

MINUTES

REGULAR MEETING

BOARD OF DIRECTORS

NORTH CAROLINA GLOBAL TRANSPARK AUTHORITY

A regular meeting of the Board of Directors (the "Board") of the North Carolina Global TransPark Authority (the "Authority") was held at 10 a.m. Thursday, June 16, 2016, at the Spirit AeroSystems Composite Center of Excellence, 3800 Hwy. 58 N, Kinston, North Carolina, upon notice duly given.

Chairman Nicholas J. Tennyson presided and called the meeting to order. He stated that participating members constituted a quorum and declared the meeting officially open for business. Members taking part included:

Secretary Nicholas Tennyson
Mr. Tom Adams (via conference call)
Mr. George Andrew
Mr. Scott Clontz (via conference call)
Mr. Rob Hosford
Mr. Schorr Johnson (for Treasurer Cowell)
Mr. Jerry Kanter
Mr. Joe Koletar

Mr. Billy Lamm
Mr. John Lennon (via conference call)
Mr. Mark Lesnau
Mr. Steve Mayo
Mr. John McNairy
Ms. Cheryl McQueary
Secretary John Skvarla
Mr. Danny Smith

Other attendees and participants were as follows:

Mr. Charles Creech, President, North State Aviation
Mr. Russell Kota, Vice President, North State Aviation
Ms. Amanda Conner, Lenoir County Economic Development Department
Ms. Lori Fuller, GTP Legal Counsel/NCDOT Deputy General Counsel for Logistics (via conf call)
Mr. Richard Barkes, GTP Interim Executive Director
Ms. Ann Dishong, Director, NCDOT Office of Governance
Ms. Crystal Feldman, NCDOT Deputy Secretary of Communications
Ms. Susan Fleetwood, NC Department of Commerce
Ms. Mary Jane Westphal, GTP Controller
Mr. John Rouse, NCDOT District Engineer
Ms. Anne Stapleford, GTP Administrative Assistant and Assistant Secretary

Before beginning the business portion of the meeting, Chairman Tennyson called on Secretary Skvarla to make any remarks he thought might interest the Board. Secretary Skvarla had positive comments and said few North Carolinians know the state ranks ninth in the nation in population and personal income growth. The state has a Gross Domestic Product (GDP) of \$508 billion. Relative to other states, North Carolina's GDP growth has fluctuated between first and fourth in the nation over the last three years and in that period its economic performance has been the best in the country. He

suggested the numbers speak for themselves with no indicators of a slow down at this time. The Secretary said the Department of Commerce works closely with its marketing arm, the Economic Development Partnership. The three biggest factors companies consider when seeking to locate in North Carolina are work force, site location, and transportation infrastructure with incentives ranking fifth or sixth on the list. Through a combination of regulatory climate, tax rates, and environment, the state is recognized worldwide as a good place to do business. North Carolina's biggest competition is the Southeastern part of the US.

Following Secretary Skvarla's remarks, Chairman Tennyson commented on the status of a much discussed proposed intermodal center. Though there is little that can be reported at this time, such a center has the potential to substantially impact the area in which it would be located but would also provide statewide benefits. He said the industry involved has to be satisfied, and both he and Secretary Skvarla are involved in making sure all of N. C.'s possibilities are being explored.

With no contractual matters to come before the Board but in keeping with the requirements of the state ethics policies, the Chairman read the following statement:

"In accordance with the State Ethics Act, N.C.G.S. §138A-1, et seq. as applicable, and N.C.G.S. §63A-21, it is the duty of every Board member to avoid both conflicts of interest and appearances of conflict."

"Does any Board member have any known conflict of interest or appearance of conflict with respect to any matters coming before the Board today?"

"If so, please identify the conflict or appearance of conflict and refrain from any undue participation in the particular matter involved."

No conflicts were identified.

Chairman Tennyson said the January 21, 2016, minutes had been distributed to the Board prior to the meeting. A motion to accept the stated minutes as presented was made by Ms. McQueary, seconded by Mr. Hosford, and unanimously approved.

The Chairman then made general comments about DOT and area road projects. He recognized Ms. Crystal Feldman as the new Deputy Secretary of Communications for DOT and spoke briefly about her background and qualifications. In addressing regional highway projects, he said the Goldsboro bypass recently opened and has received a future interstate designation of I-42. The latest round of scoring in the prioritization system is underway. Statewide projects that account for 40% of funding have been scored and identified. Regional projects (including the Kinston Bypass) represent 30% of funding and are in the process of being scored. Projects not funded at the statewide or regional level may be funded at the division level, and all 14 divisions within the state receive an equal funding share of the remaining 30%. Comments about the process have been positive since identification and scoring provide transparency and make it easier to justify selected projects. Extension of the Harvey Parkway to Greenville has been funded, the environmental phase has been completed, and the project is moving to the design phase with construction anticipated to begin in late 2017. Division 2 is being reorganized in terms of the way projects

are produced with a substantial amount of responsibility being moved to the division level in terms of decision making. This should shorten the cycle time for projects.

