



SPRINT AEROSYSTEMS

MARCO POLO COMES HOME

*If Spirit was willing, the flesh couldn't be weak: How the
Global TransPark lured a major aerospace manufacturer.*

By Edward Martin



Spirit AeroSystems, once part of Boeing, builds fuselages for the aerospace giant's 737s in Wichita.

Lightning flickers in the Saturday evening sky as Jim Fain's flight lifts off late from Raleigh-Durham International Airport. Missing his connection in New York, North Carolina's top industry hunter dozes through the night slumped in a chair at John F. Kennedy International Airport. By the time his Air France flight thunders off the runway Sunday morning, it's midday in Paris, and the City of Light is aglow when he walks through the gate at Charles de Gaulle International Airport seven hours later. His luggage missing, he checks into a hotel, exasperated and exhausted. Up with the dawn, he pulls on his wrinkled khaki pants and a Lacoste knit shirt bought in the lobby shop. Smoothing his stale blue blazer, he thinks, "This thing could stand up by itself."

Monday-morning traffic is building along Rue de Courcelles, the road into Le Bourget

Airport, where Lindbergh landed in 1927. It's opening day of the Paris Air Show, the aviation world's annual extravaganza, and crowds, mostly men in suits, scurry between pavilions. Flags and banners flutter over a bazaar of more than 2,000 exhibitors hawking everything from nuts and bolts to \$350 million jetliners. Mingled among them somewhere are 36 industry recruiters and aerospace executives from Florida. Fain's rivals know why he's here. It's why they're here, too.

He finds the figure he's pursued relentlessly for six months. With a high forehead, bushy mustache and toothy smile, the executive is busy but cordial. Back in Kansas, he runs a company that's the world's largest manufacturer of airliner fuselages and parts. When Fain meets the man who's the face of the elusive Marco Polo, it doesn't matter that North Carolina's secretary of commerce is wearing no socks. He would have walked barefoot through snow to get here.

Nearly a year later, Michael Easley stands before about 400 executives, politicians and others in a hangar at the North Carolina Global TransPark in Kinston. Wichita-based Spirit AeroSystems Holdings Inc., the governor announces, will locate a complex worth nearly \$600 million here. When it opens in 2010, it will provide 1,031 — and eventually maybe 5,000 — jobs that will pay more than \$48,000 a year, double the average local wage. The 18-month project — code-named Marco Polo — to find a site could transform a poor, rural slice of Eastern North Carolina into an aerospace manufacturing hub.

As Easley speaks May 14, few know how close they had cut it. Six hours earlier in Toulouse, France, Spirit CEO Jeff Turner — the man Fain wooed at the air show — had signed a \$2.75 billion contract with Airbus S.A.S. to manufacture the center section of the new A350 airliner. It will be built here, in the 400,000-square-foot factory Easley is trumpeting. Fifteen minutes before the governor's announcement, Fain was on his cell phone presiding over a meeting to approve \$20 million in job-creation grants for Spirit. Just 10 minutes earlier, huddled next door at the TransPark fire-and-rescue station, negotiators and lawyers for the Commerce Department, Spirit, the TransPark and other entities were wrangling over the wording of what some contend is the most important economic-development deal in Tar Heel history.

Now, winnowed from 10,000 pages of documents and dozens of interviews with key players and other sources, emerges the picture of the marathon, multimillion-dollar intrigue behind the announcement that pitted North Carolina against at least five other states — Florida, Texas, Georgia, Alabama and Kansas — and some of the world's most development-hungry countries: India, Malaysia, Morocco, Spain and Brazil were in the early running. Tar Heel economic developers, local officials, educators, business owners and others had been tapped for cooperation and commitments of millions of dollars without being told what they were supporting.

Executive Director Darlene Waddell was one of only two TransPark staff members privy

to Marco Polo's identity, and she wasn't brought into the inner circle until six months after the courtship began. Information was dispensed on a militarylike need-to-know basis. "We all knew we didn't need to be messing with stuff we weren't directly involved in," says Gene Conti, vice chairman of the Global TransPark Authority, which the governor chairs. Adds the site consultant who represented Spirit: "The fact that it didn't leak was one of the greatest coups of the century."

