

Report to the Joint Legislative Commission on Governmental Operations

February 28, 2004

Golden L.E.A.F. (Long-Term Economic Advancement Foundation), Inc.

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Golden LEAF was established in 1999 to receive and distribute one half of the funds coming to the state from the settlement of litigation against manufacturers of tobacco products. The mission of the Foundation, as defined in the authorizing legislation, is to improve the social and economic condition of North Carolina's people. The General Assembly directed the foundation to support projects in economically affected or tobacco dependent regions of the state.

Grantsmaking is the primary method by which Golden LEAF works to fulfill its mission. Managing the resources entrusted to the Foundation is the other critical responsibility of the Foundation. In all aspects of the organization, the 15-member Board of Directors has invested the time and expertise to assure the mission of the Foundation is implemented and that the public's trust is earned. Ten full board meetings were held in 2003.

To accomplish the goals as set forth in the enabling legislation, the Board as a whole is engaged but also uses standing committees to attend to all matters of the Foundation. Every member of the Board serves on at least one of the standing committees, and all members have been active on the committee(s) on which they serve. An Audit Committee is being added as a new standing committee of the Board in addition to the four standing committees (Finance, Programs, Personnel/Nominations, and Investments) that were a part of the original organizational structure.

During 2003, the Personnel/ Nominations Committee carried out its functions as described in the By-Laws: to maintain oversight of the staff and management of the Foundation and to develop a slate of officers and chairs of standing committees to propose to the Board.

Election of officers and Committee Chairs for 2004 took place at the Annual meeting on December 4, 2003.

The Investment Committee met eleven times during the year. The Committee continued to monitor the asset allocations and performance of the investment portfolio. For the Fiscal Year ending June 30, 2003, the Foundation's portfolio achieved gains of \$11.6 million. For the period July 1 – December 31, 2003, the Foundation achieved an additional gain of \$19 million.

The Finance Committee met nine times during the year. The Committee provided oversight of all fiscal activities. As we had projected in our report to Gov Ops in December 2002, two persons were added to the staff early in 2003. In January, 2003, the Committee recommended and the board adopted a budget of \$1,164,148 for the fiscal year ending June 30, 2003. Actual expenses for the fiscal year were \$1,140,230. As in years past, the external independent audit had **no** negative findings. For the fiscal year ending June 30, 2004, the Committee has developed an interim operating budget of \$1,534,900. Of this total, \$180,000 is budgeted to be paid to the state to fund MSA enforcement activities by the Department of Justice and the Department of Revenue.

Finally, the seven-member Programs Committee met ten times in 2003. This Committee carried out its responsibilities of overseeing the process by which the Foundation would accomplish the purposes for which it was created, i.e., grantsmaking and other programmatic activities. In February, the Board adopted priorities for grantsmaking for 2003 and affirmed provisions to receive requests when extraordinary opportunities for supporting economic development activities required out-of-cycle funding. The Programs Committee was also engaged in evaluating the requests from the NC Biotechnology Consortium for educational and training programs to advance the biotechnology sector of our economy.

In establishing the regular grantsmaking plan for 2003, the Foundation announced its intention to award up to \$12,200,000 in grants to eligible applicants proposing programs that would further the purposes set forth in the Foundation's Articles of Incorporation. Additionally, the Programs Committee was actively involved in considering proposals consistent with the guidelines of the economic stimulus initiative throughout the year and made recommendations to the full board on funding those proposals.

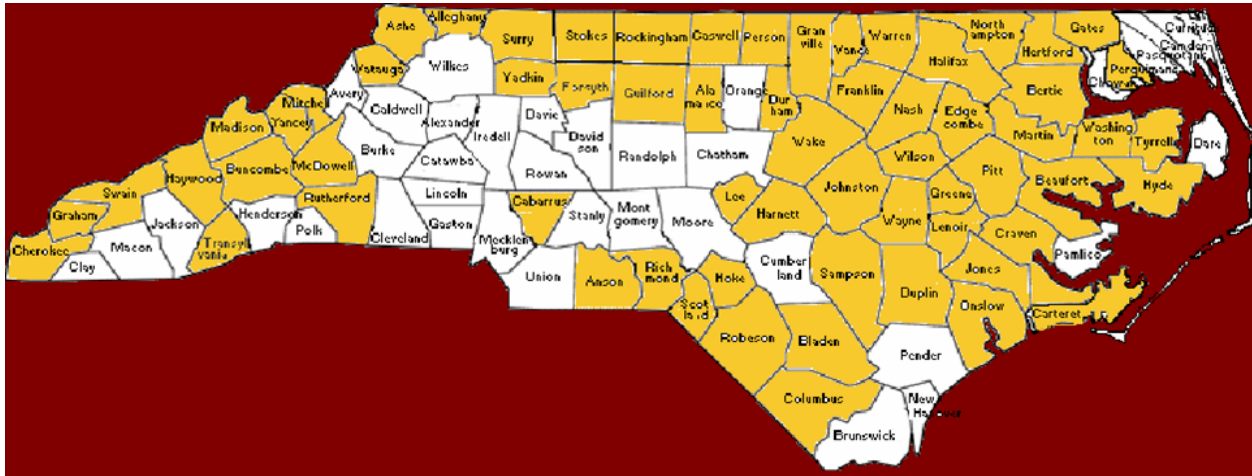
During calendar year 2003, Golden LEAF received 278 proposals requesting \$94,089,261.39 in funding (excluding the request from the Biotechnology Consortium). Of those proposals, 78 grants were awarded, totaling \$15,797,392.00. A full list of grants for 2003 and all grants awarded to date, by region, was included with the hard copy report provided to the Commission.

