

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every interactive data file required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The registrant had 29,502,043 shares of common stock outstanding as of November 2, 2015.

ACETO CORPORATION AND SUBSIDIARIES

QUARTERLY REPORT FOR THE PERIOD ENDED SEPTEMBER 30, 2015

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****ACETO CORPORATION AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per-share amounts)

	September 30, 2015 (unaudited)	June 30, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 30,830	\$34,020
Investments	2,392	3,416
Trade receivables, less allowance for doubtful accounts (September 30, 2015, \$690; June 30, 2015, \$691)	167,925	161,521
Other receivables	10,102	10,611
Inventory	90,302	95,596
Prepaid expenses and other current assets	4,267	3,096
Deferred income tax asset, net	1,581	2,050
Total current assets	307,399	310,310
Property and equipment, net	10,357	10,456
Property held for sale	6,574	6,574
Goodwill	67,883	67,870
Intangible assets, net	82,745	78,997
Deferred income tax asset, net	9,946	9,972
Other assets	5,742	5,595
TOTAL ASSETS	\$ 490,646	\$489,774
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 197	\$10,197
Accounts payable	49,280	54,962
Accrued expenses	55,683	59,841
Total current liabilities	105,160	125,000
Long-term debt	109,911	99,960
Long-term liabilities	7,690	7,542
Environmental remediation liability	2,678	2,995

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Deferred income tax liability	32	66
Total liabilities	225,471	235,563
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, 2,000 shares authorized; no shares issued and outstanding	-	-
Common stock, \$.01 par value, 40,000 shares authorized; 29,488 and 29,147 shares issued and outstanding at September 30, 2015 and June 30, 2015, respectively	295	292
Capital in excess of par value	96,314	93,807
Retained earnings	174,745	167,208
Accumulated other comprehensive loss	(6,179) (7,096)
Total shareholders' equity	265,175	254,211
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 490,646	\$489,774

See accompanying notes to condensed consolidated financial statements and accountants' review report.

ACETO CORPORATION AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(unaudited and in thousands, except per-share amounts)

	Three Months Ended September 30,	
	2015	2014
Net sales	\$ 133,500	\$ 130,803
Cost of sales	98,919	103,152
Gross profit	34,581	27,651
Selling, general and administrative expenses	17,633	18,283
Research and development expenses	1,430	745
Operating income	15,518	8,623
Other (expense) income:		
Interest expense	(754)	(1,036)
Interest and other income, net	219	58
	(535)	(978)
Income before income taxes	14,983	7,645
Provision for Income taxes	5,685	2,817
Net income	\$9,298	\$4,828
Basic income per common share	\$0.32	\$0.17
Diluted income per common share	\$0.32	\$0.17
Weighted average shares outstanding:		
Basic	28,983	28,618
Diluted	29,392	29,178

See accompanying notes to condensed consolidated financial statements and accountants' review report.

ACETO CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited and in thousands)

	Three Months Ended September 30,	
	2015	2014
Net income	\$ 9,298	\$ 4,828
Other comprehensive income:		
Foreign currency translation adjustments	1,066	(4,475)
Change in fair value of interest rate swaps	(149)	252
Comprehensive income	\$ 10,215	\$ 605

See accompanying notes to condensed consolidated financial statements and accountants' review report.

ACETO CORPORATION AND SUBSIDIARIES**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(unaudited and in thousands)

	Three Months Ended September 30,	
	2015	2014
Operating activities:		
Net income	\$ 9,298	\$ 4,828
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,089	3,029
Provision for doubtful accounts	25	166
Non-cash stock compensation	1,467	1,129
Deferred income taxes	477	(40)
Earnings on equity investment in joint venture	(109)	(456)
Changes in assets and liabilities:		
Trade accounts receivable	(6,126)	(5,894)
Other receivables	1,051	320
Inventory	5,607	6,546
Prepaid expenses and other current assets	(1,153)	(1,351)
Other assets	106	490
Accounts payable	(5,821)	(4,357)
Accrued expenses and other liabilities	(4,937)	(5,309)
Net cash provided by (used in) operating activities	2,974	(899)
Investing activities:		
Purchases of investments	(16)	(1,083)
Sales of investments	1,006	-
Payments for intangible assets	(6,450)	(921)
Purchases of property and equipment, net	(312)	(225)
Net cash used in investing activities	(5,772)	(2,229)
Financing activities:		
Payment of cash dividends	-	(1,741)
Proceeds from exercise of stock options	115	844
Excess tax benefit on stock option exercises and restricted stock	820	513
Payment of contingent consideration	(1,500)	-
Borrowings of bank loans	10,500	5,000
Repayment of bank loans	(10,549)	(2,196)
Net cash (used in) provided by financing activities	(614)	2,420
Effect of exchange rate changes on cash	222	(1,520)

Net decrease in cash	(3,190)	(2,228)
Cash and cash equivalents at beginning of period	34,020	42,897
Cash and cash equivalents at end of period	\$ 30,830	\$ 40,669

Non-Cash Item

The Company had a non-cash item excluded from the Condensed Consolidated Statement of Cash Flows during the three months ended September 30, 2015 of \$1,745 related to dividends declared but not paid.

See accompanying notes to condensed consolidated financial statements and accountants' review report.

ACETO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited and in thousands, except per-share amounts)

(1) Basis of Presentation

The condensed consolidated financial statements of Aceto Corporation and subsidiaries (“Aceto” or the “Company”) included herein have been prepared by the Company and reflect all adjustments (consisting solely of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows for all periods presented. Interim results are not necessarily indicative of results which may be achieved for the full year.

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses reported in those financial statements and the disclosure of contingent assets and liabilities at the date of the financial statements. These judgments can be subjective and complex, and consequently actual results could differ from those estimates and assumptions. The Company’s most critical accounting policies relate to revenue recognition; allowance for doubtful accounts; inventory; goodwill and other indefinite-life intangible assets; long-lived assets; environmental matters and other contingencies; income taxes; and stock-based compensation.

These condensed consolidated financial statements do not include all disclosures associated with consolidated financial statements prepared in accordance with GAAP. Accordingly, these statements should be read in conjunction with the Company’s consolidated financial statements and notes thereto contained in the Company’s Form 10-K for the year ended June 30, 2015.

(2) Stock-Based Compensation

At the annual meeting of shareholders of the Company, held on December 6, 2012, the Company’s shareholders approved the amended and restated Aceto Corporation 2010 Equity Participation Plan (the “2010 Plan”). Under the 2010 Plan, grants of stock options, restricted stock, restricted stock units, stock appreciation rights, and stock bonuses (collectively, “Stock Awards”) may be made to employees, non-employee directors and consultants of the Company, including the chief executive officer, chief financial officer and other named executive officers. The maximum number of shares of common stock of the Company that may be issued pursuant to Stock Awards granted under the 2010 Plan will not exceed, in the aggregate, 5,250 shares. In addition, restricted stock may be granted to an eligible

participant in lieu of a portion of any annual cash bonus earned by such participant. Such award may include additional shares of restricted stock (premium shares) greater than the portion of bonus paid in restricted stock. The restricted stock award is vested at issuance and the restrictions lapse ratably over a period of years as determined by the Board of Directors, generally three years. The premium shares vest when all the restrictions lapse, provided that the participant remains employed by the Company at that time.

During the three months ended September 30, 2015, the Company granted 208 shares of restricted common stock to its employees that vest over three years and 46 restricted stock units that have varying vest dates through August 2016. In addition, the Company also issued a target grant of 142 performance-vested restricted stock units, which grant could be as much as 248 if certain performance criteria and market conditions are met. Performance-vested restricted stock units will cliff vest 100% at the end of the third year following grant in accordance with the performance metrics set forth in the applicable employee performance-vested restricted stock unit grant.

During the year ended June 30, 2015, the Company granted 165 shares of restricted common stock to its employees that vest over three years and 12 shares of restricted common stock to its non-employee directors, which vest over approximately one year as well as 67 restricted stock units that have varying vest dates through August 2016. In addition, the Company also issued a target grant of 116 performance-vested restricted stock units, which grant could be as much as 203 if certain performance criteria and market conditions are met. Performance-vested restricted stock units will cliff vest 100% at the end of the third year following grant in accordance with the performance metrics set forth in the applicable employee performance-vested restricted stock unit grant.

For the three months ended September 30, 2015 and 2014, the Company recorded stock-based compensation expense of approximately \$1,462 and \$1,103, respectively, related to restricted common stock and restricted stock units. As of September 30, 2015, the total unrecognized compensation cost related to restricted stock awards and units is approximately \$12,531.

ACETO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited and in thousands, except per-share amounts)

(3) Common Stock

On September 10, 2015, the Company's board of directors declared a regular quarterly dividend of \$0.06 per share which was paid on October 2, 2015 to shareholders of record as of September 21, 2015.

On May 8, 2014, the Board of Directors of the Company authorized the continuation of the Company's stock repurchase program, expiring in May 2017. Under the stock repurchase program, the Company is authorized to purchase up to 5,000 shares of common stock in open market or private transactions, at prices not to exceed the market value of the common stock at the time of such purchase.

The Board of Directors has authority under the Company's Restated Certificate of Incorporation to issue shares of preferred stock with voting and other relative rights to be determined by the Board of Directors.

