

The logo for the Virginia Coalfield Economic Development Authority (VCEDA) features the acronym "VCEDA" in a large, white, serif font. The letters are bold and closely spaced. The background behind the text is a dark blue grid pattern that transitions into a lighter blue circular graphic on the right side of the page.

VCEDA

Virginia Coalfield Economic Development Authority

2004 Annual Report

Donald Baker
Chairman



Chairman's Letter

January 12

Pemco Corporation in Bluefield, Virginia, an existing manufacturer, receives a \$400,000 VCEDA loan. Funds are to be used to purchase machinery and tools, allowing Pemco to retain 15 jobs and add 25 new jobs.

February 19

VFP, Inc. is approved for a \$500,000 VCEDA loan to assist the company's location to Scott County. VFP, manufacturer of communications and power equipment shelters, will relocate its manufacturing headquarters to the Duffield Regional Industrial Park. The company employs 68 at its current Duffield manufacturing facility, established in 1997, and plans to add an additional 72 jobs in the next three years. The loan will be used for machinery and tools.

March 10

Governor Mark R. Warner announces that America Online, Inc. (AOL), will open a sales and customer service center in the Hotel Norton. Virtus Marketing is awarded the contract to manage the center, which will create 67 new jobs in the City of Norton through a \$500,000 investment.

April 9

Appalachian Traditions, Inc., receives a \$50,000 VCEDA grant for site development and construction of a multi-purpose building at the Appalachian Traditions Village in Wise County. This non-profit organization promotes Appalachian traditions and cultures, including music, historical sites, foods and storytelling.

April 15

Governor Mark R. Warner announces that Blue Ridge Wood Products, Inc., will open a manufacturing operation in Tazewell County, creating 160 jobs within 30 months. The company will locate its \$3.6 million operation in the former Woodtech facility in the Town of Bluefield, Virginia. VCEDA joined Tazewell County to close the deal for the county's third largest economic development announcement, in terms of jobs, in more than 20 years.

April 22

VCEDA approves a \$700,000 loan to the Wise County Industrial Development Authority for site development and improvements at the Lonesome Pine Regional Business and Technology Park.

The Honorable Mark R. Warner
Governor of Virginia
State Capitol - Third Floor
Richmond, Virginia 23219

Dear Governor Warner,

We are pleased to submit to you and the General Assembly the 2004 Annual Report of the Virginia Coalfield Economic Development Authority. Highlighting the year was your personal commitment to and participation in announcements and events illustrated in this report.

VCEDA approved three loans and eight grants totaling more than \$2.2 million. New announcements in the region, including AOL/Virtus Marketing in Norton, Blue Ridge Wood Products in Bluefield, Southwest Logistics in Wise and Midpaco in Duffield, will create nearly 500 new jobs with a \$7.3 million investment. Also, 10 expansions in the region this year will create more than 500 jobs and invest \$9.8 million into our local economy.

We appreciate your leadership and support along with that of the General Assembly. While we continue to make progress, there is still much work to be done in Virginia's Energy Region. We pledge to strive together with you and the General Assembly to improve the economic prosperity of our region and the commonwealth.

Sincerely

Donald Baker
Chairman

Mission of the Virginia Coalfield Economic Development Authority

The primary purpose of the Authority is to enhance the economic base for the seven county and one city coalfield region of Virginia (Lee, Wise, Scott, Buchanan, Russell, Tazewell and Dickenson Counties and the City of Norton).



Code of VA Title 15.2 Chapter 60, Section 15.2-6002



VCEDA Closes 17 Loans and Grants for \$4.8 Million in Investment, 500 Jobs



VCEDA awards a \$200,000 grant to the Town of Clintwood for the Ralph Stanley Museum. From left, Donald Baker, Jonathan Belcher, Appalachian Regional Commission Federal Co-Chair Anne Pope, Congressman Rick Boucher and Governor Mark Warner.