In August, the Foundation made a substantial investment in workforce development for the biotechnology sector of our economy by awarding grants totaling \$60 million to the following institutions: North Carolina Central University for the Biomanufacturing Research Institute & Training Enterprise (BRITE) - \$17,800,000, North Carolina State University - \$33,500,000 for a Biomanufacturing Training and Education Center (BTEC) and the North Carolina Community College System for the Biomanufacturing and Pharmaceutical Worker Training Program (BPTC) - \$8,700,000.

Golden LEAF will continue to emphasize agriculture, economic development, workforce preparedness, and community assistance and education in its grantsmaking. Within those broad areas, three issue areas are under consideration to receive increased attention by the foundation: rural tourism, value-added agriculture, and military support activities. The Foundation is also exploring opportunities to help grow the motorsports industry in the State.

Overall, the Foundation's current portfolio of grantees includes a diverse group. They span the state and range from community-based organizations to large state agencies. Grantees provide a variety of options for meeting the long-term challenges of economic vitality for the State, and, in the view of the Board, the group embodies the combination of action and vision required to move the State's economy forward. An overview of the Foundation's grantsmaking activities and investments follows.

Golden LEAF Priority Counties 2003



- Projects in communities not designated as a priority can make the case for recognition by citing negative trends in the unemployment rate, per capita income, poverty rate or the direct effect the project will have on employment and/or agriculture in economically distressed or tobacco dependent counties.
- Priority for urban counties that are tobacco dependent applies only to projects that impact rural communities affected by the reduction in tobacco or projects that present economic opportunities to replace jobs lost in tobacco manufacturing or warehouse operations.

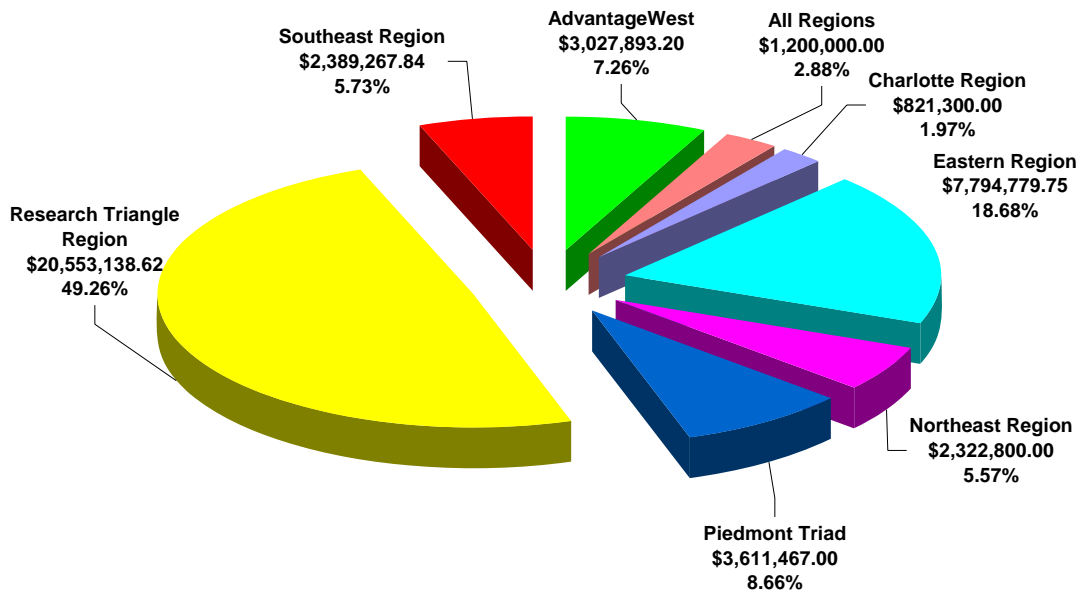
How Much Have We Spent?