(4) Net Income Per Common Share

Basic income per common share is based on the weighted average number of common shares outstanding during the period. Diluted income per common share includes the dilutive effect of potential common shares outstanding. The following table sets forth the reconciliation of weighted average shares outstanding and diluted weighted average shares outstanding:

	Three months ended September 30,	
	2015	2014
Weighted average shares outstanding	28,983	28,618
Dilutive effect of stock options and restricted stock awards and units	409	560
Diluted weighted average shares outstanding	29,392	29,178

ACETO CORPORATION AND SUBSIDIARIES**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

(unaudited and in thousands, except per-share amounts)

(5) Debt*Long-term debt*

	September 30, 2015	June 30, 2015
Revolving bank loans	\$ 47,500	\$45,000
Term bank loans	59,500	62,000
Mortgage	3,108	3,157
	110,108	110,157
Less current portion	197	10,197
	\$ 109,911	\$99,960

Credit Facilities

On April 30, 2014, and in connection with the purchase of PACK Pharmaceuticals, LLC (“PACK”), Aceto entered into a new Credit Agreement (the “Credit Agreement”) with three domestic financial institutions. The Credit Agreement terminated the Credit Agreement, dated December 31, 2010. On June 25, 2015, Aceto entered into Amendment No. 1 to its Credit Agreement dated April 30, 2014 (together with the Credit Agreement, the “Amended Credit Agreement”). The Amended Credit Agreement increased the aggregate revolving commitment (the “Revolving Commitment”) under the existing credit facility from \$60,000 to \$75,000. Aceto may borrow, repay and reborrow during the period ending April 30, 2019, up to but not exceeding at any one time outstanding \$75,000 under the Revolving Commitment. The Revolving Commitment provides for (i) Eurodollar Loans (as such terms are defined in the Amended Credit Agreement), (ii) ABR Loans (as such terms are defined in the Amended Credit Agreement) or (iii) a combination thereof. As of September 30, 2015, the Company borrowed Revolving Loans aggregating \$47,500 which loans are Eurodollar Loans at interest rates ranging from 1.96% to 2.41% at September 30, 2015. The Amended Credit Agreement also allows for the borrowing of up to \$70,000 (the “Term Commitment”). The Term Commitment interest may be payable as (i) a Eurodollar Loan, (ii) an ABR Loan, or (iii) a combination thereof. The Company borrowed a Term Loan of \$70,000 on April 30, 2014 to partially finance the acquisition of PACK. As of September 30, 2015, the remaining amount outstanding under the amortizing Term Loan is \$59,500 and is payable as a Eurodollar Loan at an interest rate of 2.08% at September 30, 2015. Proceeds of the Term Commitment and a portion of the proceeds of the Revolving Commitment were used to fund the initial cash consideration for PACK and to repay the outstanding

balance of term loans from the Credit Agreement dated December 31, 2010.

The Amended Credit Agreement also provides that commercial letters of credit shall be issued to provide the primary payment mechanism in connection with the purchase of any materials, goods or services by us in the ordinary course of business. The Company had open letters of credit of approximately \$21 at September 30, 2015 and June 30, 2015 respectively. The terms of these letters of credit are all less than one year. No material loss is anticipated due to non-performance by the counterparties to these agreements.

ACETO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited and in thousands, except per-share amounts)

The Amended Credit Agreement provides for a security interest in all of our personal property. The Amended Credit Agreement contains several financial covenants including, among other things, maintaining a minimum level of debt service. The Company is also subject to certain restrictive covenants, including, among other things, covenants governing liens, limitations on indebtedness, limitations on guarantees, sale of assets, sales of receivables, and loans and investments. The Company was in compliance with all covenants at September 30, 2015.

Subsequent to September 30, 2015, the Company amended its Amended Credit Agreement (see Note 10).

Mortgage

On June 30, 2011, the Company entered into a mortgage payable for \$3,947 on its new corporate headquarters, in Port Washington, New York. This mortgage payable is secured by the land and building and is being amortized over a period of 20 years. The mortgage payable, which was modified in October 2013, bears interest at 4.92% per annum as of September 30, 2015 and matures on June 30, 2021.

(6) Commitments, Contingencies and Other Matters

The Company and its subsidiaries are subject to various claims which have arisen in the normal course of business. The Company provides for costs related to contingencies when a loss from such claims is probable and the amount is reasonably determinable. In determining whether it is possible to provide an estimate of loss, or range of possible loss, the Company reviews and evaluates its litigation and regulatory matters on a quarterly basis in light of potentially relevant factual and legal developments. If the Company determines an unfavorable outcome is not probable or reasonably estimable, the Company does not accrue for a potential litigation loss. While the Company has determined that there is a reasonable possibility that a loss has been incurred, no amounts have been recognized in the financial statements, other than what is discussed below, because the amount of the liability cannot be reasonably estimated at this time.

In fiscal years 2011, 2009, 2008 and 2007, the Company received letters from the Pulvair Site Group, a group of potentially responsible parties (PRP Group) who are working with the State of Tennessee (the State) to remediate a contaminated property in Tennessee called the Pulvair site. The PRP Group has alleged that Aceto shipped hazardous substances to the site which were released into the environment. The State has begun administrative proceedings against the members of the PRP Group and Aceto with respect to the cleanup of the Pulvair site and the PRP Group has begun to undertake cleanup. The PRP Group is seeking a settlement of approximately \$1,700 from the Company for its share to remediate the site contamination. Although the Company acknowledges that it shipped materials to the site for formulation over twenty years ago, the Company believes that the evidence does not show that the hazardous materials sent by Aceto to the site have significantly contributed to the contamination of the environment and thus believes that, at most, it is a de minimis contributor to the site contamination. Accordingly, the Company believes that the settlement offer is unreasonable. Management believes that the ultimate outcome of this matter will not have a material adverse effect on the Company's financial condition or liquidity.

The Company has environmental remediation obligations in connection with Arsynco, Inc. (“Arsynco”), a subsidiary formerly involved in manufacturing chemicals located in Carlstadt, New Jersey, which was closed in 1993 and is currently held for sale. Based on continued monitoring of the contamination at the site and the approved plan of remediation, Arsynco received an estimate from an environmental consultant stating that the costs of remediation could be between \$16,500 and \$18,300. Remediation commenced in fiscal 2010, and as of September 30, 2015 and June 30, 2015, a liability of \$10,761 and \$11,079, respectively, is included in the accompanying consolidated balance sheets for this matter. In accordance with GAAP, management believes that the majority of costs incurred to remediate the site will be capitalized in preparing the property which is currently classified as held for sale. An appraisal of the fair value of the property by a third-party appraiser supports the assumption that the expected fair value after the remediation is in excess of the amount required to be capitalized. However, these matters, if resolved in a manner different from those assumed in current estimates, could have a material adverse effect on the Company’s financial condition, operating results and cash flows when resolved in a future reporting period.

ACETO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited and in thousands, except per-share amounts)

In connection with the environmental remediation obligation for Arsynco, in July 2009, Arsynco entered into a settlement agreement with BASF Corporation (“BASF”), the former owners of the Arsynco property. In accordance with the settlement agreement, BASF paid for a portion of the prior remediation costs and going forward, will co-remediate the property with the Company. The contract requires that BASF pay \$550 related to past response costs and pay a proportionate share of the future remediation costs. Accordingly, the Company had recorded a gain of \$550 in fiscal 2009. This \$550 gain relates to the partial reimbursement of costs of approximately \$1,200 that the Company had previously expensed. The Company also recorded an additional receivable from BASF, with an offset against property held for sale, representing its estimated portion of the future remediation costs. The balance of this receivable for future remediation costs as of September 30, 2015 and June 30, 2015 is \$4,842 and \$4,985, respectively, which is included in the accompanying consolidated balance sheets.

In March 2006, Arsynco received notice from the United States Environmental Protection Agency (“EPA”) of its status as a PRP under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) for a site described as the Berry’s Creek Study Area (“BCSA”). Arsynco is one of over 150 PRPs which have potential liability for the required investigation and remediation of the site. The estimate of the potential liability is not quantifiable for a number of reasons, including the difficulty in determining the extent of contamination and the length of time remediation may require. In addition, any estimate of liability must also consider the number of other PRPs and their financial strength. In July 2014, Arsynco received notice from the U.S. Department of Interior (“USDOI”) regarding the USDOI’s intent to perform a Natural Resource Damage (NRD) Assessment at the BCSA. Arsynco has to date declined to participate in the development and performance of the NRD assessment process. Based on prior practice in similar situations, it is possible that the State may assert a claim for natural resource damages with respect to the Arsynco site itself, and either the federal government or the State (or both) may assert claims against Arsynco for natural resource damages in connection with Berry's Creek; any such claim with respect to Berry's Creek could also be asserted against the approximately 150 PRPs which the EPA has identified in connection with that site. Any claim for natural resource damages with respect to the Arsynco site itself may also be asserted against BASF, the former owner of the Arsynco property. In September 2012, Arsynco entered into an agreement with three of the other PRPs that had previously been impleaded into New Jersey Department of Environmental Protection, et al. v. Occidental Chemical Corporation, et al., Docket No. ESX-L-9868-05 (the "NJDEP Litigation") and were considering impleading Arsynco into the same proceeding. Arsynco entered into an agreement to avoid impleader. Pursuant to the agreement, Arsynco agreed to (1) a tolling period that would not be included when computing the running of any statute of limitations that might provide a defense to the NJDEP Litigation; (2) the waiver of certain issue preclusion defenses in the NJDEP Litigation; and (3) arbitration of certain potential future liability allocation claims if the other parties to the agreement are barred by a court of competent jurisdiction from proceeding against Arsynco. In July 2015, Arsynco was contacted by an allocation consultant retained by a group of the named PRPs, inviting Arsynco to participate in the allocation among the PRPs’ investigation and remediation costs relating to the BCSA. Arsynco declined that invitation. Since an amount of the liability cannot be reasonably estimated at this time, no accrual is recorded for these potential future costs. The impact of the resolution of this matter on the Company’s results of operations in a particular reporting period is not

currently known.

A subsidiary of the Company markets certain agricultural protection products which are subject to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA). FIFRA requires that test data be provided to the EPA to register, obtain and maintain approved labels for pesticide products. The EPA requires that follow-on registrants of these products compensate the initial registrant for the cost of producing the necessary test data on a basis prescribed in the FIFRA regulations. Follow-on registrants do not themselves generate or contract for the data. However, when FIFRA requirements mandate that new test data be generated to enable all registrants to continue marketing a pesticide product, often both the initial and follow-on registrants establish a task force to jointly undertake the testing effort. The Company is presently a member of several such task force groups, which requires payments for such memberships. In addition, in connection with our agricultural protection business, the Company plans to acquire product registrations and related data filed with the United States Environmental Protection Agency to support such registrations and other supporting data for several products. The acquisition of these product registrations and related data filed with the United States Environmental Protection Agency as well as payments to various task force groups could approximate \$2,160 through fiscal 2016, of which \$0 has been accrued as of September 30, 2015 and June 30, 2015 respectively.

