



ANNUAL 15 REPORT 15



Nothing Compares NORTH CAROLINA





ECONOMIC DEVELOPMENT

A Team Sport

Letter to our partners in building prosperity:

The Economic Development Partnership of North Carolina (EDPNC) opened its doors for business on Oct. 6, 2014, kicking off a new era in how North Carolina performs critical economic development functions at the state level.

Utilizing a public-private partnership model that leverages the financial resources of both state government and private industry, the EDPNC is positioned to contribute significantly to the economic advancement of this state's 10 million residents and 100 counties.

The EDPNC, a private nonprofit organization, is responsible for a number of economic development "marketing and sales" functions that previously resided within the North Carolina Department of Commerce. These responsibilities include new business recruitment; existing industry support; international trade and export assistance; small business counseling; and tourism, film, and sports promotion. Each of these functions is integral to how economic development is achieved across our state, and the EDPNC is honored to lead the state's efforts in each of these important areas.

Of course, whether working to attract new employers to the state, persuade overseas customers to buy North Carolina exports, or lure visitors who spend their vacation dollars atop our mountains and along our beaches, the EDPNC does so by working closely with diverse partners throughout the state. Economic development is a team sport that relies on the concerted effort of a multitude of stakeholders, and the EDPNC is proud to be the newest member of the North Carolina team.

In this annual report, we discuss the performance of the EDPNC in 2015. We appreciate the culture of accountability that our board of directors has instilled in this new organization. We know that performance is ultimately the most important metric by which the EDPNC will be evaluated

The EDPNC's focus has been on delivering results across all of its operating units. Other major priorities have included marketing and promoting the entirety of North Carolina—from Murphy to Manteo—as an unparalleled location for business, tourism, and quality-made exports; aligning the EDPNC's culture to focus on measurable performance results; and developing key processes with EDPNC partners and stakeholders, so that the EDPNC can optimize the use of its resources in helping to grow North Carolina's economy.

During its first year, the EDPNC has taken steps to add capacity dedicated to proactively marketing the state for new business investment, with the ultimate goal of identifying potential deals involving companies interested in expanding or relocating to North Carolina. In particular, the EDPNC has bolstered its network of international offices, adding representation in South Korea to tap into the growing levels of foreign-direct investment originating from that market. Additionally, the EDPNC has created a new business development team responsible for uncovering more opportunities to recruit European and Asian businesses to the state.

The EDPNC is also completing an extensive but necessary overhaul of North Carolina's digital marketing presence aimed at business recruitment, while launching a cooperative business marketing program with economic development partners around the state. Our tourism promotion efforts have long served as an excellent example for how to raise the state's visibility and effectively pursue the target "customer." We are adopting these same best practices for how we position North Carolina as a premier business location for expanding and relocating companies from around the world.

These tactics are part of a broader strategy to move North Carolina's economic development efforts—especially in the recruitment of business and industry—from a historically reactive posture to a more forward-leaning and proactive

NOTHING COMPARES TO THE QUALITY OF THIS PLACE WE CALL NORTH CAROLINA.

stance. They are possible only because of the EDPNC's ability to raise funding from private industry, as private funds enable us to do much more than what was possible when only public funds were available to finance the state's economic development work.

As a result, EDPNC leadership will focus in the coming year on increasing the reach of private fundraising efforts. Against a backdrop of limited public-sector resources, additional private funding is critical to the organization's ability to expand its capacity to do more in business recruitment, existing industry support, international trade and export assistance, small business counseling and tourism promotion.

The EDPNC has faced certain headwinds since its inception. For example, during most of 2015 the legislative debate on state incentives policy impacted our ability to recruit new employers to the state, as well as to help existing employers to expand here. In September 2015, lawmakers agreed on an incentives package that offers certainty to prospective companies about the state's incentives position and significantly raises the funding cap on the state's flagship incentive program.

However, lawmakers also approved a 2015-16 state budget that significantly reduces the level of public funding for the work of the EDPNC. Even with the EDPNC's ability to raise private funding, further erosion of public funding—which constitutes the

majority of the partnership's financial resources—jeopardizes the important work with which this organization has been entrusted.

In spite of these short-term challenges, we remain optimistic about our prospects for helping North Carolina realize its economic development potential. The EDPNC, above all, benefits from being able to market a "product" without equal. Whether from a business or tourism standpoint, nothing compares to the quality of this place we call North Carolina.

Many of our competitors have marketing budgets that dwarf those of North Carolina, yet they lack the fundamentally attractive product that we are privileged to promote. Rather, our greatest issue at the EDPNC is ensuring that, even with an unrivaled product, we continue to have the necessary financial resources to go out and sell this product to all the different customer audiences we're responsible for reaching.

We are proud of the results we have delivered already. Once some of the above issues are resolved, we are confident there will be an even longer runway for success in our efforts.

On behalf of the board and staff of the Economic Development Partnership of North Carolina, we sincerely appreciate the opportunity to contribute to the economic vitality of the communities across this great state.



John W. Lassiter Chairman of the Board



Christopher Chung Chief Executive Officer

INTRODUCTION

Our Mission and Our Board

"THIS NEW STRUCTURE GIVES US A BIG COMPETITIVE ADVANTAGE BECAUSE WE'RE ENLISTING PUBLIC AND PRIVATE RESOURCES TO HELP US PROMOTE THE STATE'S INCREDIBLE ASSETS."

–John W. LassiterEDPNC Board Chairman

The Economic Development Partnership of North Carolina's mission is to help create sustainable jobs and new capital investment in communities throughout North Carolina.

In pursuit of this goal, the EDPNC works with public and private economic development partners at the state, regional and local levels to recruit new businesses to North Carolina, address the needs of existing businesses, connect exporters with new foreign customers, help small business owners get their start and attract tourists and visitors from around the world.

The EDPNC is North Carolina's first statewide private economic development organization. The partnership's leadership and staff are strongly committed to creating sustainable private-sector jobs and investment in the state through collaboration, best-in-class sales and marketing tactics, and customer service that fosters ease of doing business with North Carolina.

The nonprofit EDPNC, which operates under contract with the North Carolina Department of Commerce, is primarily funded by public dollars. But the EDPNC's contract requires it raise significant financial support each year from private investors. Private funding gives the EDPNC the means to achieve its goal of significantly enhancing business recruitment, marketing and tourism functions it took over from Commerce.

"This new structure gives us a big competitive advantage because we're enlisting public and private resources to help

us promote the state's incredible assets," EDPNC Board Chairman John Lassiter said when the partnership opened its doors in October 2014. "We will be strategic and flexible, and serve as a company's single point of contact, with a greater focus on customer service and accountability."

In June 2014, the North Carolina General Assembly approved the bill creating the partnership. At the time, Gov. Pat McCrory thanked legislators for their "hard work and broad bipartisan support" of the legislation.

Five months later, the EDPNC's transition team announced the organization's first board of directors, whose members are appointed by the governor, state House speaker and Senate president pro tempore.

The board comprises business and industry leaders from throughout the state, including corporate executives, family-owned business operators, entrepreneurs, and hospitality and economic development professionals.

"This board offers the type of leadership and strategic thinking you'd see at a Fortune 500 company," Lassiter said. "These leaders understand how to compete, and the importance of collaboration in getting the job done."

The EDPNC board meets quarterly at EDPNC offices in Cary or in other locations around the state. It receives and welcomes input and expertise from business, community and economic development leaders statewide.



JOHN LASSITER
CHAIRMAN, EDPNC
PRESIDENT, CAROLINA LEGAL STAFFING



JIM WHITEHURST VICE CHAIRMAN, EDPNC PRESIDENT & CEO, RED HAT



JOHN KANE
SECRETARY & TREASURER, EDPNC
FOUNDER & CEO, KANE REALTY CORP.



MARIE FLOW ARCURI

DEALER PRINCIPAL,

FLOW LEXUS



CHARLES CREIGHTON
FOUNDER & CEO,
COLONY TIRE CORP.



