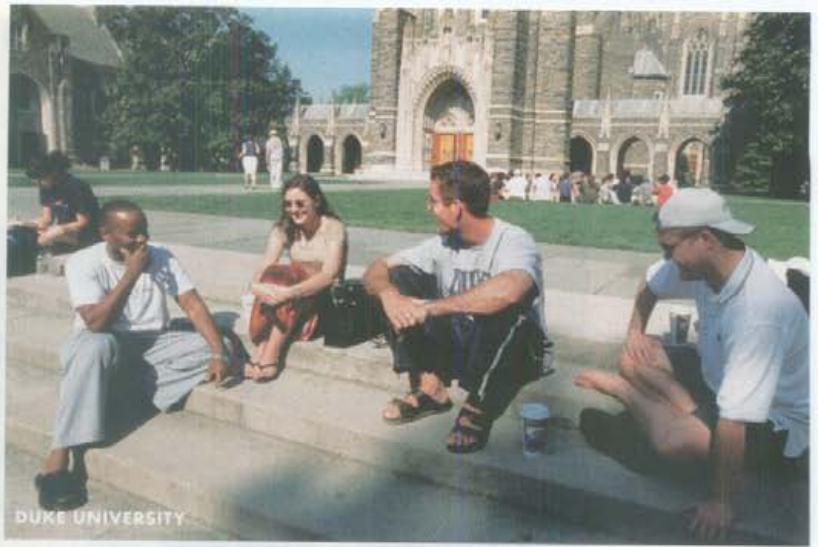




BUSINESS OUTLOOK

DURHAM,

Durham in North Carolina is a small community with an agricultural and blue collar legacy that has done as much as any economic region in the country to transform its past into a modern economic powerhouse. In Duke University it boasts one of the world's premier institutions of higher education; the associated Duke University Health System holds an equal distinction among the world's health care providers. For the 19th year in a row, Duke University Hospital has been named as one of the top 10 U.S. hospitals in the annual *U.S. News & World Report's* best hospital edition, coming in at eighth place.



NC

Economic Development

BY MIKE SHARSKY





Research Triangle Park, meanwhile, is the world's largest such concentration of scientific and medical research and manufacturing facilities. Together, Duke and RTP make clear why Durham is often called the city of medicine.

In that city's downtown, the past is becoming the thriving present at a dizzying pace. As the abandoned steel mills of Pennsylvania have provided an infrastructure for redevelopment, so have some 30 old tobacco warehouses and plants provided a framework upon which downtown Durham is transforming the economic engine of its past into a modern commercial economy.

And the vibrancy of downtown redevelopment has greatly refreshed the area's overall quality of life. Where once tobacco made the area an industrial zone unattractive to visitors and residents alike, today those 4 million square feet of old tobacco warehouses that have been or will be refurbished have made downtown a desirable destination.

For its size, you'd be hard pressed to find a region of economic development as vigorous as Durham.

PAGE 101: TOP LEFT COURTESY OF 120/24K DESIGNS, DPAC; AND THE DURHAM CVR. TOP RIGHT COURTESY OF DURE UNIVERSITY PHOTOGRAPHY, BOTTOM PHOTO BY AMERICAN TOBACCO COMPANY; THIS PAGE: STEVE HUIR/DURHAM CVR.

