

**Ready by Christmas**  
Hotel, restaurant construction starting at Reynolds Building.  
**OWEN COVINGTON, 8**



# ON A HIGHER PLANE

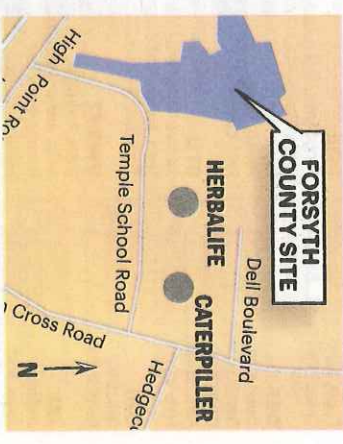
With major airlines outsourcing maintenance operations, Winston-Salem's North State Aviation is reaching new heights.

**COVER STORY**



BY KATIE ARCIERI  
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## COVER STORY



# BLESSING in the SKIES

BY KATIE ARCIERI  
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In the summer of 2010, Charlie Creech and seven other longtime airline executives met inside the terminal building of Smith Reynolds Airport in Winston-Salem to work on plans for a startup aviation maintenance business.

"We had great big pieces of paper all around the room of all the things we had to get done," Creech recalled.

There was a growing sense of urgency among the attendees, which included executives James McPhail, Tom Chappell, Russ Kota and Joel Marlon. The men knew each other because they had worked together at the former Piedmont Airlines, a once prominent carrier that merged with US Airways in 1989. After that deal closed, some had gone on to work at a charter airline company at Smith Reynolds called Pace Airlines. Now Pace, under different ownership, had ceased operations in 2009, vacated a prime hangar facility at the airport and eliminated about 400 employees.

And Creech wanted the startup to hire as many of the former employees as pos-

sible before they found jobs elsewhere. "We knew we had an abbreviated amount of time to get this thing going," Creech said.

Fast-forward five years, and the company today known as North State Aviation employs more than 380 full time, operates six production maintenance lines for United Airlines, and has amassed a client list that includes other major aviation customers.

Airport officials also say the company has elevated the profile of the 715-acre airport, which is home to about 99 tenants that collectively employ 1,360.

To have as many as six United Airlines planes worked on at any given time at Smith Reynolds speaks to the quality and integrity of North State Aviation's operation, said Thomas McKim, chairman of the Airport Commission of Forsyth County.

"An operation like United doesn't make a decision like that lightly," McKim said. "Every one of those aircraft

is worth tens of millions of dollars."

While raising the profile of Smith Reynolds, North State Aviation also has become one of the region's most prominent players in the aircraft maintenance arena. It has added hundreds of jobs to the burgeoning aviation sector in the Triad, which is home to major companies

— including Honda Aircraft Co. and HAECO Americas — that combined employ thousands of workers.

Kevin Baker, executive director of the Piedmont Triad International Airport, which houses the headquarters for both HAECO Americas and Honda, said North State Aviation is an example of the local aerospace sector's "bench strength"



Kevin Baker

and adds to its growing pool of aviation mechanics.

"It's a huge benefit to our area to have all of these companies combined that collectively have a huge pool of folks who are involved in this aerospace component," Baker said. "I think it's a further indication of the strength of the aerospace segment in our region."

#### Putting together a plan

In 2010, Creech and his colleagues spent several months lining up support and financial backing for North State Aviation. He knew that commercial airlines were focusing on their core competencies of flying passengers and increasingly looking to third-party entities for maintenance work.

"We all stood back and looked at the industry and saw that there was a lot of outsourcing going on, and at some point there was going to be even more outsourcing of maintenance," said Creech, also a former executive with Piedmont Airlines.

Also creating momentum was interest from Piedmont Aviation Component Services, a tenant at Smith Reynolds Air-



Airplane seats await their turn to be refurbished at North State Aviation in Winston-Salem.



**COVER STORY**



In the photo on the left, North State Aviation structural technicians Hicham Khazari, left, and Lhadi Noureddin retrofit an airplane seatback. Chrissy Starley reassembles an airplane seatback.

JULIE KNIGHT/TRIAD BUSINESS JOURNAL

port and a large creditor from the bankruptcy of Pace Airlines that had provided the company with parts and materials.

"We had (a company) that had some 'oomph' behind it to get things going," he said.

To help secure investors, they turned to Greensboro attorney Howard Williams, who had previously worked with Creech and some other former Pace Airlines executives. Williams took the company's business plan to a friend and client of his: Al Bodford, president and CEO of Greensboro-based Epes Carriers. Williams said his initial thought was to discuss with Bodford the possibility of getting funds from one of the investment groups that Bodford is part of.

But Williams said Bodford, who was once an auditor for Piedmont Airlines, liked the plan, the concept and the people involved with North State Aviation so much that he wanted to become the principal owner himself. Bodford's son, Jason Bodford, president of Greensboro-based Epes Logistics Services, is a minority owner.