VCEDA closes a \$500,000 loan to VFP, Inc. for the purchase of machinery and tools, creating 72 jobs. From left, Donald Baker, Charles Yates, VFP CEO Frank Van Balen, President Jerry Arnold, CFO Tony Murchison, John Kilgore and Jonathan Belcher.



Blue Ridge Wood Products announces it will open a new operation in Bluefield, Virginia. VCEDA awards a \$500,000 loan to the Tazewell County IDA for purchase of machinery and tools. From left, Jim Spencer, Tazewell County Administrator; Earl Griffith, Tazewell County Board of Supervisors Chairman; Bill King, President, Blue Ridge Wood Products; Sue King; Michael Schewel, Virginia Secretary of Commerce and Trade; Jim Boyd, Tazewell County IDA Chairman; and State Senator Phillip Puckett.



Southwest Logistics, LLC representatives sign a lease for the Wise Manufacturing Facility in the Wise County Industrial Park. Seated, from left, Clinton Vance, Southwest Logistics; and Bill Hunsaker, Wise County IDA chairman. Standing, from left: Donald Baker, VCEDA chairman; Senator Phillip Puckett; Delegate Bud Phillips.



Norton Mayor Robert Raines participates in the March ceremony to announce that AOL will open a sales and customer service center in the Hotel Norton. From left, William J. Sturgill, Norton IDA chairman; Adrienne Mengani, COO of Virtus Marketing; Virginia Secretary of Commerce and Trade Michael Schewel and Mayor Raines, also a VCEDA board member.



VCEDA awards a \$494,000 loan to Alcoa Wheel Products for the purchase of machinery and tools. This existing business reversed its decision to close its Lebanon manufacturing facility. From left, Fred Holt, Donald Baker, Tim Myers, and Charles Yates.

VCEDA awards a \$15,000 grant to the Buchanan County IDA to serve as fiscal agent for a tri-county study for industrial sites along the proposed Coalfields Expressway route. From left, W.J. Caudill, Buchanan County Administrator; Jonathan Belcher; Jay Rife; Charles Yates, and David Ratliff, Buchanan County IDA.



VCEDA Chairman Donald Baker, right, closes a \$250,000 VCEDA loan to the Lee County IDA for renovation of the VAMCO #1 facility in Pennington Gap. Looking on is Quinton Littrell of the Lee County IDA.

VCEDA also helped fund the addition to the Lonesome Pine Technology Center in Wise, left.



Executive Director's Report

April 23

The Carter Family Memorial Music Center receives a \$113,583 VCEDA grant to be used for building construction, additions and renovations, including new seating, lighting and sound for the Carter Fold facility in Hilltons in Scott County. The grant was awarded from VCEDA's Tourism Capital Improvement Matching Fund.

April 27

VCEDA closes a loan for \$500,000 to VFP, Inc. to purchase machinery and tools. Earlier VFP announced the relocation of its lightweight shelter manufacturing division to Duffield with plans to add 72 jobs in the next three years.

May 14

The Scott County Economic Development Authority receives an \$830,000 VCEDA loan for site development of the Duffield e-Corridor Regional Park Southwest. The loan is the first awarded from the Regional Industrial Park Matching Fund.

May 19

Governor Mark R. Warner joins Dr. Ralph Stanley at the Stanley Museum in Clintwood for a signing ceremony, officially creating Virginia's Heritage Music Trail.

June 2

Alcoa Wheel Products in Lebanon is awarded a \$494,000 VCEDA loan to purchase machinery and tools. The company announced its decision to stay in Lebanon in October 2002.

June 29

VCEDA's Executive Advisory Board holds its annual meeting in Lebanon. The focus of the meeting is the future of economic development in the region. Eva Teig Hardy, Senior Vice President of External Affairs and Corporate Communications, Dominion Virginia Power Company, was elected chairperson for 2005.

July 2

The Lee County Industrial Development Authority receives a \$250,000 VCEDA loan for building renovation, rehabilitation and improvements to VAMCO #1 facility in Pennington Gap.