12 Top Places
To Launch Your
Own Business
- *Fortune Small Business*

#1 Percentage
of
Creative
Class
Workforce
- *Catalytic*



America's #1
Foodiest
Small-Town
- *Bon Appétit*



100
Best
Communities for
Young People
- *America's Promise -
The Alliance for Youth*

GREAT BUSINESS

#3 Best Place for
Business
& Careers
- *Forbes*



GREAT PLEASURE



#15
Best
Place to Live
in the USA
- *Bert Sperling's City's
Ranked & Rated*

Durham: creative, **colorful**, entrepreneurial

Rich history, diverse culture, stimulating arts that inspire and enrich

Turn-of-the-century warehouses reclaimed and reborn in a **vibrant Downtown**

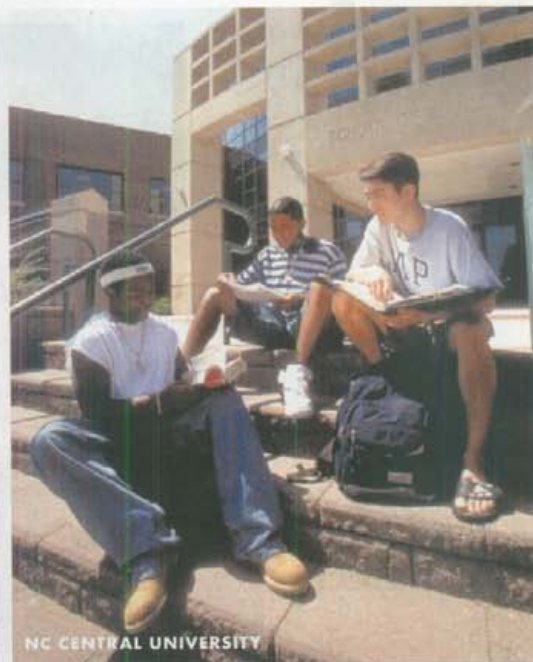
Championship spectator sports, **world-class festivals**, acclaimed restaurants and chefs

Research Triangle Park, Duke and NC Central universities, and a thriving health care industry

A great place to visit, to live, and to start a business. Durham, **Where great things happen.**

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Knowledge Is Power

The Greater Durham Chamber of Commerce contracts with Durham County to drive economic development and each year reports on its progress to the county commissioners. In April, on the day of the presentation on 2008 development, Casey Steinbacher is ebullient: The chamber was able to take direct responsibility for nearly all of the \$749 million reported in new capital investment and for about 800 of 2,000 new jobs.

"It was a banner year for us. It was the story of Durham and the region," says Steinbacher, the chamber's president and CEO. "We have an incredible collection of knowledge workers and people come here for that talent."

The \$730 million brought in by the chamber last year roughly equaled capital investment in 2004, and both years far exceeded the amounts in any other year over the past decade. RTP played a large role in 2008: IBM is opening a \$352 million data-storage facility there that will make use of the new cloud-computing paradigm. Merck & Co., Inc., added another \$300 million with its new vaccine production plant in Treyburn Corporate Park in north Durham. The two new facilities exemplify Durham's biggest economic sectors, defined by the chamber as life sciences and informatics.

With roughly 250,000 residents, Durham is part of a three-city metropolitan area that collectively forms the Triangle. And

while Duke and two other major research universities in the Triangle—the University of North Carolina at Chapel Hill and North Carolina State University in Raleigh—provide much of the knowledge power for new and expanding companies, skilled labor is also abundant. Steinbacher says flatly, "Durham Technical Community College is the reason Merck is here. This is the third Merck expansion in the short five years they've been here."

(The Triangle includes several smaller colleges and universities as well, including North Carolina Central University. It was the nation's first public liberal arts college founded for African-Americans and, along with UNC and NCSU, is part of the 17-campus UNC System, long considered one of the country's best in public higher education. NCCU has a state-of-the-art biotechnology research institute, which collaborates with pharmaceutical and biotech companies in and around RTP.)

Future prospects for the Durham area are bright, too.

"We're working 38 projects that represent just under 5,000 jobs and \$1.8 billion," Steinbacher says. "Companies are getting ready for when the economy turns around. Now more than ever, they want to know they're in an area where the human capital is there, ready and qualified. Today economic development is all about the availability of talent, and Durham has it."



GREATER Durham Chamber OF COMMERCE

DID YOU KNOW...

Nearly \$1 billion in new business investment was announced in 2008 for the Durham community. Durham has an abundance of assets and amenities which makes it a great place to live, work and play, and we aren't the only ones who think so!