"He decided, along with his son, to do the principal investing," Williams said of Al Bodford. "The company is doing fine now but it wouldn't have gotten there without his backing and support."

Al Bodford declined to comment for this story, other than to say he is very pleased with the success of North State Aviation.

As financial support for the business grew, Creech and his team members decided to call Tom Chappell, a former executive of Piedmont Airlines they once worked alongside. Chappell, former senior director of purchasing and contracts at Continental Airlines, had key contacts for new business and just so happened to be retiring in Winston-Salem in 2010.

"Tom still had his house here, so Joel and Russ called Tom and said 'Tom, can we talk about you coming to work with



Thomas Pereira, left, and Herman Morrison perform engine tests on an airplane at North State Aviation.

JULIE KNIGHT/TRIAD BUSINESS JOURNAL

us? I know you just retired and just got home," Creech said. "Tom said 'well, boys I've got the moving van right out here in my front yard; where are ya'll right now? They said, 'we're standing in your driveway.'"

"I'll be out in a second," Chappell recalled saying.

When he heard about plans for North

State Aviation, Chappell didn't hesitate to be part of the startup. Chappell knew he and the rest of the team had the experience, the knowledge and the contacts with companies like Comthen-tal to create a business that could employ hundreds of skilled workers previously employed by Pace or Piedmont Airlines.

"We all knew what we could do, we

knew what we should do and we had the opportunity. We had the partnerships, the backing," Chappell said. "This was an opportunity to bring all those good people back to where they started."

He and the other men also wanted the business to be located in the former Piedmont Airlines building, which had all the shops and hangars needed for a startup operation like North State Aviation. It was also a chance to revive a facility once home to at least 1,500 Piedmont Airlines employees during its heyday at Smith Reynolds, Chappell said.

"There's a little soft spot for this building," he said.

**Linig up incentives**

Before signing any leases, Creech and his team met with Bob Leak, president of Winston-Salem Business Inc., and state officials to help arrange incentives. Leak was first contacted about the company's plans by Williams, the attorney, and met with company executives looking to start the business.

"I went over and met with them and heard their story," Leak said. "It was a very compelling story because they had deep roots in the industry."

That initial meeting led to a meeting with state officials that included the late Keith Crisco, the former state commerce secretary, about what the state might be willing to provide.

The company also was in talks about potential funding with Dan Gerlach, president of the Golden Leaf Foundation, who stopped by to take a look at the former Piedmont Airlines building that North State Aviation was eyeing. The vacant building, which was also once home to Pace Airlines, was an "absolute mess" at the time, Creech said, adding that some of the hangar bays were filled with leaves that rose six feet high. In fact, it was in such disarray that Gerlach even stopped Creech and others on a tour



## COVER STORY

Hundreds of North State Aviation workers gather in front of a United Airlines plane at the company's Smith Reynolds Airport facility in Winston-Salem. Many of North State Aviation's employees previously worked at Piedmont Airlines, a once dominant air carrier.



COURTESY OF NORTH STATE AVIATION

and asked, "are you sure you want to go through with this?" Creech said.

Gerlach understood the amount of work it would take to revive the building. At the same time, he knew that the startup's leadership had the technical background to make the company a success, along with the financial backing. All of that gave Gerlach some comfort.

"It had risk to it, but it's Golden Leaf's rule to take measured risks," Gerlach said.

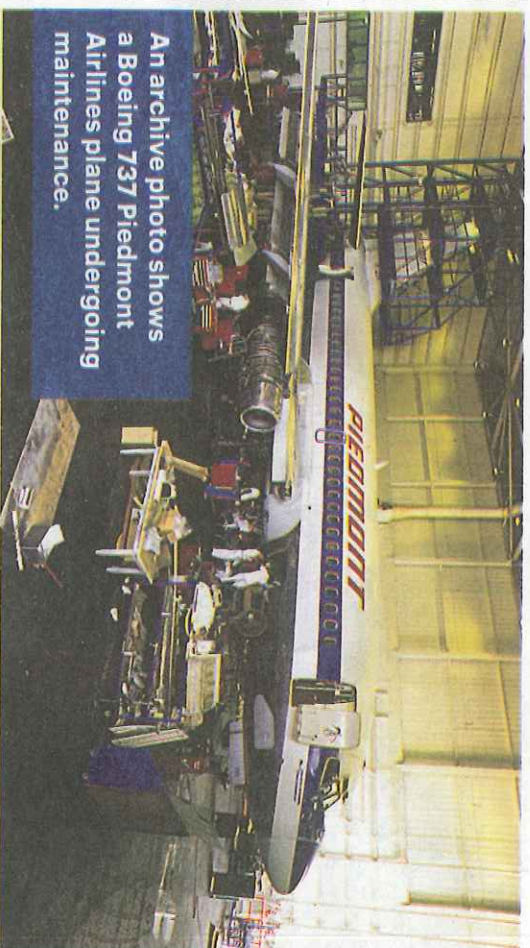
One of the last pieces of the deal involved leasing the former Piedmont Airlines building. Creech knew the company couldn't lease the entire facility at first, so the startup worked out a deal with the airport for a month-to-month lease effective Oct. 1, 2010, for three of the facility's six hangar bays and some office space, said Mark Davidson, the airport's director.

