

VCEDA

Virginia Coalfield Economic Development Authority



2005 Annual Report

Donald Baker
Chairman



Chairman's Letter

January 11

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

February 17

VCEDA approves \$744,050 in loans and grants for projects in the region. The first loan of \$35,700 from VCEDA's Seed Capital Matching Loan Fund goes to a custom mandolin maker in Dickenson County. Other projects include a grant of \$208,350 to the Buchanan County IDA for an expansion of the Buchanan Information Park and a \$200,000 loan for the Lee County IDA to expand the Constitutional Oaks Business Park.

April 6

VCEDA awards a \$50,000 grant to the Dickenson County IDA for tower construction and purchase and installation of equipment for DCWIN, the county's high-speed wireless network.

April 6

VCEDA awards a \$35,700 loan to Hill Mandolins, Inc. for site development, building construction and equipment costs for a musical instrument manufacturing facility in Dickenson County. Dr. Ralph Stanley agrees to allow the instruments to bear the name "Stanleytone."

April 21

VCEDA approves \$1,825,000 in loans and grants for a variety of projects. The University of Appalachia College of Pharmacy receives a \$150,000 grant to purchase IT and lab equipment and lecture hall seating for its new facility in the Buchanan Information Park. A Dickenson County wood products operation receives a \$175,000 loan, and VFP, Inc., a manufacturer of concrete and lightweight equipment shelters, is awarded a \$600,000 loan for a \$2.2 million expansion at its Duffield plant.

April 21

Also included in the \$1,825,000 is \$900,000 in loans for Tazewell County projects. Pyott-Boone Electronics, Inc., a manufacturer of electronic sub-assemblies for the mining and aerospace industries, receives a \$400,000 loan for an expansion at its Tazewell plant. VCEDA approves a \$500,000 loan to Clinch River Forest Products, Inc., which plans to invest \$4.35 million in a Tazewell County project.

The Honorable Timothy M. Kaine
Governor of Virginia
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

Dear Governor Kaine,

We are pleased to submit to you and the General Assembly the 2005 Annual Report of the Virginia Coalfield Economic Development Authority. We appreciate Governor Warner's personal commitment to our region and the strong partnership we developed to bring new companies and high-tech jobs to the coalfields.

In 2005, VCEDA approved nine loans and nine grants totaling more than \$6.1 million. New announcements in the region, including CGI-AMS and Northrop Grumman in Russell County, KCG Call Centers in Lee County, Call Evolution in Scott County, Hill Mandolins and SI International in Dickenson County, and Clinch River Forest Products in Tazewell County, will create 1,242 new jobs with a \$36.3 million investment. Two existing industry expansions will create 208 jobs and invest \$2.7 million into our local economy.

We appreciate the leadership and support of the Governor's Office and the General Assembly. With their help, we have experienced a most successful economic development year in Virginia's Energy Region. We believe it is a new era for economic development in the coalfield region.

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

COVER PHOTOS: From left, Congressman Rick Boucher announces KCG Call Centers' location in Lee County; VCEDA Executive Director Charles Yates welcomes SI International to Clintwood; Governor Mark Warner presents state flag to Donna Morea, president of CGI-AMS; VCEDA Deputy Executive Director Jonathan Belcher and VCEDA Chairman Donald Baker tour the lecture hall at the University of Appalachia College of Pharmacy; Governor Warner welcomes Northrop Grumman's James O'Neill to the region; and close-up of custom-made mandolin by Dickenson County entrepreneur Brad Hill.

Region reports \$39 million investment and promise of 1,498 jobs in 2005



Governor Mark Warner is joined by Joe Fay, left, and Michael King of Northrop Grumman at the November announcement that the company will create 433 high-tech jobs and invest \$22.8 million in the Russell Regional Business Technology Park.



Donna Morea, president of CGI-AMS, displays the Virginia flag presented to her by Governor Mark Warner during the October 28 announcement that the company will bring 300 new high-tech jobs to the region.



Brad Hill of Hill Mandolins, Inc. displays some of his custom-made instruments to VCEDA Executive Director Charles Yates and VCEDA Chairman Donald Baker. VCEDA awarded the entrepreneur a loan for development of a musical instrument manufacturing facility.