PRESIDENT,
PISGAH ENTERPRISES



VIMAL KOLAPPA

FOUNDER,

EAST COAST HOSPITALITY



THOMAS LOONEY

RETIRED VP & GM,

LENOVO NORTH AMERICA



PLEAS MCMICHAEL
RETIRED TEXTILE EXECUTIVE,
MACFIELD TEXTURING



FOUNDER & CEO,

ABSOLUTE STYLE FURNITURE



SHEILA PIERCE KNIGHT

EXECUTIVE DIRECTOR,

JACKSONVILLE ONSLOW ECONOMIC DEVELOPMENT



ROBERT SINGER

PARTNER,

BROOKS, PIERCE, MCLENDON, HUMPHREY & LEONARD



JULIE SPIRO
EXECUTIVE DIRECTOR,

JACKSON COUNTY CHAMBER OF COMMERCE
AND VISITOR CENTER



EXECUTIVE VP & COO,
MURPHY FAMILY VENTURES



CALEB MILES

PRESIDENT & CEO,

CONVENTION & VISITORS BUREAU FOR THE
PINEHURST, SOUTHERN PINES AND ABERDEEN AREAS



BILL GRAHAM CO-FOUNDER & PARTNER, WALLACE & GRAHAM LAW FIRM

BUSINESS RECRUITMENT

Challenging 2015, Promising 2016

In 2015, the partnership's business recruitment efforts helped close a number of major economic development deals in North Carolina, despite uncertainty created by several months of legislative debate over incentives policy.

Ultimately, lawmakers not only significantly increased the annual spending limit of the state's flagship incentives program, the Job Development Investment Grant (JDIG), they also approved several business-friendly tax measures. The results, including phasing in the single sales factor formula for calculating corporate income taxes, should significantly enhance North Carolina's already strong appeal to companies considering locating or expanding here in 2016 and beyond.

Purpose and Partnership

The Economic Development Partnership of North Carolina's business recruitment managers provide a single point of contact for businesses interested in North Carolina. Working closely with state, regional and local partners, the EDPNC recruitment team helps companies find the most suitable sites; navigate financial incentives, tax issues and permitting requirements; and identify and tap financial and other resources to meet workforce training, labor and infrastructure needs.

Among other new initiatives in 2015, the EDPNC business recruitment team started an outreach program to visit with local economic development groups throughout North Carolina. Over seven visits throughout the year, EDPNC recruitment managers spent one to two days in various regions—spanning roughly 80 of the state's 100 counties—where they received updates on available buildings and sites in an area, economic development initiatives, community college customized training activity and more. The EDPNC plans to continue this outreach in 2016.

Projects Won

In 2015, EDPNC business recruitment managers worked with partners to help close deals on 97 economic development projects. Those announced projects call for 13,357 new jobs and \$3.3 billion in capital investment in North Carolina.

It was a challenging first year for the EDPNC. State policymakers' extended debate over incentives affected the partnership's ability to recruit new employers and assist some existing North Carolina companies interested

in expansion. Nonetheless, the year produced significant project announcements, including:

Danish drugmaker Novo Nordisk's plans to invest \$1.2 billion to \$1.7 billion in a new facility near its existing insulin production plant in Johnston County and create 691 jobs; Mississippi-based Sanderson Farms' decision to build a state-of-the-art poultry processing plant and hatchery in Robeson County, calling for 1,100 new jobs and a \$139 million capital investment in an economically distressed county; Boston-based Fidelity Investments' plan to add 600 largely IT jobs across its Triangle-region facilities; South Carolinabased digital marketing firm Red Ventures' decision to add 500 software, IT, analyst and sales positions in Charlotte; and California-based BSH Home Appliances Corporation's plan for an \$80.7 million expansion in Craven County calling for 460 new jobs at its New Bern plant.

Expanded Incentives, Reduced Taxes

In September 2015, state lawmakers approved compromise legislation that increases the annual JDIG spending cap by 33 percent and extends the state incentive program through the end of 2018. As a JDIG-approved company meets annual investment and job-creation commitments, the program reimburses the employer a portion of the state income tax withholdings associated with the jobs.

In 2015, legislators raised the cap for total annual awards from JDIG to \$20 million a year, from \$15 million. The cap increases to \$35 million annually if the state lands a "high-yield" project that involves a company investing at least \$500 million and creating at least 1,750 jobs. The change is meant to help lure a large manufacturer such as an auto assembly plant to North Carolina.

Changes affecting taxes include a one percentage point drop in the corporate income tax rate in 2016, to 4 percent (the lowest in the Southeast). The rate will drop to 3 percent in 2017 if the state tax revenue exceeds a minimum target.

In addition, North Carolina will begin phasing in single sales factor apportionment in 2016. By 2018, the state will apportion business income based solely on a company's sales located in or sourced to North Carolina and no longer consider its payroll or property in the state. The change could encourage multistate corporations to expand their hiring and facilities in North Carolina.

"

THE REDUCTION OF THE CORPORATE INCOME TAX RATE TO 3 PERCENT, ONCE FULLY PHASED IN, WILL GIVE NORTH CAROLINA THE LOWEST CORPORATE INCOME TAX RATE OF ANY STATE THAT LEVIES THE TAX. THIS HAS THE POTENTIAL TO PAY LARGE DIVIDENDS IN THE FUTURE AS THE STATE ECONOMY EXPANDS FINANCIAL SERVICE CENTERS, RESEARCH AND DEVELOPMENT OPERATIONS, AND CORPORATE HEADQUARTERS WITHIN THE STATE.

— SCOTT DRENKARD, ECONOMIST, TAX FOUNDATION THE TAX POLICY BLOG, SEPT. 17, 2015

PROJECTS: BY THE NUMBERS

In 2015, the work of the EDPNC and its partners resulted in:

13,357 in announced new jobs



\$3.3 BILLION

in announced capital investment



\$742 MILLION





2,194

announced jobs related to foreign direct investment (out of total)



2015 Recruitment Projects

2015 Expansion Projects

6,465

of the announced jobs connected to recruitment projects



6,892

of total announced jobs related to expansions by companies in N.C.



\$1.3 BILLION

of announced investment connected to recruitment projects



\$2 BILLION

of the total announced investment connected to company expansions



40%

of project wins connected to recruitment projects



60%

of project wins connected to company expansions



SIGNIFICANT FOREIGN DIRECT INVESTMENT

FDI comprises \$2.3 billion or 69% of the \$3.3 billion in announced investment in 2015 Substantial FDI projects included:

 Denmark-based Novo Nordisk's \$1.2 billion-plus drug manufacturing facility in Johnston County and Spain-based Iberdrola Renewables' \$600 million wind farm for retailer Amazon in Perguimans and Pasquotank counties. 97

PROJECT WINS

39 from recruitment projects and 58 from expansion projects

68% Manufacturing 13% Service & Sales 7% Corporate Headquarters

PROJECTS BY NUMBER

Manufacturing Research &

13,357

TOTAL JOBS ANNOUNCED

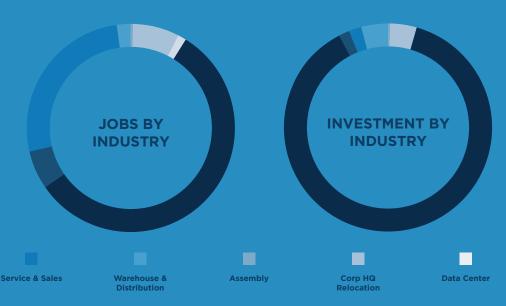
6,465 from recruitment projects and 6,892 from expansion projects

54% Manufacturing 29% Service & Sales 7% Corporate Headquarters \$3.3B

CAPITAL INVESTMENT

\$1.3 billion from recruitment projects and \$2 billion from expansion projects

88% Manufacturing
4% Corporate Headquarters
4% Warehouse & Distribution



As of December 2015, North Carolina was actively being considered for:

162

potential business recruitment or expansion projects

30,908

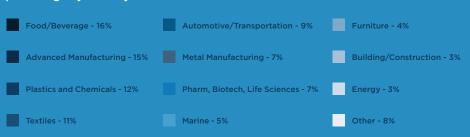
potential jobs connected to pipeline projects

\$8.65B

in potential capital investment connected to pipeline projects

SALES PIPELINE BY PERCENTAGE

Of the 162 potential projects in the pipeline as of December 2015, 75 percent involved manufacturing. Corporate headquarters relocations made up 5 percent; data centers, 2 percent; research and development, 2 percent; service/sales, 9 percent; and warehouse/distribution, 7 percent. Within the largest category of manufacturing, here is the percentage by industry:





2015 WINS: A CLOSER LOOK

Top Projects, Top Rankings

#1 SITE

2014
Top Competitive State

#2 Forbes

2015 Best State for Business

#3 EY

3rd lowest state & local business taxes in the U.S.