- #3** Best Place for Business & Careers - *Forbes* - March 2009
- #11** Best Major Metro Area in the US for Job Creation in 2008 - *Triangle Business Journal* - February 2009
- #3** Best City to Ride Out a Recession - *BusinessWeek* - October 2008
- #11** Best Up-and-Coming Neighborhood (downtown Durham) in the US - *BusinessWeek* - September 2008
- #12** Top 100 Places to Live & Launch your own Business - *Forbes Small Business* - March 2008
- #8** Best Educated City - *Forbes' America's Best Educated Cities* - November 2008
- Foodiest** Durham (with Chapel Hill) named America's Foodiest Small Town - *Bon Appetit* - October 2008
- #1** 20 Best Places to Retire - *Black Enterprise* - October 2008

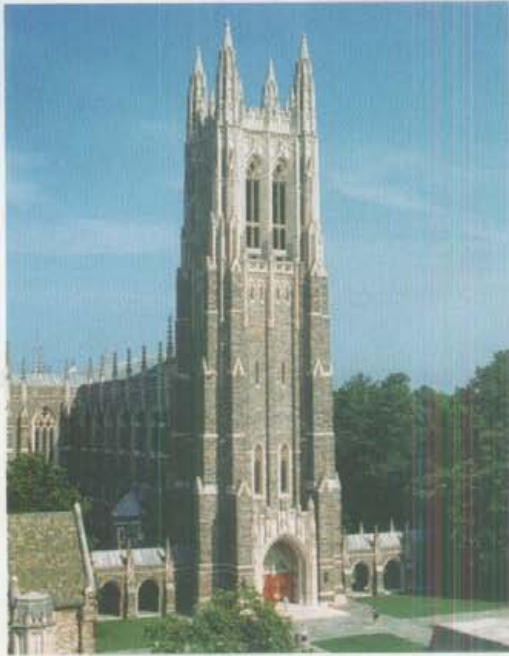
COMPANIES THAT RELOCATED OR EXPANDED IN DURHAM IN 2008

**The Art Institutes • Smith & Nephew • Merck
BD Biosciences • IBM • Cheminova**

About the Chamber:

The Greater Durham Chamber of Commerce works to create and sustain Durham's economic climate by recruiting new business to Durham and helping current businesses expand and grow. More businesses means more job opportunities for Durham residents, resulting in a prosperous, vibrant Durham. As the voice of Durham business, the Chamber represents nearly 1,000 local businesses, nonprofits and government agencies.

300 W. Morgan Street, Suite 1400 • Durham, NC • 27701 • 919.682.2133 • www.durhamchamber.org



IMPACT: Duke University

By far the greatest economic impact on Durham comes from Duke University and its affiliated Duke University Health System, which operates three hospitals in the region, including the flagship Duke University Hospital. (DUHS along with Duke University School of Medicine and Duke University School of Nursing comprise Duke Medicine.) The recently released 2006-2007 Duke University Economic Report estimates that year's total economic impact on the city and county of Durham at \$3.4 billion. And the report says the figure is likely higher because Duke uses a conservative 1:1 multiplier, meaning every dollar spent by Duke in Durham is counted as being spent only once more before leaving the Durham economy.

Duke and DUHS together employ 40,000 people, far and away the largest area employer. (IBM with 11,000 employees is the next largest private employer.) Altogether, Duke is the second biggest private employer in North Carolina.

What's more, the report notes that Duke's impact on employment goes far beyond people actually on the university's payroll. Duke estimates that the nearly \$600 million in research funding during the reporting period, more than any other university in the Southeast, created more than 21,200 off-campus jobs. The Duke Clinical Research Institute at Duke

Medicine is the largest academic research organization in the world and is only one of many prestigious research groups at Duke. The institute is best known for its cardiovascular trials, but conducts studies in more than 20 therapeutic areas. Nearly 600,000 patients have been enrolled in institute studies, at more than 3,500 sites in 64 countries.

The university includes the Duke Center for Entrepreneurship and Research Commercialization (CERC). This February it opened the DUHatch Student Business Incubator, connecting enterprising students with mentors from faculty and industry and providing office space. Unlike many academic incubators, the new student facility places a premium on entrepreneurial education, with a multidisciplinary approach that includes technology, law, business and medicine. CERC itself taps the resources of the medical school, Pratt School of Engineering and Fuqua School of Business, among others, in its programs to transform Duke's student and faculty research into viable commercial enterprises.