ACETO CORPORATION AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited and in thousands, except per-share amounts)

On April 30, 2014, Rising, a wholly owned subsidiary of Aceto, acquired 100% of the issued and outstanding membership interests of PACK. PACK, a national marketer and distributor of generic prescription and over-the-counter pharmaceutical products, had headquarters in Buffalo Grove, Illinois, a suburb of Chicago, Illinois. The purchase agreement provided for a three-year earn-out of up to \$15,000 in cash based on the achievement of certain performance-based targets. As of September 30, 2015 and June 30, 2015, the Company accrued \$808 and \$783, respectively, related to this contingent consideration. Any necessary future adjustments to this amount will be recorded as an income statement charge at that time.

(7) Fair Value Measurements

GAAP defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date. GAAP establishes a fair value hierarchy for those instruments measured at fair value that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three levels:

Level 1 – Quoted market prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than Level 1 inputs that are either directly or indirectly observable; and

Level 3 – Unobservable inputs that are not corroborated by market data.

On a recurring basis, Aceto measures at fair value certain financial assets and liabilities, which consist of cash equivalents, investments and foreign currency contracts. The Company classifies cash equivalents and investments within Level 1 if quoted prices are available in active markets. Level 1 assets include instruments valued based on quoted market prices in active markets which generally include corporate equity securities publicly traded on major exchanges. Time deposits are short-term in nature and are accordingly valued at cost plus accrued interest, which approximates fair value, and are classified within Level 2 of the valuation hierarchy. The Company uses foreign

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currency futures contracts to minimize the risk caused by foreign currency fluctuation on its foreign currency receivables and payables by purchasing futures with one of its financial institutions. Futures are traded on regulated U.S. and international exchanges and represent commitments to purchase or sell a particular foreign currency at a future date and at a specific price. Aceto's foreign currency derivative contracts are classified within Level 2 as the fair value of these hedges is primarily based on observable futures foreign exchange rates. At September 30, 2015, the Company had foreign currency contracts outstanding that had a notional amount of \$53,203. Unrealized losses on hedging activities for the three months ended September 30, 2015 and 2014 was \$251 and \$806, respectively, and are included in interest and other income, net, in the condensed consolidated statements of income. The contracts have varying maturities of less than one year.

In conjunction with the Credit Agreement, the Company entered into an interest rate swap on April 30, 2014 for an additional interest cost of 1.63% on a notional amount of \$25,750, which has been designated as a cash flow hedge. The expiration date of this interest rate swap is April 30, 2019. The notional balance of this derivative as of September 30, 2015 is \$29,000. Pursuant to the requirements of the Credit Agreement, dated December 31, 2010, the Company was required to deliver Hedging Agreements (as defined in the agreement) fixing the interest rate on not less than \$20,000 of the term loan at that time. Accordingly, in March 2011, the Company entered into an interest rate swap for an additional interest cost of 1.91% on a notional amount of \$20,000, which has been designated as a cash flow hedge. The expiration date of this interest rate swap is December 31, 2015. The notional amount of this derivative as of September 30, 2015 is \$750. The unrealized loss to date associated with these two derivatives, which is recorded in accumulated other comprehensive income in the consolidated balance sheet at September 30, 2015, is \$487. Aceto's interest rate swaps are classified within Level 2 as the fair value of this hedge is primarily based on observable interest rates.

12	9,949		10,149		
Rodney E. Slifer Director	16,200	13,496			29,696
W. Thomas Stephens Director	9,830	10,505			20,335
Edward J. McIntyre Chief Financial Officer	53,669		160,101		213,770
Richard C. Kelly(1) President, Enterprises	29,560	2,589	224,750	4,449	261,348
Gary R. Johnson Vice President and General Counsel	17,729		116,465		134,194
Paul J. Bonavia President, Energy Markets	5,760	914	186,000		192,674
Directors and	351,185	161,091	1,899,707	62,586	2,474,569

Executive
Officers as a
group
(25 persons)

* Retired as Director effective November 8, 2001.

** Retired as Chairman of the Board effective August 18, 2001.

- (1) Mr. Kelly's wife owns 408 of these shares. Mr. Kelly disclaims beneficial ownership of these shares.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and officers to file with the Securities Exchange Commission reports regarding their ownership and changes in ownership of our stock. We are required to disclose whether we have knowledge that any person required to file such a report may have failed to do so in a timely manner. We believe that during 2001, all of our directors and officers subject to such reporting obligations have satisfied all Section 16(a) filing requirements, except that David Sparby, Vice President of Xcel Energy Services Inc., filed a late Form 5 corresponding to one transaction that occurred in fiscal 2000, Douglas W. Leatherdale, a director of Xcel Energy, filed a late Form 5 corresponding to one transaction that occurred in fiscal 2000, Grady Butts, Vice President of Xcel Energy Services Inc., filed a late Form 5 corresponding to one transaction that occurred in fiscal 2000 and Cynthia Leshner, Vice President and Chief Administrative Officer of Xcel Energy, filed a late Form 5 corresponding to one transaction that occurred in fiscal 2001. In making this statement, we have relied upon examination of the copies of Forms 3, 4, and 5 and the written representations of its directors and executive officers.

EXECUTIVE COMPENSATION

The following tables set forth cash and non-cash compensation for each of the last three fiscal years ended December 31, 2001, for the Company's Chief Executive Officer, each of the four next most highly compensated executive officers serving as officers at December 31, 2001 and one former officer who would have been among such four most highly compensated officers if he had not retired prior to December 31, 2001 (collectively, the "Named Executive Officers"). As set forth in the footnotes, the data presented in this table and the tables that follow include amounts paid to the Named Executive Officers in 2001 by Xcel Energy or any of its subsidiaries, as well as by NCE and NSP or any of their subsidiaries for the period prior to the Merger.

Summary Compensation Table

(a)	(b)	Annual Compensation			Long-Term Compensation			
		(c)	(d)	(e)	Awards		Payouts	
					(f)	(g)	(h)	(i)
Name and Principal Position	Year	Salary (\$)	Bonus (\$)(1)	Other Annual Compensation (\$)(2)	Restricted Stock Awards (\$)(3)	Number of Securities Underlying Options and SAR s (#)(4)	LTIP Payouts (\$)(5)	All Other Compensation (\$)(6)
James J. Howard Former Chairman of the Board*	2001	565,590	0	3,548,924	0	0	0	7,620,765
	2000	825,000	1,063,300	8,896	0	956,000	0	26,357
	1999	730,000	233,346	29,072	335,800	147,040	0	22,178
Wayne H. Brunetti Chairman, President and Chief Executive Officer	2001	895,000	953,873	9,267	0	0	902,271	41,085
	2000	756,667	852,244	167,265	0	756,000	0	314,436
	1999	590,000	228,802	0	0	106,000	0	32,984
Edward J. McIntyre Chief Financial Officer	2001	430,000	353,340	3,933	0	0	279,370	21,336
	2000	412,500	344,447	7,945	0	296,136	0	22,424
	1999	375,000	92,200	1,646	101,250	42,755	0	9,000
Richard C. Kelly President, Enterprises	2001	425,417	338,588	1,208	0	0	269,633	19,277
	2000	375,917	279,446	55,855	0	228,000	0	130,124
	1999	330,000	154,350	0	0	45,000	0	15,998
Gary R. Johnson General Counsel	2001	340,000	236,656	7,577	0	0	175,206	27,640
	2000	313,750	240,378	1,916	0	185,188	0	25,409
	1999	260,000	71,300	1,750	70,200	24,703	0	10,201
Paul J. Bonavia President, Energy Markets	2001	350,000	262,920	15,416	0	0	180,338	16,503
	2000	325,500	218,074	2,182	0	153,000	0	14,258
	1999	290,000	87,197	0	0	32,000	0	13,543

* Retired as Chairman of the Board effective August 18, 2001.

(1) The amounts in this column for 2001 represent awards earned under the Xcel Energy Executive Annual Incentive Award program. For Mr. Brunetti and Mr. Kelly, the amounts for 2001 include the value of 25,068 and 4,449 shares, respectively, of restricted common stock they received in lieu of a portion of the cash payments to which they were otherwise entitled under the Xcel Energy Executive Annual Incentive Award program. For Mr. Bonavia, the amount for 2001 includes the pre-tax value of 3,023 shares of common stock he received in lieu of a portion of the cash payment to which he was otherwise entitled under the Xcel Energy Executive Annual Incentive Award program.

(2) The amounts shown for 2001 include reimbursements for taxes on certain personal benefits, including a flexible perquisite allowance received by the named executives. The 2000 amount for Messrs. Brunetti and Kelly also include taxes on relocation benefits of \$162,745 and \$55,855, respectively. In addition, the 2001 amount for Mr. Howard includes \$3,523,208 in tax gross-up.

(3) Amounts shown in this column reflect the market value of restricted stock awarded under the NSP Long-Term Incentive Program (LTIP), and are based on the closing price of the Company's common stock on the date that the awards are made. The restrictions lapsed effective August 21, 2000, with the change-in-control as a result of the Merger. At December 31, 2001, Mr. Brunetti was the only Named Executive Officer who held shares of restricted stock. As of December 31, 2001, Mr. Brunetti held 17,143 shares of restricted stock with an aggregate value of \$483,043.58. The restricted stock vests in three equal annual installments commencing February 1, 2002.

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(4) The amounts shown for 2000 include stock option awards made to the named executives under the NSP LTIP for Messrs. Howard, McIntyre and Johnson (200,000, 62,136 and 38,188,

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respectively). The balance of the options for Messrs. Howard, McIntyre and Johnson in 2000, and all of the options for Messrs. Brunetti, Kelly and Bonavia for 2000 were granted under the Xcel Energy Omnibus Incentive Plan. These grants were three-year front-loaded (i.e., they represented three years' worth of options) and it is not expected that additional options will be granted until 2003.

(5) The amounts shown for 2001 include cash payments made under the Xcel Energy Long-term Incentive Program. NSP had no LTIP payouts in 1999 and 2000. No performance cash awards under the NCE Value Creation Plan for Messrs. Brunetti, Kelly and Bonavia were paid during 2001, 2000, or 1999.