July 9

Southwest Logistics, LLC announces its location to Wise County Industrial Park and its plans to create 120 jobs in the next four years.

VCEDA was honored to have Governor Warner serve as captain of our economic development team for major industry-recruiting initiatives in Virginia's Energy Region this year. The governor hosted a VIP Tour, sponsored by VCEDA, and a Bristol Motor Speedway marketing event, sponsored by the Southwest Virginia Economic Development Alliance. There's no substitute for the governor's hands-on involvement, and we appreciate his support.

This was perhaps a historic year for VCEDA. We closed 17 loans and grants to assist projects with \$4.8 million in funding, resulting in 500 jobs, 428 new and 193 retained jobs. This is another example of the VCEDA Board of Directors' smart investment of scarce resources to create and retain jobs.

We appreciate the cooperation and support of the Tobacco Commission on many of our efforts. The Tobacco Commission funded our target marketing research study, as well as the BMS recruiting event, and has participated with VCEDA to fund other projects, from infrastructure to new industry location.

We are troubled by recent events causing two of our major existing industries to close or announce closures, with both moving jobs out of our area and the United States. VCEDA is continuing its efforts to attract new businesses, but we can't ignore these events, and we are more committed than ever to assisting existing industries. We're also broadening our definition of economic development in supporting private sector projects, including tourism.

The Virginia Economic Development Partnership provided tremendous support for the VIP Tour and BMS events and assisted with special initiatives to attract tenants to the Dickenson County shell building and the Travelocity facility. We appreciate their support to improve the economy of the coalfield region.

I also want to thank Sandy Ratliff for all her good work for our region during her 15-year tenure with VCEDA. The entire VCEDA staff is to be commended for their outstanding contributions. We appreciate the continued leadership of our Board of

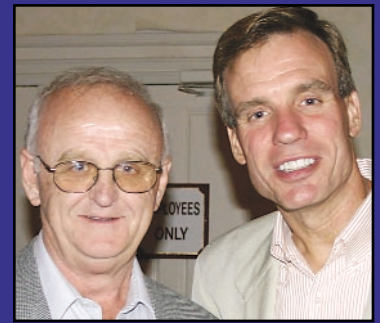
Directors. Finally, we are saddened by the loss of one of our former chairmen and long time supporter of economic development, Willard Owens. We will miss Willard, as will many other organizations and associates.



VCEDA staff includes, front, from left, Marketta Horton, Executive Secretary; Charles Yates, Executive Director; and Jessica Horn, Public Information Officer/Marketing Associate; back, Jonathan Belcher, Deputy Executive Director/General Counsel; Jean Jordan, Funds Administrator; and Jim O'Quinn, Special Projects Coordinator.

Special Events

Governor Mark Warner and VCEDA Chairman Donald Baker share a moment at a reception during the Southwest Virginia Economic Development Alliance's Bristol Motor Speedway August race weekend.



Governor Mark Warner hosted a VIP Tour, sponsored by VCEDA in October, bringing company executives to Southwest Virginia. Enjoying the VIP Tour dinner and entertainment are, from left, Quinton Littrell, Lee County IDA; Tim Long, Lee County Economic Development Director; Governor Mark Warner; George Cridlin, VCEDA board member; and Jonathan Belcher, VCEDA Deputy Executive Director.

Dr. Ralph Stanley entertained the VIP guests. He and Senator Phillip Puckett pose for a photo.



Enjoying the VIP Tour activities are, from left, John Kilgore, Scott County Economic Development Director; Ralph Stanley; VCEDA Executive Director Charles Yates and VEDP Executive Director Mark Kilduff.

Harry Rutherford and Virginia Secretary of Commerce and Trade Michael Schewel chat at the VIP Tour dinner.



Executive Advisory Board

The Executive Advisory Board of the Virginia Coalfield Economic Development Authority discussed energy's impact on the future of economic development in Southwest Virginia during its annual meeting in Lebanon. Established in 1990, the board includes business leaders who provide advice and serve as contacts and liaisons in marketing the region.

