

July 6, 2009, MB#51

JOINT SPECIAL MEETING WITH MAIDEN TOWN COUNCIL
Monday, July 6, 2009

The Catawba County Board of Commissioners and Maiden Town Council held a Joint Special Meeting on Monday, July 6, 2009 at the Maiden Recreation Center at 5:30 p.m. The purpose of the special joint meeting was to announce an economic development opportunity.

Present were Chair Katherine W. Barnes, Vice-Chair Lynn Lail and Commissioners Dan Hunsucker, Glenn E. Barger and Commissioner Barbara G. Beatty. Also present were County Manager J. Thomas Lundy, Assistant County Manager Lee Worsley, Assistant County Manager Dewey Harris, County Attorney Debra Bechtel, Catawba County Economic Development Corporation President Scott Millar, and County Clerk Barbara Morris.

Present from Maiden Town Council were Mayor Robert Smyre, Mayor Pro-Tem Marcus Midgett and Councilmen David Boldon, Max Bumgarner, Jr., Howard Ervin and Michael Moore. Also present were Town Manager Todd Herms, Town Attorney Kent Crowe and Town Clerk Wendy Vanover.

Economic Development Corporation President Scott Millar came forward and welcomed all present.

At 5:30 p.m., Chair Katherine W. Barnes for the Board and Mayor Robert Smyre for the Council called the meeting to order and welcomed all present. Chair Barnes then turned the meeting over to Mr. Millar.

Mr. Millar presented a project which had been identified by the EDC as Project Dolphin. Mr. Millar then identified the subject Company as Apple and stated the company was seeking a location for a data center with sufficient land for potential future data center operations and other potential divisions/operations, and was in final consideration of the entire 183 acre site (known as the proposed WestStar Mission Critical Business Park/Multi-jurisdictional Park property) and an additional 75 acre site on the east side of Startown Road (known as the Westover Property). Apple would commit to \$1.0 Billion or more investment over 10 years and there was a substantial opportunity for additional investment in future years beyond this commitment. Direct company jobs (company-badged positions) would total 50; 250 additional indirect permanent jobs will be created as a result (security, IT, mechanical, etc.). In addition, the State of NC has performed an analysis showing 3000 or more jobs being created in the project vicinity as a result of construction and completion of the project. Construction is expected as soon as August 2009, with completion anticipated in late 2010. There are competitor sites in Virginia and NC Tier 1 NC Counties, with incentive packages of 30 years having been received by the company.

The primary issues to affect Apple's decision to locate to the above-referenced location were local incentives and terms of the agreement (amount and length); water, water redundancy (Blackburn Waterline Loop), sewer, fire station, and annexation/zoning/text amendment changes by Maiden.

The potential benefits to both the County and the Town of Maiden include:

- Direct jobs, indirect jobs, multiplier effect of jobs, construction jobs
- Unparalleled Investment means significant property taxes even post-incentives; with a 10-year projected buildout of \$1B, and after factoring depreciation, proposed incentive, and gross income revenue to Town for electricity sales, income projected as follows:
 - County income (new taxes): \$ 4,184,369
 - Town income (new taxes): \$ 3,128,500
 - Town income (gross receipts):\$ 2,000,000
 - County/Hickory-water revenues; Maiden-sewer revenues
- Local Suppliers statement is included in Town and County Agreements
- Company to work with Town and County to identify events that will benefit from Apple's sponsorship & unique resources
- High School Diploma required for those under 25
- Targeting LEED certification, meaning more local impacts
- Apple's only East Coast operations facility, potential future investment and other operations
- Creates "NC Technology Corridor" marketable to other Data Centers (example: Quincy, Washington)

The proposed local incentives included:

A 10 year contractual agreement between the Town of Maiden/Apple and between Catawba County /Apple that would grant an amount equal to 50% of the real property taxes and 85% of the personal property taxes to the company in exchange for their commitment to spend \$1.0B or more within 10 years, create and maintain 50 Company-badged (Direct) jobs within 24 months and other terms as discussed within the agreement. The agreement may be extended for up to (2) 10-year terms with additional commitments of \$500M per 10-year term. There is a recapture provision (clawback) that provides a minimum payback to Town and County in the event of failure relative to the amount of shortfall to the required investment for that term.