(6) The amounts represented in the "All Other Compensation" column for the year 2001 for the Named Executive Officers include the following:

Name	Company Matching 401(k) Contributions (\$)	Contributions to the Non-Qualified Savings Plans (\$)	Employee Stock Ownership Plan Contribution (\$)	Value of the remainder of insurance premiums paid by the Company under the Officer Survivor Benefit Plan (\$)	Imputed Income as a result of the Life Insurance paid by the Company (\$)	Earnings Accrued under Deferred Compensation Plan (\$)	Retention Bonus/ Non-Compete Payments (\$)	Total (\$)
James J. Howard*	1,400	n/a	1,502	9,747	1,164	6,952	7,600,000	7,620,765
Wayne H. Brunetti	5,250	25,880	n/a	n/a	9,955	n/a	n/a	41,085
Edward J. McIntyre	1,400	n/a	1,502	1,177	1,496	15,761	n/a	21,336
Richard C. Kelly	5,250	10,245	n/a	n/a	3,782	n/a	n/a	19,277
Gary R. Johnson	1,400	n/a	1,502	1,452	1,376	21,910	n/a	27,640
Paul J. Bonavia	5,250	9,333	n/a	n/a	1,920	n/a	n/a	16,503

* Retired as Chairman of the Board effective August 18, 2001.

The following table indicates for each of the named executives the number and value of exercisable and unexercisable options and SARs as of December 31, 2001.

AGGREGATED OPTION/ SAR EXERCISES IN LAST FISCAL YEAR AND FY-END OPTION/ SAR VALUES

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Securities Underlying Unexercised Options/SARs at FY-End (#)		Value of Unexercised In-the-Money Options/SARs at FY-End (\$)(1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
James J. Howard*	28,872	\$ 268,870	555,540	756,000	2,814,962	1,079,190
Wayne H. Brunetti	11,368	159,182	692,850	756,000	1,991,406	1,079,190
Edward J. McIntyre	27,484	215,636	160,101	234,000	784,170	334,035
Richard C. Kelly	0	0	224,750	228,000	674,260	325,470
Gary R. Johnson	7,208	41,000	116,465	147,000	574,042	209,843
Paul J. Bonavia	0	0	186,000	153,000	381,905	218,408

* Retired as Chairman of the Board effective August 18, 2001.

(1) Option values were calculated based on a \$27.74 closing price of Xcel Energy common stock, as reported on the New York Stock Exchange at December 31, 2001.

LONG-TERM PERFORMANCE PLAN AWARDS IN LAST FISCAL YEAR(1)

The following table shows information on awards granted during 2001 under the Company's Omnibus Incentive Plan for each person in the Summary Compensation Table.

Name	Number of Shares, Units or Other Rights(2)	Performance or Other Period Until Maturation or Payout	Estimated Future Payouts Under Non-Stock Price-Based Plans		
			Threshold (\$)(3)	Target (\$)	Maximum (\$)
James J. Howard*(4)	0	n/a	n/a	n/a	n/a
Wayne H. Brunetti	35,563	1/1/01-12/31/03	0	1,006,875	2,013,750
Edward J. McIntyre	11,011	1/1/01-12/31/03	0	311,750	623,500
Richard C. Kelly	10,627	1/1/01-12/31/03	0	300,875	601,750
Gary R. Johnson	6,905	1/1/01-12/31/03	0	195,500	391,000
Paul J. Bonavia	7,108	1/1/01-12/31/03	0	201,250	402,500

* Retired as Chairman of the Board effective August 18, 2001.

- (1) The amounts in this table for the year 2001 are for the performance period 1/1/01-12/31/03 represent awards made under the performance unit component described under Long-term Incentives .
- (2) Each unit represents the value of one share of Xcel Energy common stock.
- (3) If the threshold for the performance unit component, of the 35th percentile is achieved, the payout could range between 25% and 200%. The amounts are based on a stock price of \$28.3125, which was the price on January 2, 2001.
- (4) Mr. Howard does not participate in the performance share component.

PENSION PLAN TABLE

The following table shows estimated combined pension benefits payable to a covered participant from the qualified defined benefit plans maintained by Xcel Energy and its subsidiaries and the Xcel Energy Supplemental Executive Retirement Plan (the SERP). The Named Executive Officers are all participants in the SERP and the qualified defined benefit plans sponsored by the Company.

Remuneration	Years of Service		
	10 years	15 years	20 or more years
200,000	55,000	82,500	110,000
225,000	61,875	92,813	123,750
250,000	68,750	103,125	137,500
275,000	75,625	113,438	151,250
300,000	82,500	123,750	165,000
350,000	96,250	144,375	192,500
400,000	110,000	165,000	220,000
450,000	123,750	185,625	247,500
500,000	137,500	206,250	275,000
600,000	165,000	247,500	330,000
700,000	192,500	288,750	385,000
800,000	220,000	330,000	440,000
900,000	247,500	371,250	495,000
1,000,000	275,000	412,500	550,000
1,100,000	302,500	453,750	605,000
1,200,000	330,000	495,000	660,000
1,300,000	357,500	536,250	715,000
1,400,000	385,000	577,500	770,000
1,500,000	412,500	618,750	825,000
1,600,000	440,000	660,000	880,000
1,700,000	467,500	701,250	935,000
1,800,000	495,000	742,500	990,000
1,900,000	522,500	783,750	1,045,000
2,000,000	550,000	825,000	1,100,000
2,100,000	577,500	866,250	1,155,000
2,200,000	605,000	907,500	1,210,000

The benefits listed in the Pension Plan Table are not subject to any deduction or offset. The compensation used to calculate the SERP benefits is base salary plus annual incentive. The Salary and Bonus columns of the Summary Compensation Table for 2001 reflect the covered compensation used to calculate SERP benefits.

The SERP benefit accrues ratably over 20 years and, when fully accrued, is equal to (a) 55% of the highest three years covered compensation of the five years preceding retirement or termination minus (b) the qualified plan benefit. The SERP benefit is payable as an annuity for 20 years, or as a single lump-sum amount equal to the actuarial equivalent present value of the 20-year annuity. Benefits are payable at age 62, or as early as age 55 reduced 5% for each year that the benefit commencement date precedes age 62.

The approximate credited years of service under the SERP as of December 31, 2001, were as follows:

Mr. Brunetti	14 years
Mr. McIntyre	29 years
Mr. Kelly	34 years
Mr. Johnson	23 years
Mr. Bonavia	4 years

Notwithstanding any special provisions related to pension benefits described under Employment Agreements and Severance Arrangements, the Company has granted additional credited years of service to Mr. Brunetti for purposes of SERP accrual. The additional credited years of service (approximately seven) are included in the above table. Additionally, the Company has agreed to grant full accrual of SERP benefits to Mr. Brunetti at age 62 and to Mr. Bonavia at age 57 and 8 months, if they continue to be employed by the Company until such age.

In accordance with his employment agreement, upon retirement, Mr. Howard, who retired as Chairman of the Board effective August 18, 2001, received a lump-sum payment equal to the present value of combined benefits from the NSP Traditional Pension Plan and supplemental Company payments as though he had completed 30 years of service, less the pension benefits earned from a former employer. For purposes of the employment agreement, the present value of the lump sum payment was calculated using a discount rate based on the interest rate for valuing immediate annuities used by the Pension Benefit Guaranty Corporation, which was different from the GATT rate utilized for other employees.

REPORT OF THE COMPENSATION AND NOMINATING COMMITTEE OF THE BOARD OF DIRECTORS

The executive compensation and benefit programs of the Company are administered by the Compensation and Nominating committee of the Board of Directors (the Committee). The Committee is composed of W. Thomas Stephens, Chairperson, C. Coney Burgess, David A. Christensen, A. Barry Hirschfeld, Douglas W. Leatherdale, and A. Patricia Sampson, all of whom are independent, non-employee directors of the Company, as defined by Section 16(b) of the Securities Exchange Act of 1934 (the 1934 Act), and outside directors as defined within the meaning of Section 162(m) of the Internal Revenue Code of 1986. The Board has delegated to the Committee the responsibility of establishing the Company's compensation philosophy, as well as the compensation package for the Chairman, President and Chief Executive Officer and other named executives of the Company. This includes establishing and administering the Company's base salary program, executive annual and long-term incentive programs, and executive benefit programs. The Committee also recommends and administers compensation and benefit programs for all Company executives and key talent.

Compensation Philosophy

The Committee's goal is to attract, retain, and motivate the outstanding executive talent needed to deliver superior returns to shareholders and provide the highest quality of service to customers.

The Company's executive compensation philosophy uses a combination of salary and performance-based (incentive) compensation, delivered through annual and long-term incentives, to align management's interests with those of shareholders. This philosophy results in a compensation mix for senior officers in which annual and long-term incentives account for more than 50 percent of the executives' annual compensation. In addition, the Company's compensation program helps to reinforce management's link to shareholders by establishing plans that compensate executives based on corporate, business unit, and individual performance goals. Finally, significant use of equity-based incentives encourages management to respond to business challenges and opportunities as owners as well as employees.

In establishing a compensation strategy for the Company, the Committee worked with an independent, nationally recognized compensation and benefits consulting firm and took into account several factors:

The desire to align management interests with those of shareholders.

The desire to strongly link management pay to both annual and long-term Company performance.

The need to attract talent from broader markets as the utility industry changes, to retain individuals of outstanding ability and to motivate such individuals to achieve superior performance.

As a result, the Committee has approved a compensation strategy designed to meet these objectives and encourage executives to achieve in a highly evolving competitive environment. Base salaries and annual and long-term incentive opportunities are set to the median of utility industry and general industry levels to provide an incentive for executives to optimize the Company's performance. In addition, stock-based compensation has become a significant portion of overall executive pay. Base salaries are reviewed annually, with increases tied to such factors as individual performance, the executive's duties and responsibilities, financial results, and changes in the marketplace. However, the overall opportunity for pay increases through base salary will continue to be de-emphasized, so that the majority of each executive's opportunity for increased compensation will be delivered through incentive-based pay.