Potential for new power plants, the critical role of transportation to economic development, the impact of outsourcing jobs offshore, and coal and natural gas production in the region were some of the topics discussed. Eva Teig Hardy, Senior Vice President, External Affairs and Corporate Communications, Dominion Virginia Power Company, told the group that building a 500-megawatt power plant in Southwest Virginia would provide 1,000 construction jobs over the two-year construction period, 90 plant operator jobs, and 250 mining jobs as well.



VCEDA's Executive Advisory Board members attending the June 29 annual meeting include, from left, Joshua N. Lief, Don M. Green, Robert W. Woltz Jr., Eva Teig Hardy, Ike Prillaman, VCEDA Chairman Donald Baker, Tommy Hudson, A. George Mason Jr., and VCEDA Executive Director Charles Yates. Board members not pictured include, United States Senator George Allen, Dan Carson, J. Brett Harvey, Linwood Holton, Ford C. Quillen, and Stuart P. Smith. Eva Teig Hardy, Senior Vice President of External Affairs and Corporate Communications for Dominion Virginia Power Company, was elected chairperson for 2005. Outgoing chairman is Robert Woltz, President of Verizon Communications, Inc.

August 23

VCEDA awards a \$100,000 grant to the Historic Crab Orchard Museum and Pioneer Park in Tazewell County. The grant will be used for building construction and expansion of the museum's main gallery building.

August 27-28

VCEDA joins Virginia's aCorridor in the Southwest Virginia Economic Development Alliance and plays host to 29 guests from 14 companies at the Bristol Motor Speedway's August race. Regional existing business leaders tell the group about the area's business-friendly advantages.

August 30

The Tazewell County Industrial Development Authority receives a \$500,000 VCEDA loan for machinery and tools for Blue Ridge Wood Products, manufacturer of laminated plywood. Blue Ridge will open a new operation in Bluefield, Virginia.

October 7-8

Governor Mark R. Warner brings several companies to visit the VCEDA region during a VIP Tour hosted by Virginia's chief executive.

October 27

The Buchanan County Industrial Development Authority receives a \$15,000 VCEDA grant to serve as fiscal agent for a tri-county effort to review Buchanan, Dickenson and Wise counties for possible industrial park locations along the Coalfields Expressway.

November 1

The Wise County Industrial Development Authority receives VCEDA loans and a grant totaling \$1.17 million. A \$75,000 grant will be used for last-mile broadband development to the Wise County Industrial Park at Essersville, and a \$195,000 loan will be for improvements at the Wise County shell building.

November 18

Lonesome Pine Arts & Crafts, Inc. receives a \$105,000 VCEDA grant for upgrades and improvements to the Trail of the Lonesome Pine Outdoor Drama facilities in Big Stone Gap.

December 3

The Lee County Industrial Development Authority receives a \$15,000 VCEDA grant to develop a virtual building at the Constitutional Oaks Industrial Park.

New Promotional Theme

VCEDA's Board of Directors made the decision to drop the Virginia Southwest Promise nametag and to promote the area as Virginia's Energy Region. New marketing materials, including an updated image brochure, were created.

Two special events complemented the Authority's business development efforts. The Southwest Virginia Economic Development Alliance (VCEDA and Virginia's aCorridor) hosted 14 companies during a relationship-building event at Bristol Motor Speedway's August race weekend. The Tobacco Commission provided funds for this event and for a research study performed by Chmura Economics&Analytics to target industries for location to Southwest Virginia. Governor Mark Warner served as host to 11 companies in an October VIP Tour of the region. VEDP worked closely with VCEDA to coordinate these two events.

VCEDA and some local economic developers attended several trade shows and exhibited at Fabtech International in Cleveland. VCEDA also participated in a call trip with VEDP in Seattle in March and conducted its own Tennessee/Kentucky marketing mission in July.