"It's most often known for its innovation in health science and has spun off many health science business ventures over the years," Steinbacher says of Duke's role in economic development. "Relationships are absolutely global."

CASE STUDY: Fifty Years of Vision

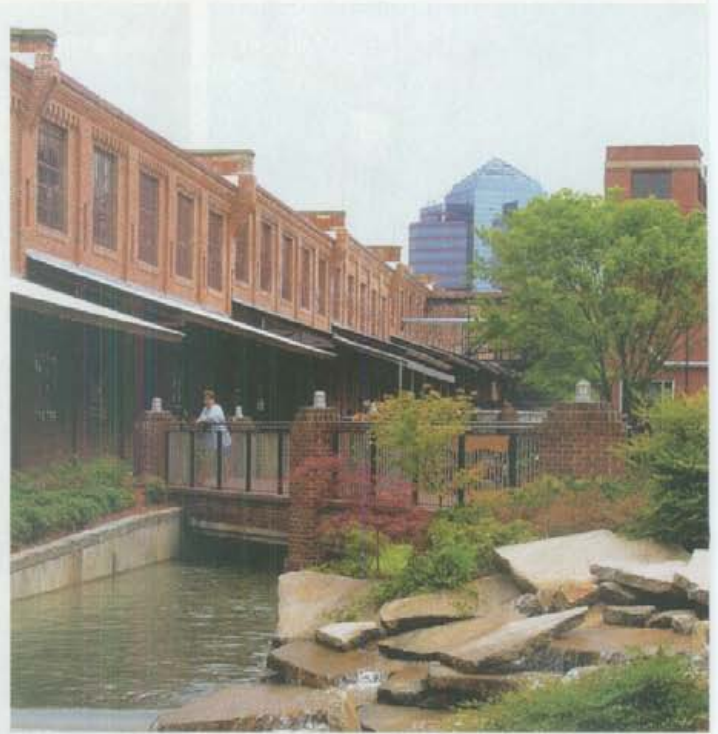
Half a century ago, Archie K. Davis saw a state of low-paying agricultural and industrial jobs. Young people fled to greener pastures. North Carolina was next to last in the U.S. in per capita income.

But Davis saw opportunity, too. Companies were looking to invest in research and development as a separate component of their businesses. They wanted a quiet setting where, one might say, the brains of the outfit could think in peace. And companies like IBM and Nortel could locate manufacturing plants near the new R&D facilities.

Davis led an effort that raised private capital, formed a non-profit foundation and bought 4,000 rural acres. This January, Research Triangle Park celebrated its 50th anniversary with 42,000 employees at 170 companies on 7,000 acres, still relatively peaceful despite the proximity of Interstate 40 and Raleigh-Durham International Airport. RTP's economic impact is enormous, some \$3 billion annually. Pharmaceuticals giant GlaxoSmithKline has its U.S. headquarters in RTP. Other notable RTP institutions are the North Carolina Biotechnology Center and The Hamner Institutes for Health Sciences.

Coinciding with its anniversary, RTP in June will host the International Association of Science Parks World Conference on Science and Technology Parks, an event never before held in the United States.