The calculation of payback for the initial term is 50% of the difference between \$900,000,000 and the actual investment in 5-year equipment x tax rate x 15% grant amount x 90% (or current depreciation amount) plus 50% of the difference between \$900,000,000 and the actual investment in 10-year equipment x tax rate x 15% grant amount x 70% (or current depreciation amount) plus the difference between \$100,000,000 and the actual investment in real property x tax rate x .5, with a worst case scenario if they proceed in good faith but fail to accomplish any investment of \$1.5mm payable to County and Town following Year 10.

Using the 10-year model of expected investments, the County and Town's percentage of Incentive grants to the company compared to the income received from the project is 69% which is very competitive with similar projects that have been granted incentives in Catawba County and in North Carolina. Other Data Center projects have been awarded 30-year incentive grants that give 100% of Personal Property Income and 80% of Real Property income as incentives, have no future investment requirements for investment in order to maintain the incentive, and have much less stringent clawback provisions (versus 85% personal and 50% real in this agreement).

Other provisions of the proposed agreement included:

Water Line/Water Line Loop: required by the company to serve pressure and redundancy requirements, this would be provided in conjunction with the City of Hickory and funded in part by recent Stimulus grant award. County and City of Hickory to share water receipts.

Sewer Line: Town of Maiden to provide wastewater service for Project. Town will charge normal sewer rates and will provide any off-site extensions to accept the sewer as necessary.

Fire Station: the Company has requested municipal fire service within 2.0 miles of the site within 24 months of occupancy, requiring construction of a Maiden Station at Town of Maiden expense.

Annexation, Zoning, Municipal Services: Maiden will deliver any off-site infrastructure and all on-site services such as police, fire, waste, and other services, will charge normal City sewer rates.

Town of Maiden will receive Gross Receipts income off of the sale of utilities. For the sale of electricity, using an example usage of 20 megawatts and the estimate of \$10,000/year/mW usage, Maiden would receive around \$200,000/year income as a result of the project. This will vary according to electricity usage, and, should the company increase their amount of electricity purchased, the amount would go up commensurately.

Mr. Millar then asked if any member of either Board/Council had questions or required clarification. Chair Barnes asked Board members and no questions or clarification was required. Mayor Smyre stated that everything for its council had been asked and answered.

Chair Barnes then commended Mr. Millar and the County, City and Apple attorneys for their daily calls to clarify the many pieces of this transaction and she was very comfortable with the due diligence exercised by these individuals. She went on say she was very proud of all their efforts.

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Chair Barnes then asked for a motion to adopt the following resolution which was read in its entirety by Vice-Chair Lail:

RESOLUTION NO. 2009-

RESOLUTION AUTHORIZING ECONOMIC INCENTIVES FOR
APPLE INC.

WHEREAS, Apple Inc. requested incentives to cause investments equal to or exceeding One Billion Dollars (\$1,000,000,000) to purchase real property within the County and to construct buildings and other improvements to serve as a data center and to provide space for other functions. Apple Inc. may request incentives for investments equal to or exceeding an additional One Billion Dollars (\$1,000,000,000) for further investments. The construction acquisition and/or installation of the improvements will result in the creation of a minimum of fifty (50) direct jobs requiring a minimum high school diploma for anyone under age 25, within two (2) years after Apple commences operations, and in addition approximately two hundred and fifty (250) indirect jobs. The wages of the direct jobs shall be in accordance with North Carolina General Statute 105-129.83(c).

NOW, THEREFORE, BE IT RESOLVED by the Board of Commissioners of Catawba County, North Carolina as follows:

1. Apple Inc. shall make substantial improvements to the property (further described in Schedule 1 of the July 6, 2009 Economic Development Agreement) prior to the end of the 10 (ten) year, Initial Term and the total cumulative expenditures will meet or exceed One Billion Dollars (\$1,000,000,000) from January 1, 2009 to the end of the 10 (ten) year Initial Term.
2. Apple Inc. has the discretion to extend the Initial Term by two additional terms of 10 years each under the terms and conditions of the July 6, 2009 Economic Development Agreement provided Apple Inc. spends an additional Five Hundred Million Dollars (\$500,000,000) of capital expenditures and operating expenses during each additional term (with potential carry-over rights).
3. Based on these investments and the creation of a minimum fifty (50) full time jobs in Catawba County, the wages of which shall be in accordance with North Carolina General Statute 105-129.83(c), plus in addition approximately two hundred and fifty (250) indirect jobs, the Board of Commissioners approves economic incentive grants not to exceed 50% of the additional ad valorem taxes paid to the County during the Initial Term (and the renewal term(s), if any) attributable to investments in real property (the Land and Improvements) and annual payments equal to 85% of the additional ad valorem taxes paid to the County during the Initial Term (and the renewal term(s), if any) attributable to investments in personal property (the Equipment, including the initial acquisition, repair, replacement and renovation thereof). Said grants shall be paid only upon taxes being paid and certifications of requirements fulfilled.