In conjunction with VEDP staff, VCEDA helped develop a targeted marketing campaign for the shell building and the Travelocity facility in the Dickenson County Technology Park.

Existing industry visitation, continued support of the VCEDA Ambassadors and the customer contact center managers' quarterly meetings are ongoing programs.

2004 Projects & Announcements

<u>Company</u>	<u>Type</u>	<u>Jobs</u>	<u>Investment</u>
AOL/Virtus Mktg	Customer Service	67	\$ 500,000
Blue Ridge Wood Prod.	Plywood	160	3,600,000
Southwest Logistics	Logistics Management	120	225,000
Midpaco	Paper	140	3,000,000
	Total:	487	\$ 7,325,000
<u>Expansions:</u>			
Pemco Corporation	Transformers/Switchgear*	40	\$ 400,000
VFP, Inc.	Communications Shelters	72	500,000
Joy Mining Machinery	Remanufacturer Mining Equip.	45	1,600,000
Alcoa Wheel Products	Aluminum Forged Wheels*	178	494,000
Buchanan Pump	Water Pumps & Parts	10	200,000
Crutchfield Corp.	Call Center/Audio&Video	50	
Virtus Marketing	Call Center/Customer Support	35	100,000
Dewar, Inc.	Mfg Parts/Mineral Processing	35	83,000
Norris Screen Co.	Stainless Steel Wire	44	1,432,050
Pounding Mill Quarry	Limestone Mining	3	5,000,000
	Total:	512	\$ 9,809,050
	Grand Totals:	999	\$ 17,134,050

* Includes new and retained jobs.

2004 VCEDA Loan and Grant Approvals

Loans	County	Project	Approved	Amount
	Scott	VFP, Inc.	02/19/04	\$ 500,000
	Wise	IDA/Lonesome Pine Regional Business & Technology Park	04/22/04	900,000
	Wise	IDA/Wise County Shell Building Improvements	08/26/04	195,000
Total Loans				\$1,595,000

Grants

Buchanan	IDA/Tourist Train Project	02/19/04	\$ 27,250
Buchanan	IDA/CFX Regional Park Site Study	08/26/04	5,000
Dickenson	Town of Clintwood/Ralph Stanley Museum	06/25/04	200,000
Dickenson	CFX Regional Park Site Study	08/26/04	5,000
Lee	IDA/Constitutional Oaks Virtual Building	08/26/04	15,000
Tazewell	Historic Crab Orchard Museum & Pioneer Park	06/25/04	100,000
Tazewell	IDA/Regional Industrial Park Study	06/25/04	90,000
Wise	CFX Regional Park Site Study	08/26/04	5,000
Wise	IDA/Last-mile Broadband Wise Shell Building	08/26/04	75,000
Wise	Lonesome Pine Arts & Crafts, Inc.	11/18/04	105,000
Total Grants			\$ 627,250
Total Loans & Grants			\$ 2,222,250

Coal and Gas Tax Funds Statement of Cash Receipts & Disbursements

	Fund Balance 1-1-2004	CASH RECEIPTS			CASH DISBURSEMENTS		Fund Balance 12/31/04	Uncommitted Available Balance
		Coal & Gas Tax Receipts	Interest Earned	Loan Collections	Administrative/ Marketing Expenses	Project Loans/Grants		
Buchanan	\$8,876,319	\$1,849,817	\$ 144,903	\$ 55,310	\$ 252,412	\$ 2,619,304	\$8,054,633	\$882,076
Dickenson	1,078,234	785,463	23,281	666,719	115,344	385,528	2,052,825	2,041,859
Lee	892,956	43,341	16,504	15,793	16,480	—	952,114	687,114
City of Norton	47,878	—	862	2,174	2,665	—	48,249	48,249
Russell	67,560	216,603	3,572	102,085	41,604	—	348,216	348,216
Scott	35,559	1,912	424	—	17,176	—	20,719	20,719
Tazewell	1,390,046	123,685	19,140	158,395	31,890	775,217	884,159	733,864
Wise	3,201,952	1,296,578	63,579	313,447	209,071	702,307	3,964,178	3,115,154
Undesignated	7,933,764	892,129	135,115	118,437	81,925	1,613,491	7,384,029	5,003,520
Totals	\$23,524,268	\$5,209,528	\$407,380	\$1,432,360	\$ 768,567	\$ 6,095,847	\$23,709,122	\$12,880,771