In other DOT news, the Chairman reported that the effort to develop a statewide multi modal freight plan has been bolstered through funding provided by the Service Transportation Act. Charles Edwards, a former interim Executive Director for the Global TransPark, is leading the effort for the state and is aware of the potential of the Global TransPark.

Following his remarks, Chairman Tennyson called on Mr. Barkes for a general GTP update. Mr. Barkes said that Charlie Baggett, Spirit AeroSystems NC Business Unit Vice President and General Manager, recently provided numbers pertaining to the company's growth. To date Spirit has produced 91 of the A-350 center fuselage sections and expects to produce an additional 77 units by the end of the calendar year. Presently Spirit has just over 500 employees but with a goal of producing 12 center fuselage sections per month, it expects to be over 600 by year end. Spirit has had several meetings with the rail operators in the region to see if there is a cost effective opportunity for getting its product to Morehead City Port via the rail system. Meanwhile, the fuselage sections are being flown out of the airport via the Antonov which flies out one section of the center fuselage per landing. The GTP receives landing fees and revenue from fuel sales for the Antonov.

Mr. Barkes said the GTP is working with Lenoir Community College (LCC), which is doing training for Spirit, and also working with North State and Mountain Air Cargo on customized training programs. LCC is preparing to upfit and do additional work in the high bay areas to make them more manufacturing centered. It is also working with the UAS/UAB pilot operated program and will be one of the first community colleges in the state with an approved curriculum. LCC is trying to meet with as many potential industries as possible to show that curriculums are being designed and upfitted to meet client needs. With the availability of close-in restricted military air space and working with the FFA and the airport's control tower, the GTP is able to do some experimenting here that possibly other places could not do.

In addition, a tremendous effort has been made at the airport to reach out to the local community by working with the school system through tours and STEM education. The GTP is also working with the local RPO on a hangar project at the airport that might benefit those doing MRO work, an industry that has great potential for growth.

Mr. Barkes then reviewed the economic impact analysis released in April by the Division of Aviation for airports across the state. Aviation statewide stimulates local, regional and state economies by attracting new business and creating jobs. The study shows there are over 1350 jobs related to the Kinston Regional Jetport (KRJ) and the TransPark, over \$48 million in annual payrolls and over \$452 million in output for the airport. Since the 2012 study the TransPark has grown almost 200% across the board in all categories with a total tax contribution over the last ten years of over \$48 million. When ranked in all categories with commercial and general aviation airports across the state, the KRJ ranks between sixth and fourteenth and from an economic standpoint is doing better than several of the commercial service airports in the area.

After Mr. Barkes' report, Chairman Tennyson asked Mr. Creech to update the Board on North State Aviation operations. Mr. Creech reviewed the company's five-year business plan, its growth over

the last five years, and its potential going forward. North State was started in 2010 in Winston-Salem with 26 employees. The Kinston operation began in September 2015 and including contractors has 30 employees, with the company approaching a combined total of 500. The company's capabilities include doing anything from avionics modification to cabin reconfigurations, wing modifications, and aircraft maintenance heavy checks. North State believes it is a premier independent MRO provider with scalable facilities in prime geographic locations. The timing to enter the market was right and the company has done well financially with its major strategic location in Winston-Salem and now the capability of expansion with the Kinston location on the East Coast.

Mr. Kota explained that the process of maintenance checks and routine service depend on the type and age of the aircraft. The level of employee experience is high and 30% of workers are veterans. An advantage for Kinston in the hiring process is its proximity to military bases and access to those who are leaving the service with years of aircraft maintenance experience. The company has developed a culture of efficiency and safety for its staff and is proud of its safety record. One of the top three aircraft leasing companies in the world was in Kinston recently and talked about the potential for growth here, especially in the area of painting.

Following Mr. Kota's remarks, Mr. Creech spoke about the MRO global market and the projected substantial increase in the global fleet. North State primarily works on narrow body airplanes, and that is where the majority of growth is expected to be. Growth strategies for the company include: building upon existing strengths, transitioning into heavy checks with United, and meeting the expectation and demand for heavy checks to continue with the anticipation that these demands will bring the Winston-Salem facility to capacity. North State is also looking for the ability to leverage Kinston to a new customer and believes it is close to doing that. This client would be an anchor customer for that facility.

Both facilities have the capability to grow, and North State is looking at strategic acquisitions, including a fragmented MRO market that is poised for airline consolidation. In addition to working on United and Boeing airplanes, the company has also applied to the FAA for Airbus certification, which will basically double the number of airplanes available for it to work on. By the end of 2016 the company expects to employ 100 people in Kinston. The economic impact for 100 jobs at North State is \$4.5 million in payroll with \$8.3 million going back into the local economy. Mr. Creech was extremely complimentary of the community college system and its ability and willingness to provide assistance.

Chairman Tennyson thanked Messrs. Creech and Kota for their comments and asked for reports from the standing committees.

