

15 Years of Revitalizing Virginia's Tobacco Region

\$1 Billion
Awarded

1,800
Grants

16,000
Jobs

\$3.5 Billion
Invested

Fifteenth
ANNUAL REPORT
FISCAL YEAR 2014



VIRGINIA TOBACCO
Indemnification and
Community Revitalization
COMMISSION

The Honorable Terry G. Kilgore
Chairman

The Honorable Frank M. Ruff
Vice Chairman



701 East Franklin Street, Suite 501
Richmond, Virginia 23219

804-225-2027 [Phone]
877-807-1086 [Toll Free]
804-786-3210 [Fax]

www.tic.virginia.gov

Virginia Tobacco Indemnification and Community Revitalization Commission

October 1, 2014

To the Governor and Members of the General Assembly of Virginia:

The close of fiscal year 2014 marks the Commission's 15th year of promoting economic growth in the Commonwealth's most challenging economic region. Our long-term objective of revitalization is steadily becoming a reality. On behalf of the Commission, I am pleased to report our progress to you in this *Annual Report* and hope you will be impressed by our substantial impact described throughout.

Tobacco growers and quota owners in Virginia endured unprecedented losses since the *Master Settlement Agreement* was reached in 1998. The aggregate loss was determined to be \$479 million and as of 2012, the Commission, together with other sources, has indemnified 100% of that loss. This effort alone has made unparalleled improvements in the economy of Virginia's tobacco region.

The Commission's efforts to revitalize tobacco communities have taken many forms, as you will see in the pages that follow. In the year ending June 30, 2014, the Commission committed over \$88 million to 118 different economic development projects serving 34 counties and 6 independent cities in Virginia's tobacco belt.

In 2014, more than 2,000 new jobs and \$770 million of investment in taxable assets in the tobacco region were committed by new and existing companies. More than 3,300 students residing in the tobacco region received higher education financial aid and more than 2,900 residents were anticipated to have increased access to healthcare.

On behalf of the Commission, I am grateful for your continued support of our mission and look forward to another year of partnership with you in bringing renewed prosperity to thousands of households in this area of the Commonwealth that we are privileged to serve.

Sincerely,

Terry G. Kilgore
Chairman

Mission

“The Commission is established for the purposes of determining the appropriate recipients of moneys in the Tobacco Indemnification and Community Revitalization Fund and causing distribution of such moneys for the purposes provided in this chapter, including using moneys in the Fund to (i) provide payments to tobacco farmers as compensation for the adverse economic effects resulting from loss of investment in specialized tobacco equipment and barns and lost tobacco production opportunities associated with a decline in quota and (ii) revitalize tobacco dependent communities.”

--Section 3.2-3101, *Code of Virginia*

Strategies

(i) Indemnification of Tobacco Farmers

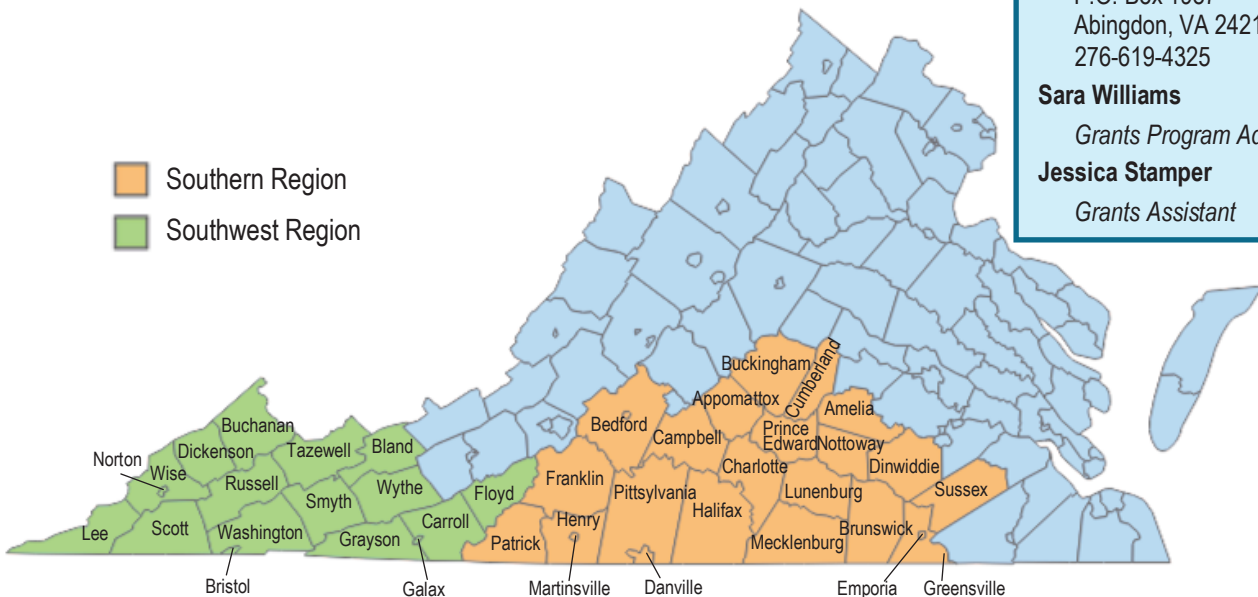
The Commission has satisfied its statutory obligation to indemnify burley and flue-cured producers and quota owners. From its inception through the end of fiscal year 2012, the Commission has made available \$309 million in addition to the \$170 million from other sources for indemnifying losses.

