

MINUTES
NORTH CAROLINA ECONOMIC DEVELOPMENT BOARD
Research Triangle Park, North Carolina
September 24-25, 2008

On Wednesday, September 24, 2008, the North Carolina Economic Development Board met at the North Carolina Biotechnology Center located in the Research Triangle Park. At 2:40 p.m., Chairman Whichard called the meeting to order. He thanked everyone for coming to the meeting and reminded all members present of the Ethics Awareness & Conflict of Interest policy.

The meeting started with a bus trip to North Carolina State University's Centennial Campus to tour the Golden LEAF Biomanufacturing Training and Education Center (BTEC). Upon arriving at the Center, Mr. Rick Lawless, Associate Director, Strategic Support met the group. After a short briefing, the group broke up into smaller groups to tour the amazing facility. It is the first of its kind in the nation. It provides statewide education and training, economic development and job creation for the biomanufacturing, pharmaceutical and related agribiotechnology industries in North Carolina. The BTEC simulates a biomanufacturing pilot plant facility capable of producing biopharmaceutical products and packaging them in a sterile environment. The facility is outfitted so that students will gain experience using the same large-scale equipment they would use on the job.

When the bus returned to the North Carolina Biotechnology Center, the meeting reconvened with a Meet & Greet and dinner. Chairman Whichard thanked the North Carolina Biotechnology Center hosts and sponsors that included Norris Tolson, President and CEO and Michael Wilkins, Senior Vice President Statewide Operations and Economic Development. Mr. Tolson is also an Economic Development Board member. Mr. Tolson also welcomed and thanked everyone for attending.

At 8:00 a.m. on Thursday, September 25, 2008, Chairman Whichard called the meeting to order. He welcomed everyone to the meeting and reminded them of the Ethics Awareness & Conflict of Interest policy.

He thanked Norris Tolson and the Biotechnology Center for hosting the meeting and for the Continental Breakfast that was made available during the meeting. Again, he thanked the hosts for a wonderful evening that included the tour of the BTEC facility and dinner meeting.

A motion was made and seconded to approve the minutes of the May 28-29, 2008 Board meeting as presented. The motion carried.

Chairman Whichard told the Board that North Carolina is in better shape than a lot of folks and that represents the work that has been done by the members of the Economic Development Board, General Assembly and the administration.

After being introduced by Chairman Whichard, Secretary Fain gave a presentation on the Department of Commerce updates and activities. He explained that he would be departing the meeting early to a meet with a client and to attend an announcement of the Safran Group being held in Monroe.

Secretary Fain talked about the state's employment from 2001-2008. For the 12 months ended December of 2007, North Carolina was #4 in the nation in terms of jobs creation – ranking behind California, Texas and Florida. The state added 404,000 jobs since the 2001 recession-driven job decline bottomed in July, 2003. Supported by successful diversification of the North Carolina economy during the decade, our employment is holding up much better during the downturn than was the case in the 2001-2003 period.

Other topics Secretary Fain talked about included:

- The Commerce Website is complete and award winning – during the last legislative session Commerce received a position for a web master.
- John Correllus is now traveling around the state meeting with groups of local developers and other economic development advocates to help them understand the power of the Economic Development Intelligence System (EDIS) and explaining what it can do for them.
- The Client Relationship Management System, Salesforce.com – based, is now in place.
- Addition to the staff of Policy, Research and Strategic Planning area.
- Buildings & Certified Sites Program redesign.
- High Performance Roadmap – an effort to create a culture that will enhance both employees' experience and the department's overall service to customers.

Secretary Fain thanked Representative Bill Owens, Vice Chairman of the Economic Development Board, and other legislators on the board for appropriations for Commerce to make investments like the initiatives listed above. Commerce will be enabled to have excellent systems in place to supply information to allies and to inform DOC activities.

Other topics Secretary Fain discussed were:

- Even though there has been a little slump in activity, assignments are up 21% from 2007, announcements are down 26%, amount invested is up 85% and jobs created are up 26%.
- Business ServiCenter is running behind the typical 3,000 contacts per month, but based on a couple of initiatives being planned, business should pick up soon.
- 2009 Legislative Priorities will include extending the JDIG sunset, changing eligibility of IDF Utility Account to include all Tier 1 and Tier 2 counties, obtaining vital budget increases for Commerce that include a competitive

level of advertising/marketing dollars and recurring appropriations for operating systems.

- Recent Recognitions for the Department of Commerce
 - VisitNC.com – **2008 Mercury Award** in Technical Marketing
 - Revamp of NCCommerce.com – **2008 SEDC Excellent Award**
 - NC Marketing Campaign for BIO – **2008 SEDC Merit Award, State Division**
 - EDIS – **Distinguished System, 2008 URIS Exemplary System Awards**
 - Division of Community Assistance – Wicker Community Revitalization Program – **2008 COSDA Sterling Achievement Award**

- Recent Accolades
 - Seven NC cities in Top 100 “Best Performing Cities,” Milken Institute/Greenstreet Real Estate Partners
 - #3 best business climate, Chief Executive
 - #1 “Top Pro-Business State,” Pollina Real Estate Corp.
 - #2 best business climate, DCI
 - #4 “Best State for Business,” Forbes
 - #1 business climate, Site Selection (six of last seven years)

In closing remarks, Secretary Fain mentioned a study that was done by Cambridge University in the UK on the 50 states. North Carolina ranked in the top 10 among the 50 states in terms of agreeableness and in conscientiousness.

