

Job Maintenance and Capital Development Fund:

Annual Report

Fiscal Year 2010-2011

Job Maintenance and Capital Development Fund

The Job Maintenance and Capital Development Fund (the “JMAC”) Program (N.C. Gen. Stat. § 143B-437.012) is a discretionary incentive program that, in its original formulation, provided sustained annual grants to businesses with at least 2,000 permanent full-time workers, located in Development Tier 1 counties, and which invest at least \$200 million in capital improvements within 6 years of initial expenditure. The purpose of a JMAC grant is to encourage retention of significant numbers of high-paying, high-quality jobs and large-scale capital investment, enlarge the overall tax base, and increase revenues to the State and its political subdivisions. Grant recommendations are made by the Economic Investment Committee (the “EIC”) to the Secretary of Commerce, based on a thorough review of the factors enumerated in the Criteria for Operation and Implementation of Job Maintenance and Capital Development Fund Program (the “JMAC Criteria”), adopted on December 13, 2007, pursuant to N.C. General Statute §143B-437.012(i)(1), as amended effective July 8, 2010. A total of 5 grants may be made under the JMAC program.

Under the JMAC statute as originally enacted, two grants were awarded during fiscal year 2008-09. Goodyear Tire & Rubber Company (“Goodyear”) and Bridgestone Firestone North American Tire LLC (“Bridgestone”) were each awarded a grant for up to \$30,000,000 over ten years, to modernize their tire manufacturing facilities.

On August 26, 2009, an amendment to the JMAC Statute was approved, effective July 1, 2010 (Session Law 2009-520). This amendment increased the amount that could be awarded under the JMAC program, from \$60,000,000 to \$69,000,000. Thus, an additional \$9,000,000 could be awarded. Eligibility requirements were expanded to include a large manufacturing employer (as defined in N.C. Gen. Stat. §105-129.81) that is converting its manufacturing process to change its product, that invests at least \$65,000,000 within a 3 year period, and that employs 320 full-time workers which it agrees to maintain for the full grant term. There is currently an applicant for a grant under the statute’s amended provisions.

The annual amount for which each JMAC grantee is eligible, if performance criteria are met, is based on the sum of the following eligible expenses: (i) 95% of certain statutorily specified eligible taxes; (ii) 100% of confirmed worker training expenses; and (iii) 100% of confirmed eligible State fees paid. Grantees generally qualify based principally on worker training expenses incurred to train workers on the new equipment purchased to modernize their facilities.

Grantees are ineligible for a grant payment for any year in which they fail to retain the required minimum number of eligible workers, fail to satisfy the wage requirement, or fail to make the required health insurance available to workers. Grants will be terminated for three consecutive years of failure to retain the required workers or to meet the wage standard. Grants must be repaid for failure to make the required investment within the specified time period.

Performance criteria for grant payment eligibility for these two grantees are as follows:

Company	Jobs for Full Payment	Jobs for Prorated Payment	Investment	Wages	Other
Goodyear	2,398	1,918	\$200 million by 2012	140% of average county wage in Cumberland Cty	Worker health insurance
Bridgestone	2,083	1,666	\$200 million by 2010	140% of the average county wage in Wilson Cty	Worker health insurance

Grant payments were made in FY09-10 in FY 2008-2009, for the performance year ending December 31, 2008, after analysis and confirmation of the company’s annual JMAC reports by the Department of Commerce (the “Department”). Goodyear received a grant payment of \$2,500,000, based on its report of 2,795 eligible

employees, with an average wage of \$58,691, and investment of \$149,000,000 of the \$200,000,000 required to be made by 2012. Bridgestone received a grant payment of \$2,454,393 for a reported 1,872 eligible positions, with an average wage of \$57,020, and investment of \$160,000,000 of the \$200,000,000 required to be invested by 2010.

Grant payments were made in FY 2010-2011 for the performance year ending December 1, 2009, after analysis and confirmation of the company's annual JMAC reports by the Department. Goodyear received a grant payment of \$3,000,000, based on its report of 2,760 eligible employees, with an average wage of \$60,684, with investment of the \$200,000,000 required to be made by 2012 and (ii) Bridgestone received a grant payment of \$2,891,983 for a reported 2,008 eligible positions, with an average wage of \$54,507, and investment of \$185 million of the \$200 million required to be invested by 2010.

Payments Made Through FY 2010-2011

Company	Total Grant Amount	Amount Received To-Date	Amount of Grant Remaining
Goodyear	\$30 million	\$5,500,000	\$24,500,000
Bridgestone	\$30 million	\$5,346,376	\$24,500,000

The application for the potential third grantee is now being processed by the Department. It is expected that this grantee will be awarded a grant of up to \$7,000,000 over a ten year grant term, and will be eligible for \$500,000 for performance ending December 31, 2010 (which amount has already been appropriated). This grantee will be expected to retain 320 eligible employees, comply with the same type of wage and health insurance standards as the other grantees, and invest \$65,000,000 by October 10, 2012.

The General Assembly has appropriated a total of \$6,000,000 for the 2010 performance year, with Goodyear and Bridgestone each being eligible for \$3,000,000 if they meet the performance criteria. These reports are under review.