In 2015, North Carolina's business recruitment successes were reflected in the state's rise in a number of prominent national business rankings.

In terms of investment, no 2015 deals matched the billion-dollar plus plant planned by Novo Nordisk in Johnston County. Nonetheless, the year included a number of particularly significant announcements, including:

Mississippi-based Sanderson Farms' decision to build a state-of-the-art poultry processing plant and hatchery in St. Pauls. The \$139 million project, which includes some upgrades to the company's Kinston feed mill, calls for creating 1,100 new jobs in rural Robeson County, which is among the state's 40 most economically distressed Tier 1-designated counties. "I am thrilled that Sanderson Farms has chosen to locate in Robeson County," said state Sen. Jane Smith, whose district includes the county. "Creating over 1,000 jobs will mean more of our residents will have work to support their families."

Boston-based Fidelity Investments' plan to add **600 jobs** by 2018 and invest at least \$8 million across its Triangle region facilities. Salaries for the mostly IT positions will average at least \$100,000 per year, well above the **Durham County** average of \$66,599. New positions will include software developers, design engineers, systems support specialists and quality assurance professionals.

Austin, Texas-based Dimensional Fund Advisors' decision to locate its East Coast regional headquarters in **Mecklenburg County**, after considering sites from Miami to Boston. The company plans to invest \$105 million and create **316 jobs** in Charlotte by the end of 2020. "The Queen City is known for its financial sector, and we are excited to welcome yet another new business to North Carolina," state Commerce Secretary John E. Skvarla III said.

Los Angeles-based O'Neil Digital Solutions' purchase of an existing plant in **Union County** for a printing facility and data center. The plan calls for **250 new jobs** and a \$90.7 million investment. The average annual salary for the new jobs will be \$58,819, well above the \$38,730 average in Union County. The building involved formerly housed a helicopter-engine maker, which announced in 2014 it was ceasing operations there and eliminating 112 jobs.

German discount grocer Lidl's selection of **Alamance County** for a regional headquarters and distribution hub. Lidl, one of the world's two biggest deep-discount grocers, is expected to invest \$125 million and create **200 jobs**. "North Carolina provides a talented workforce, a strategic location and market opportunities that present an incredible opportunity as Lidl prepares its expansion into the United States," said Brendan Proctor, president and chief executive officer of Lidl US.

Wisconsin-based Ashley Furniture Industries' plan to add **454 jobs** and invest at least \$8.7 million at its current site in **Davie County**. Ashley Furniture is the nation's largest manufacturer and retailer of furniture. The latest expansion follows the first phase of the development at the Davie County site, where Ashley Furniture created more than 1,100 jobs and invested more than \$250 million from 2012-2015.

Irvine, Calif.-based BSH Home Appliances' plan to invest nearly \$80.7 million and create **460 new jobs** at its plant in Craven County. "The investment BSH Home Appliances will make to expand its manufacturing, central distribution and call center operations in New Bern exemplifies our ongoing commitment to the state of North Carolina," said Frank Rebmann, commercial director at BSH Home Appliances, which currently employs 1,000 people in the state.



[NORTH CAROLINA] LABOR COSTS ARE 10 PERCENT BELOW THE NATIONAL AVERAGE AND FIFTH LOWEST IN THE U.S., ACCORDING TO MOODY'S ANALYTICS. THE STATE ALSO BOASTS A STRONG LABOR FORCE AND BUSINESS-FRIENDLY INCENTIVE, LEGAL AND REGULATORY ENVIRONMENTS.



— FORBES MAGAZINE ARTICLE,
"THE BEST STATES FOR BUSINESS AND CAREERS 2015"

NOVO NORDISK

Game-Changing Teamwork (Case Study)



WE HAVE BEEN EVALUATING SEVERAL OPTIONS TO BRING MORE CAPACITY INTO THE UNITED STATES BECAUSE OF THIS GREAT NEED FOR DIABETES MEDICINES. AFTER A THOROUGH EVALUATION OF MULTIPLE SITES AND AN EXTENSIVE VETTING PROCESS, CLAYTON (N.C.) ENDED UP BEING OUR PREFERRED LOCATION.



JESPER HØILAND,
 PRESIDENT, NOVO NORDISK

It's rare for a single economic development project to commit to investing more than \$1 billion in the state of North Carolina while creating hundreds of jobs that pay salaries twice the local average.

But in 2015, Denmark-based Novo Nordisk did just that when it announced plans to spend \$1.2 billion to \$1.7 billion to build a new facility near its existing insulin production plant in Clayton, N.C. The expansion will help the global drugmaker meet demand for its cutting-edge diabetes medications well into the next decade.

The project is the state's largest—in terms of capital investment—in at least 10 years (the second-largest is Apple's \$1 billion Catawba County data center announced in 2009). In addition, Novo Nordisk's expansion in North Carolina was among the nation's largest foreign direct investment projects announced in 2015.

Novo Nordisk's expansion will have significant local economic impact. The project calls for doubling the global drugmaker's workforce in Johnston County by creating nearly 700 new jobs. Salaries will average \$68,420, vs. the county average of \$34,448. North Carolina economic developers recognized the stakes when the company first raised the possibility of expanding in North Carolina, even as it considered investing in its campuses in Massachusetts or New Jersey instead. And the company wanted to make a decision within four months.

So local, regional and state players collaborated to quickly and creatively address the company's site requirements.

At the outset, the state had a highly competitive location in Johnston County, which offers a life science cluster and a pipeline of skilled workers coming out of area training and educational programs. But the parcel being considered didn't have adequate wastewater treatment and road access tailored to the company's very specific needs.

Under a tight deadline, the economic development team, which included Anna Lea Moore, a former business recruitment manager at the Economic Development Partnership of North Carolina, developed solutions to issues that could have jeopardized the project. The team marshaled plans and funding resources that would enable constructing a specialized water pre-treatment facility for the new plant, as well as a flyover bridge to provide safe and efficient transportation between what would be two neighboring Novo Nordisk facilities.

Novo Nordisk praised the teamwork when it announced its massive expansion in North Carolina.

"We already have a large and very professional organization here, and have been impressed by the excellent collaboration we have had with this city, county and state leadership," said Jesper Høiland, president of Novo Nordisk Inc. USA.

Høiland also credited the state and local incentives approved to support the project. Novo Nordisk is eligible to receive up to \$18.6 million in state incentives, if it meets job and investment targets. Most of that is \$15.8 million from the state Job Development Investment Grant (JDIG) program, provided in the form of annual tax rebates.

The EDPNC worked with the Johnston County Office of Economic Development on the project, as well as a host of other public, private and educational partners including Duke Energy, the North Carolina Biotechnology Center, North Carolina Community College System, the North Carolina Department of Transportation and the Golden LEAF Foundation.

"This project is the result of the hard work of our local government officials and the state economic development team," said state Sen. Brent Jackson. "It will be a great catalyst for the continued economic growth of our community."



NEW TEAM

Business Development

In 2015, the partnership established a business development team dedicated to proactively identifying opportunities for attracting new foreign direct investment to North Carolina.

The business development team, in contrast to the business recruitment team, actively seeks out foreign-based companies that might be ready to locate operations in North Carolina.

Once a lead is identified, team members cultivate a relationship with the company involved. Such relationships encourage the company to consider expanding into North Carolina when the time is ripe.

The team's leadership includes Richard Minor, hired in August 2015 as vice president of international business development, and Korey Howard, hired in November 2015 as senior manager for international business development. Minor and Howard are both located in the Cary offices of the Economic Development Partnership of North Carolina.

The team also includes EDPNC's international representatives located in five regions important to North Carolina's economy: Europe, China, Japan, Canada and South Korea. The Korean office was added in 2015, to develop FDI opportunities in that promising market. South Korea is one of the fastest-growing sources of foreign direct investment coming into North Carolina.

The partnership is exploring adding additional representation in India in 2016.

In October 2015, all of EDPNC's international representatives who deal with foreign direct investment visited North Carolina specifically to meet with local and regional economic development partners across the state.

The week of meetings helped EDPNC's business development team leadership and international representatives better understand business advantages unique to specific regions of the state. The meetings also helped the participating local partners learn how the EDPNC markets their respective regions for foreign direct investment.