Federal tax law limits the deductibility of executive compensation in excess of \$1,000,000 unless certain exceptions are met. It is the Committee's intent to maintain the deductibility of executive compensation to the extent reasonably practicable and to the extent consistent with its other compensation objectives.

Base Salary

The Committee targeted base salaries to the 50th percentile of a combined group of utility and general industry companies (on a revenue adjusted basis) as described above. Under the terms of his employment agreement, Mr. Brunetti was entitled to a base salary not less than his salary immediately prior to the Merger, which was \$685,000. In connection with the assumption of increased responsibilities following the Merger, effective August 2000, Mr. Brunetti received a salary adjustment to \$895,000. This was intended to be his salary level for the balance of 2000 as well as all of 2001. Consequently, Mr. Brunetti did not receive any salary increase for 2001. Similarly, with the exception of Mr. Kelly, the other Named Executive Officers received salary adjustments in August 2000 and did not receive any further adjustments for 2001. Mr. Kelly received a salary adjustment of 6% for 2001 in recognition of accepting additional responsibilities. These base salaries are included in the Salary column of the Summary Compensation Table.

Annual Incentive

Annual incentives are administered under the Xcel Energy Executive Annual Incentive Award Plan (the Xcel Annual Incentive Plan), which was approved by shareholders in 2000.

Annual incentive awards are targeted to the 50th percentile of blended utility industry and general industry levels, as discussed above, and are based on achieving corporate financial and operational goals and business unit operational goals.

Target Annual Incentive Awards for 2001

Corporate goals include targeted earnings per share, a customer service index (which includes measurement of reliability) and an employee satisfaction index (which includes safety). Business

Unit goals include customer service, reliability, safety and meeting budget, measured at a business unit level.

Target annual incentive awards (as a percent of base salary) are set for all Xcel Energy officers, ranging from 75% of salary for Mr. Brunetti to 50% of salary for the other Named Executive Officers. Maximum awards may be up to two times the target awards. Mr. Howard did not receive any annual incentive award.

The annual incentive formula is calculated using predetermined performance measures. For Mr. Brunetti, the formula is weighted 100% to attaining corporate goals. For the other executive officers, including Named Executive Officers, the formula is weighted 67% to attaining corporate goals and 33% to attaining business unit operational goals.

In order to encourage increased share ownership by executive officers, the Xcel Annual Incentive Plan provides the option for executives to receive their payments in shares of common stock or shares of restricted common stock (which vests in equal annual installments over a three year period) in lieu of cash. A 5% premium is added to amounts paid in shares of common stock, and a 20% premium is added to amounts paid in shares of restricted common stock.

Calculation and Payment of 2001 Annual Incentive Awards

Based on corporate performance during 2001, payouts under the corporate performance component were 142% of the corporate target. Business unit performance resulted in payouts ranging from 76% to 167% of the target for the business unit goals. As a result, the executive officers received from 139% to 150% of their targeted annual incentive awards.

The annual incentive payments for all Named Executive Officers are included in the *Bonus* column of the Summary Compensation Table.

Long-Term Incentives

Long-term incentives are administered under the Xcel Energy Omnibus Incentive Plan, approved by shareholders in 2000. This plan allows for several forms of incentive compensation from which the Committee may select in designing long-term incentives.

For 2001 the Xcel Energy long-term incentive plan had two components:

stock options; and

performance shares.

Long-term incentive opportunities range from 225% of base salary for Mr. Brunetti to 115% of base salary for other Xcel Energy executive officers. Stock options are targeted to deliver 50% of each officer's long-term incentive opportunity, with the remaining 50% delivered through the performance share component.

Stock Option Component. In 2000 the Committee made one stock option grant to all of the Named Executive Officers. This grant was front-loaded and covers the period August 2000 to August 2003, during which the Committee intends to make no further grants to the Named Executive Officers. Accordingly, no additional option grants were made to the Named Executive Officers during 2001.

The 2000 grant, which was reported in last year's proxy statement, contains a performance vesting provision which provides that the options will become exercisable at the earlier of:

The date Xcel Energy common stock closes at a price which equals or exceeds \$32.890625; or

August 21, 2005.

Once vested, the options may be exercised at any time on or before August 20, 2010.

Performance Share Component. The performance share component uses a single measure, Total Shareholder Return (TSR). Xcel Energy's TSR will be measured over a three-year period, using overlapping cycles. Xcel Energy's TSR is compared to the TSR of other companies in the EEI Electrics Index as a peer group. At the end of each three-year period, the performance unit component provides for payment at target for performance at the 50th percentile of the peer group and at 200% of target for performance at or above the 75th percentile of the peer group. The performance unit component provides smaller payments for performance below the 50th percentile. No payment would be made for performance below the 35th percentile.

Awards in the performance share component are made in shares, each of which represents the value of one share of Xcel Energy common stock. The number of shares awarded is calculated by dividing the executive's target award by the fair market value of Xcel Energy common stock on the date of the grant.

For the measurement cycle that ended in 2001, the TSR was at the 47th percentile resulting in a payout of 85% of the target.

For the 2001 to 2003 measurement cycle, Mr. Brunetti was awarded 35,563 shares. Other Named Executive Officers were awarded from 6,905 to 11,011 shares. These awards are included in the Long-Term Incentive Plans Awards in Last Fiscal Year Table.

Other Perquisites and Benefits

Other perquisites and benefits provided to executives generally are not tied to the Company's financial performance, but are primarily designed to attract and retain executives. Among the perquisites and benefits provided by the Company in 2001 to its executives are contributions to the Employee Stock Ownership Plan (ESOP) (at 0.8838% of the individual's covered compensation—the same rate applied to all other ESOP participants), Company-paid life insurance in an amount equal to four times base pay, and benefits provided under the NSP Deferred Compensation Plan, the NSP Excess Benefit Plan, the New Century Energies Salary Deferral and Supplemental Savings Plan for Executive Officers and the Xcel Energy Supplemental Executive Retirement Plan that make up for retirement benefits that cannot be paid under the Company's qualified retirement plans due to Internal Revenue Code limitations and the exclusion of certain elements of pay from pension-covered earnings. The level of retirement benefits provided by these plans in the aggregate is reflected in the Pension Plan Table.

Certain executive officers, including three of the Named Executive Officers, may receive severance benefits in accordance with the Xcel Energy Senior Executive Severance Policy, which is described in more detail under the section below entitled Severance Arrangements.

Stock Ownership Guidelines

The Committee believes that it is essential to align management's interests with those of the shareholders. In order to emphasize this belief, Xcel Energy adopted stock ownership guidelines for the executives. The Committee believes that linking a significant portion of an executive's current and potential future net worth to Xcel Energy's success, as reflected in the stock price, ensures that executives have a stake similar to that of Xcel Energy shareholders. Such guidelines also encourage the long-term management of the Company for the benefit of the shareholders.

The share ownership guideline for each executive is based on the executive's position. The guideline for the Chairman of the Board, President and Chief Executive Officer is five times base salary. The guideline for the Chief Financial Officer and the President of the Enterprises Business Unit is four times base salary. Other Business Unit Heads have a guideline of three times base salary. All other Company officers have share ownership guidelines of two times base salary. Each executive is expected to achieve the applicable ownership guidelines by August 1, 2005, and each is

expected to reach interim milestones at August 1, 2003 and August 1, 2004. All shares that the executive is entitled to vote count toward compliance with the ownership guidelines.

Chief Executive Officer Compensation

The compensation of Wayne H. Brunetti, Chairman of the Board, President and Chief Executive Officer, is determined by the process described in the short-term and long-term performance components above, namely base salary, annual incentive, performance unit, and stock options. Mr. Brunetti received a long-term incentive opportunity of 225% of base salary and an annual incentive award target of 75% of base salary. As discussed above, due to the front-end loaded option grant in 2000, he was not granted any additional options in 2001. However, he was awarded 35,563 performance shares.

Mr. Brunetti received a base salary adjustment in August 2000 and did not receive further adjustment for 2001. His base salary is included in the Salary column of the Summary Compensation Table above.

Conclusion

The Committee believes that Xcel Energy's executive compensation package effectively serves the interests of the Company and its shareholders. The balance of base pay and annual and long-term incentives provides increased motivation to executives to contribute to and participate in the Company's long-term success. The Committee is dedicated to ensuring that the Company's total compensation package continues to meet the needs of the Company and will monitor and revise compensation policies as necessary.

Submitted by the Compensation and Nominating Committee

of the Xcel Energy Board of Directors

W. Thomas Stephens, Chair
C. Coney Burgess
David A. Christensen

A. Barry Hirschfeld
Douglas W. Leatherdale
A. Patricia Sampson

XCEL ENERGY STOCK PERFORMANCE GRAPH

The following compares our cumulative total shareholder turn on common stock with the cumulative total return of the Standard & Poor's 500 Composite Stock Price Index, and the EEI Electrics Index over the last five fiscal years (assuming a \$100 investment in each vehicle on December 31, 1996 and the reinvestment of all dividends).

The EEI Electrics Index currently includes 69 companies and is a broad measure of industry performance.

Comparative Total Return

	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>
Xcel Energy	\$ 100	\$ 134	\$ 134	\$ 101	\$ 160	\$ 161
EEI Electrics	\$ 100	\$ 127	\$ 145	\$ 118	\$ 175	\$ 159
S&P 500	\$ 100	\$ 133	\$ 172	\$ 208	\$ 189	\$ 166

EMPLOYMENT AGREEMENTS AND SEVERANCE ARRANGEMENTS*James J. Howard Employment Agreement*

In connection with the Merger, James J. Howard entered into an employment agreement with the Company pursuant to which Mr. Howard continued employment with Xcel Energy and served as Chairman of the Board for the year following the Merger. Mr. Howard retired from his position as Chairman of the Board in August 2001. Pursuant to his employment agreement, for one year following his date of termination, he is forbidden from competing with, or disclosing confidential information about, Xcel Energy and its affiliates.

Pursuant to his employment agreement, Mr. Howard received a special retention bonus of \$7.6 million of which \$2.5 million was paid specifically for the noncompetition and confidentiality covenants described above. Mr. Howard will be obligated to forfeit that amount if he materially breaches the covenants. Xcel Energy made Mr. Howard whole for excise tax on excess severance payments made.