Mr. Lennon, Aviation Committee Chairman, said that committee met on June 15 and in addition to being updated on several projects that are being considered or are underway at the GTP, received a report from Mr. Kanter on efforts to secure commercial airline service at the airport.

Land Use Planning Committee Chairman Rob Hosford reported that group had met twice since the January Board Meeting. The Committee has been dealing with two issues: (1) the north side of the park is not being served for water by the City of Kinston but by Lenoir County. The question arises as to how the GTP will apply for service in the wastewater business as it begins to attract more business, and staff has been directed to look into types of relationships that would be beneficial to that side of the Park. (2) Both Lenoir and Greene County have indicated that they would be interested in making application to the

Board for the GTP to do more zoning. The Committee believes this would be challenging without local support; i.e., county commissioners, county administrators, etc. Mr. Barkes and Ms. Fuller have been asked to begin conversations with the two counties and have them possibly make application to the Board at its November meeting so it can be determined what support would be provided by the communities.

The Finance Committee met recently and Mr. McNairy, Chairman, said projections for fiscal year (FY) 2016 are positive. The budget for FY 2017 appears to have about a \$200,000 shortfall due mostly to the \$2.3 million federal grant to upgrade the airports' electrical system. The FAA will fund 90%, leaving the state to fund 10%. Mr. McNairy said other than this the GTP would likely break even.

Mr. Mayo, Marketing Committee Chairman, reported on the group's June 9 meeting and stated that the GTP continues to work with local, regional and state groups, industry, and trade shows for potential economic development projects. The GTP recently traveled out of state for a potential project in which the Economic Development Partnership of NC participated. Regarding GTP activity and tenants, Mr. Mayo reported the following: (1) Crate Tech, a GTP-7 tenant and supplier for Spirit, has signed a temporary lease expansion and is currently in discussion for a long term lease for that space; (2) Emergency Management, a tenant in the Administrative Building adjacent to this one, has received approval from the Council of State to lease the entire building for a ten-year period and lease negotiations are underway; (3) FEMA has completed a study and analysis about using the GTP as a regional/national response center; (4) GTP has been conducting tours for area schools involved in the STEM program from as far away as Warrenton, NC and is also working with NC State and East Carolina University to promote careers in manufacturing, aerospace products, forestry service, aviation and pilot training, airport management, and air traffic control. Mr. Mayo said the group also discussed the recent economic analysis/impact of the GTP that Mr. Barkes reported on earlier and received a presentation from Amanda Conner of Lenoir County about the Manufacturing Day to be held October 7.

Secretary Skvarla commented that Commerce is reaching out to eighth grade through high school students so they can see the possibility of what a career pathway might be with apprenticeships and programs through the community college and university systems. The idea is to get them looking early at manufacturing as a career as a way to bolster the state's manufacturing capabilities.

Regarding Manufacturing Day, Ms. Conner reported that this would be Lenoir County's third year working with the event. This is a national event, and through the Lenoir County Economic Department partnering with other organizations it has grown. This year it will be a regional effort with the Global TransPark terminal as the site and 800 students expected to participate in hands on activities and demonstrations. Participants, including industries that are represented, will be surveyed for comments about how to make the event more relevant to not just students but the general public as well.

Mr. Smith expressed concern about the appearance and condition of the terminal. Mr. Barkes said maintenance cost for the terminal had been increased in the budget and that the GTP is also working in partnership with the Lenoir County and the City of Kinston to get some of the necessary work done locally. He said the issues have been discussed and possibilities are being explored. The Chairman asked Mr. Rouse to explore the possibility of roadside environmental being of assistance and also asked Mr. Barkes to get a group together that can advise and come up with a plan to move this forward in order to present a positive image. Chairman Tennyson asked the Land Use Planning Committee to take the lead on this matter.

A motion to support Manufacturing Day and allow use of the GTP terminal for the event on October 7, 2016, was made by Mr. Mayo, seconded by Mr. McNairy, and unanimously approved.

Mr. Barkes was asked by the Chairman to present the proposed FY 2017 budget. Mr. Barkes said income and expenditures for FY 2016 were on track with what was budgeted, and with no questions from the Board moved on to the 2017 budget. Mr. Barkes said 2017 projections are basically the same as last year, with the biggest difference being the amount projected for repairs and maintenance in the upcoming year. This is a result of the GTP is trying to be proactive to be more efficient and cost effective. Another significant increase is the \$2.3 million federal grant to upgrade the airport's electrical system. A 10% match (\$200,000) is required from the state and is expected to come from NCDOT. When received the budget should be balanced. Mr. Barkes also said the GTP is building a database of facilities and equipment to better manage its resources.

A motion to accept the FY 2017 budget as presented was made by Mr. McNairy, seconded by Ms. McQueary, and unanimously approved.

With no other business to come before the Board, Chairman Tennyson said the next meeting is scheduled for November 8. He then accepted a motion to adjourn the meeting from Mr. Hosford that was seconded by Mr. McNairy and unanimously approved.

Respectfully submitted this eighth day of November, 2016.

Donna C. Staglyford
Secretary/Assistant Secretary