(ii) Revitalization of Tobacco Dependent Communities

Revitalization is accomplished through eight grant programs that make awards to local governments, government entities, and non-profit organizations. The Commission prioritizes projects that maximize leveraging from applicants and other partner organizations, and gives preference to projects that have regional participation and generate the most significant economic outcomes—primarily measured in terms of new jobs, income and taxable private capital investment—for the residents, businesses and localities in the tobacco region.

Service Area

The Commission’s service area includes 40 tobacco-dependent localities in Southern and Southwest Virginia. Local governments and nonprofits serving those localities are eligible to apply to the Commission’s eight grant programs.



COMMISSION STAFF

MAIN OFFICE

701 East Franklin St., Suite 501
Richmond, VA 23219
804-225-2027

Tim Pfohl

*Interim Executive Director/
Grants Program Director*

Ned Stephenson

Deputy Director

Carolyn Bringman

Performance Data Analyst

Sarah Goodwyn

Financial Services Specialist

Stephanie Kim

Director of Finance

Suzette Patterson

Grants Office Manager

Stacey Richardson

Executive Assistant

SOUTHERN FIELD OFFICE

615-a South Main Street
Chatham, VA 24531
434-432-7203

Sarah Capps

Grants Program Administrator

Benjamin Dawson

Grants Assistant

SOUTHWEST FIELD OFFICE

One Partnership Circle
P.O. Box 1987
Abingdon, VA 24212
276-619-4325

Sara Williams

Grants Program Administrator

Jessica Stamper

Grants Assistant



Chairman

The Honorable Terry G. Kilgore
 Delegate, Gate City



Vice Chairman

The Honorable Frank M. Ruff
 Senator, Clarksville

House of Delegates Members

The Honorable Kathy J. Byron	Lynchburg
The Honorable James E. Edmunds, II	Halifax
The Honorable Daniel W. Marshall, III	Danville
The Honorable Will Morefield	Tazewell
The Honorable Thomas C. Wright, Jr.	Victoria

Senate Members

The Honorable Charles W. Carrico, Sr.	Galax
The Honorable Ralph K. Smith	Huddleston
The Honorable William Stanley, Jr.	Moneta

Secretary of Commerce and Trade

The Honorable Maurice Jones	Richmond
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Secretary of Finance

The Honorable Richard D. Brown	Richmond
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Secretary of Agriculture and Forestry

The Honorable Todd P. Haymore	Richmond
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Active Flue-Cured Tobacco Producers

Mr. Kenny F. Barnard	Amelia
Mr. Cecil E. Shell	Kenbridge

Active Burley Tobacco Producers

Mr. H. Ronnie Montgomery	Jonesville
Mr. Kenneth O. Reynolds	Abingdon
Mr. Richard L. Sutherland	Elk Creek