The EDPNC is launching enhanced strategies to generate FDI leads in 2016, and its network of international representatives will be an important part of this plan.





NEW TACTICS

Cooperative Marketing

The Economic Development Partnership of North Carolina launched a cooperative marketing program with local partners in 2015, to further promote North Carolina for business investment and help partners develop more business-building relationships.

Newly hired events marketing manager Kelly Dawson is a key player in the program that encourages joint participation by the EDPNC's public and private economic development partners (e.g., utility and transportation service providers) in targeted industry conferences and trade shows, meetings with site consultants, client hospitality functions, and special advertising campaigns.

In 2015, Dawson coordinated two EDPNC-led VIP and hospitality events. One in Austin, Texas, brought together local economic development partners and corporate real estate and tax incentive experts. The other in Cleveland, Ohio, connected partners with members of the Industrial Asset Management Council, the nation's leading association of industrial asset management and corporate real estate executives. Similar events are planned in 2016.

Also in 2016, the EDPNC's cooperative marketing program is inviting small groups of public and private economic development partners to join the EDPNC business recruitment team for meetings with premier site consultants in cities such as Los Angeles, Dallas, New York, Chicago and Cleveland.

Slots are also being set aside for partners to join the EDPNC at events targeting specific industry sectors, including the Farnborough International Air Show in London; the Hannover Messe industrial technology trade fair in Hannover, Germany; the SelectUSA Investment Summit in Washington, D.C.; the Miami International Boat Show; the Craft Brewers Conference and Brew Expo in Philadelphia; and the International Baking Industry Expo in Las Vegas.

For the first time, the partnership is introducing a cooperative advertising initiative focused on business recruitment (the EDPNC's Visit NC division has very successfully used this approach to promote tourism). The program's inaugural advertising campaign has invited partners to reserve ad space in a 16-page insert in the October 2016 issue of *Food Processing* magazine. The insert will include information about the food manufacturing industry in North Carolina. *Food Processing* magazine is the go-to informational source for the food and beverage industry.

EXISTING INDUSTRY SUPPORT

Outreach Helps Businesses Prosper

906

companies assisted by regional industry managers in 2015 21/52

leads generated by regional industry managers resulted in announced business expansions in 2015

1,257

interactions with assisted companies in 2015

The partnership's regional industry managers help existing companies in North Carolina prosper and expand here.

They do so by building productive relationships with businesses. EDPNC regional industry managers conduct onsite visits with company owners and staff to tour operations and identify barriers to growth. Then they follow up with resources to clear those hurdles.

The managers coordinate assistance that ranges from guiding companies through permitting processes to helping them find qualified workers or connect to funding sources for new machinery or building renovations.

The regional industry team supported more than 900 existing business in 2015, many of them small-to mid-sized companies. In addition, those interactions generated 52 leads that resulted in 21 announced business expansions.

Team members' local connections can also help a company relocating to North Carolina. For example, regional industry manager Tracy Dellinger assisted Wildcat Territory as it was moving from New York City to Thomasville, N.C., in 2015. She introduced the maker of high-end bedding, drapery and pillows to local and state partners who helped the company find a building, state grant funding to renovate it

and workers able to make couture-level decorative home accessories. Wildcat Territory is creating at least 20 new jobs in Davidson County.

"We brought manufacturing jobs, but what we really needed was craftspeople," said Nancy Reib, company president and founder. "Tracy came to speak to us about employment. She connected us with somebody who connected us to everybody we hired."

"Once we started the process, it became a creative awakening for us, with the talent down here and the luxury of space" at a fraction of the cost available in New York, she said.

Reib also found a high level of friendly support among the EDPNC and its economic development partners. "They are thinking of me," she said. "We were totally and completely anonymous [to counterparts] in New York."

Each of the partnership's eight regional industry managers are responsible for assisting businesses within one of eight regions in the state, known as Prosperity Zones. For a map of the zones and more information about them, visit http://bit.ly/1SBJ7bU.

THE TEAM'S SERVICES INCLUDE:

Business expansion support. The EDPNC's team of regional industry managers coordinates assistance available from resources such as the state departments of Commerce, Transportation and Environmental Quality and the North Carolina Community College System.

Workforce recruitment and customized training. The team and partners such as NC Works and the community college system help businesses find and train critical workforce talent.

Manufacturing and process improvement. The team and partners such as government agencies, research organizations and academic institutions can guide businesses that want to work more efficiently and contain costs.

Market research and analysis. The team helps companies tap data that enables informed decisions about new expansions, workforce development and domestic and global markets.

ECONOMIC DEVELOPMENT WORKS BEST WHEN IT NOT ONLY HELPS AN EMPLOYER ADD NEW JOBS, BUT ALSO POSITIONS IT TO MEET NEW MARKET DEMANDS.

Case Studies

ANN'S HOUSE OF NUTS EXPANDS IN MARTIN COUNTY

Economic development works best when it not only helps an employer add new jobs, but also positions it to meet new market demands.

Minnesota-based Ann's House of Nuts is doing both with its \$7.5 million investment in new machinery and equipment at its Robersonville, N.C., production facility. The investment is enabling the company to produce its highly popular trail mixes in PET (polyethylene terephthalate) packaging. Recyclable plastic PET containers are hard, lidded and resealable containers that keep products fresher than soft packaging.

In 2015, EDPNC regional industry manager Tim Ivey and the Martin County Economic Development Corp. helped Ann's House of Nuts successfully pursue a \$500,000 building reuse grant through the state Department of Commerce. The company is using the grant to expand a 40-year-old storage building at its Robersonville facility for the manufacturing of PET-packaged products.

"Fifty new jobs are linked to the PET line," which will also increase production capacity, said Greg Britt, director of human resources at Ann's House of Nuts. The company's manual soft-packaging lines produce roughly 40 to 60 items a minute, but the PET line will produce upwards of 200 a minute.

"These new jobs will be technology driven, and these more technical jobs are better-paying jobs that will contribute to the educational development of our employees," Britt said.

The expansion is not only creating new jobs in North Carolina, but is also helping Ann's House of Nuts hold on to its single-largest customer, which considered turning to a Mexican manufacturer for PET-packaged trail mixes.

"We've worked with Tim Ivey and Martin County Economic Development on a number of equipment and facility expansions over the years," Britt said. "It's been an amazing partnership."

PEDS COMMITS TO BURKE COUNTY

In March 2015, PEDS Legwear hosted a ribbon-cutting ceremony at its manufacturing facility in Hildebran, N.C., which celebrated the high-tech makeover of a once-idle textile plant and a commitment to create 205 new jobs there by 2018.

For Bill Payne, a former regional industry manager with the Economic Development Partnership of North Carolina, the ceremony capped two years of working with Montreal-based PEDS, formerly Richelieu Legwear. Payne helped introduce PEDS to resources that supported its decision to locate its first U.S. manufacturing facility in Hildebran and expand there.

"Bill Payne was kind of like a concierge for the state of North Carolina," said Michael Penner, president and chief executive officers of PEDS, a leading sock and hosiery manufacturer. "He knew everything and everybody... Bill was kind of our Lewis and Clark, he was guiding us through everything."

The expansion was supported by PEDS' securing a multiyear purchase agreement with Wal-Mart Stores, a deal that is part of the retailer's plan to spend \$250 billion on American-made goods for its stores. The ribbon-cutting ceremony, which emphasized the importance of foreign direct investment in the U.S., drew top federal trade official Stefan M. Selig, undersecretary of the U.S. Commerce Department's International Trade Administration, as

well as Penner, state Gov. Pat McCrory, and Cindi Marsiglio, vice president of U.S. manufacturing for Walmart.

PEDS considered several U.S. sites for its first U.S. manufacturing facility. It chose Hildebran primarily because of the quality and enthusiasm of the Burke County workforce, Penner said, and the availability of state and local incentives. The company's \$16 million expansion is supported by incentives including up to \$2.9 million from the state's Job Development Investment Grant program, a \$500,000 building-reuse grant for plant renovations, and employee training on new automated knitting machines.

The deal resulted from a team effort that included Payne, who recently retired from the EDPNC, Western Piedmont Community College, the North Carolina Department of Commerce, the Western Piedmont Workforce Development Board, Duke Energy, Burke County, and Burke Development, Inc.

As of December 2015, the Hildebran facility had 184 full-time employees who produced 10 to 12 percent of the socks PEDS sells worldwide. The company expects that to grow to 25 percent by 2018, when PEDS has completed its expansion.