Much of the action revolved around this man, Mike Mullis, and his Memphis, Tenn.-based J.M. Mullis Inc. For a year and a half, he dictated terms, dominated negotiations and demanded millions in tax concessions for his client while threatening that Spirit would bolt if the public found out what was going on. Paid a flat fee by the company — he won't say how much — the publicity-shy consultant has been a behind-the-scenes player and confidant of Tar Heel politicians and economic developers since the 1980s, with the state winning and losing projects. Last year, he represented Toyota, which chose Mississippi over North Carolina for a \$1.3 billion plant. But he steered a French maker of helicopter engines to Union County. Turbomeca Manufacturing Corp. will invest \$46 million and hire 200 after being promised \$6 million in incentives. "I've worked with him on a lot of projects," says Jim Hunt, first elected in 1976 and the state's only four-term governor. "He's a square shooter. We're fortunate he has a soft spot in his heart for North Carolina."

But he has made enemies as well. In 1994, Mullis pleaded guilty in Tennessee to federal charges of submitting false expense reports to a client. Fined \$10,000, he served four months under house arrest and two years' probation. In 2000, he called Kansas City, Mo., "a pimple" after it refused to give more than \$1 million in tax write-offs for a TD Ameritrade Holding Corp. data center. "He's like a traveling snake-oil salesman, going from town to town," says lawyer Paul Danaher. The former city councilman says Mullis insists on secrecy to force competitors to bid up incentives. "A month after we told Ameritrade no, they came on their own — same site, same terms."

The financial package Mullis negotiated for Spirit calls for state, local and other sources to provide nearly \$200 million in incentives. On the May morning in Kinston, Easley described it as a bargain. As blue balloons fluttered overhead, his cheering audience agreed.

The deal was conceived in disappointment. On Dec. 17, 2003, George W. Bush stood before the granite obelisk commemorating the Wright brothers' first flight at Kitty Hawk 100 years earlier. "By our skill and daring," the president told rain-soaked spectators, "we will continue to lead the world in flight." Easley, waiting in the wings, had cause to wonder if that held true for the state where it all began. He had just gotten a call on his cell phone. It was bad news. For a year, he, Fain, Conti and others had courted The Boeing Co., as the Chicago-based aerospace giant searched for a site for a 1,200-worker, \$900 million plant to build its futuristic 7E7 — renamed the 787 — Dreamliner. But the \$534 million bid to bring it to the TransPark couldn't match Washington state's \$3.2 billion bundle to build it in Everett, near Seattle, Boeing's former headquarters.

The rain pelting the celebration also drenched fallow cotton, corn and soybean fields around Kinston, 170 miles southwest. The governor knew the snickers were about to begin again, and for him — as it was for Jim Martin and Hunt, who had preceded him in office — it was personal. Since 1992, the state, federal agencies, surrounding counties and other government entities had pumped \$140 million into Kinston's 2,400-acre TransPark and its 11,500-foot runway — the state's longest — but it had drawn fewer than a dozen small businesses and not even 200 jobs. Its only major attraction, it seemed, had been for bad publicity, including one of *NBC Nightly News*' "Fleecing of America" segments. Seven times, Mullis had tried to steer aerospace projects there. "Each time for one reason or another," he says, "they didn't work out."

The Boeing executive who had called Easley sought to soften the blow. All the work — labor-force studies, training proposals from community colleges and the gathering of business-climate testimonials from local employers — had not been for naught. "Your site will work for a major aerospace center," he told the governor. Then silence. For three years, pressure mounted on legislators to scuttle the TransPark. It was particularly



Global TransPark Authority Vice Chairman Gene Conti was eager to bring in a major tenant.

painful when South Carolina, leveraging its own Boeing contacts, lured a joint venture of Dallas-based Vought Aircraft Industries and an Italian company, Alenia North America, to build a \$560 million, 645-job complex in North Charleston to make Dreamliner fuselages.