SI International announces it will locate in Clintwood in the former Travelocity building. From left, front, Charles Yates, VCEDA executive director; Sen. Phillip Puckett; Del. Bud Phillips; Michael Schewel, Secretary of Commerce and Trade; and Brad Antle, president SI International; back, Becky Coleman, Chief of Staff, Congressman Rick Boucher; Donald Baker, VCEDA chairman; Paul Buchanan, Dickenson County Board of Supervisors; Penny Moran, director of benefits services, Federal Retirement Thrift Investment Board; and Andrew Mullins, Dickenson County IDA chairman.



Jay Rife, chairman of the Buchanan County IDA and a VCEDA board member, speaks at the grand opening ceremonies for the University of Appalachia College of Pharmacy in Grundy. The first class of students began studies in August.



KCG Call Centers announces a \$1 million customer service center in Lee County. From left, John Sternlicht, Deputy Secretary of Commerce and Trade; Congressman Rick Boucher; Robert Rapp, Results Companies; Charles Yates, VCEDA; and Tim Long, Lee County economic development director.

VCEDA Chairman Donald Baker, left, presents Quinton Littrell, chairman of the Lee County IDA, with a \$200,000 VCEDA grant for development of the Constitutional Oaks Business Park.



Rick Stevens, left, general manager of Clinch River Forest Products, and Jonathan Belcher of VCEDA, attend grand opening ceremonies at the Tazewell County high-tech sawmill operation.



Call Evolution Company announces a \$1 million investment and 200 jobs in a customer service center in Scott County. From left, Dr. David Redwine, Scott County Board of Supervisors chairman; Del. Terry Kilgore; John Kilgore, Scott County economic development director; Kathie Noe, Pioneer Center director; Congressman Rick Boucher; Ron Flanary, VCEDA board; and Jonathan Belcher, VCEDA.



VCEDA Chairman Donald Baker, right, and Jay Rife, chairman of the Buchanan County IDA, close a \$1 million VCEDA grant to the Buchanan County IDA to purchase land for a multi-jurisdictional industrial park.

May 9

Congressman Rick Boucher and Governor Mark Warner announce 100 new jobs for Lee County and a \$1 million investment by KCG Call Centers, which will locate a customer service center in Pennington Gap.

May 18

VCEDA closes a loan for \$600,000 to VFP, Inc. to expand its current Duffield facility and to increase employment to 278 full-time employees in three years.

May 24

VCEDA awards a \$150,000 grant to the University of Appalachia to be used to purchase equipment and furniture for the new College of Pharmacy slated to open in August at the Buchanan Information Park in Grundy.

June 1

VCEDA adds new targets to its business development plans. One new target is federal and state contractors that can provide stable and long-term employment opportunities for the region.

June 2

VCEDA closes a \$500,000 loan to Clinch River Forest Products, Inc., which plans to open a new wood products operation in Tazewell County and create 102 new jobs.

June 29

Educating Southwest Virginians for the technology jobs of tomorrow is important for the region's growth and success, according to VCEDA's Executive Advisory Board. During its annual meeting in Lebanon, members say education is key to competing in a global economy.

July 26

SI International announces it will invest \$1 million and provide 100 new jobs in a customer service center to be located in the former Travelocity building in Clintwood. SI is working under a contract with the Federal Retirement Thrift Investment Board to provide call center and support services to the Thrift Savings Plan, a retirement plan for federal civilian and military employees.

August 9

VCEDA closes a \$400,000 loan to Pyott-Boone Electronics, Inc. to help finance construction of additional warehousing and manufacturing space at its Tazewell plant. The company employs 180 and hopes to reach 250 in three years.

August 12

Dominion Power officials tell the VCEDA board sites are being considered and transmission requirements are under review for a proposed coal-fired power plant in the coalfield region.

Charles S. Yates
Executive Director



Executive Director's Report

VCEDA is closing out another successful year for economic development in the coalfield region. I describe this year's announcements by Governor Mark Warner as the pinnacle of VCEDA's economic development success and certainly one of the high points of my career. These initiatives were successful because of Governor Warner's leadership, and we are truly grateful for what he has helped us to accomplish. Governor Warner has been a longtime VCEDA friend and supporter, having served on our Executive Advisory Board prior to being elected governor.