We have audited the accompanying statement of cash receipts and disbursements - coal and gas tax funds, of Virginia Coalfield Economic Development Authority, for the year ended December 31, 2004. This financial statement is the responsibility of the Authority's management. Our responsibility is to express an opinion on the statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of cash receipts and disbursements is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of cash receipts and disbursements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of cash receipts and disbursements. We believe that our audit provides a reasonable basis for our opinion.

This financial statement has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the statement of cash receipts and disbursements referred to above presents fairly, in all material respects, the cash receipts and disbursements of the coal and gas tax funds of the Virginia Coalfield Economic Development Authority, for the year ended December 31, 2004, on the cash basis of accounting.

THROWER, BLANTON & ASSOCIATES, P.C.
Certified Public Accountants
 January 12, 2005

Officers

Donald Baker

Chairman

Mark S. Wooten

Vice Chairman

R. S. (Sam) Lewis

Secretary

Michael J. Quillen

Treasurer

Members

Governor's Appointees

Donald Baker

George F. Cridlin

Richard W. Edwards

B. Robert Raines

Jay Rife

Coal Producers

Michael J. Quillen

Paramont Coal Company

Virginia LLC

Gerald Ramsey

Consolidation Coal Company

Mark Wooten

A&G Coal Corporation

Gas Producer

Ed Davidson

CNX Gas Company

Virginia Economic Development Partnership

Mark R. Kilduff

Planning District Commissions

Andrew Chafin

Cumberland Plateau PDC

Ronald Flanary

LENOWISCO PDC

County Boards of Supervisors

Joseph Keene

Buchanan County

Gene Counts

Dickenson County

John Peace II

Wise County

Virginia Coal Association

R. S. (Sam) Lewis

VCEDA Board of Directors

The VCEDA Board of Directors saw some changes in membership this year, and the group continued its support for business attraction, existing industry expansion and infrastructure development initiatives.

The board recognized former chairmen and board members Richard Settle and Terry Estep for their many years of service. New governor's appointees include George F. Cridlin and Richard W. Edwards. Chairman Donald Baker, Robert Raines and Jay Rife were reappointed by the governor. Ed Davidson was chosen by CNX Gas Company to become its newest representative on the VCEDA board.

New representatives from the county Boards of Supervisors include Joseph Keene, Buchanan County; Gene Counts, Dickenson County; and John Peace II, Wise County.

The board approved funding for a number of tourism projects, including the Ralph Stanley Museum, the Carter Fold, Appalachian Traditions, "The Trail of the Lonesome Pine" Outdoor Drama, the Historic Crab Orchard Museum and a tourist train project.

The board approved funding for site development at the Lonesome Pine Regional Business & Technology Park, for a regional industrial park study in the Tazewell County area, for an expansion of VFP, Inc. in Scott County, and for site infrastructure development of 65 new acres adjacent to Duffield Regional Industrial Park. Another focus was existing industry expansion.

The board also directed the consolidation of the VCEDA brand, choosing to adopt Virginia's Energy Region as a theme.



VCEDA Board of Directors include, from left, front, Gene Counts; Ron Flanary; Executive Director Charles Yates; Donald Baker, chairman; R. S. "Sam" Lewis, secretary; Gerald Ramsey; back, Jay Rife; John Peace II; B. Robert Raines; Richard Edwards; and George Cridlin. Board members not pictured include Mark Wooten, vice chairman; Michael Quillen, treasurer; Ed Davidson; Mark Kilduff; Andrew Chafin; and Joseph Keene.