PHOTO COURTESY OF THE DURHAM CVR



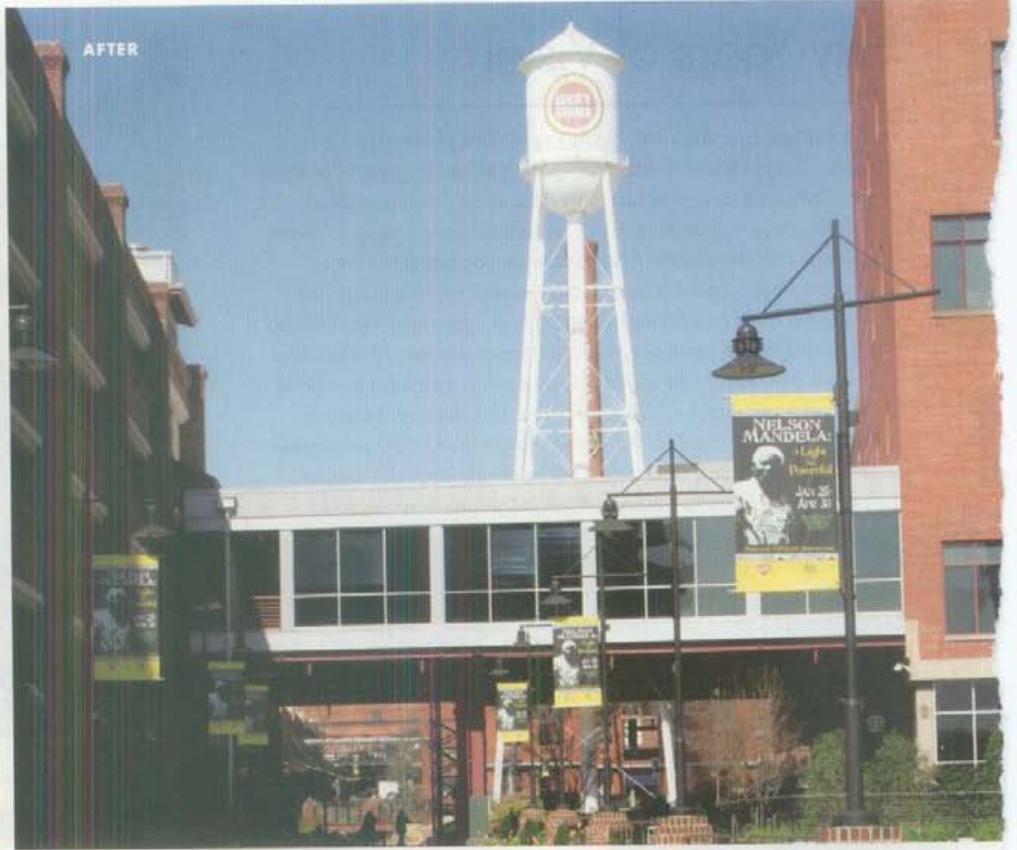
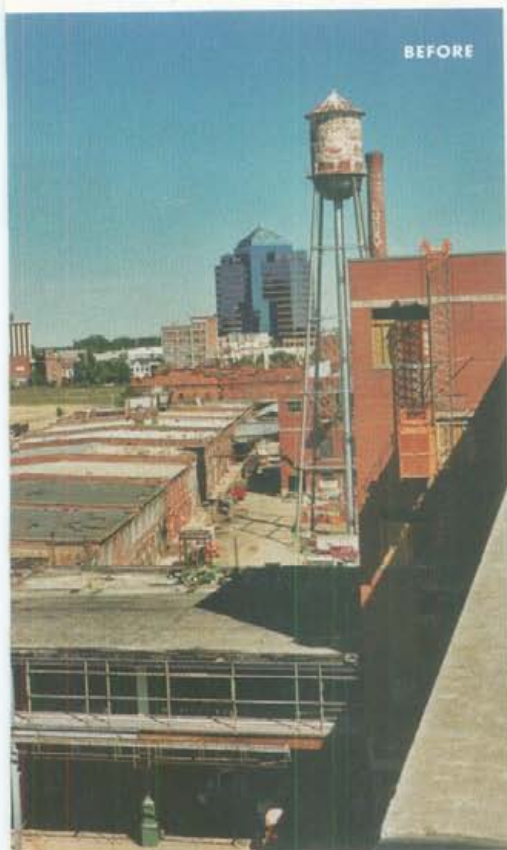
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Thriving Downtown Durham

A clear indicator of the city of Durham's economic well-being is the scope of its downtown redevelopment projects. Downtown Durham Inc. serves as catalyst and coordinator of such projects and the work it has achieved since it was formed in 1994 is startling.

"Most downtowns have had an organization like ours for 40 or 50 years," says Matthew Coppedge, DDI's director of marketing and communications. "We did a master plan in the year 2000. That plan called for a billion dollars of investment in 20 years, and we're at \$1.2 billion now, in 9 years. That's in a 12-by-14 block area of less than a square mile."