"North Carolina is our second home, and we have never regretted our decision to come here," Penner said.

INTERNATIONAL TRADE TEAM

Committed to Building on Success

North Carolina reached a trade milestone in 2015, with the release of figures that showed businesses in the state had exported a record \$31.3 billion in merchandise in 2014.

The record, based on the latest annual totals available, reflects 7 percent growth in exports from 2013— more than twice the national average increase. But the Economic Development Partnership of North Carolina (EDPNC) international trade team isn't complacent. It remains strongly committed to supporting businesses in their efforts to enter or expand global markets.

That mission became more challenging in 2015, as a strengthening dollar contributed to a drop in exports from 2014, a nationwide trend reflected in North Carolina. A strong dollar makes U.S. exports more expensive overseas.

Exporting, however, remains an important opportunity for small business. Ninety-five percent of the world's consumers are found outside the United States, but only a small percentage of U.S. companies export. And those that do often export to only one country.

The partnership's trade experts are particularly strong resources for the owners of small- to mid-sized companies, some of whom already recognize the value of North Carolina exports. More than 10,500 companies exported from North Carolina in 2013—supporting more than 164,000 U.S. jobs. At least 85 percent of those companies were North Carolina businesses with 500 or fewer employees.

Businesses can count on the international trade team to help them identify and develop overseas marketing opportunities—free of charge. That's essential, because smaller businesses often don't have staff dedicated to exploring and developing export opportunities.

The EDPNC's international trade division has multilingual experts located in North Carolina (each of whom specializes in specific industry sectors) and seven foreign offices in Canada, Mexico, Europe, South Korea, Japan, Shanghai and Hong Kong. All told, the partnership's North Carolina-based international trade managers and its foreign offices assisted more than 500 North Carolina companies in 2015.

THE TEAM'S SERVICES INCLUDE:

Export education: Providing or referring business owners to courses offered throughout the state, classes that prepare a company to market its products and services internationally.

Market recommendations: Recommending potential markets for a company's products and services.

Product review: Examining the product standards required for entry into a foreign market and looking at local and international competitors in the region.

Export finance assistance: Connecting businesses to financial resources, such as programs offered by the U.S. Small Business Administration that help reduce risk and enable North Carolina companies to sell competitively overseas.

Market intelligence: Collecting and sharing information on the international market climate including economic, social and political data.

Price evaluation: Helping companies consider the appropriate, market-savvy price for their exported products.

Agent/distributor/buyer searches: Helping companies identify partners and distribution channels in new markets.

Trade shows: Leading groups of North Carolina companies to high-profile trade shows and events to meet potential foreign customers and distributors.



\$31.3 BILLION

in North Carolina exports in 2014, a record year



501

companies received EDPNC trade team support in 2015. They exported \$739 million in merchandise.

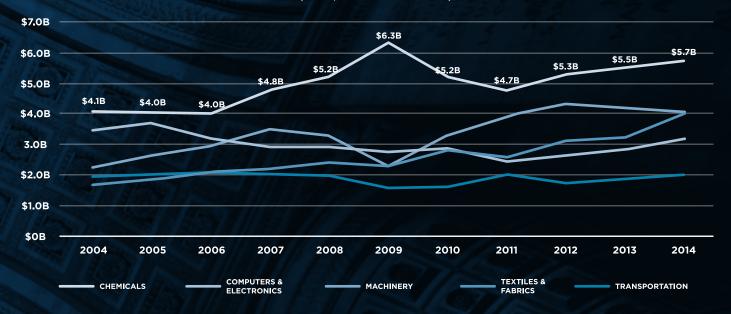


7% GROWTH

from 2013 to 2014 in dollar value of North Carolina exports, more than twice the 2.8% national average growth

NORTH CAROLINA'S TOP FIVE EXPORT PRODUCTS

(NAICS, in constant 2014 dollars)



NORTH CAROLINA EXPORTS TO THE WORLD

2004-2014 (in constant 2014 dollars)



INTERNATIONAL TRADE SHOW HIGHLIGHTS

The partnership's international trade division alerts North Carolina companies of industry-specific events that can help them enter new foreign markets and helps coordinate their participation in key international trade shows.

In 2015, the EDPNC led groups of North Carolina businesses to 31 international trade shows. More than 160 businesses attended with the partnership. Many of them received travel reimbursements of up to \$2,000 through the U.S. Small Business Administration's State Trade and Export Promotion Program, which is dedicated to helping small businesses enter and succeed in the global marketplace. The EDPNC administers the program in North Carolina.

North Carolina has been approved for funding through the grant program in each of its four years in existence. Under the current grant cycle ending on Sept. 29, 2016, eligible companies can apply for up to \$3,500 in travel reimbursements and up to \$2,000 for export service assistance such as website translations and creation of marketing materials for foreign markets. Program priorities include assisting women-, minority- and veteran-owned businesses.

The next few pages include a few highlights from 2015 trade show visits coordinated by the EDPNC, including participating North Carolina companies and their trade show successes.



OUR CONFIDENCE IN NORTH CAROLINA IS VALIDATED BY OUR INVESTMENT THAT NOW EXCEEDS \$300 MILLION DURING THE LAST DECADE.



RICHARD HARSHMAN,
 CEO, ALLEGHENY TECHNOLOGIES



PARIS INTERNATIONAL AIR SHOW PARIS, JUNE 2015

OVERVIEW:

North Carolina sponsored a booth at the world's biggest aerospace trade show, which featured more than 2,300 exhibitors from 48 countries in 2015.

COMPANIES:

Participating companies with North Carolina operations included C.R. Onsrud in Troutman, North State Aviation in Winston-Salem, WestStar Precision in Apex, and KBR Building Group, which was recently rebranded as BE&K Building Group, in Raleigh. (North Carolina Secretary of Commerce John E. Skvarla III attended and met with executives from a number of aerospace companies. Regional economic development officials from the Greensboro Partnership, Monroe-Union County Economic Development Partnership and the NCEast Alliance also participated.)

MEASURES OF SUCCESS:

Companies attending generated 42 trade leads and anticipated more than \$4 million in resulting sales over the next 12 to 18 months.

TRADE SHOW TIDBIT:

Allegheny Technologies Incorporated (ATI), the largest private employer in North Carolina's Union County, used the high-profile occasion to announce plans for a \$70 million expansion and 70 new jobs at its facilities in Monroe., N.C. "The positive business environment and employee work ethic in the region were key factors in the selection of Union County for the expansion...," said Richard Harshman, chief executive officer of Pittsburgh-based ATI, one of the world's largest and most diversified specialty materials and components producers. "Our confidence in North Carolina is validated by our investment that now exceeds \$300 million during the last decade."



THE GREEN EXPO MEXICO CITY, SEPTEMBER 2015

OVERVIEW:

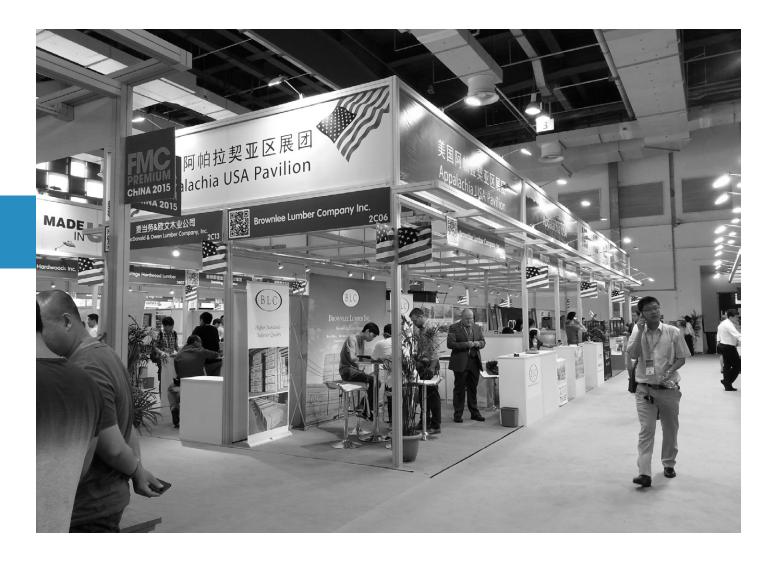
This international business conference is the leading event for the environmental, renewable energy, water and green construction industries. The event drew more than 10,000 visitors from 31 different countries in 2015. The EDPNC's trade director in Mexico prearranged 15 meetings between North Carolina companies and industry players attending the show.

