

Job Maintenance and Capital Development Fund:

Annual Report

Fiscal Year 2012-2013

Job Maintenance and Capital Development Fund

Original JMAC Statute and Awards under Original Legislation

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 (i) with at least 2,000 permanent full-time workers, (ii) located in Development Tier 1 counties, and (iii) 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. Gen. Stat. §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Under the JMAC statute as originally enacted, two grants were awarded during fiscal year 2008-09.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.

Amendment to Original JMAC Statute and Additional Award

On August 26, 2009, an amendment to the JMAC Statute was approved, effective July 1, 2010 (Session Law 2009-520) (the “JMAC Amendment”), which 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.

Domtar Paper Company, LLC (“Domtar”) was awarded a grant on April 14, 2012 for up to \$7,000,000 over 10 years to convert the company’s pulp and paper mill to fluff pulp production.

Measurement of Grant Payment Eligibility for all JMAC Grantees

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.

Summary of Grantee Performance Criteria

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

| Company | Jobs for Full Payment | Jobs for Prorated Payment and minimum to avoid default | Investment | Wages | Other |
|-------------|-----------------------|--|----------------------------------|--|-------------------------|
| Goodyear | 2,398 | 1,918 | \$200 million by 2012 | 140% of average county wage in Cumberland County | Worker health insurance |
| Bridgestone | 2,083 | 1,666 | \$200 million by 2010 | 140% of the average county wage in Wilson County | Worker health insurance |
| Domtar | 320 | n/a | \$65 million by October 10, 2012 | 140% of the average county wage in Martin County | Worker health insurance |

Grant Payments

Grant payments were made in FY 2012-2013 for the performance year ending December 1, 2011, after Commerce's analysis and confirmation of the companies' annual JMAC reports. Goodyear received a grant payment of \$3,000,000, based on its report of 2,515 eligible employees, with an average wage of \$66,722, required average annual wage of \$45,646, and investment of \$231,850,533, and (ii) Bridgestone received a grant payment of \$2,614,018 for a reported 1,815 eligible positions, with an average wage of \$63,207, required average annual wage of \$51,979, and investment of \$211,210,315. Thus, both companies have met their investment requirement under these grants.

Payments Made Through FY 2012-2013

| Company | Total Grant Amount | Amount Received To-Date | Amount of Grant Remaining |
|-------------|--------------------|-------------------------|---------------------------|
| Goodyear | \$30 million | \$8,500,000 | \$18,500,000 |
| Bridgestone | \$30 million | \$10,705,473 | \$18,500,000 |

Domtar has not received any payments to date. However, the company is in the process of providing further documentation of its eligible remittances, and is expected to receive full payments for all grant years. For grant years 2010 and 2011, Domtar has pending payments totaling \$2,000,000. In addition, Goodyear and Bridgestone each are eligible for up to \$3,000,000, and Domtar is eligible for up to \$1,500,000 for their 2012 performance, if they meet the performance criteria. These annual reports are under review, and all payments are expected to be made in fiscal year 2013-2014. As a result, of these pending payments, the N.C. General Assembly appropriate an additional \$6,705,473 for FY2013-2014, bringing the JMAC fund balance up to \$9,500,000.