LLC is \$480,000.

Improved Corporate Performance: The machinery and equipment are used primarily to fill and pack liquid dose drugs for which Kingston Pharma already has both domestic and international customers. Upgrading this M&E will also provide opportunity for Kingston Pharma to expand its product portfolio, which should in turn increase the revenue and profitability of Kingston in the future. Installation of this M&E would thus provide additional employment opportunities to skilled employees and engineers in the community.

Tax Base /Revitalized Properties: Purine Pharma, LLC built and operated the facility since 2012, but shut down its operations in July 2016 and laid off all the employees when the company was acquired by an out-of-the area firm. Kingston Pharma, LLC was created by former Purine Pharma, LLC General Manager Venkat Kankani. Kingston took over the leases of the facility and started rebuilding the operations as a contract manufac. The next phase of the project involves a 10,000 square foot expansion of the building at an estimated cost of \$1.25 million and \$50,000 worth of new M&E will be installed in the building. The 3rd phase in the project involves the purchase of the property for \$900,000, resulting in an increase in the tax-base for the community.

Community and Regional Benefit: For wholesalers and retailers, the store brand products generate substantially more profit than the national and international brands and offers great value to the consumers. The consumer benefits by receiving a high-quality product at a price 20% - 40% below the comparable national or international brand product. As a result, Kingston Pharma's model helps drive efficiency in the healthcare market.

As was pointed out in the December 2015 "*St. Lawrence County Economic Study*" commissioned by the New York Power Authority, "More than 40 percent (and growing) of GDP and employment in St. Lawrence County is in non-tradable sectors that serve the local population, such as government and health care. Government (including public schools) alone represents more than 25 percent of the local economy. Majority tradable sectors like manufacturing and wholesale trade, on the other hand, have undergone significant job losses, and growth expectations are flat."

This project not only creates manufacturing jobs, it also directly addresses the over-reliance on non-tradable sectors in the St. Lawrence County economy as described above by McKinsey in the economic development study.

Further, the project supports the County's 2017 Comprehensive Economic Development Strategy, including the following three of the five objectives listed in the Strategy:

1. Retain and expand existing employers within the County by prioritizing activities that assist in ensuring viability through more profitable operations;
2. Increase the County's employer base by expanding efforts that foster a supportive environment for locally-originated startups;
3. Maintain and enhance the County's physical infrastructure and make the communities of the County attractive and vibrant places for current and potential residents.