The Governor's announcement that CGI-AMS and Northrop Grumman plan to put facilities in our region and generate more than 700 new advanced technology jobs is an exceptional accomplishment of VCEDA's 10-year strategy to attract IT jobs and to build a skilled, computer-literate labor force. VCEDA managed both projects and was instrumental in these companies selecting our region. Our challenge now is to help provide the support services they need to be successful. Without question it's a new era for economic development in our region.

The plans of these IT giants give our region credibility as a location for advanced technology jobs. We will make every effort to bring this new identity to the attention of other technology companies looking for more cost-effective locations than major metropolitan areas.



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

VCEDA said good-bye to two longtime board members, Mark Kilduff and Sam Lewis. Mark Kilduff, a longtime friend, is a charter member of the VCEDA board, and I have gone to him many times for advice and guidance over the years. Sam is one of our longest-serving chairmen who provided leadership for one of

our most successful business attraction initiatives – the Red Carpet Tour, hosted by then Governor Allen. We thank them for their many years of devotion and service. Sadly, we mourn the loss of John Bryan, who served on the VCEDA board for years and died in October after battling serious illness, and Carl Skeens, another former member of the VCEDA board who died in November.

I personally want to recognize and thank Donald Baker for his dedication and service to the VCEDA board as its longest-serving chairman. Don continues to serve as a board member and chairman of VCEDA's executive committee.

It's been a great year for the coalfields, and I want to thank Governor Warner, Congressman Boucher, Senator Allen, Secretary Schewel, all our local legislators and economic developers, the VCEDA staff, and most especially the VCEDA Board of Directors for your vision and commitment to our region.

Recognition



The VCEDA Board of Directors says good-bye to Mark Kilduff at its December meeting, recognizing him for his many years of service and contributions to the region as a member of the board. Mark retired in 2005 as Executive Director of the Virginia Economic Development Partnership after more than 30 years in economic development in the Commonwealth.



VCEDA honors R.S. "Sam" Lewis for his years of service on the VCEDA board. Sam has served the board as a representative of the Virginia Coal Association, as chairman and most recently as secretary. He retired from the board in 2005.

John R. Bryan Jr., a retired Pittston Coal executive who served for many years on the VCEDA Board of Directors, died on October 5, 2005. The VCEDA board honored John upon his retirement from Pittston and the board in 2002 for his 33 years of service to the coalfield region.



John R. Bryan Jr.
1940 - 2005

Executive Advisory Board

An educated workforce is the key to competing in a global economy, according to the Executive Advisory Board of the Virginia Coalfield Economic Development Authority, which held its annual meeting in June in Lebanon. Established in 1990, the board includes government and business leaders who provide advice and serve as contacts and liaisons in marketing the region.

The theme of the advisory group's annual meeting was "How does Virginia's Energy Region compete in a global economy?" A commitment to education is the key to keeping jobs and youth in the region, according to former Governor Linwood Holton. Other speakers noted that while "technology is leveling the playing field," having a skilled and educated workforce to offer prospects is becoming more important than some other location factors.



Attending the June annual meeting of VCEDA's Executive Advisory Board, include, front, from left, VCEDA board member Mark Kilduff, Executive Advisory Board members, A. George Mason Jr., Don M. Green, and Linwood Holton; back, from left, Will Davis (AEP), VCEDA Executive Director Charles Yates, VCEDA Executive Advisory Board members Tommy Hudson, Ford C. Quillen, Ike Prillaman, and Joshua N. Lief. Board members not pictured include, Executive Advisory Board Chair Eva Teig Hardy, United States Senator George Allen, Dan Carson, J. Brett Harvey, Stuart P. Smith and Robert W. Woltz Jr.

September 26

Call Evolution Company announces it will invest \$1 million to establish a customer service center in the Pioneer Center in the Duffield Regional Industrial Park. The company expects to create 200 jobs in 30 months.

September 30

The Historic Crab Orchard Museum holds ground-breaking ceremonies for an addition. VCEDA approved a \$100,000 grant for the project.

October 5

VCEDA closes a \$1,083,432 grant to the Buchanan County IDA to purchase land for a regional industrial park and multiple-use development near the proposed Coalfields Expressway. Officials from Buchanan, Dickenson and Wise counties have been working together to create a revenue-sharing, multi-jurisdictional industrial park.