Another struggle was playing out halfway across the continent and in southern France. In 2003, Airbus surpassed Boeing sales for the first time since its formation in the 1970s. Both companies were stripping down to slug it out. The European giant was pushing out its supply chain, asking vendors to share risk and racking up orders for its hot A350, which it hoped would become the Dreamkiller. In 2005, Boeing Commercial Airplanes sold its Wichita operations to Toronto-based private-equity investor Onex Corp., which renamed it Spirit AeroSystems.

Another year passed. Then, on Dec. 6, 2006, the N.C. Department of Commerce received a terse message couched in code words from J.M. Mullis Inc. It was evaluating North Carolina for a “hypothetical major aerospace-related operation.” The consultant’s planning director soon coined a new name for what originally was called Project Black

Hawk. “He was looking for something that sounded like an exploration,” Mullis says. Project Marco Polo was born.

In the third-floor suite of PBS&J, overlooking the shady old Millbrook neighborhood in north Raleigh, is an unwritten rule: When Gene Conti, vice president and regional director of the Tampa, Fla.-based engineering firm, says he’ll be out a while, don’t press him. Conti, an assistant secretary of transportation in the Clinton administration, has been vice chairman of the TransPark Authority since 2002, devoting hundreds of hours to secret recruiting. On Feb. 16, 2007, he announced that he would be out a while.

As he, Fain and Commerce aerospace specialist Rod Forsythe shepherded Mullis around Kinston that day, two things became apparent. “The TransPark was potentially a good solution,” Fain says. “But we knew this would be a long process.” While the consultant outlined Spirit’s demands, Fain and Forsythe calculated. Aside from the usual — tax breaks, training from state universities and community colleges, road improvements, \$5 million from One North Carolina Fund, the governor’s deal-sweetening kitty — more would be needed. The TransPark, they suggested, would build Spirit’s plant. All they had to do was come up with \$100 million.

Twelve days later in Winston-Salem, Fain pulled off North Cherry Street into the parking lot of the Marriott Hotel. The luncheon meeting was running late — it was 3:15 — but he found 13 of Golden LEAF’s 15 board members, the foundation’s president and its attorney waiting in high-back chairs around a conference table in a private meeting room. They hold the purse strings to more than \$700 million that the state has received from the 1998 national tobacco settlement. The money was earmarked to pump up economies once dependent upon tobacco farming, and none were more deflated than the 13 counties around Kinston, the heart of tobacco country in the nation’s largest tobacco-growing state.



SPIRIT AEROSYSTEMS

Fain began talking. "I knew it was going to be big," says Valeria Lee, then Golden LEAF's president. "The secretary of commerce wouldn't have asked to meet with us on a routine matter." As Fain described the deal, board member Kel Landis entered a stock symbol into his palm computer: SPR — capitalization in excess of \$2 billion, the world's largest manufacturer of airplane fuselages and other components. (Spirit had gone public in late 2006.) Board members sat up straighter. The board didn't vote then, but as he drove to Charlotte for another meeting, Fain savored his sales pitch. He knew Project Marco Polo would get its \$100 million. "Golden LEAF was pivotal. We couldn't do it without them."

As spring approached, North Carolina's prospects brightened. Mullis wanted labor-market studies. His wife, Sheri, a vice president of J.M. Mullis Inc., coordinated them. (Sources say the firm has 15 to 20 employees, including some in four overseas offices.) Soon, executives of companies such as NACCO Materials Handling Group, a 1,200-employee manufacturer of lift trucks in Greenville, got knocks on their doors. Mullis and his team demanded interviews absent state officials. They — and Spirit — liked what they heard: labor availability, good; business climate, good. Interviewers, sources say, dwelled on one question — union activity. One economic developer volunteered about his county: "The last union election at a manufacturing facility was in 1979."