In 1993 there were 3,800 people who worked in downtown Durham. Today there are more than 13,000. In 1996, 180 people called downtown home; now, 1,600 live there, in 900 apartments and condominiums. And as part of the City Center District project, DDI projects another 2,000 downtown residential units by 2012.

All this development has meant a huge jump in the city's tax base. Before DDI began its work, Durham's base was valued at

\$124 million. After a 2007 revaluation, that private tax base had grown to nearly half a billion dollars.

(For an excellent overview of projects in DDI's six downtown redevelopment districts, visit downtowndurham.com and click on the "Downtown Development" tag at the upper right corner.)

Already, some 2 million people visit downtown Durham each year. Among many businesses, advertising agencies have a strong presence: There are currently 15. And with a history going back most famously to *Bull Durham*, filmmakers continue to love the historic ambience of downtown. *Main Street*, starring Orlando Bloom, Colin Firth, Ellen Burstyn and Andrew McCarthy, began shooting in Durham last month. It's the city's 18th film.

Taken altogether, it's a juggernaut that seemingly can't be stopped, even in today's tough economic climate. "Nobody's pulled off the table," says Coppedge of ongoing and planned projects in the six DDI districts. "Everybody's still here and everybody's still doing their projects. It's slowed down a little bit, but nothing's stopped."

PHOTOS COURTESY OF AMERICAN TOBACCO

CASE STUDY: American Tobacco District

Much of Durham's current success is rooted in its tobacco past. No place in America was more associated with tobacco than Durham—the city's famous AAA baseball team, the Durham Bulls, was named after the Bull Durham Tobacco Company. Duke itself was endowed with tobacco money, and RTP grew out of one man's vision to provide a brighter future for a low-wage state than could be offered by tobacco, textiles and cotton.

Fittingly, today one of Durham's shining economic stars is its American Tobacco District, an ongoing transformation of defunct American Tobacco's 1 million square feet in warehouse and manufacturing space. The district is now a vibrant gateway to the city and includes the Bulls, thriving businesses, restaurants, residences and a new Durham Performing Arts Center.

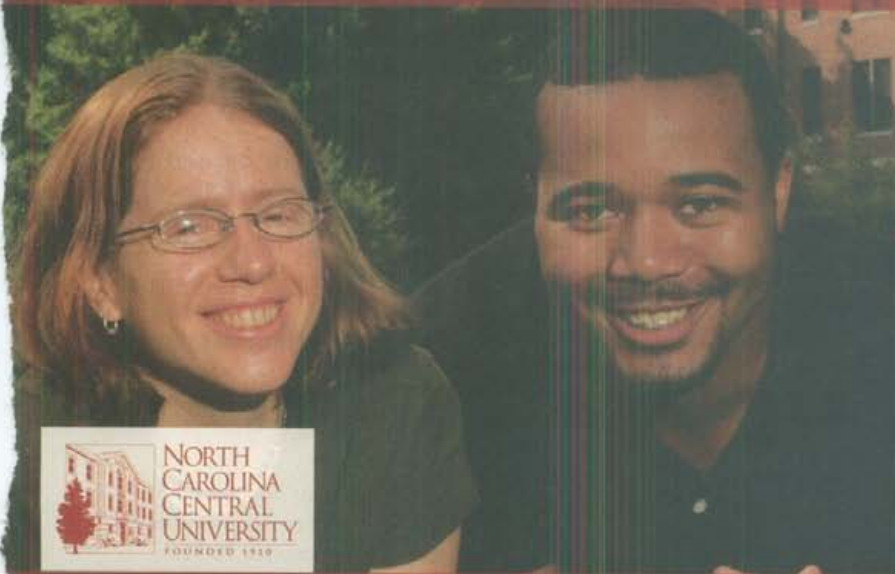
Michael Goodmon is vice president—real estate of the district. American Tobacco the company closed in 1987. "A lot of people saw the closing of it as a real challenge for downtown Durham. It began a downward slide," Goodmon says. "So the reopening of it began an upward slide."