October 28

Calling it an 'unprecedented announcement for the coalfield region,' Governor Mark Warner announces that CGI-AMS will invest \$6 million to establish a software development and systems integration facility in the Russell Regional Business Technology Park in Lebanon. CGI-AMS provides information technology services to the government and private sector and will create 300 jobs in 30 months.

November 10

VCEDA closes a \$200,000 grant to the Lee County IDA for Phase 1 development of the Constitutional Oaks Business Park. The 289-acre park, located on U.S. Rt. 58, is one of the largest sites available in the coalfield region.

November 14

Governor Mark Warner announces that Northrop Grumman Corporation will invest \$22.8 million and establish a help desk and back-up data center facility in the Russell Regional Business Technology Park in Lebanon and create 433 new jobs. The Governor describes the announcement as 'the nation's most sweeping public/private partnership in technology.'

December 13

VCEDA closes a \$120,817 loan to the Town of Clintwood to assist with completion costs of the Ralph Stanley Museum and Traditional Mountain Music Center.

December 16

VCEDA awards a \$485,000 grant to the Buchanan County Tourist Train Development Authority for development of a new tourist attraction in Southwest Virginia.

December 20

VCEDA approves a \$103,500 grant to the Dickenson County IDA to be used toward the development of a Coalfield Regional Agricultural Marketing Center.

Expansion Highlights

Two existing businesses received VCEDA loans that will help finance expansions and additional jobs.

VCEDA awarded a \$600,000 loan to VFP, Inc., a manufacturer of equipment shelters, to expand its current facility in the Duffield Regional Industrial Park. The company plans to increase employment to 278 full-time employees in three years.



VCEDA closes a \$600,000 loan to VFP, Inc. to expand its facility in Scott County. From left, Jonathan Belcher, VCEDA deputy executive director; Donald Baker, VCEDA chairman; Frank Van Balen, CEO of VFP; Jerry Arnold, president of VFP; and Tony Murchison, CFO of VFP.

VCEDA awarded Pyott-Boone Electronics, Inc., a manufacturer of electronics monitoring and communication products for the mining industry and high-tech sub-assemblies for various companies, a \$400,000 loan to help with an expansion at its Tazewell plant. The company employs 180 and hopes to employ 250 within three years.



VCEDA and Pyott-Boone announce an expansion. From left, Mike Thompson, Pyott-Boone general manager; Donald Baker, VCEDA chairman; Nancye Howell, Pyott-Boone vice president; Sen. Phillip Puckett; Jonathan Belcher, VCEDA deputy executive director; and Donnie Lowe, Tazewell County Board of Supervisors.

2005 Projects & Announcements

<u>Company</u>	<u>Type</u>	<u>Jobs</u>	<u>Investment</u>
Hill Mandolins	Musical Instrument Mfg	7	\$ 158,400
SI International	Customer Service	100	1,000,000
KCG Call Center	Customer Service	100	1,000,000
CGI-AMS	Software Development	300	6,000,000
Northrop Grumman	Help Desk/Backup Data Ctr	433	22,800,000
Call Evolution	Customer Service	200	1,000,000
Clinch River Forest Products	Lumber Mill/Sawmill	102	4,350,000
Mountain Forest Products	Chip Mill/Sawmill	48*	250,000
Total:		1,290	\$ 36,558,400
<u>Expansions:</u>			
VFP, Inc.	Communications Shelters	138	2,200,000
Pyott-Boone Electronics	Electronic Sub-assemblies	70	500,000
Total:		208	\$ 2,700,000
Grand Totals:		1,498	\$ 39,258,400