But the region also had a litany of hard-luck stories. Job losses? Abundant. Prominent were 326 at West Pharmaceutical Services, a plant visible through the pines from the TransPark before a devastating explosion in January 2003 leveled it, killing six. But it had rebuilt. Many of the recent layoffs were in textiles. The fuselages Spirit would build would be of composites, layers of textilelike carbon fiber. "In site selection, a company like Toyota doesn't look for a location to build automobiles," Mullis says. "It looks for people with the aptitude to build automobiles." Another plus: 90 miles away in Raleigh, N.C. State University had quietly pledged the training and research-and-development



STEVE EXUM

N.C. Commerce Secretary Jim Fain says Golden LEAF's participation was pivotal.

services of its textiles and mechanical- and aerospace-engineering departments, among the nation's best.

But no one must know. As Spirit's interest in North Carolina grew in early 2007, Mullis' tone became more strident. He scolded Forsythe for his "last-minute scrambling" before a meeting with Spirit site planners and ramped up threats to abandon North Carolina if word of Project Marco Polo became public. Fain and Forsythe fretted that even members of their own team might deduce Spirit's identity. "Jim and I agree it would be in our best interest that the five participating local developers not receive the entire itinerary that indicates all of the counties involved," Forsythe e-mailed Sheri Mullis. "It would help to keep the locals from connecting the dots."

And the dots were becoming as clear as the sky over Raleigh-Durham International the morning of May 10, 2007. At 7:30, Fain, Conti, their legal staffs and officials from N.C. State, the N.C. Community College System and Golden LEAF crowded into a state-owned Cessna Citation corporate jet. Waiting on the tarmac when it landed at Wichita's Mid-Continent Airport was a Spirit van. As the eight visitors settled into conference-room seats, Don Blake, one of Spirit's two Marco Polo project managers, led off with a presentation on the company's history and global strategy. The company, he pointed out, had its roots in Boeing but was looking to capture a larger share of the world aviation market. There were awkward pauses. How much

could Spirit tell a room of strangers — even strangers sworn to secrecy?

In an interview, Mullis later would elaborate. “When we first started the project, it was to be an expansion of Boeing’s 787 program — Wichita wasn’t going to be able to handle the volume.” But Spirit, the spawn of Boeing, secretly was negotiating with Airbus, Boeing’s archrival. “First of all, Airbus had to get over the issue that Spirit AeroSystems was formerly Boeing.” Any mention of Spirit’s expansion plans would telegraph to competitors potentially devastating proprietary information, such as anticipated production volume.

After lunch, eight men in dark suits and safety goggles walked through Spirit’s cavernous assembly plant. There, coated in pea-green primer, sat conical sections of Boeing’s streamlined 787. Workers were friendly, nonchalant. They’d had — or were soon to have — other anonymous businessmen in suits and goggles passing through. Enterprise Florida, that state’s aggressive industry-hunting organization — was offering \$249 million in incentives. By the time the Citation touched down on its return trip, night had fallen over RDU. Fain was reflective. He and members of the group had been awed by the size of Spirit’s operation, and by the workers. “We came away thinking, ‘They’re a lot like us — polite, friendly. They’d feel at home in North Carolina.’”

Another summer’s weeds and brambles climbed over the tilting tombstones near the end of the TransPark’s long runway. About 1760, George Mewborne — sometimes spelled with an “e” on the end, sometimes not — came here and began siring what would become the region’s social backbone. A family named Sutton later was brought to work the plantations. Now together, black and white, their earthly remains presented a problem.

Without fanfare in September 2007, Spirit told Easley and Fain that the company tentatively had decided to come to North Carolina.

The burial grounds on TransPark land were in the way of the 304-acre complex. Legal notices had to be published. Macon Wooten, of Mewborne blood, noticed one. “My daddy rented farmland from the Suttons when I was a young’un. I grew up with Reginald Sutton, and I asked him about it. He said they were going to move the cemeteries. Something was up.” Strangers in suits had been pawing through property records at the Lenoir County Courthouse. Rumors spread. Something struck Martha Mewborne Marble, the family genealogist, as odd. “The affluent neighborhood in Kinston is around the golf course, and every other house had had a for-sale sign on it. Suddenly, the for-sale signs were gone. Others took their houses off the market, thinking they’d get more if they waited.”

