

Job Maintenance and Capital Development Fund:

Annual Report

Fiscal Year 2018-2019

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, and amended October 14, 2014 and June 28, 2018, pursuant to N.C. Gen. Stat. §143B-437.012(i)(1). A total of 6 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Under the JMAC statute as originally enacted, two grants were awarded during fiscal year 2008-09.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

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 three-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.

2nd Amendment to Original JMAC Statute and 4th Award

Amendment to the JMAC Statute was approved, effective July 1, 2014 (Session Law 2014-118) (the “2nd JMAC Amendment”), which increased the amount that could be awarded under the JMAC program from \$69,000,000 to \$79,000,000. Eligibility requirements for a large manufacturing employer (as defined in N.C. Gen. Stat. §105.129.81) were amended to include a business that is investing in its manufacturing process by enhancing pollution controls or transition the manufacturing process from coal to using natural gas for the purpose of becoming more energy efficient. In addition, the required investment was amended to \$50,000,000 within a five-year period beginning with the time the investment commences. Finally, the employment requirements were amended to include businesses in a development tier 2 with a population of less than 60,000 as of July 1, 2013, with an employment level of at least 800 full-time employees or equivalent full-time contract employees.

Blue Ridge Paper Products Inc. (“Blue Ridge”) was awarded a grant on December 19, 2014 for up to \$12,000,000 over 10 years to support conversion of critical equipment and allow the company to comply with federal EPA regulations.

3rd Amendment to the Original JMAC Statute

Amendment to the JMAC Statute was approved, effective June 28, 2017 (Session Law 2017-57) (the “3rd JMAC Amendment”), which increased the amount that could be awarded under the JMAC program from \$79,000,000 to \$139,000,000 and increased the number of JMAC awards to no more than six. Eligibility requirements for businesses that have previously been awarded a JMAC as a major employer (as defined in N.C. Gen. Stat. §143B-437.012(d)(1)) were added as long as: (i) The business invests at least one hundred fifty million dollars (\$150,000,000) of private funds in improvements to real property and additions to tangible personal property in the project within a six-year period

beginning with the time the investment commences. Amounts certified as invested under the 1st award may not be included. (ii) The business must employ at least 2,000 full-time employees or equivalent full-time contract employees at the project that is the subject of the grant at the time the application is made and the business agrees to maintain at least 2,000 full-time employees or equivalent full-time contract employees at the project for the full term of the grant agreement. (iii) The project is at the same location as that for which a grant was previously awarded under subdivision (1) of this subsection.

As Bridgestone Firestone North American Tire, LLC (“Bridgestone”) was awarded a grant on October 23, 2018 for up to \$30,000,000 over 10 years to modernize its tire manufacturing facility.

4th Amendment to the Original JMAC Statute

Amendment to the JMAC Statute was approved May 16, 2019, effective July 1, 2019 (Session Law 2019-14) (the “4th JMAC Amendment”), which increased the amount that could be awarded under the JMAC program from \$139,000,000 to \$154,000,000 and increased the number of JMAC awards to no more than seven. This amendment created a new grantee category in the JMAC program for a “heritage manufacturing employer,” representing an employer having been in operation in NC for over 100 years that: (i) employs at least 1,050 employees, (i) retrain and relocates at least 400 of those employees to a development tier two area, and (iii) invests at least \$325 million in real and/or tangible personal property.

As of June 30, 2019 no additional awards have been made due to this amendment.

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 five 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

Blue Ridge	800	n/a	\$50,00,0000 by December 31, 2019	140% of the average county wage in Haywood County	Worker health insurance
Bridgestone II	2000	n/a	\$266,371,135 by December 31, 2021	140% of the average county wage in Wilson County	Worker health insurance

Grant Payments

Grant payments to Goodyear and Bridgestone were made in FY 2018-2019 for the performance year ending December 31, 2017, after Commerce's analysis and confirmation of the companies' annual JMAC reports. Goodyear received a grant payment of \$2,517,098, based on its report of 2,012 eligible employees, with an average wage of \$66,401, required average annual wage of \$48,317, and investment of \$231,850,533, and (ii) Bridgestone received a grant payment of \$2,807,009 for a reported 1,949 eligible positions, with an average wage of \$62,544, required average annual wage of \$56,686, and investment of \$211,210,315. Both companies have met their investment requirement under these grants.

Domtar reported 413 eligible employees, with an average wage of \$95,584, required average annual wage of \$39,602, and investment of \$85,888,281. Domtar has met its investment requirement under this grant. The company has reached its Lifetime Cap, so no payments were made in FY18-19,

A grant payment to Blue Ridge was made in FY 2018-2019 for the performance year ending December 31, 2017, after Commerce's analysis and confirmation of the companies' annual JMAC report. Blue Ridge received a grant payment of \$2,000,000, based on its report of 845 eligible employees, with an average wage of \$75,022, required average annual wage of \$47,300. The company is required to invest \$50 million in eligible machinery and equipment by December 31, 2019.

Payments Made Through FY 2018-2019

Company	Total Grant Amount	Amount Received To-Date	Amount of Grant Remaining
Goodyear	\$30 million	\$27,983,529	\$0
Bridgestone	\$30 million	\$27,456,554	\$0
Domtar	\$ 7 million	\$7,000,000	\$0
Blue Ridge	\$12 million	\$6,000,000	\$ 6,000,000
Bridgestone II	\$30 million	\$0	\$30,000,000

Blue Ridge is eligible for up to \$2,000,000 and Bridgestone II is eligible for up to \$3 million for their 2018 performance, if they meet the performance criteria. These annual reports are under review, and all payments are expected to be made in fiscal year 2019-2020. Domtar has reached its Lifetime Cap of \$7,000,000, therefore no payment is due for 2018 performance. The company is required to file grantee annual reports through the 2019 grant year. Goodyear and Bridgestone's 1st grant have reached the end of their Agreement Term. Both grants are closed out with no further reports or payments due.