



REELING THEM IN

Luring companies to North Carolina pays off for Womble.

BUSINESS IS BOOMING in Womble Carlyle Sandridge & Rice's backyard. And the Winston-Salem-based firm now stands to catch more of it. A recent state appellate court decision upheld \$300 million worth of economic incentives that Womble lawyers helped negotiate for Dell Inc. The decision is also good news for Google, Inc., which is facing its own suit over a similar deal it cut last winter with Womble's help, worth more than \$200 million.

On October 16 the North Carolina Court of Appeals upheld the package of tax breaks and grants that the state offered Dell for locating a plant in Winston-Salem. The decision is just the latest in a string of lucrative deals and court wins for Womble's economic development practice. "We've become the firm to deal with," says Womble's Burley Mitchell, Jr., who is representing both Google and Dell, "from coming in and getting incentives to having them upheld legally."

The appellate ruling deals a blow to opponents of such incentive plans and sets up a possible showdown in the state supreme court. Robert Orr, a former state supreme court justice whose nonprofit group is behind the suits challenging the two deals' constitutionality, says companies use high-powered lawyers to play one state off another. That drives up the cost of incentives, he says, and deprives the state of essential revenues.

Critics say Womble has come to function like an unofficial state agency—recruiting companies, negotiating incentives in the form

WOMBLE has been helping to recruit companies to the state SINCE THE SEVENTIES...

of tax breaks and development grants for them, drafting legislation to make the deals legal, lobbying the legislature, and then defending the use of incentives in court. "[The companies'] consultants and their lawyers leverage their power in closed negotiations to extract enormous amounts of money from taxpayers," says Orr, a Republican gubernatorial candidate in the 2008 election.

Womble has been helping to recruit companies to the state since the seventies, when North Carolina was mostly known for textiles, tobacco, and furniture. Donald Donadio, who leads the firm's 40-lawyer economic development team, says the practice has grown in tandem with the Southeast's development boom over the last decade and a

half. Traditionally, the big accounting firms and site selection consultants help win location incentives for companies, but Womble's local connections have paid off for the firm. "It's work that produces above-average returns," Donadio says. "We've devoted pretty senior time to it." In some deals Womble earns success fees tied to the incentives its clients receive. Womble declined to specify its fees; outside consultants say such arrangements rarely exceed 10 percent of total incentives.

The firm is ubiquitous in development circles. Womble's managing partner, Keith Vaughan, is a board member of the state's quasi-

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public economic development organization and chairs one of its regional chapters. Charlotte partner John Hunter sits on another regional development board and is a board member of a private association that funds recruiting events for the North Carolina Department of Commerce. Donadio first met Google's site selector at one of the events. Soon after, Womble was hired to help push the Google deal through the state legislature. "We commit a lot of our time and energy and some of our treasure to these organizations, and obviously that gives us some access," Donadio says.

The access got even better after the firm brought on former governor James "Jim" Hunt, Jr., as a partner in 2001. When Dell was considering a move to North Carolina in 2004, the company called Hunt. "I sort of gave them the lay of the land," he says. Hunt still has strong local political influences. Recently he called current governor Mike Easley to advise him informally about a controversial incentives deal under consideration by the legislature for The Goodyear Tire & Rubber Company. (The company is not a Womble client.)

Thanks in part to Womble, incentives have become a fact of life in North Carolina. That was clear at the ribbon-cutting ceremony held in the fall of 2005 for the new Dell plant, when Easley presented CEO Michael Dell with a plate bearing the state seal. "I got it out of the mansion," the governor said at the ceremony. "After dealing with this group and this region on this project, it's all I had left."

—DAVID BARIO