Virginia Farm Bureau Federation Representative

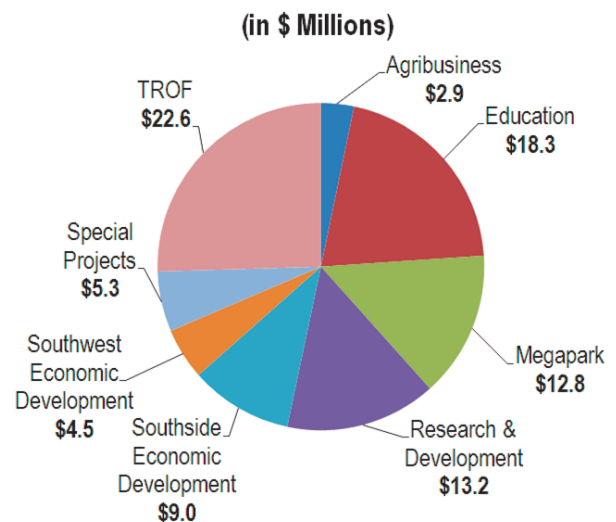
Mr. Robert Spiers	Stony Creek
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Citizens

Mr. John R. Cannon	South Boston
Ms. Becky Coleman	Gate City
Ms. Melissa "Missy" Neff Gould	Danville
The Honorable Franklin D. Harris	Amelia
The Honorable Donald Merricks	Chatham
Mr. A. Dale Moore	Altavista
Ms. Sandra Moss	Dillwyn
The Honorable Edward Owens	South Boston
Dr. Todd E. Pillion, DDS	Abingdon
Dr. David S. Redwine, DVM	Gate City
The Honorable Gary Walker	Charlotte Court House

Fiscal Year 2014 Grant Awards

8 Grant Programs
118 Grants
\$88.6 Million Awarded



Agribusiness Grants to assist the tobacco region's agricultural community in diversifying into new production opportunities and developing value-added enterprises.

Organization	Project Description	Grant Amount
Abingdon Feeder Cattle Association, Inc.	Beef Builder Initiative - Phase II	\$600,000
Campbell County	Central Virginia Produce, Livestock, and Feed Storage Systems program	\$487,000
Charlotte County	Regional Processing for Aquacultured Products	\$438,500
Lincoln Memorial University	Large Animal Clinical Skills of the LMU College of Veterinary Medicine Large Animal Teaching and Research Center	\$607,421
Southwest Livestock Cooperative, Inc.	Southwest Virginia Livestock Center	\$232,860
Town of Glade Spring	Farmers Market and Performing Arts Center	\$150,000
Virginia Polytechnic Institute and State University	Agricultural Energy Efficiency Initiative	\$373,500
Total Agribusiness (7)		\$2,889,281

Education Grants for various projects that will create a world-class workforce in the tobacco region, including scholarships, community college programs and workforce training.

Organization	Project Description	Grant Amount
Central Virginia Community College Educational Foundation, Inc.	Tobacco Scholarships 2014 - 2015 School Year	\$170,000
Central Virginia Community College Educational Foundation, Inc.	Equipment Upgrades For Machine Tool Program	\$206,972
Danville Community College	Certified Welding Program	\$150,000
Danville Community College	Site work Design/Management Funding for New Technology Building	\$72,075
Danville Community College Educational Foundation, Inc.	Scholarships and Training 2014-2015	\$420,000
John Tyler Community College Foundation	Tobacco Region Scholarship Program	\$99,875

Organization	Project Description	Grant Amount
Mountain Empire Community College	Scholarships for Tobacco Families and AIMS Higher Scholars 2014 - 2015 School Year	\$420,000
Mountain Empire Community College Foundation	Advanced Manufacturing Workforce Training	\$59,595
New College Foundation	Advanced Manufacturing Center of Excellence	\$2,000,000
Patrick Henry Community College Foundation	STEM-H Priority Scholarships 2014 - 2015 School Year	\$420,000
Southern Virginia Higher Education Center	Advanced Manufacturing Boot-Camp	\$163,750
Southern Virginia Higher Education Center	SoVA Advanced Manufacturing Center of Excellence	\$2,000,000
Southern Virginia Higher Education Center	Workforce Training: Welding in Halifax County	\$20,886
Southside Virginia Community College Foundation	2014 - 2015 Scholarship Program	\$420,000
Southside Virginia Community College Foundation	Technical Training for Southside's Workforce - Equipment purchase	\$456,756
Southwest Virginia Community College	Tobacco Outreach Scholarship Program FY14-15	\$420,000
Southwest Virginia Higher Education Center	2014-2015 Tobacco Region Scholarship Program (Southside)	\$4,713,780
Southwest Virginia Higher Education Center	2014-2015 Tobacco Region Scholarship Program (Southwest)	\$2,117,785
Southwest Virginia Higher Education Center	Tobacco Region Scholarship Work Incentive Fund	\$1,757,779
Southwest Virginia Higher Education Center Foundation	STEM-H Clinical Lab Sciences	\$500,000
Virginia Foundation for Community College Education	GED to College: Increasing Educational Attainment Levels in the Tobacco Region	\$389,000
Virginia Highlands Community College	Scholarships for Tobacco Families and AIMS Higher Scholars 2014-2015 School Year	\$420,000
Virginia Highlands Community College	Workforce Training in Advanced Manufacturing	\$163,550
Virginia Western Community College Educational Foundation, Inc.	Franklin County Community College Access Program and Franklin County CNA Scholarship Program	\$209,776
Wytheville Community College Educational Foundation, Inc.	Improving Advanced Manufacturing Education	\$110,150
Wytheville Community College Educational Foundation, Inc.	Forging Futures Scholarship Program 2014-2015	\$420,000
Total Education (26)		\$18,301,729