COMPANIES:

North Carolina participants included American Solar Integrators of Cornelius (provider of commercial, industrial, and institutional solar installation services), Green Global Technologies of Cary (provider of water, wastewater and storm water treatment products and services), Organic Transit of Durham (makers of the ELF, a cross between a bicycle and a car that runs on pedal power and a rechargeable battery) and DST Manufacturing of Randleman (makers of the Nviroclean spill remediation product for industry and home use).

RESULTS:

North Carolina companies generated more than 100 sales leads at the show, resulting in a total \$500,000 in projected sales over the next 12 months.



FURNITURE MANUFACTURING & SUPPLY CHINA SHANGHAI, SEPTEMBER 2015

OVERVIEW:

In cooperation with the Appalachian Regional Commission, the Economic Development Partnership of North Carolina coordinated a visit to the Furniture Manufacturing & Supply China (FMC) trade show by a delegation representing furniture and wood product businesses from the nation's Appalachian region, which includes a portion of North Carolina. The show, which focuses on woodworking machinery and furniture raw materials, drew 620 exhibitors from 45 countries.

COMPANIES:

Ten Appalachian-region companies participated from a number of states, including North Carolina-based W.M. Cramer Lumber Company, headquartered in Connelly Springs, and Oak Valley Hardwoods, headquartered in Charlotte with facility locations including Graham, Rutherford, Haywood, Caldwell, McDowell and Polk counties.

MEASURES OF SUCCESS:

North Carolina companies sold more than \$1 million worth of products out of the delegation's \$4 million in total floor sales, and North Carolina companies projected \$26 million in 2016 sales resulting from the show.

TRADE SHOW TIDBIT:

More than half of the 620 exhibitors participating in FMC China are from Asian nations. North Carolina's participation in FMC China and similar shows has contributed to tens of millions of dollars in North Carolina hardwoods and softwoods being sold to China on a yearly basis, as well as China's current position as the second-largest export market for North Carolina furniture.

A PROMISING RELATIONSHIP:

ARIA DESIGNS AND THE EDPNC (Case Study)

LENOIR-BASED UPHOLSTERY MANUFACTURER EXPECTS TO SEE ITS DESIGNS IN 400 STORES IN CHINA.

In September 2015, Lenoir-based Aria Designs discovered the truth in Woody Allen's observation that "80 percent of success is showing up."

That was when the upholstery manufacturer exhibited at the China International Furniture Expo in Shanghai, with support from the Economic Development Partnership of North Carolina (EDPNC). Aria left the four-day show with \$673,000 worth of written sales and expectations of another \$2.59 million in 2016 because of its presence in Shanghai.

"We attended Shanghai for the first time last year and experienced it to be a successful catalyst as result of our pop-up showroom," said Robin Hoff, director of sales and marketing for Aria, a producer of mid-priced upholstery. "We also became acquainted with Mike Hubbard [EDPNC international trade manager]."

Aria, founded in 2011 by the Broyhill and Arditti families and backed by Broyhill Investments, is a young and growing North Carolina company that employs 20 people in its Lenoir headquarters and 100 outside staff in the U.S. and China. It has joint ventures with manufacturers in Conover, N.C., and China to produce fashion-forward upholstered furniture, which is sold wholesale to retailers.

Currently, roughly 14 percent of its sales are to overseas customers.

The EDPNC reimbursed the company some of its costs for the trip to the Shanghai show—utilizing grant funding provided by the federal STEP (State Trade and Export Promotion) program, which supports U.S. small businesses trying to enter or expand foreign markets.

"Currently, we find China to be a leading destination for the expansion our international business," said Jeff Arditti, president of Aria.

Aria made the most of its time at the 2015 Shanghai show.

While there, the company found a distributor that plans to stock its products in Foshan, China, a city of 7.2 million people.

"Our new partnership with this distributor looks promising, and we expect them to implement our USA-manufactured product in the near future," Hoff said.

Because of another connection made at the show, Aria is finalizing a deal with a large retail chain that plans to feature its products in 400 stores in China.

"The 400-store account has purchased initial samples and we're awaiting reorders," Hoff said. "We also expanded our global business to Russia, as well as Australia, at the September 2015 Shanghai show."

In addition, the relationship Aria and EDPNC International Trade Manager Hubbard cultivated at the September furniture show came in handy a month later, when a group of Aria's Saudi customers wanted to attend the High Point Market in North Carolina. The Saudis wanted to visit Aria's showroom there to finalize sample selection from Shanghai, but they were having trouble with the timely processing of travel visas.

Hubbard reached out to the U.S. Export Assistance Center in Greensboro for help. The Saudi customers received visas in time to attend High Point Market, where they purchased roughly \$250,000 worth of Aria merchandise.

"Our relationship with them was strengthened and our business grown as result of the assistance Mike Hubbard gave us," Hoff said.

"The EDPNC has gone above and beyond to provide resources to our customers and to help us gain customers," Hoff added. "It impacted us immediately. We are at the point where we have a partnership. We will continue to lean on each other."



THE EDPNC HAS GONE ABOVE AND BEYOND TO PROVIDE RESOURCES TO OUR CUSTOMERS AND TO HELP US GAIN CUSTOMERS. IT IMPACTED US IMMEDIATELY. WE ARE AT THE POINT WHERE WE HAVE A PARTNERSHIP. WE WILL CONTINUE TO LEAN ON EACH OTHER.

"

ROBIN HOFF,
 DIRECTOR OF SALES & MARKETING, ARIA DESIGNS

BUSINESS LINK NORTH CAROLINA

Helping Startups and More

Small businesses can encounter big problems if they don't comply with all state, local and federal permitting and regulatory requirements.

In North Carolina, the best guides through bureaucratic terrain are only a phone call away.

Counselors with the partnership's **Business Link North Carolina (BLNC)** division can be reached at **919-447-7828** or toll-free at **800-228-8443** Monday through Friday. They have helped owners of new businesses ranging from ice cream shops and biotech startups to convenience stores and consulting firms.

BLNC is the first and best call for individuals trying to understand what state permits, licenses, tax forms and other documents are required to operate a small business in North Carolina.

BLNC counselors offer free one-on-one client consultations in English and Spanish, providing customized license and permit information and access to forms for business structures, tax ID numbers and more. They also make specific referrals to local, federal and state agencies, state occupational licensing boards, and programs that can help new businesses find grants, alternative lending institutions, mentoring and other resources to be successful.

In 2015, BLNC's counselors responded to more than 17,000 inquiries, and 67 percent of those calls came from small startup business. The team took more than 200 calls in Spanish.

The team assisted businesses in all 100 counties in North Carolina, supporting them primarily by telephone but also through email and face-to-face meetings. BLNC's services have an impact on counties ranging from the least to most prosperous.

BLNC operates with three full-time counselors and one parttime counselor instead of the six employed when the service was under the North Carolina Department of Commerce, prior to October 2014. Despite having fewer counselors in 2015, BLNC surveys found that 95 percent of callers rated their customer service experience satisfactory to excellent during the year. And those rankings came during a year when call volume was 11.2 percent higher—17,746 inquiries in 2015 vs. 15,964 in 2014.

17,746number of calls BLNC

responded to in 2015



67%

of calls came from startups



100

BLNC assisted individuals and businesses in all 100 counties



11%

increase in number of calls handled by BLNC over 2014





Mariama Moody, of M&M Educational Group in Durham, tutors a student. BLNC counselors helped the company during startup.

FROM BLNC CALLERS IN 2015

Questions: In 2015, Clark D. Griffith, president of Hana Business Capital in Los Angeles, called BLNC after contacting a number of government agencies to find out about lender licensing requirements in North Carolina. Griffith needed answers for timely completion of a \$10.5 million asset-based loan, to help Cabarrus County-based Tuscarora Yarns maximize growth opportunities.

Answers: "I was lucky enough to get put in touch with Business Link, and things then started to move quickly. BLNC counselor Kris Allsbury was proactive, positive, and helped us move ahead in supporting a North Carolina-based company. Given the great experience I had with North Carolina, and Kris, I am now pursuing other lending opportunities in that fine state." —Clark D. Griffith

Questions: Charles David Upchurch approached BLNC in 2015 for information about registering and establishing his workforce development consulting business, Workforce Success, now operating out of Raleigh.