Total Committed					
(in \$ millions)	FY2001	FY2002	FY2003	FY2004	Cumulative
Annual Grants Cycle	\$ 5.0	\$ 10.4	\$ 12.0	\$ 12.2	\$ 39.6
Economic Stimulus*			\$ 85.4		\$ 85.4
Biotech Consortium				\$ 60.0	\$ 60.0
Total Committed	\$ 5.0	\$ 10.4	\$ 97.4	\$ 72.2	\$ 185.0
Total Grants Paid					
Grants Paid (Annual)	\$ 4.8	\$ 8.7	\$ 8.1	\$ 0.7	\$ 22.3
Grants Paid (E.S.)				\$ 1.3	\$ 1.3
Grants Paid (Biotech)				\$ 0.06	\$ 0.06
Total Grants Paid					\$ 23.7

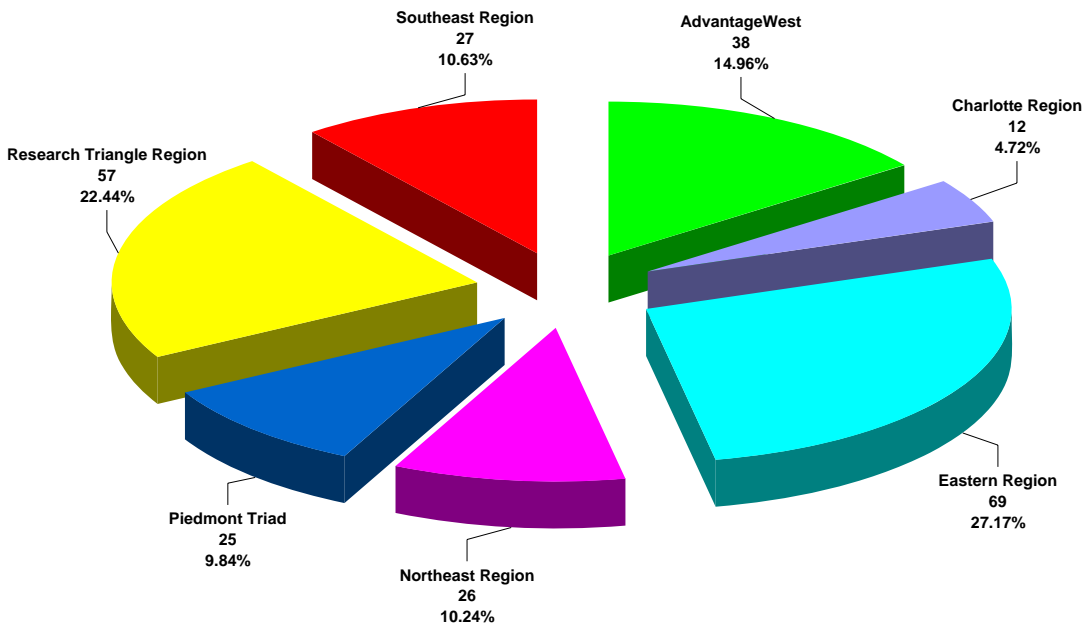
*The Economic Stimulus package includes up to \$50 million in program-related investments

Where Did We Spend It?