Photos: Jill Nance/The (Lynchburg) News & Advance



In August 2014, Liberty University's College of Osteopathic Medicine welcomed its 162-member inaugural class and celebrated the grand opening of the Center for Medical and Health Sciences, which was built and equipped with \$20.5 million of Special Projects grants. The 144,000 square foot educational facility is home to both the College of Osteopathic Medicine and the Master's of Public Health program and houses 52 faculty and full-time staff. Liberty University provided more than \$20.5 million of matching funds to complete the state-of-the-art facility and has partnered with health systems in the tobacco region to provide residency opportunities in the historically underserved area.



In June 2014, the Clean Energy Research and Development Center opened its doors in Washington County. The Center was planned and built with more than \$9 million in Special Projects and Research and Development grants to serve as a magnet for commercializing energy research projects.

In 2014, a major milestone was achieved when the Army Corps of Engineers issued a permit that allowed grading to begin at Commonwealth Crossing Business Centre in Henry County. Grading and utility work at the site has been funded with \$16 million from Megasite and other grants.

Megasite Grants for site development of large-scale industrial properties that are intended to attract significant economic development employers and facilities such as automotive assembly.

Organization	Project Description	Grant Amount
Blue Ridge Crossroads Economic Development Authority	Wildwood Commerce Park- Increasing Wastewater Capacity	\$962,500
Greenville County	Mid-Atlantic Advanced Manufacturing Center	\$4,489,211
Martinsville-Henry County Economic Development Corporation	Commonwealth Crossing Business Centre Prospects	\$6,500,000
Sussex County	Route 626 (Beef Steak Road) Mega Site	\$836,375
Total Megasite (4)		\$12,788,086

Research and Development Grants to encourage collaboration between private scientists and investors, tobacco region localities and/or Virginia's educational institutions to conduct research and development that will lead to commercialization in the region.

Organization	Project Description	Grant Amount
Bland County Economic Development Authority	Underground Mine Wireless Communication, Tracking and Atmospheric Monitoring System (Part 2)	\$600,000
Lee County IDA	Demonstration & Commercialization of the HHS Coal Refining Process for Economic Development in the Southwest Virginia Coalfields	\$1,181,075
Region 2000 Research Institute	Hot Flow Test Loop (HFTL) Facility (B&W)	\$2,000,000
Southwest Virginia Higher Education Center Foundation	Battery-Powered Coal Hauler for Low-Seam Underground Coal Mining	\$1,143,863
Southwest Virginia Higher Education Center Foundation	Biochemical Conversion of Lignocellulosic Biomass (Optafuel)	\$2,000,000
Southwest Virginia Higher Education Center Foundation	Excavation Damage Prevention Devices	\$1,500,000
Southwest Virginia Higher Education Center Foundation	LiteSheet: energy-efficient and lower-cost LED lights	\$2,000,000
The Rector and Visitors of the University of Virginia	Fermata V2G	\$2,000,000
Washington County Industrial Development Authority	Bristol Compressors International, Inc. Flammable Refrigerant Testing and Product Qualification	\$808,744
Total Research and Development (9)		\$13,233,682

Southside Economic Development Grants *to develop industrial sites and business/technology parks, improve water, sewer, broadband and other utility infrastructure that serves employment centers, and develop tourism infrastructure in the southern region.*