Answers: "You calmly and succinctly talked me through the basics in a way that I understood my initial steps, showing me where to look on the BLNC site and several others. Thankfully, you really shared more than I asked for. For example, you reminded me of SCORE [a nonprofit dedicated to helping small businesses get off the ground]. And I am excited to learn that the small business support and education programs offered by the North Carolina Community College System are actually free of charge to small business startups like mine." —Charles David Upchurch

Questions: Veteran Durham classroom teachers Mariama Moody and Jametra Hinton wanted to establish a tutoring business to address a need for more individualized educational services in

Durham. Hinton first called BLNC in August 2014 and learned she could file the necessary paperwork without hiring an attorney. BLNC continued to assist M&M Educational Group into 2015, as it grew from two tutors and a few clients to 24 tutors and more than 100 clients.

Answers: "Thanks to Counselor Holly Yanker and Business Link, we gained confidence in starting our own business. Holly was thorough with her directions; she guided us step by step and made sure we completed all of the required forms. When we later decided to transition from a partnership to an LLC, Holly helped us with the paperwork as well." —Jametra Hinton

Questions: Teresa and Craig Sellman had long wanted to open a bed and breakfast. When the couple decided to relocate from New Jersey and buy The Inn at Glen Alpine in North Carolina's Burke County, Teresa, a former New York City corporate executive, turned to BLNC for help in navigating state, local and federal requirements regarding their plans to refurbish the historic inn, build a commercial kitchen, add wine sales and more. The inn reopened to guests in May 2015.

Answers: "The first call made to BLNC was about business licenses in North Carolina... Later we also talked about worker's compensation and other employment questions, as well as resources available to help us grow our business. The BLNC counselor was really helpful, personable and always got me the answer I needed." —Teresa Sellman

TOURISM (VISIT NC)

Visitor Spending Hits Record High

The partnership's Visit North Carolina division promotes the state's tourism appeal and industry, which supports more than 200,000 jobs and 43,000 businesses in the state.

Visit North Carolina (Visit NC) executes marketing programs that advance North Carolina's standing as a major destination for leisure travel, group tours, meetings and conventions, sports events and film production.

The numbers attest to the success of marketing efforts by Visit NC and its public and private partners at the state, regional and local levels. The latest available figures, released in 2015, show record growth in domestic visitor spending in North Carolina in 2014. An estimated 48.2 million domestic tourists visited North Carolina and spent \$21.3 billion, an all-time high for the state and a 5.5 percent increase over 2013. Add in the impact of 1.3 million international visitors, and direct tourism spending increases to \$21.8 billion in 2014.

Businesses throughout North Carolina benefited, as annual visitor spending increased in 97 of the state's 100 counties. The spending directly supported 204,800 North Carolina jobs in 2014, a 3.3 percent increase. The growth was the state's largest in 14 years.

State tax receipts from domestic visitor spending in 2014 rose 3.9 percent, to nearly \$1.1 billion, while local tax receipts grew 5.8 percent, to \$636.1 million—providing income for reinvestment in communities throughout North Carolina.

Cooperation Breeds Success

Partnerships with destinations, attractions, lodging and dining properties and associations statewide remain key to North Carolina's success. Despite North Carolina having a tourism marketing budget that ranked 32nd among all states and eighth among the 11 Southeast states in 2014-15, collaboration within the state's tourism industry helped North Carolina maintain its position as the nation's sixth most-visited state.

For every dollar the Economic Development Partnership of North Carolina spends on paid advertising to promote tourism, the state receives \$15 in state and local tax revenue, according to a study released in 2015 and conducted for the state by Longwoods International market research firm.

Under the Visit NC cooperative marketing program, local tourism offices pay to join the state's advertising and marketing campaigns. That adds nearly \$2 million in private investment to Visit NC's overall tourism marketing efforts. In addition, Visit NC collaborates with media partners such as the North Carolina Association of Broadcasters and Print Media Association on marketing messages that generate the equivalent of \$4.1 million in advertising.

Visit NC's cooperative advertising partnerships benefit the state's rural counties. In 2015, 56 percent of Visit NC's nearly 70 cooperative marketing partners were from Tier 1 and Tier 2 counties, prosperity rankings assigned by the North Carolina Department of Commerce. The department annually designates the 40 most economically distressed counties as Tier 1, the next 40 as Tier 2 and the 20 least distressed as Tier 3.

Earned Media

Visit NC's public relations team hosts visits from journalists from around the globe and assists hundreds of travel, culinary and lifestyle reporters on stories involving travel to North Carolina. This work generates highly valuable "earned media" exposure—coverage of the state's tourism offerings by trusted third parties vs. paid advertising. Visit NC's earned media efforts contributed to hundreds of articles, blog posts and broadcasts about North Carolina.

In 2015, the public relations team, which oversees offices in New York, Canada, Great Britain and Germany, contributed to more than 650 earned media placements in broadcast, print and online media outlets domestically and abroad. An estimated 1.3 billion individuals read, heard or saw this coverage, exposure that was the equivalent of more than \$13 million in paid advertising for North Carolina tourism.

Vacation Big

In 2015 Visit NC launched a new tourism initiative, Vacation Big, a television campaign in the two major tourism feeder markets of Atlanta and Washington, D.C. The campaign generated an estimated 518,644 trips to North Carolina resulting in \$105 million in visitor spending and \$8.3 million in state and local tax revenue

During the campaign, Visit NC website traffic from the Atlanta and Washington, D.C., markets was 83 percent higher than traffic during same period in 2014. The digital component exceeded the industry benchmark click-through rate by 107 percent, with more than 125,000 clicks from hyperlinks to the Visit NC website during campaign. The campaign's social media hashtag, #VacationBig, Big Vacation Giveaway generated more than 10 million impressions on Twitter and 19,500 engagements (e.g., retweets, mentions, likes and use of the hashtag) showcasing 24 local partners. Visit NC also leveraged the campaign through earned media placements that generated 5.5 million impressions across broadcast and digital media outlets for an advertising value of \$120.657.

Social Connections

In 2015, Visit NC significantly increased the number of people following and engaging with the tourism office on social media.

As of Dec. 31, 2015, Visit NC had 105,040 Facebook followers, up 43 percent from the same date a year earlier; 45,304 Twitter followers, up 36 percent; 27,854 Instagram followers, up 297 percent; and 5,720 Pinterest followers, up 15 percent.

Instagram is the partnership's fastest-growing social media platform, averaging 2 percent growth in followers each week in 2015. Visit NC's Twitter following meant that the more than 2,600 Visit NC Tweets in 2015 reached a potential audience more than 36.7 million people.

A Place for Filmmaking

In-state spending on film and television production exceeded \$70 million in 2015. Those productions created more than 4,500 job opportunities.

Productions in 2015 included the third and final season of the CBS television series "Under The Dome," the continuation of the first fully U.S.-filmed season of HGTV's "Love It or List It," the TNT pilot for "Good Behavior" featuring "Downton Abbey" star Michelle Dockery, an independent feature film from University of North Carolina School of the Arts alumnus Jody Hill and national commercials for Nationwide and Oscar Meyer.

In 2015, the EDPNC's state film office worked with the North Carolina Department of Commerce to implement the newly created Film and Entertainment Grant. Productions that received awards from the initial round of \$10 million in grant funds are expected to spend \$6 in the state for every dollar in grant support. Program funding has increased to \$30 million for the 2015-16 budget year.

Retirement Destination Marketing

Visit NC manages the North Carolina Certified Retirement Community (CRC) program. In 2015, Visit NC added four communities to the program and held the first North Carolina Retiree Attraction Summit. The program's purpose is to encourage retirees and those planning to retire to make their homes in North Carolina. The program provides an excellent resource for rural areas, and all but one of the 14 participating Certified Retirement Communities are from more economically distressed Tier 1 or Tier 2 counties.

domestic and international visitors to North Carolina in 2014

49.5 MILLION \$21.8 BILLION

in domestic and international visitor spending in 2014, a record year

5.4%

increase in direct visitor spending over 2013

STATE & LOCAL TAX RECEIPTS GENERATED BY DOMESTIC VISITOR SPENDING IN NORTH CAROLINA

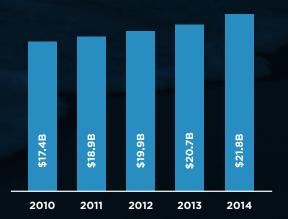


Local Tax Receipts

State Tax Receipts

DIRECT VISITOR SPENDING IN NORTH CAROLINA

including spend ing by domestic and international visitors



2015: TOURISM EVENTS & LEADERSHIP





Visit North Carolina hosts several events throughout the year to promote North Carolina and provide leadership in developing the state as a major destination for leisure travel, group tours and film productions.