Mr. Howard's employment agreement also preserved the supplemental retirement benefit to which he was entitled pursuant to his employment agreement which was in effect prior to the Merger. Upon his retirement in August 2001, Mr. Howard received a lump-sum payment of \$5.7 million pursuant to this supplemental retirement benefit. See discussion under Pension Plan Table above.

Wayne H. Brunetti Employment Agreement

At the time of the merger agreement, NCE and NSP also entered into a new employment agreement with Mr. Brunetti, which replaced his existing employment agreement with NCE when the Merger was completed. The initial term of the new agreement is four years, with automatic one-year extensions beginning at the end of the second year and continuing each year thereafter unless notice is given by either party that the agreement will not be extended. Under the terms of the agreement, Mr. Brunetti served as Chief Executive Officer and President and a member of the board of directors of Xcel Energy for one year following the Merger, and, commencing August 18, 2001 (one year after the Merger) began serving as Chief Executive Officer and Chairman of the Board of Directors of Xcel Energy. Mr. Brunetti is required to perform the majority of his duties at the headquarters of Xcel Energy in Minneapolis, Minnesota, and was required to relocate the residence at which he spends the majority of his time to the Twin Cities area. His agreement also provides that if Mr. Brunetti becomes entitled to receive severance benefits, he will be forbidden from competing with Xcel Energy and its affiliates for two years following the termination of his employment, and from disclosing confidential information of Xcel Energy and its affiliates.

Under his employment agreement, Mr. Brunetti will receive the following compensation and benefits:

a base salary not less than his base salary immediately before the Merger;

the opportunity to earn annual and long-term incentive compensation amounts not less than he was able to earn immediately before the Merger;

life insurance coverage and participation in a supplemental executive retirement plan;

the same fringe benefits as he received under his NCE employment agreement, or, if greater, as those of the next higher executive officer of Xcel Energy; and

If Mr. Brunetti's employment were to be terminated by Xcel Energy without cause or if he were to terminate his employment for good reason, he would be entitled to receive the compensation and benefits described above as if he had remained employed for the employment period remaining under his employment agreement and then retired, at which time he would be eligible for all retiree benefits provided to retired senior executives of Xcel Energy. In determining the level of his compensation following termination of employment, the amount of incentive compensation he would receive would be based upon the target level of incentive compensation he would have received in the year in which his termination occurred, and he would receive cash equal to the value of stock options, restricted stock and other stock-based awards he would have received instead of receiving the awards. In addition, the restrictions on his restricted stock would lapse and his stock options would have become vested. Finally, Xcel Energy would be obligated to make Mr. Brunetti whole for any excise tax on severance payments that he incurs.

Mr. Brunetti also had a change-of-control employment agreement with NCE. The Merger did not cause a change of control under this agreement, so it did not become effective as a result of the Merger. However, in case this agreement becomes effective because of a later change of control, Mr. Brunetti has waived his right to receive any severance benefits under the change-of-control employment agreement to the extent they would duplicate severance benefits under his employment agreement.

Paul J. Bonavia Employment Agreement

In connection with and effective upon completion of the Merger, Xcel Energy and Paul J. Bonavia entered into an amendment to an employment agreement between Mr. Bonavia and NCE. Except as discussed below, the original agreement expired December 14, 2000. In connection with the Merger, Mr. Bonavia's position changed from Senior Vice President, General Counsel and President of NCE's International Business Unit to President of Xcel Energy's Energy Markets

Business Unit. In the amendment, Mr. Bonavia agreed not to assert before January 6, 2003 that his duties and responsibilities have been diminished, and thus he has waived the right to claim certain benefits under the Xcel Senior Executive Severance Policy relating to this change in his status prior to that date. If certain conditions are met on January 6, 2003 or within seven business days thereafter, which conditions include the termination of Mr. Bonavia's employment, Mr. Bonavia will be entitled to severance benefits comparable to those provided to the other senior executives under the Xcel Senior Executive Severance Policy described below.

Severance Policy

NSP and NCE each adopted a 1999 senior executive severance policy in March 1999. These policies were combined into a single Xcel Energy Senior Executive Severance Policy which will continue until August 18, 2003 and may be extended beyond August 2003. All of the executive officers of Xcel Energy other than Mr. Brunetti participate in the policy.

Under the policy, a participant whose employment is terminated at any time before August 18, 2003, the third anniversary of the Merger, will receive severance benefits unless:

the employer terminated the participant for cause;

the termination was because of the participant's death, disability, or retirement;

the division or subsidiary in which the participant worked was sold and the buyer agreed to continue the participant's employment with specified protections for the participant; or

the participant terminated voluntarily without good reason. To receive the severance benefits, the participant must also sign an agreement releasing all claims against the employer and its affiliates, and agreeing not to compete with the employer and its affiliates and not to solicit their employees and customers.

The severance benefits for executive officers under the policy include the following:

a cash payment equal to 2.5 times the participant's annual base salary, annual bonus and annualized long-term incentive compensation, plus prorated incentive compensation for the year of termination;

a cash payment equal to the additional amounts that would have been credited to the executive under pension and retirement savings plans, if the participant had remained employed for another 2.5 years;

continued welfare benefits and a perquisite allowance for 2.5 years;

financial planning benefit for two years, and outplacement services costing not more than \$30,000; and

an additional cash payment to make the participant whole for any excise tax on excess severance payments that he or she may incur, with certain limitations specified in the policies.

Some of the executive officers of NCE who participate in the severance policy also had change-of-control employment agreements with NCE. The Merger was not considered a change of control under these agreements, so they did not become effective as a result of the Merger. However, if they become effective because of a later change of control, the severance benefits under the Xcel Senior Executive Severance Policy will be reduced by any severance benefits that the participant receives under such an employment agreement.

REPORT OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

The role of the Audit Committee is to assist the Board of Directors in its oversight of the Company's financial reporting process. The Audit Committee is composed of Roger R. Hemminghaus, Chairman, Albert F. Moreno, Margaret R. Preska, Allan L. Schuman and Rodney E. Slifer.

The Board of Directors, in its business judgment, has determined that all members of the Audit Committee are independent, as required by applicable listing standards of the New York Stock Exchange. The Audit Committee operates pursuant to a Charter that was last amended and restated by the Board on March 1, 2002. As set forth in the Charter, management of the Company is responsible for the preparation, presentation, and integrity of the Company's financial statements, the Company's accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. Our independent auditors, Arthur Andersen, are responsible for auditing the Company's consolidated financial statements and expressing an opinion as to whether they are prepared fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

In the performance of its oversight function, the Audit Committee has:

considered and discussed the audited financial statements with management and our independent auditors. The Audit Committee's review included a discussion of the quality, not just the acceptability, of the accounting principles, the reasonableness of significant judgments and the clarity of disclosures in the financial statements;

discussed with our independent auditors the matters required to be discussed by Statements on Auditing Standards No. 61, Communication with Audit Committees;

received the written disclosures from our independent auditors required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, as currently in effect, and discussed the independence of Arthur Andersen with them;

reviewed the services provided by our independent auditors other than their audit services and considered whether the provision of such other services by our independent auditors is compatible with maintaining their independence, and;

discussed with the Company's internal and independent auditors the overall scope and plans for their respective audits for the year 2001. The Audit Committee meets with the internal and independent auditors, with and without management present, to discuss the results of their examinations, their evaluations of the Company's internal controls and the overall quality of the Company's financial reporting.

Based upon the reports and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to in the Charter, the Audit Committee recommended to the Board of Directors, and the Board has approved, that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2001, to be filed with the Securities and Exchange Commission. The Audit Committee and the Board have also recommended the selection of Arthur Andersen as the Company's independent auditors for 2002.

SUBMITTED BY THE AUDIT COMMITTEE OF THE XCEL ENERGY BOARD OF DIRECTORS

Roger R. Hemminghaus, Chair
Allan L. Schuman
Rodney E. Slifer

Margaret R. Preska
Albert F. Moreno

INDEPENDENT PUBLIC ACCOUNTANTS

Arthur Andersen LLP has audited the Company's consolidated financial statements since August 18, 2000. The firm has offices and affiliates in most localities throughout the country where Xcel Energy has operations. Audit services provided by Arthur Andersen in 2001 included: audit of consolidated financial statements of the Company; limited reviews of interim consolidated financial information; and consultation on matters related to accounting and financial reporting.

Audit Fees

The aggregate fees and expenses of Arthur Andersen for professional services provided for the audit of the consolidated financial statements for the year ended December 31, 2001 included in our Annual Report on Form 10-K, and for the reviews of the interim consolidated financial information included in our Quarterly Reports on Form 10-Q for that year were \$878,000.

Financial Information Systems Design and Implementation Fees

Arthur Andersen billed an aggregate of \$2,543,000 for non-audit professional services during 2001 related to consulting for J.D. Edwards financial information system design and implementation. In reviewing their selection of Arthur Andersen, the Audit Committee determined that the provision of these services should not compromise Arthur Andersen's independence.

All Other Fees

The aggregate fees and expenses billed by Arthur Andersen for all services provided to the Company, other than the services described above under **Audit Fees** and **Financial Information Systems Design and Implementation Fees** for the year ended December 31, 2001, were \$4,254,000. Of this amount, \$1,383,000 was for tax planning and compliance, \$1,148,000 for audit related services such as Statement of Financial Accounting Standard (SFAS) No. 133 adoption, benefit plan review and transaction support, \$868,000 for consulting related to Texas utility restructuring issues and \$855,000 for other consulting services. The Audit Committee, after review and discussion with management, determined that the provision of these services should not compromise Arthur Andersen's independence.

Leased Employees

In connection with their audit of our 2001 annual financial statements, Arthur Andersen's work was performed 100% by full-time, permanent employees of Arthur Andersen.

OTHER BUSINESS

Management does not know of any business, other than that described in this proxy statement, that may be presented for action at the Annual Meeting of Shareholders. If any other matters are properly presented at the meeting for action, the persons named in the accompanying proxy will vote upon them in accordance with their best judgment.

