

Job Development Investment Grant

Quarterly Report

Third Quarter 2011
July-September

Introduction

This report describes all Job Development Investment Grant (“JDIG”) awards made by the Economic Investment Committee (the “EIC”) during the third calendar quarter of 2011, as required by North Carolina General Statutes §143B-437.55(d). The report includes the name of each third quarter grantee, the results of the cost/benefit analysis considered by the EIC in making these awards, a description of each project, and the maximum grant amount payable under each such grant for the current fiscal year.

Summary of the Job Development Investment Grant Program

The JDIG program, adopted by the General Assembly in the 2001-2002 session, is a performance-based economic development incentive program that provides annual grant disbursements for a period of up to 12 years, to new and expanding businesses based on a percentage of withholding taxes paid by new employees during each calendar year that is a grant year under a particular grant. The percentage of withholdings that is awarded ranges from 10% to 75%. Grants are made to qualifying companies by the five-member EIC, subject to caps set by the General Assembly on future grant year liability.

In considering whether or not to award a grant, the EIC conducts an extensive review and analysis of an application submitted by a proposed grantee, to determine whether its project meets the requirements of the JDIG Program Statute¹ and Criteria², and particularly, whether the benefits of the project outweigh the costs to the State. The EIC considers both economic and fiscal impacts. The analysis of each project’s impact on net State revenue is conducted using a model developed by Dr. Mike Walden of North Carolina State University. The EIC seeks projects that are the most beneficial to the State, after considering a number of different evaluation factors enumerated in the JDIG Statute and Criteria. The EIC also considers these factors when deciding on the appropriate amount and term of an award.

JDIG Awards

As shown below in Table 1, the following grantees received grants in the third quarter of 2011: Time Warner Entertainment Company, L.P. (“TWE”), Lord Corporation (“LORD”), Semprius, Inc. (“Semprius”) and Celgard, LLC (“Celgard”).

Table 1

Company	County	County Tier Status
TWE	Mecklenburg	3
LORD	Wake	3
Semprius	Vance	1
Celgard	Cabarrus	3

¹ N.C. Gen. Stat. § 143B-437.50 et. seq.

² Criteria for Operation and Implementation of Job Development Investment Grant Program, available at <http://www.thrivenc.com/sites/default/files/incentives/financial/criteria-of-jdig-Feb-16-2009.pdf>

Project Impacts and Cost/Benefit Analysis

Table 2 describes the economic and fiscal impacts for the third quarter 2011 grants.

The Job Impact columns in Table 2 describe the direct jobs that are expected to be created as well as the “multiplier” employment impacts of each company’s activities. The projects approved in the third quarter are expected to create 848 direct jobs at full production and approximately 1,759 more indirect and induced jobs.

The expected total increase in the State’s gross domestic product (the “GDP”) over the life of the grants is measured in the GDP column in Table 2.³ GDP is a measure of the size of the economy. The four projects approved in the third quarter of 2011 are expected to generate approximately \$1.264 billion in GDP over the life of the grants.

Table 2 displays the maximum State grant liability over the life of each grant. The grants will only reach the maximums if company performance (jobs, salaries, and investment) meet targets in every grant year, and if withholding amounts meet expectations. Three of the grants awarded in the third quarter of 2011 are for projects that will locate in a Tier 3 county, one grant is for a project that will locate in a Tier 1 county. For projects located in Tier 3 counties, 25% of the award is transferred to the Utility Account of the Industrial Development Fund (the “Utility Account”) to provide grants for infrastructure in distressed counties. The project located in a Tier 1 county will receive the full amount of the grant award.

The cumulative State net revenue impact column in Table 2 represents all State revenues generated by a project minus the cost of any State-provided economic incentives (including the JDIG award, potential Article 3J Tax Credits for Growing Businesses, One North Carolina Fund grants and community college training services), and minus the cost of providing State services to migrants from out-of-State that come to North Carolina because of the project. Only projects that generate positive net revenue impacts are eligible for a grant. The four projects approved in the third quarter of 2011 are expected to generate over \$16.65 million in net State revenue over the life of these grants.