The district began to take shape when its developer, Capitol Broadcasting Company, purchased the Durham Bulls and built a new downtown ballpark designed by the same architectural firm that did Camden Yards in Baltimore. Giving the Bulls a new home and designing structures around it (similar to those that overlook the walls of Camden Yards) led Capitol to a bigger vision: American Tobacco's vast available space, which Capitol began redeveloping in 1998. Potential tenants were wary at first, so Capitol actively courted what became the three anchor tenants: Duke—"They've been relentless in their fight to help redevelop downtown," Goodmon says—GlaxoSmithKline and Compuware Corporation.

What was then the advertising agency McKinney & Silver, now known as McKinney, was the first tenant that chose on its own to locate in American Tobacco District. Goodmon calls it "the turning point that got us over the hump." Today there are more than 50 district tenants. Fifty of 70 residential units are complete. Only about 10 percent of the 850,000 square feet of office space is currently untenanted, a testament to how well downtown Durham has come back to life.

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Shining Quality

The vibrancy of downtown redevelopment has greatly refreshed the area's quality of life. Where once tobacco made the area an industrial zone unattractive to visitors and residents alike, today those 4 million square feet of old tobacco warehouses that have been or will be refurbished have made downtown a desirable destination.

"The biggest thing right now is the Durham Performing Arts Center that opened about four months ago," says Shelly Green, CEO and president-elect of Durham Convention & Visitors Bureau. "They're bringing in a lot of top-name stars." The facility's 2,800 seats provide a fine venue for everything from traveling Broadway shows to Willie Nelson. "Our guess is that it will bring to downtown Durham 250,000 people a year," notes Goodmon.

Other attractions include Golden Belt, a former textile mill that is now what Green calls "an urban arts epicenter," with lofts, galleries, a live-music venue and up to 7,000 square feet of available restaurant space.

Food is an essential ingredient to Durham's quality of life. The city has more than 40 restaurants, the quality of which, along with eateries in Chapel Hill, earned the two towns *Bon Apétit's* ranking as America's "Foodiest Small City." Gourmet put Durham's Magnolia Grill on its list of America's Top 100 places to eat.

The living is easy, too. *Fortune* tapped Durham as the sixth best small city in America; *Forbes* ranked it No. 7 on a list of the best places for business and careers.

The City of **Durham's vision** was of a
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TOP LEFT BRUCE K. REELEY/DURHAM CVB; TOP RIGHT CHIP MENDENSON/DURHAM CVB

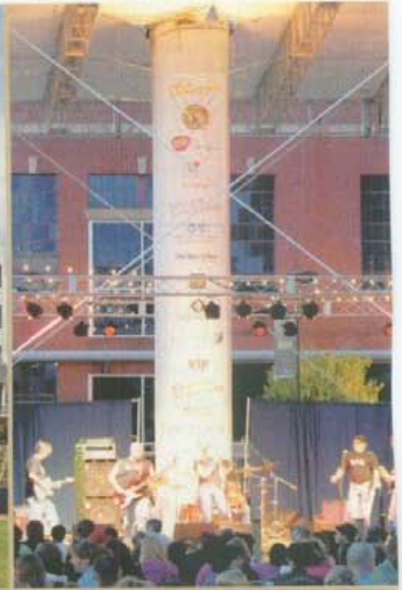
Gold

Other venues, events and things to do include:

- Full Frame Documentary Film Festival, an annual event considered to be the top documentary film festival in the world.
- The American Dance Festival in June, with performances at both Duke and the new Performing Arts Center.
- The North Carolina Museum of Life and Science. Opened in 1946, it now features an interactive science experience called BioQuest, which will include a modernized return of the museum's popular Dinosaur Trail; the project has already secured a \$2 million National Science Foundation grant.
- The Streets at Southpoint, a 1.4 million-square-foot indoor and outdoor shopping mall.
- Eno River State Park, Falls Lake, Jordan Lake, Umstead Park and Duke Forest.



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