In December, the Golden Leaf Foundation awarded a \$500,000 grant to the airport commission to fund tooling and equipment for North State Aviation. Also that month, North State achieved Part 145 repair station certification from the Federal Aviation Administration that allowed the company to work on large Boeing planes including 727s, 737s, 757s and 767s.

The state had kicked in a \$300,000 grant from the One North Carolina Fund. And the airport commission committed to providing – either directly or indirectly – about \$300,000 worth of facility improvements including carpet, painting and office construction, over the course of four years.

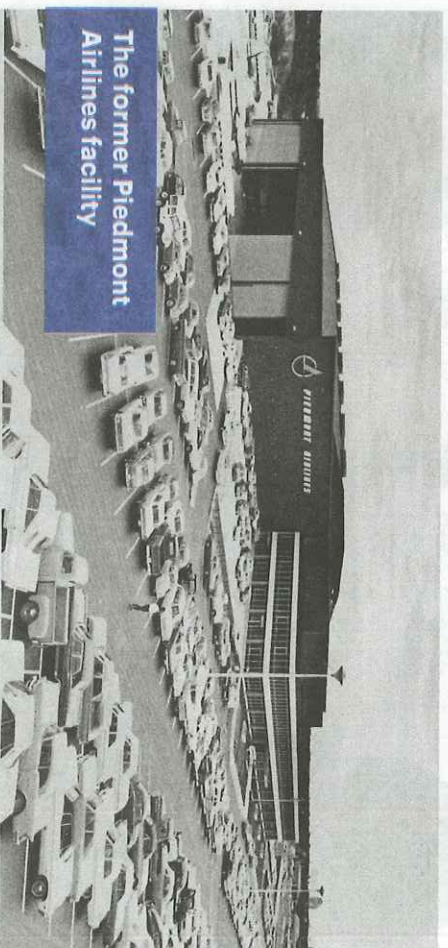
With the incentives approved and an initial staff of 28 in place, the business was ready to officially begin in January 2011. And when former Gov. Bev Perdue made the announcement that North State Aviation would be creating 308 jobs with an average annual wage north of \$40,000, it was a "real shot of adrenaline," said Creech, president of the com-

An archive photo shows a Boeing 737 Piedmont Airlines plane undergoing maintenance.



PIEDMONT AVIATION HISTORICAL SOCIETY

The former Piedmont Airlines facility



PIEDMONT AVIATION HISTORICAL SOCIETY

pany. "That was the defining moment for me, that this was it, we are going after it right now."

### Big break

Like all startups, North State Aviation went through a period of "tough love" and measured growth, Creech said. But the company's big break came in 2012 when it struck an agreement for a five-year deal to provide work for United, which merged with Continental in 2010.

"It was a general-terms agreement," said Chappell, North State Aviation's

vice president of business development. "There was no specification of how many, or when. It was just you guys are in business and we'd like to continue working with you."

But when the first United Airlines B737 flew into Smith Reynolds for work in August 2012, there was a sense of validation for all the players involved.

"We had good customers before United, but when you get something the size of United to throw your name in the hat so to speak, we felt like this was another big moment in our history," Creech said. In 2012, United represented only

25 percent of the company's business, Creech said. Today, it represents nearly 100 percent, he said.

"They started giving us onesies and twosies, then they gave us a line nose to tail," Creech said. "At some point in the partnership, they looked at us and said 'guys, where do ya'll want this relationship to go?' We said 'we want it to go as far as you want to take it.'"

Business with United and other customers grew so much that the airport executed a long-term agreement with the company for all six hangar bays and office space that became effective Jan. 1, 2013, Davidson said. The lease was amended in May 2014 to include the majority of the facility and give North State Aviation a total of 301,189 square feet.

Davidson said the company's ability to grow into the building and pay the airport commission \$1.4 million worth of rent and utility payments in 2014 has helped fund staff needs and improvements to infrastructure such as Runway 4-22, which recently reopened after being closed for seven months.

The runway improvements benefit not only North State Aviation but many other users at the airport such as Piedmont Flight Training, which usually records around 1,400 operations per month on the runway, Davidson said. Besides helping the airport itself, the company also now employs numerous former Pace and Piedmont Airlines executives, as well as their spouses and children.

The airport certainly has enough room for North State Aviation's continued growth, with its master plan calling for another hangar site in the future.

For now, North State Aviation is happy with the space it has. But it's nice to know there is room to grow with an additional hangar if needed, Creech said. "The good news for us is we know it's available," he said.