By Order of the Board of Directors,

CATHY J. HART
Secretary

Minneapolis, Minnesota

March 15, 2002

Xcel Energy Inc.

Audit Committee Charter

- A. Authority.** The Audit Committee is granted the authority by the Board of Directors to perform each of the specific duties enumerated in this Committee Charter. The Audit Committee will be provided adequate resources to discharge its responsibilities and will receive staff support from the Audit Services Department. The Audit Committee shall have the authority to retain special legal, accounting, or other consultants to advise the Committee regarding accounting methods and other financial matters. The Audit Committee may request any officer or employee of the Company or any of its subsidiaries or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
- B. Responsibility.** The Audit Committee is appointed by the Board to assist the Board in fulfilling the Board's oversight responsibilities relating to (1) the integrity of the quarterly and annual financial statements of the Company, (2) the compliance by the Company with legal and regulatory requirements and (3) the independence and performance of the Company's internal and external auditors.

The Audit Committee is the Board of Directors' principal agent in ensuring the independence of the Xcel Energy companies' independent public accountants, the integrity of management, and the adequacy of disclosures to shareholders. The Audit Committee is the focal point for communications between the Board of Directors, the independent accountants, internal auditing, and management of any Xcel Energy Company regarding matters relating to financial accounting, reporting, and internal control.

Consistent with the duties and function of the Board generally, the Committee has oversight, not managerial, duties and authorities in discharging its responsibilities. While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles. This is the responsibility of management and the independent auditor. Nor is it the duty of the Audit Committee to conduct investigations, to resolve disagreements, if any, between management and the independent auditor or to assure compliance with laws and regulations and the Company's Code of Conduct.

The Audit Committee will, of necessity, rely upon management, the Company's internal audit personnel, and the outside auditors to plan and coordinate the audit, to determine that the Company's financial statements are complete and accurate and to determine that the financial statements are prepared in accordance with generally accepted accounting principles (GAAP). In light of the foregoing, there can be no assurance that the Company's financial statements will necessarily be in accordance with GAAP and not contain any material inaccuracies whether or not the Committee discharges the responsibilities specified in the Charter.

- C. Committee Size and Members Qualifications** The Audit Committee shall consist of at least three directors. Each member of the Committee must be independent of management and free from any relationship with the Company that in the judgment of the full Board would interfere with the exercise of independent judgment as a Committee member. In determining independence, the Board will observe the requirements of Rules 303.01 and 303.02 of the New York Stock Exchange Listed Company Manual.

Each member of the Committee must be financially literate and in particular, the Chairman of the Audit Committee shall have accounting or related financial management expertise.

The Board will determine, in its business judgment, whether a director meets the financial literacy requirement.

It is the responsibility of management to identify to each member or prospective member of the Committee those relationships that may affect such member's qualifications to serve on the Committee. It is expected that this will be done pursuant to a written questionnaire to be distributed not less frequently than annually, as well as at the time that a prospective member is first considered for membership on the Committee. It is the responsibility of the full Board, based upon the questionnaire responses and other information deemed relevant by management, to determine the qualifications of any prospective Committee member; a prospective Committee member will have no responsibility in this regard other than responding (to his or her knowledge) to questions specifically directed to him or her.

D. Specific Duties. The Audit Committee shall:

(Financial Reporting)

1. Review and reassess the adequacy of this Charter annually and submit it to the Board for approval.
2. Review the annual audited financial statements with management, including major issues regarding accounting and auditing principles and practices as well as the adequacy of internal controls that could significantly affect the Company's financial statements. Review the Form 10-K report to the Securities and Exchange Commission and recommend its approval to the Board of Directors.
3. Review with management and the independent auditor the Company's quarterly financial information prior to public distribution.
4. Review an analysis prepared by management and the independent auditor of significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements.
5. Review with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
6. Review the report required by the rules of the Securities and Exchange Commission to be included in the Company's annual proxy statement which states whether the Audit Committee has:
 - reviewed and discussed the audited financial statements with management;
 - discussed with the independent auditors the matters required to be discussed by Statement on Auditing Standards No. 61, as may be modified or supplemented; and
 - received from the auditors disclosures regarding the auditors' independence required by Independence Standards Board Standard No. 1, as may be modified or supplemented, and discussed with the auditors the auditors' independence.

(Management Reporting)

7. Review major changes to the Company's auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
8. Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.
9. Review with the Company's Chief Compliance Officer the Company's Code of Conduct, including disclosures of insider and affiliated party transactions.

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(Independent Auditor/ Performance)

10. Recommend annually to the Board the appointment of the independent auditor. The independent auditor is ultimately accountable to the Board and the Audit Committee, who have the ultimate authority and responsibility to select, evaluate and, where appropriate, replace the independent auditor.
11. Review the experience and qualifications of the senior members of the independent auditor team and the quality control procedures of the independent auditor.
12. Meet with the independent auditor prior to the audit to review the scope and the planning of the audit. Review with the independent auditor new developments in accounting principles and reporting or industry practices that may materially affect any Xcel Energy company.
13. Annually review the audit and non-audit fees paid to the independent auditor.
14. Establish and maintain a process of Audit Committee review of non-audit services performed by the independent auditor including the scope and expected fees for such service.
15. Ensure that the Company has not hired from the independent accounting firm any partner or manager who worked on the Xcel Energy Company account during the past three years.
16. Receive periodic reports from the independent auditor in the form of a formal written statement delineating all relationships between the auditor and the Company. Discuss with the independent auditor relationships or services that may affect the auditor's objectivity or independence. Recommend that the Board take appropriate action to insure the independence of the auditor if such action is warranted.
17. In coordination with management, evaluate the performance of the independent auditor and, if so determined by the Audit Committee, recommend that the Board replace the independent auditor.
18. Discuss with the independent auditor the following matters related to the conduct of the audit:
 - (a) the methods used to account for significant unusual transactions;
 - (b) the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative guidance;
 - (c) the process used by management in formulating sensitive accounting estimates and the basis for the independent auditor's conclusions regarding the reasonableness and quality of those estimates;
 - (d) disagreements with management over the application of accounting principles, the basis for management's accounting estimates, and the disclosures in the financial statements; and
 - (e) Issues brought to the national office of the independent auditor for consultation.

(Internal Audit/ Performance)

19. Review the appointment of the senior internal auditing executive and recommend replacement, if necessary.

20. Review the scope and planning of the annual consolidated audit plan, including adequacy of internal audit department staffing. The consolidated audit plan should include but not be limited to:

coverage by the internal audit department,

environmental,

safety and hygiene,

health and welfare benefit plans,

retirement plans,

corporate foundations, and

physical and data security

Review the responsibilities and budget for the internal audit department.

21. Review any significant findings to management prepared by internal audit and management's responses.

(Periodic Reviews)

22. Review with management, the independent auditor, and the senior internal auditing executive:

(a) any management letter provided by the independent auditor and management's response to that letter;

(b) any difficulties encountered in the course of their audit work, including any restrictions on the scope of their work or access to required information, and any disagreements with management;

(c) any changes required in the planned scope of audit plans; and

(d) any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.

23. Meet periodically and at least annually with management, the senior internal auditing executive and the independent auditor in separate executive sessions.

- E. Meetings.** The Audit Committee shall meet at least four times during the calendar year and at such other times as may be requested by its Chairman and make regular reports to the Board.
- F. Meeting Attendance.** A majority of the members of the Audit Committee shall constitute a quorum for transaction of any business at any meetings of the Committee. The Chief Accounting Officer shall be the coordinating officer for the Committee and attend all meetings as appropriate. The Chief Financial Officer, the General Counsel and the senior internal auditing executive shall also attend meetings as appropriate. Other management representatives shall attend as necessary.
- G. Supporting Materials and Agendas.** The Committee secretary and the Chief Accounting Officer shall prepare the meeting agenda for approval by the Board Chairman and the Committee Chairman. The agenda and all materials to be reviewed at a Committee meeting shall be provided to the Committee members at least three days prior to the meeting date.

2002 ANNUAL MEETING GUIDELINES

In the interest of an orderly and constructive meeting, the following guidelines will apply for Xcel Energy's Annual Meeting of Shareholders on Thursday, April 18, 2002 at 10:00 a.m. at The Donald R. Seawell Grand Ballroom, The Denver Center for the Performing Arts, 14th and Curtis Streets, Denver, CO.

1. To gain entrance to the meeting, you must present this admission ticket or evidence of ownership of Xcel Energy stock.
 2. Briefcases, purses and parcels will be examined. The use of cameras or sound recording equipment is prohibited, except those employed by the Company to provide a record of the proceedings.
 3. The business of the meeting is set forth in the Proxy Statement and will be published on an Agenda that you will receive at the meeting. Whether or not you plan to attend the meeting, please sign, date and return the Proxy Card in the envelope provided, or you may vote by telephone or Internet. If you wish to change your vote or have not voted by Proxy, a ballot will be distributed to you at the meeting.
 4. Time has been reserved at the end of the meeting for shareholder questions that relate to the business of the Company. If you want to speak, please go to the nearest microphone, state your name and confirm that you are a shareholder before asking your question. Please direct all questions to the Chairman. Questions from the floor are limited to three minutes to provide an opportunity for as many shareholders as possible.
 5. Although personal grievances and claims are not appropriate subjects for the meeting, you may submit any grievance or claim in writing to any usher or Company Representative, and the Company will respond as soon as possible after the meeting.
 6. The Chairman in his sole discretion shall have authority to conduct the meeting and rule on any questions or procedures that may arise.
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Xcel Energy Inc.
800 Nicollet Mall, Suite 3000
Minneapolis, MN 55402-2023

PROXY

THIS PROXY IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS OF XCEL ENERGY INC.

I appoint Edward J. McIntyre, Gary R. Johnson, and Cathy J. Hart, or any of them, each with full power of substitution, to represent and vote the shares of stock which I have power to vote at the Annual Meeting of Shareholders on Thursday, April 18, 2002 at 10:00 a.m., and any adjournments thereof, in accordance with the instructions on the reverse side of this card.