North Carolina Governor's Conference on Tourism

The annual Visit North Carolina Governor's Conference on Tourism is the state's premier travel industry event. Bringing together more than 500 of the state's tourism industry leaders, the conference provides opportunities to catch up on the latest trends and issues facing the travel industry, hear insights from industry experts and network with travel and tourism professionals. Past speakers have included U.S. Travel Association President Roger Dow, NASCAR legend Richard Petty and North Carolina Gov. Pat McCrory.

Sports Events Marketing

Visit North Carolina leads efforts to attract sporting events of all sizes to North Carolina by facilitating the state's presence at key trade shows, including the Connect Sports Marketplace sports tourism show in August and the TEAMS (Travel, Events and Management in Sports) event in November. In partnership with the North Carolina Sports Association, Visit North Carolina led a total of more than 50 partners to these annual conferences in 2015. They participated in more than 425 prescheduled appointments and hosted approximately 125 clients at exclusive networking events during these shows. A strong North Carolina presence at such premier trade shows is necessary to build and maintain relationships with rights holders and planners and promote awareness of the destinations, facilities and venues available statewide to host events.

Mid-Year Listening Tours

In 2015, Visit North Carolina's leadership team provided updates on the tourism office's marketing programs during listening tours that involved small group gatherings throughout the state in September and October. During the sessions, local partners summarized their priorities, issues and ideas for future marketing efforts. Visit NC held 18 listening tours reaching 126 partners in 56 different counties.

Sales Missions

Visit North Carolina leads partners on sales missions throughout the year to generate additional business through group tour operators, international tour operators, travel agents and other travel professionals, such as hotels and airlines. In 2015, Visit NC conducted five sales missions in two states and six countries, with 12 partners participating.

PR Missions

Visit North Carolina arranges media missions in key target markets to allow partners the opportunity to network with travel journalists and generate increased exposure and media coverage of North Carolina as a travel destination. In 2015, Visit North Carolina conducted media missions in New York, Toronto, Atlanta and Charlotte. All told, 83 partners from across the state participated in 2015, providing exposure for their communities to more than 125 journalists.

FINANCIALS

PRIVATE FUNDS EXPAND MARKETING

The Economic Development Partnership of North Carolina (EDPNC) was able to create critical new programs to market the state in 2015, but a 3 percent cut in state funding could make such efforts more challenging in 2016.

The partnership's contract with the state Department of Commerce requires the EDPNC raise private funding to supplement its public dollars. In 2016, EDPNC leadership will be asking lawmakers to maintain a consistent level of state funding so that the partnership can use its private investment to augment economic development efforts rather than compensate for less state support.

In October 2014, the EDPNC took over from Commerce economic development marketing and promotion responsibilities including new business recruitment; existing industry support; international trade and export assistance; small business counseling; and tourism, film, and sports promotion.

Annual state funding to support these functions went from \$18 million to \$17.5 million shortly before the EDPNC assumed them. That funding was further reduced by \$525,000, or approximately 3 percent, for the current 2015-16 fiscal year.

Private investment allows the private, nonprofit EDPNC to support programs that weren't possible within a state agency, which is barred from raising private-sector funds. Thus far, private funding has enabled the EDPNC to expand the scope of efforts in key areas, such as business development and recruitment, without sacrificing support for other important partnership functions.

In the months since the EDPNC opened its doors, private-sector investment has given the partnership the financial latitude to establish a business development team responsible for identifying more opportunities to recruit European and Asian business to the state; add representation in South Korea to tap into foreign-direct investment opportunities from that region; and launch a cooperative business marketing program with regional and local economic development organizations. It also has enabled the 2016 implementation of a performance-based employee compensation plan. The plan is intended to increase accountability and reward strong performance, particularly for employee achievements that foster economic development in the state's rural and low-income areas.

These new programs will continue to develop and account for more of the EDPNC's expenditures moving forward. Consequently, the EDPNC anticipates expenses and revenue will align more closely at the close of the fiscal year ending June 30, 2016, than they did in the prior fiscal year.

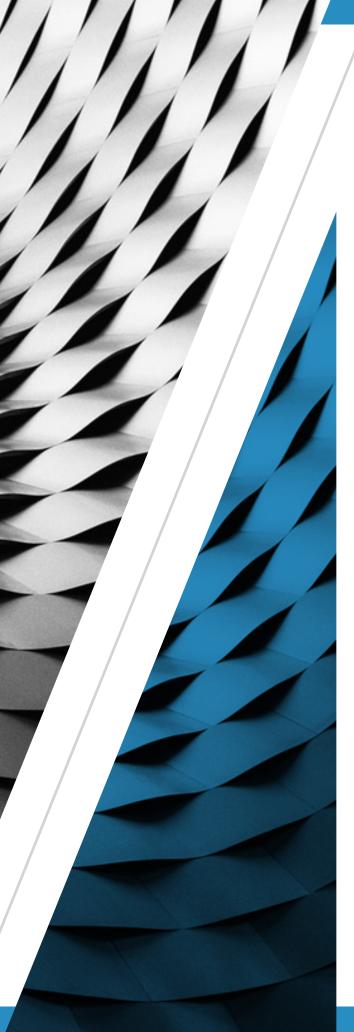
For the fiscal year ending June 30, 2015, EDPNC revenue included \$13,610,784 in state dollars disbursed over the nine months the partnership was in operation; federal grant revenues amounting to \$290,227; private-sector fundraising totaling \$857,813; and other revenues totaling \$119,172. Itemized expenses included personnel (\$3,156,142), advertising and promotion (\$7,462,248), professional fees including contracts with foreign trade offices (\$1,011,747), travel and hospitality (\$407,881), facilities and utilities (\$436,627), information technology (\$281,756), and other general office expenses (\$167,537).

PRIVATE INVESTMENT: 2016 GOAL

\$1.25 MILLION

must be raised over 12 months ending Oct. 6, 2016 (the end of EDPNC's contract year) State law requires the EDPNC raise private dollars to supplement public funding dedicated to marketing the state to employers. The partnership has met all fundraising deadlines to date, and is seeking investor support to meet its 2016 target.

If you would like to know more about becoming an EDPNC private investor, please contact: John Lassiter, chairman, EDPNC Board of Directors, 704-343-4822, jlassiter@carolinalegal.com.



PRIVATE INVESTORS AS OF DEC. 31, 2015

(including pre-contract and in-kind contributions)

Alfan d Marillana	#7.000
Alfred Williams	\$3,000
AT&T	\$10,000
Bank of America	\$100,000
Bissell Companies	\$25,000
Brooks, Pierce, McLendon, Humphrey & Leonard	\$750
CAPTRUST	\$2,000
Charlotte Pipe & Foundry*	\$5,000
Childress Klein	\$25,000
Colony Tire	\$10,000
Duke Energy*	\$200,000
ElectriCities of North Carolina	\$30,000
Flow Lexus	\$25,000
Greensboro Partnership	\$750
Grubb Properties	\$1,000
Highwoods Properties	\$5,000
Jeffrey & Linda Turner Charitable Fund	\$5,000
Joseph M. Bryan Foundation	\$26,000
Kane Realty	\$12,000
Kilpatrick Townsend	\$17,000
Lenovo	\$42,213
Lincoln Harris	\$10,000
Marie Arcuri	\$1,000
Martin Marietta	\$50,000
Medical Mutual of North Carolina	\$10,000
MetLife	\$100,000
Moore & Van Allen	\$25,000
North Carolina Railroad Company	\$25,000
Orange County Economic Development	\$15,000
Piedmont Natural Gas	\$75,000
PNC Financial Services Group	\$25,000
Red Hat*	\$100,000
Wells Fargo	\$100,000

Total \$1,080,713

^{*}These investments were part of \$305,000 raised before the Oct. 6, 2014, effective date of EDPNC's contract with Commerce, which required at least \$250,000 be raised before the contract could be signed.