This the 6th day of July, 2009.

Vice-Chair Lail made the motion to adopt this resolution and the motion carried unanimously.

Mayor Smyre then read in the following resolution in its entirety:

RESOLUTION NO. 2009-

RESOLUTION AUTHORIZING ECONOMIC INCENTIVES FOR
APPLE INC.

WHEREAS, Apple Inc. requested incentives to cause investments equal to or exceeding One Billion Dollars (\$1,000,000,000) to purchase real property within the County and the Town of Maiden to construct buildings and other improvements to serve as a data center and to provide space for other functions. Apple Inc. may request incentives for investments equal to or exceeding an additional One Billion Dollars (\$1,000,000,000) for further investments. The construction acquisition and/or installation of the improvements will result in the creation of a minimum of fifty (50) direct jobs requiring a minimum high school diploma for anyone under age 25, within two (2) years after Apple commences operations, and in addition approximately two hundred and fifty (250) indirect jobs. The wages of the direct jobs shall be in accordance with North Carolina General Statute 105-129.83(c).

NOW, THEREFORE, BE IT RESOLVED by the Maiden Town Council, North Carolina as follows:

1. Apple Inc. shall make substantial improvements to the property (further described in Schedule 1 of the July 6, 2009 Economic Development Agreement) prior to the end of the 10 (ten) year, Initial Term and the total cumulative expenditures will meet or exceed One Billion Dollars (\$1,000,000,000) from January 1, 2009 to the end of the 10 (ten) year Initial Term.
2. Apple Inc. has the discretion to extend the Initial Term by two additional terms of 10 years each under the terms and conditions of the July 6, 2009 Economic Development Agreement provided Apple Inc. spends an additional Five Hundred Million Dollars (\$500,000,000) of capital expenditures and operating expenses during each additional term (with potential carry-over rights).
3. Based on these investments and the creation of a minimum fifty (50) full time jobs in the Town of Maiden, the wages of which shall be in accordance with North Carolina General Statute 105-129.83(c), plus in addition approximately two hundred and fifty (250) indirect jobs, the Maiden Town Council approves economic incentive grants not to exceed 50% of the additional ad valorem taxes paid to the Town during the Initial Term (and the renewal term(s), if any) attributable to investments in real property (the Land and Improvements) and annual payments equal to 85% of the additional ad valorem taxes paid to the Town during the Initial Term (and the renewal term(s), if any) attributable to investments in personal property (the Equipment, including the initial acquisition, repair, replacement and renovation thereof). Said grants shall be paid only upon taxes being paid and certifications of requirements fulfilled.

This the 6th day of July, 2009.

Mayor Pro-Tem Marcus Midgett made a motion to adopt this resolution. The motion was seconded by Councilmen Mike Moore and David Boldon. The motion carried unanimously.

Mr. Millar then invited Apple State and Government Affairs Officer Mike Foulkes forward to speak. Mr. Foulkes stated Apple was looking forward to this opportunity and commended everyone who had worked to make the pieces come together on this project, especially Scott Millar. He commended the legal talent of the City and County. Mr. Foulkes commented on the rich past of this region and felt it would be a great place to do business. He thanked Governor Perdue for her efforts to make this work and then asked North Carolina Secretary of Commerce J. Keith Crisco to come forward. Mr. Crisco stated this was a great opportunity in this economy and that this was an important day in North Carolina in changing the profile of its industry. He offered his thanks to the government officials who worked hard to bring this to fruition and reiterated the Governor's efforts to ensure the success of the venture.

Mr. Millar then welcomed elected officials Senator Austin Allran and Representative Ray Warren and they offered their congratulations.

Chair Barnes then welcomed Apple and asked how we beat out Virginia and was told it was the community, the people and the efforts of the State that culminated in this announcement.

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Commissioner Barbara Beatty made a motion to adjourn at 6:15 p.m. and the motion carried unanimously. Mayor Smyre thanked the citizens of Maiden for standing behind its council in good times and bad and Councilman Howard Ervin made a motion to adjourn, which was seconded by Councilman Mike Moore and carried unanimously.

Lynn M. Lail, Vice-Chair

Barbara E. Morris, County Clerk