Table 2

Grantee	Direct Jobs	Indirect Jobs	Total Jobs	Target Average Wage	Total NC GDP Impact (millions)	Net State Revenue Impact (millions)	Maximum State Liability to Grantee	Maximum State Liability to Utility Account	Total Maximum State Liability
TWE	225	353	578	\$61,044	\$363	\$8.61	\$2,981,250	\$993,750	\$3,975,000
LORD	117	184	301	\$81,487	\$119	\$1.80	\$1,308,750	\$436,250	\$1,745,000
Semprius	256	967	1223	\$45,565	\$421	\$0.09	\$3,065,000	\$0	\$3,065,000
Celgard	250	255	505	\$37,912	\$362	\$6.15	\$2,298,750	\$766,250	\$3,065,000
Totals	848	1,759	2,607		\$1,264	\$16.65	\$9,653,750	\$2,196,250	\$11,850,000

Note: This table shows job impacts at full employment. Project amounts and impacts reflect the full term of the grants.

³ The GDP and fiscal impact are measured over the life of the grant. Therefore, if a grant is awarded for seven years, the impacts displayed are the cumulative impact over seven years. If a grant is awarded for twelve years, the impacts displayed are the cumulative impacts over twelve years. However, it should be noted that the economic and fiscal benefits to the State will continue as long as operations continue at the project facility.

There is no expected JDIG liability from third quarter 2011 grants made, for the State's current fiscal year (July 2011-June 2012). Once JDIG annual reports are received, analyzed, DOR certification received, and EIC approval of disbursement authorized, grant disbursements are made. Typically, grant payments are made by the third quarter following the end of a grant year, which is calendar year ending December 31. For calendar year 2011, which is the first grant year for Semprius, if the company meets its performance minimums, it is expected to receive payment in the third calendar quarter of 2012 (FY 2012-2013). For the other three third quarter 2011 grantees noted herein, expected payment for their first grant year (calendar year 2012), would be the third calendar quarter of 2013 (FY 2013-2014).

Project Descriptions

Time Warner Entertainment, L.P. (“TWE”)

Time Warner Cable Inc. (“TWC”) is the second largest cable service provider in the United States, providing cable, high speed online, and digital phone services to over 13.3 million customers in 33 States. TWE is a private limited partnership that is 93%-owned by TWC.

This project includes the expansion of the administrative operations of the TWE facility in Charlotte, and the construction of a national data center. The grant will result in construction of two additional buildings on the campus. A four-story building is expected to be completed in 2013, and will house additional corporate groups. In addition, the current parking deck would be expanded during this phase. A National Data Center will also be constructed and is anticipated to be completed in 4th qtr 2012.

TWE considered locating the project in Charlotte, NC; Rock Hill, SC; or Buffalo, NY. TWC has a significant operating presence in both Rock Hill and Buffalo. South Carolina has a low corporate tax rate and no property taxes. South Carolina offered incentives valued at approximately \$8 million. New York’s strengths were with its academic and research institutions, a highly educated workforce and strong transportation network. The New York incentives were valued at approximately \$7 million.

LORD Corporation (“LORD”)

Headquartered in Cary, North Carolina, LORD is a diversified technology company that develops breakthrough adhesive, coating and motion management technologies that improve the performance of its customers' products. LORD originated in Erie, PA more than 85 years ago. Today, LORD is a worldwide leader in adhesives and coatings, vibration and motion control, and magnetically responsive technologies. LORD has more than 2,600 employees, 15 manufacturing facilities in eight countries, and 100 strategically located sales and support centers worldwide.

The company operates a number of facilities in the US. The company recognized that it had duplication of certain functions in different facilities, so it analyzed its facilities to determine where jobs may be relocated, retained and/or added in the future. The company compared the economics associated with various location decisions, including factors such as labor costs, workforce availability and productivity, real estate costs, utilities, transportation, state and local tax burden, etc. The company reported that tax and financial incentives had significant impact on the economics of its operations, and were important factors in considering the best location.