If you want, you can indicate your vote and this Proxy will be voted as indicated. If no markings are made, this Proxy will be voted FOR Item 1 and AGAINST Item 2.

See reverse for voting instructions.

XCEL ENERGY INC.
800 Nicollet Mall, Suite 3000, Minneapolis, MN 55402-2023

ANNUAL MEETING
ADMISSION TICKET

Admission ticket for Xcel Energy Inc. Annual Meeting of Shareholders, April 18, 2002, at 10:00 a.m. at The Donald R. Seawell Grand Ballroom, The Denver Center for the Performing Arts, 14th and Curtis Streets, Denver, CO.

**Admission
Ticket**

Please present this ticket for admittance of shareholder(s) named above.
Admittance will be based upon availability of seating.

THERE ARE THREE WAYS TO VOTE YOUR PROXY

**Your telephone or Internet vote authorizes the Named Proxies to vote your shares
in the same manner as if you marked, signed and returned your proxy card.**

COMPANY #
CONTROL #

VOTE BY PHONE TOLL FREE 1-800-240-6326 QUICK * EASY *** IMMEDIATE**

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (noon) (ET) on April 17, 2002.
You will be prompted to enter your 3-digit Company Number and your 7-digit Control Number which are located above.
Follow the simple instructions the voice provides you.

VOTE BY INTERNET <http://www.eproxy.com/xel/> QUICK * EASY *** IMMEDIATE**

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (noon) (CT) on April 17, 2002.
You will be prompted to enter your 3-digit Company Number and your 7-digit Control Number which are located above to obtain your records and create an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or return it to Xcel Energy Inc. c/o Shareowner Services, P.O. Box 64873, St. Paul, MN 55164-0873.

If you vote by Phone or Internet, please do not mail your Proxy Card

To view the annual report and proxy statement via the Internet go to xcelenergy.com, click on **Investor Information**, click on **Financial Reports**.

∨ Please detach here ∨

The Board of Directors Recommends a Vote FOR Item 1 and AGAINST Item 2.

1. Election of Class I Directors:	01 C. Coney Burgess	03 Allan L. Schuman	Vote FOR	Vote
	02 A. Barry Hirschfeld	04 Albert F. Moreno	all nominees	WITHHELD from all nominees

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(except as marked)

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

The Board of Directors recommends a vote **AGAINST** Item 2.

2. A shareholder proposal entitled, A Resolution Concerning Xcel Energy's Sourcing Policy.	For	Against	Abstain
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3. To transact such other business as may properly come before the meeting or any adjournment thereof.

THIS PROXY, WHICH IS SOLICITED BY THE BOARD OF DIRECTORS, WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR ITEM #1 AND AGAINST ITEM #2.

Address Change? Mark Box

Indicate changes below:

Date _____

Signature(s) in Box

Please sign exactly as your name(s) appear on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the Proxy.

2002 ANNUAL MEETING GUIDELINES

In the interest of an orderly and constructive meeting, the following guidelines will apply for Xcel Energy's Annual Meeting of Shareholders on Thursday, April 18, 2002 at 10:00 a.m. at The Donald R. Seawell Grand Ballroom, The Denver Center for the Performing Arts, 14th and Curtis Streets, Denver, CO.

1. To gain entrance to the meeting, you must present this admission ticket or evidence of ownership of Xcel Energy stock.
 2. Briefcases, purses and parcels will be examined. The use of cameras or sound recording equipment is prohibited, except those employed by the Company to provide a record of the proceedings.
 3. The business of the meeting is set forth in the Proxy Statement and will be published on an Agenda that you will receive at the meeting. Whether or not you plan to attend the meeting, please sign, date and return the Proxy Card in the envelope provided, or you may vote by telephone or Internet. If you wish to change your vote or have not voted by Proxy, a ballot will be distributed to you at the meeting.
 4. Time has been reserved at the end of the meeting for shareholder questions that relate to the business of the Company. If you want to speak, please go to the nearest microphone, state your name and confirm that you are a shareholder before asking your question. Please direct all questions to the Chairman. Questions from the floor are limited to three minutes to provide an opportunity for as many shareholders as possible.
 5. Although personal grievances and claims are not appropriate subjects for the meeting, you may submit any grievance or claim in writing to any usher or Company Representative, and the Company will respond as soon as possible after the meeting.
 6. The Chairman in his sole discretion shall have authority to conduct the meeting and rule on any questions or procedures that may arise.
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Xcel Energy Inc.
800 Nicollet Mall, Suite 3000
Minneapolis, MN 55402-2023

ESOP Voting Directive

THIS PROXY IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS OF XCEL ENERGY INC.

I appoint the Trustee of the Xcel Energy Inc. Employee Stock Ownership Plan to vote the common stock shares allocated to my Account, either directly or by designation of proxies, at the Annual Meeting of Shareholders on Thursday, April 18, 2002 at 10:00 a.m., and any adjournments thereof, as follows.

If you want, you can indicate your vote and your Directive will be voted as indicated. Be sure to follow the instructions on the reverse side for marking your Directive to assure that your vote is counted. If no markings are made, your Directive will be voted FOR Item 1 and AGAINST Item 2.

See reverse for voting instructions.

XCEL ENERGY INC.
800 Nicollet Mall, Suite 3000, Minneapolis, MN 55402-2023

ANNUAL MEETING
ADMISSION TICKET

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Ticket**

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∨ Please detach here ∨

**ESOP Voting
Directive**

The Board of Directors Recommends a Vote FOR Item 1 and AGAINST Item 2.

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1. Election of Class I Directors:	01 C. Coney Burgess	03 Allan L. Schuman	Vote FOR	Vote
	02 A. Barry Hirschfeld	04 Albert F. Moreno	all nominees (except as marked)	WITHHELD from all nominees

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

The Board of Directors recommends a vote **AGAINST** Item 2.

2. A shareholder proposal entitled, A Resolution Concerning Xcel Energy's Sourcing Policy. For Against Abstain

3. To transact such other business as may properly come before the meeting or any adjournment thereof.

THIS PROXY, WHICH IS SOLICITED BY THE BOARD OF DIRECTORS, WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR ITEM #1 AND AGAINST ITEM #2.

Address Change? Mark Box

Indicate changes below:

Date _____

Signature(s) in Box

Please sign exactly as your name appears on this directive.

2002 ANNUAL MEETING GUIDELINES

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 6. The Chairman in his sole discretion shall have authority to conduct the meeting and rule on any questions or procedures that may arise.
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Xcel Energy Inc.
800 Nicollet Mall, Suite 3000
Minneapolis, MN 55402-2023

Voting Directive

THIS PROXY IS SOLICITED BY AND ON BEHALF OF THE BOARD OF DIRECTORS OF XCEL ENERGY INC.

This directive constitutes your voting instructions for shares held of record in the Xcel Energy 401(K) Savings Plan, the Xcel Energy Employee Investment Plan for bargaining unit employees and former non-bargaining unit employees and the Xcel Energy Employees' Savings and Stock Ownership Plan for bargaining unit employees and former non-bargaining unit employees and participating subsidiary companies (plans) and the undersigned hereby authorizes the trustees of these plans to vote the undersigned shares held in their accounts.

See reverse for voting instructions.

XCEL ENERGY INC.
800 Nicollet Mall, Suite 3000, Minneapolis, MN 55402-2023

ANNUAL MEETING
ADMISSION TICKET

Admission ticket for Xcel Energy Inc. Annual Meeting of Shareholders, April 18, 2002, at 10:00 a.m. at The Donald R. Seawell Grand Ballroom, The Denver Center for the Performing Arts, 14th and Curtis Streets, Denver, CO.

**Admission
Ticket**

Please present this ticket for admittance of shareholder(s) named above.
Admittance will be based upon availability of seating.

THERE ARE THREE WAYS TO VOTE YOUR PROXY

**Your telephone or Internet vote authorizes the Named Proxies to vote your shares
in the same manner as if you marked, signed and returned your proxy card.**

COMPANY #
CONTROL #

VOTE BY PHONE TOLL FREE 1-800-240-6326 QUICK * EASY *** IMMEDIATE**

Use any touch-tone telephone to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (noon) (ET) on April 17, 2002.
You will be prompted to enter your 3-digit Company Number and your 7-digit Control Number which are located above.
Follow the simple instructions the voice provides you.

VOTE BY INTERNET <http://www.eproxy.com/xel/> QUICK * EASY *** IMMEDIATE**

Use the Internet to vote your proxy 24 hours a day, 7 days a week, until 12:00 p.m. (noon) (CT) on April 17, 2002.
You will be prompted to enter your 3-digit Company Number and your 7-digit Control Number which are located above to obtain your records and create an electronic ballot.

VOTE BY MAIL

Mark, sign and date your proxy card and return it in the postage-paid envelope we've provided or return it to Xcel Energy Inc. c/o Shareowner Services, P.O. Box 64873, St. Paul, MN 55164-0873.

If you vote by Phone or Internet, please do not mail your Proxy Card

To view the annual report and proxy statement via the Internet go to xcelenergy.com, click on **Investor Information**, click on **Financial Reports**.

∨ Please detach here ∨

**Voting
Directive**

The Board of Directors Recommends a Vote FOR Item 1 and AGAINST Item 2.

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1. Election of Class I Directors:	01 C. Coney Burgess	03 Allan L. Schuman	Vote FOR	Vote
	02 A. Barry Hirschfeld	04 Albert F. Moreno	all nominees (except as marked)	WITHHELD from all nominees

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

The Board of Directors recommends a vote **AGAINST** Item 2.

2. A shareholder proposal entitled, A Resolution Concerning Xcel Energy's Sourcing Policy.	For	Against	Abstain
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3. To transact such other business as may properly come before the meeting or any adjournment thereof.

THIS PROXY, WHICH IS SOLICITED BY THE BOARD OF DIRECTORS, WHEN PROPERLY EXECUTED WILL BE VOTED AS DIRECTED OR, IF NO DIRECTION IS GIVEN, WILL BE VOTED FOR ITEM #1 AND AGAINST ITEM #2.

Address Change? Mark Box

Indicate changes below:

Date _____

Signature(s) in Box

Please sign exactly as your name appears on this directive.