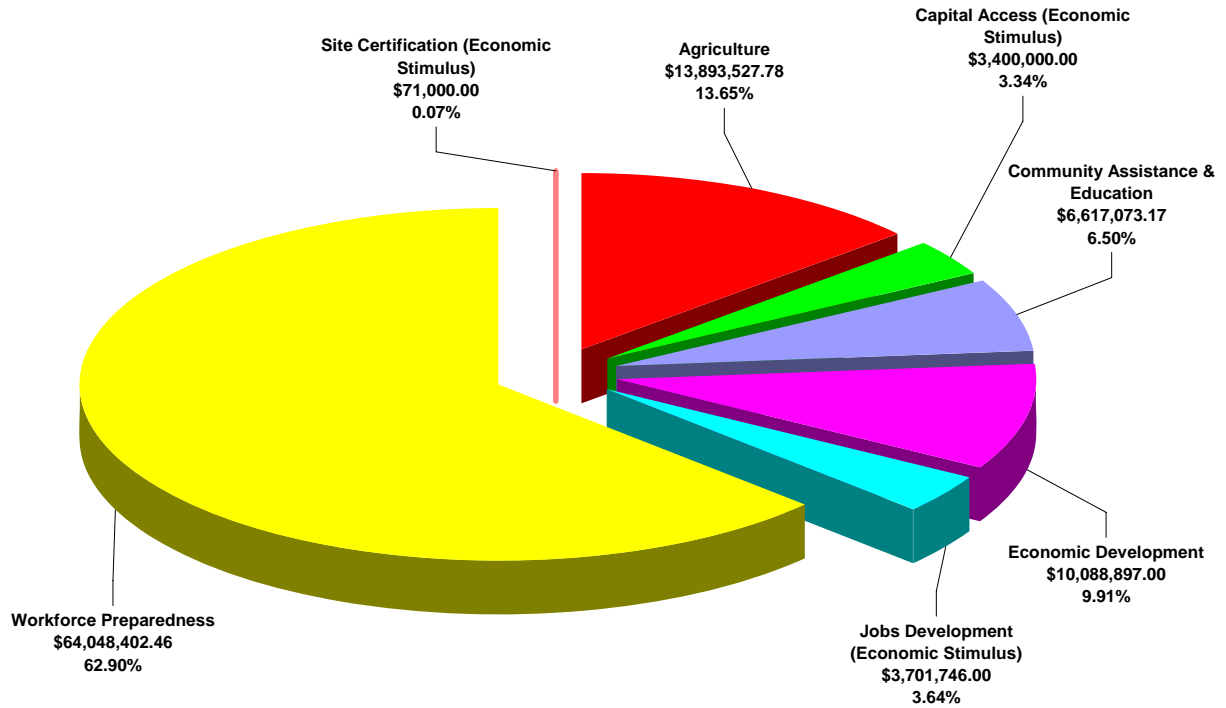
Total Funded by Region Excluding Biotech Training Initiative Grants
2002-2003



Geographic Area Served by Grants
2000-2003



Amount Awarded by Priority Area 2002-2003



Workforce Preparedness includes the \$60 million commitment to the Biotech Consortium

What Were the Results?

Agriculture:

- ☀ More than 1,240 farmers have received assistance with crop diversification and transitioning to alternative agricultural enterprise opportunities.**
- ☀ 1,921 farmers have participated in agricultural training programs.**
- ☀ \$34,942,197 in new agricultural revenues have been generated by farm producers receiving assistance from Golden LEAF grantees over the first 3 annual grant cycles.**
- ☀ Agricultural programs supported by Golden LEAF grants have created \$11.2 million in new investment and are projected to generate almost \$22 million dollars in new agricultural receipts over the next 3 to 5 years.**
- ☀ The NC Sweet Potato Commission has released 3 new test products (sweet potato fries, scalloped sweet potatoes & sweet potato casserole) into retail outlets for trial. 385 WalMart stores are selling an average of 3,000 packages of fries a week and more than 10 million incremental pounds of sweet potatoes are being used through food service channels to supply restaurant chains such as Shoney's and Golden Corral. Harris Teeter (143 stores) and Bi Lo (240 outlets) are selling an average of 1,200 units per week of the casserole products.**
- ☀ Tests of new turkey litter bedding produced by Novovita Inc. have demonstrated significant cost savings (\$4,450/flock) over traditional bedding made from wood shavings.**

Economic Development:

- ☀ Golden LEAF grants have assisted state, regional and local economic developers with creating 8,540 new jobs and retaining 7,562 jobs that will generate more than \$123,118,334 in payroll. These relocations and expansions are bringing in excess of \$418,554,242 in new investment to the State, generating more than 2,000 construction jobs.**

(Economic Development continued)

- ☀ 20 new industrial sites have been certified through the North Carolina Department of Commerce's Industrial Site Certification Program with assistance from Golden LEAF.**
- ☀ 290 business loans have been made totaling \$23,804,552 through the NC Rural Center's Capital Access Program and the Center for Community Self-Help. These loans have helped create more than 882 new jobs and maintain another 1,576 jobs.**

Workforce Development:

- ☀ Workforce training programs supported by Golden LEAF grants have assisted more than 1,330 individuals to prepare for new job opportunities.**
- ☀ 189 individuals, who were previously unemployed, have entered unsubsidized employment, increasing income by \$3,128,409.**

Education & Community Assistance:

- ☀ Over 15,000 people have participated in educational and community assistance programs supported through Golden LEAF grants**
- ☀ 1,745 scholarships have been made to students from tobacco dependent and economically affected counties attending programs at 25 NC community colleges, 16 public universities and 37 independent colleges.**
- ☀ The NC Minority Support Center has used Golden LEAF support to assist minority credit unions with making 840 personal loans totaling \$6,819,924.**