2005 VCEDA Loan and Grant Approvals

Loans	County	Project	Approved	Amount
	Dickenson	Hill Mandolins, Inc.	02/17/05	\$ 35,700
	Dickenson	Mountain Forest Products, LLC	04/21/05	175,000
	Dickenson	Town of Clintwood/Ralph Stanley Museum	11/14/05	120,817
	Lee	IDA/Constitutional Oaks Expansion	02/17/05	200,000
	Russell	IDA/CGI-AMS	11/14/05	500,000
	Scott	MidPaco, LLC (Loan Cancelled)	02/17/05	250,000
	Scott	VFP, Inc.	04/21/05	600,000
	Tazewell	Clinch River Forest Products, Inc.	04/21/05	500,000
	Tazewell	Pyott-Boone Electronics, Inc.	04/21/05	400,000
		Total Loans		\$2,781,517
Grants				
	Buchanan	IDA/Buchanan Information Park Expansion	02/17/05	\$ 208,350
	Buchanan	University of Appalachia College of Pharmacy	04/21/05	150,000
	Buchanan	IDA/Lovers' Gap/Poplar Gap Property	08/12/05	1,083,432
	Buchanan	Buchanan County Tourist Train Development Authority	11/14/05	485,000
	Dickenson	IDA/DCWIN	02/17/05	50,000
	Dickenson	IDA/Coalfield Regional Agricultural Marketing Center	12/20/05	103,500
	Lee	IDA/Constitutional Oaks Phase 1 Development	08/12/05	200,000
	Russell	IDA/CGI-AMS	11/14/05	500,000
	Russell	CGI-AMS	11/14/05	550,000
		Total Grants		\$ 3,330,282
		Total Loans & Grants		\$ 6,111,799

Coal and Gas Tax Funds Statement of Cash Receipts & Disbursements

	Fund Balance 1-1-2005	CASH RECEIPTS			CASH DISBURSEMENTS		Fund Balance 12/31/05	Uncommitted Available Balance
		Coal & Gas Tax Receipts	Interest Earned	Loan Collections	Administrative/ Bus. Dev. Expenses	Project Loans/Grants		
Buchanan	\$8,054,633	\$2,266,634	\$ 284,431	\$ 55,667	\$ 299,731	\$ 1,641,020	\$8,720,614	\$1,494,796
Dickenson	2,052,825	1,013,739	82,418	350,400	127,618	322,939	3,048,825	2,884,916
Lee	952,114	45,699	26,111	15,793	14,586	215,000	810,131	360,131
City of Norton	48,249	—	1,607	1,902	1,036	—	50,722	50,722
Russell	348,216	331,718	17,694	102,084	51,267	—	748,445	(301,555)
Scott	20,719	1,539	911	11,399	7,012	—	27,556	27,556
Tazewell	884,159	157,789	23,079	199,313	37,294	547,975	679,071	176,751
Wise	3,964,178	1,310,527	134,816	259,361	190,109	755,411	4,723,362	4,629,749
Undesignated	7,384,029	1,134,918	240,145	152,348	107,830	1,015,218	7,788,392	6,122,694
Totals	\$23,709,122	\$6,262,563	\$811,212	\$1,148,267	\$ 836,483	\$ 4,497,563	\$26,597,118	\$15,445,760

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, 2005. 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 Virginia Coalfield Economic Development Authority, for the year ended December 31, 2005, on the cash basis of accounting.

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

Sam Lewis/Gary Cox

VCEDA Board of Directors

The VCEDA Board of Directors added a new industry target in 2005 and saw several new companies choose the region. The board approved a business development plan that targets federal and state contractors, which can be lucrative and provide stable, long-term employment opportunities. In July, SI International announced it would locate in Clintwood and provide 100 jobs. SI is working under a contract with the Federal Retirement Thrift Investment Board to provide call center and support services to the Thrift Savings Plan, a retirement plan for federal civilian and military employees. In October, Governor Mark Warner announced the CGI-AMS location in Russell County and 300 jobs. CGI-AMS provides information technology (IT) services to the government and private sector.

In November, Governor Mark Warner announced that Northrop Grumman had received the contract to modernize the state's information technology

infrastructure. The 10-year, \$2 billion contract will create a partnership that will help bring 433 new high-tech jobs to Southwest Virginia.

The board also approved a loan and grants for significant development in regional industrial parks, including the Constitutional Oaks Business Park in Lee County and a proposed multi-jurisdictional park in Buchanan County.

Long-time board members Mark Kilduff and Sam Lewis retired from the board in 2005. The Virginia Coal Association appointed Gary Cox, director of operations for Clintwood Elkhorn Mining Company, to the VCEDA board to replace Sam Lewis.

Sadly, the VCEDA board mourns the loss of former member, John R. Bryan Jr., who died in October. The board honored John shortly after his retirement from Pittston Coal and the board in 2002, for his more than 33 years of service to the coalfield region.



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