John Silvia, Wachovia Economist and Economic Development Board member, talked about the national economic trends. Mr. Silvia said that we are in a recession now: North Carolina is probably still growing, but the rest of the economy is in a recession. He said the new Governor is immediately going to face budget issues. When in a recession, the state income taxes and sales taxes do not grow as fast as expected, and social spending goes up more than expected. Consumer sentiment is at a multi-decade low. The overall outlook is that weak economic growth will persist for some time.

Rita Harris, Legislative Affairs Program Director, Department of Commerce, gave the legislative update for the 2008 Legislative Short Session. Ms. Harris said the budget for the short session was favorable for the Department of Commerce and economic development. The Department was successful in many legislative initiatives including funding to support a new international trade office in China. She continued by listing the programs and bills that were successfully funded by the General Assembly. Ms. Harris also thanked Representatives Owens, Tolson, Wray, Daughtridge and Senators Dalton and Hartsell – and others that made this session successful for Commerce. She talked about the priorities for the next session and other legislative initiatives. She encouraged the members of the Economic Development Board to support other legislative initiatives that will be instrumental in advocating for key strategic economic development initiatives for the difficult times ahead.

Representative Owens commented that the budget is \$100 million down, but Governor Easley is cutting back spending and taking measures to ensure the new Governor will not inherit such a great deficit. Representative Owens thanked Rita Harris, Secretary Fain and all of Commerce for the good job of working with the General Assembly this year. He also said that there is a need for increased dollars for advertising for marketing and Travel & Tourism.

Libby Smith, Policy Director & Economic Development Board Staff Director, Policy, Research & Strategic Planning Division, talked about the most recent version of the 2008 North Carolina Economic Development Plan Update. Ms. Smith thanked the Policy, Research & Strategic Planning Division staff and others of the Interagency Group for helping to accomplish the action plan goals for the 2008 North Carolina Economic Development Plan. There are 101 action steps in the plan – to date 63 have been accomplished, 21 have not been accomplished mostly because of priority and/or policy changes. That leaves 17 action steps to be addressed. The Plan will be a great tool for the new Board members that will be appointed next year.

John Chaffee, Economic Development Board member, talked about putting more funding into technology transfer. He talked about the North Carolina Biotechnology's Technology Enhancement Grant and North Carolina's job growth and creation. He would like to see some of these things adopted in the Board's policies that are being presented to the Legislature. Leslie Boney, Associate Vice President for Economic Research, University of North Carolina System, wants the Board to go on the record that they are encouraging the universities to investigate how technology transfers are being done.

Representative Joe Tolson, Economic Development Board member, suggested the Board adopt the draft with the idea of coming back and amending with the additions that have been discussed. Chairman Whichard suggested adopting the Plan as is, recognizing the Board members can amend the Plan at any time. He said the action steps that are contemplated in the legislative agenda for next year incorporate those ideas.

A motion was made and seconded to approve the annual update to the Economic Development Board's Strategic Plan. The motion carried.

Chairman Whichard thanked Libby Smith, Lead Staff to the Board, and her staff for a job well done on the annual update to the Economic Development Board's Strategic Plan.

Chris Harder, Senior Economist, Policy, Research & Strategic Planning Division, gave a presentation on the Introduction to the Statewide Industry Clusters. He talked about the Industry Clusters study that was recently completed by the Department of Commerce and UNC-Chapel Hill. He discussed the methodology that was used that included a set of target clusters, both existing and emerging in the state, short-term and long-term strategies and closing thoughts. The scope of the study:

1) identified a set of existing and emerging clusters for targeting in-state economic development policies, 2) developed a data system to monitor and track performance of clusters, 3) created an inventory of higher education knowledge assets that support growth and competitiveness of clusters, and 4) research on what other states have done.

After numerous comments and questions, Watts Carr, Economic Development Board member, asked how the Board could help the regional partnerships with their cluster analyses program. Mr. Harder explained that all the cluster analyses are very useful, but felt the state of North Carolina should look at a single methodology and come up with one resource that can be used statewide. Mr. Carr questioned whether the partnerships could modify their analyses to be consistent with Commerce. Mr. Harder explained that he was sure Secretary Fain would be happy for Commerce to work with the partnerships in utilizing their methodology.