But for those supposedly in the know, uneasiness kept bubbling up through the fall and winter. “At first, Spirit was expecting to work on the Boeing Dreamliner here,” Conti says. “That was the middle of 2007, and they expected to have it certified and operational by mid-2008. As the 787 kept getting pushed back and back, it was disconcerting.” Spirit abruptly canceled or rescheduled meetings. “This morning at 1 a.m., Airbus summoned Spirit senior officials ... to a meeting in France,” one confidential memo from Mullis to Forsythe and Fain apologized.

Then, on Nov. 27, 2007, nearly a year after Fain first learned of the Marco Polo project, its A Team, led by Senior Vice President and General Manager John Lewelling, arrived to meet with Easley, Fain and others. Now only the legalities remained. And rumor control. Conti picked up his telephone one day in his Raleigh office. It was Hunt, the former governor. “I hear Airbus is coming, Gene. Now, I know you might not be able to tell me much ...” Conti told him nothing. The countdown began. In late December, an auditor warned that the TransPark Authority didn’t have \$32 million it owed the state and risked bankruptcy. Frustrations mounted. Even as North Carolina hammered out its deal — \$74 million in state incentives, \$16 million from local governments, \$100 million from Golden LEAF — Spirit, too, was twisting in



MICHAEL BRANTLEY

Woods and fields make way for Spirit's complex, scheduled to begin operations in 2010.

the wind as Airbus dangled its contract. As another of Mullis' memos noted: "The A350 program is critical for a large portion of the initial program for Marco Polo."

Then it was the lawyers' turn. In early March 2008, attorneys for the Global TransPark, Golden LEAF, Commerce and Spirit AeroSystems filed into the conference room of the Commerce Department in downtown Raleigh and unloaded their briefcases. The foundation demanded assurances that its \$100 million would be used for certifiable economic development; Spirit wanted to nail down its promised \$1-a-year lease on the plant; Commerce wanted guarantees Spirit would create the 1,031 jobs to justify its incentives. Conti knew the price tag — nearly \$200,000 per job — would be incendiary when the public found out. "In the end it's a judgment call, a political call. You calculate what the investment will do for the economy. A million dollars per job is probably too high. But at \$10,000 per job, you're not going to attract many companies."

All the while, Mullis pushed North Carolina closer to the brink. "I pretty much know all the statutory and discretionary programs states have available, where I can get them to and what that line of demarcation is," he says. "We know it for every state, every county. We will never take a state past that line

— but we will get exceptionally close to it." As Conti concedes: "He's a tough deal maker who's going to get everything he possibly can for his clients."

Then it was done. Or nearly so. Easley secretly scheduled the announcement for May 1 and again for May 8. Legal snags developed each time. Then on May 13, not far from the Sutton and Mewborne cemeteries, farmer Alonza Gray got a telephone call. For 17 years, he had rented nearly 500 acres from the TransPark to grow corn and soybeans. Now it was canceling his lease. Later that afternoon in Raleigh, Fain, Lewelling and Mullis pulled up chairs in the secretary's boardroom. They went over some unresolved issues, then Fain spoke. "You know, it's time we need to conclude whether we are close enough to move ahead." Lewelling nodded. This time it was on for sure. "The fat," Fain thought, "is in the fire now."

Lawyers moved into the boardroom behind them, working through the night. That morning, Easley made the announcement, which made headlines. But how pervasive — how effective — the 18-month veil of secrecy had been would become clear only later. N.C. State University Chancellor James L. Oblinger, who early on had been asked to commit his campus to the project, ran into Conti several months later. "He asked me, 'Whatever happened to those Marco Polo folks?'" ■