LORD has several facilities in the Erie, PA region that could have accommodated the jobs without the need for capital investment, and the company discussed a comprehensive incentives package with Pennsylvania state and local officials.

The company also has a facility in Ohio, which made it an attractive location for growth due to the strength of the local aerospace industry cluster, Ohio’s very low corporate tax rate, and the quality and availability of the workforce.

Ultimately, LORD concluded that expanding its headquarters in Cary, NC was the best fit. This expansion will create 117 new jobs with an average annual salary of \$81,487.

Semprius, Inc. (“Semprius”)

Semprius produces high efficiency modular solar energy arrays that offer low cost energy production, and simplified installation with a higher annual energy yield, allowing the company to compete with fossil fuel energy

generators. The company believes its unique patented manufacturing capabilities offer an advantageous cost point as well as the ability to execute rapid expansion that is low in capital requirements. Semprius' business model is to sell energy arrays to system integrators and project developers, who in turn sell complete photovoltaic ("PV") systems to end users such as utility companies.

Semprius is privately-held with primary share holders that include Arch Venture Partners, Intersouth Partners, and the Illinois Emerging Technology Fund. All three funds specialize in assisting early-stage, technology-based companies in the effort to get ideas to market.

The company consists of the implementation and operation of a pilot photovoltaic manufacturing line followed by a transition into a receiver component line. The project will refine Semprius' concentrated PV technology, products and manufacturing process, allowing the company to transition from its existing working prototypes to the initial commercial production of beta units for customer testing. The pilot line will have 5 Megawatts of manufacturing capacity and production will begin within one year from the date of the JDIG award. Subsequently, the facility will be expanded to create a receiver production line which will create the bulk of the green economy engineering and technician jobs. The new location will create 256 new jobs with an average salary of \$45,566.

The company was actively courted by several states in addition to North Carolina, including Virginia, Michigan, and Florida. Virginia was the most aggressive and that state's proposal included \$5 million from the Tobacco Indemnity Commission, \$8 million of city, county and regional money to be applied to a building up-fit, and other grants that brought the total incentive package to almost \$15.5 million.

Celgard, Inc. ("Celgard")

Celgard is a wholly-owned subsidiary of Polypore International, Inc. (Polypore) with manufacturing operations and headquarters in Charlotte, North Carolina. With 14 facilities worldwide, Polypore is a \$600 million global high technology company that develops, manufactures, and markets specialized microporous polymer-based membranes used in separation and filtration processes. Polypore products and technologies are used in two primary market segments, Energy Storage and Separations Media. The Energy Storage segment accounts for approximately 70% of Polypore's sales. Primary applications for membranes in the Energy Storage segment are lead-acid batteries served by Daramic, LLC and lithium-ion batteries served by Celgard.

Celgard first developed products for the lithium-ion battery industry in the early 1980s and has supplied lithium-ion battery separators from its manufacturing facilities in Charlotte, North Carolina for more than 20 years.

In response to market demands stemming primarily from the growth in consumer electronics and electric drive vehicles, Celgard is undertaking an expansion of its separator production capacity in the United States to supply lithium-ion battery manufacturers. The project will add production capacity to its existing Cabarrus County facility, to supply a market that has demonstrated double digit growth over the last several years.

Celgard originally began with soliciting incentive offers from approximately 15 states. This list was then reduced to South Carolina, Louisiana, and North Carolina based on the proposals that were received and the attributes of each location. South Carolina's incentive package included job development credits, property tax abatements, sales tax exemption, land grants, corporate income tax credits, upfront monetary grants, ReadySC assistance, and infrastructure improvements/permit coordination. Louisiana's incentive package included upfront monetary grants, land grants, quality jobs program, training and/or relocation of key employees, property tax exemption, and FastStart assistance.