Tim Cole, Economist with Policy, Research & Strategic Planning, presented on the topic: Productivity: Engine of Prosperity. Mr. Cole acknowledged Tammy Lester and Sara Nienow as the co-authors of the report. The report's objectives are to determine how economic development efforts can promote widely shared prosperity in North Carolina; and, to also answer two questions: 1) Why is increasing productivity a vital goal for economic development? and 2) what can North Carolina do about it? Productivity is vital to prosperity! Mr. Cole also said that the North Carolina Community College System is the leader in workforce training.

Chairman Whichard introduced Scott Hamilton as a new Board member. He has taken over as President of the North Carolina Economic Developer's Association.

Chairman Whichard also introduced Norris Tolson, President and CEO of the North Carolina Biotechnology Center and Economic Development Board member. He said that a lot of progress the state has made the last twenty years is due to his tireless efforts to serve. He and his brother, Representative Joe Tolson, serve on the Economic Development Board, and they have been great members and great supporters of North Carolina's efforts to move ahead economically. He also thanked him for the opportunity to hold the Board meeting at the Biotech Center.

Mr. Tolson welcomed everyone to the Center and encouraged questions and comments during the presentation of the topic: Biotechnology, a Long-Term Endeavor that Benefits all of North Carolina. He stated that the North Carolina Biotechnology Center is a wealth generation business, creating jobs and opportunities all across the state with a technology that was started 25 years ago by Governor Hunt with an investment of \$150,000 by the legislature. He said that the state is still in a very early stage of where he sees the biotech cluster going. Twenty five years ago nobody in North Carolina was engaged in biotechnology industries or jobs, and today about 55,000 North Carolinians are employed in this industry. There are about 480 companies engaged in biotechnology – many of them startups. The mission of the Center is to try to perpetuate that growth. They are the 3rd largest biotechnology cluster in America. The Center grows what they do by helping to create a strong, scientific foundation across the state of North Carolina.

This is accomplished through the university system by growing and recruiting companies, training workers to work in these companies and partnership with the community college system all over the state of North Carolina.

Other presentations made by members of the North Carolina Biotechnology Center were:

- **Our State's Selling Points for Biotechnology:**
 - Mark Lombard, Bioscience Industrial Development Program Manager
- **Building a Foundation of Science and Research for Commercialization:**
 - Kenneth Tindall, Ph.D., Senior Vice President, Science and Business Development
 - Maria Rapoza, Ph.D., Vice President, Science and Technology Development Program
 - John Richert, Vice President, Business and Technology Development Program
- **Developing, Recruiting, and Expanding Companies:**
 - Michael Wilkins, Senior Vice President, Statewide Operations and Economic Development
 - William Bullock, Vice President, Bioscience Industrial Development Program
- **Preparing a Workforce:**
 - Kathleen Kennedy, Ph.D. Vice President, Education and Training Program
- **Creating Strategies and Sectors Statewide:**
 - Steven Burke, Senior Vice President, Corporate Affairs
 - Steven Casey, Vice President, Statewide
 - Mary Beth Thomas, Ph.D., Senior Director, Centers of Innovation Operations

The North Carolina Biotechnology Center has five regional offices throughout the state. John Chaffee is the Regional Director in the Eastern Office, Randall Johnson, Southeastern Office, Marjorie Benbow in the Greater Charlotte Office, Gwyn Riddick in the Piedmont Triad Office and Cheryl McMurry in the Western Office.

Steven Casey recognized Dr. Richard Dean, Economic Development Board member, as a key contributor to getting the Piedmont Triad Office off the ground. Mr. Casey acknowledged Economic Development Board members Jack Cecil and Dale Carroll for being ambitiously instrumental for the successes in the Western Office. Scott Ralls, Economic Development Board member and President of the Community College System, was recognized for his contributions as a former member of the advisory committee in the Southeast. Chairman Jordy Whichard was also recognized for his efforts in the Eastern Office.

Overall, it was noted that things have slowed some due to the economic climate, but the Biotechnology Center is well positioned for the activity that is out there. Biotechnology is everywhere and affects everything and everybody.

There were many comments and questions following the presentations. This included educating North Carolina leadership and others of the potential biotechnology impact on the state of North Carolina. Norris Tolson said one of the best partnerships they have is with the community colleges and Commerce. This relationship is not only to recruit companies, but to expand the knowledge base to folks that live and work in North Carolina, but also to kids that might want to have a career in Ag-Biotech or Nano-Biotech or Marine Biotechnology.

Mr. Tolson completed the biotechnology presentation by stating that over \$100 million are invested in biotechnology per year by the community college system's training program, research focused on biotechnology and funding provided by the North Carolina Biotechnology Center.

Chairman Whichard thanked Mr. Tolson and his staff for their hospitality and for sharing their time with the Board. He also told everyone that he is excited about the November 20-21, 2008 Board meeting that will be held in Asheville. Dale Carroll said this would be an opportunity for the Board to participate in Advantage West's annual banquet being held at the Grove Park Inn on the evening of November 20.

As there was no further business to come before the Board, the meeting was adjourned at 12:00 noon.