Organization	Project Description	Grant Amount
Charlotte County Industrial Development Authority	Phase I (Shell Building Acquisition)	\$2,029,728
Charlotte County Industrial Development Authority	Regional Processing Facility for Agricultural Value-Added Products	\$500,000
Clarksville Senior Care, LLC	MeadowView Terrace Expansion	\$358,000
Franklin County	Commerce Center Infrastructure Relocation	\$298,093
Greensville County	Skippers Well Integration	\$68,584
Halifax Regional Long-Term Care, Inc.	The Woodview Expansion	\$435,000
Industrial Development Authority of Halifax County	Phase III Rehab for Reuse of Green View Advanced Manufacturing Center	\$1,140,500
Lunenburg County	STEPS Project Plumbing Requirements	\$45,000
Mecklenburg County	Microsoft Expansion Project	\$596,388
Mecklenburg County	Boydton Plank Road Industrial Park Expansion	\$1,286,500
Mecklenburg County	County Shell Building	\$1,200,000
Mecklenburg County	Industrial Site Readiness Initiative	\$74,844
Robert Russa Moton Museum	Civil Rights in Education Heritage Trail Tourist Center	\$77,785
Town of Gretna	Industrial Park Gravity Sewer Completion	\$335,000
Town of Rocky Mount	Harvester Performance Center Construction	\$500,000
Town of South Hill	Industrial Site Readiness Initiative	\$59,251
Total Southside Economic Development (16)		\$9,004,673

Southwest Economic Development Grants *to develop industrial sites and business/technology parks, improve water, sewer, broadband and other utility infrastructure that serves employment centers, and develop tourism infrastructure in the southwest region*

Organization	Project Description	Grant Amount
Bland County Economic Development Authority	County Industrial Park Extension	\$700,000
City of Galax	Chestnut Creek School of the Arts Woodworking Studio	\$125,000
Lee County IDA	Constitutional Oaks Access Road Development	\$60,000
Lincoln Memorial University	Large Animal Teaching and Research Center of the LMU College of Veterinary Medicine	\$537,000
Rural Retreat Depot Foundation Inc.	Depot Restoration - Phase One (Stabilization)	\$49,534
Smyth County Board of Supervisors	Exit 39 - Seven Mile Ford - Sewer	\$83,000
Southwest Regional Recreation Authority	Adventure Playground of the East - Developing a Network of Sustainable & Profitable Trail Systems	\$300,000
The Barter Foundation, Inc.	Expanding the Production Capacity of Barter Theatre	\$255,250
Town of Big Stone Gap	Visitors Center	\$200,000
Virginia Coalfield Coalition	Virginia Coalfield 4G Wireless	\$1,500,000
Virginia Tourism Authority (VA Tourism Corporation)	Big Stone Gap - Motion Picture	\$500,000
Virginia's Heritage Music Trail: The Crooked Road	Expanding The Crooked Road Brand	\$208,000
Total Southwest Economic Development (12)		\$4,517,784



The Corsi Group announced its commitment to create 110 jobs and invest more than \$5 million in Charlotte County's industrial park. In addition to the \$375,000 in TROF funds provided to the Indiana-based cabinet manufacturer, Southside Economic Development funds enabled the County to acquire and expand an existing industrial building for the project.

Two grants totaling \$1.15 million in Agribusiness and Southwest funds were awarded to Lincoln Memorial University's College of Veterinary Medicine to construct a large animal teaching and research center in Lee County. An inaugural class of 96 doctoral students began studies in August 2014 at the third veterinary school in the United States to open in the last 35 years.

Special Projects Grants *for projects that expand access to healthcare services for tobacco region residents or regional participation economic development projects that benefit multiple localities or the tobacco region as a whole.*

Organization	Project Description	Grant Amount
Center for Rural Virginia	Regions Strategic Plans Assessment	\$50,000
Franklin County	Commerce Center Infrastructure Relocation	\$400,000
Mecklenburg County	Virginia's Growth Alliance Marketing	\$100,000
REDC Community Capital Group Incorporated	Revolving Loan Fund for Job Creation and Small Business Development in Southside Virginia	\$500,000
St Mary's Health Wagon	Expansion of Primary Health Care and Telemedicine Services	\$85,000
The Rector and Visitors of the University of Virginia	Improving Working Women's Health in the Tobacco Region through Telemedicine	\$927,793
Virginia Commonwealth University	Working to Achieve a Cancer-Free Virginia	\$3,000,000
Wellmont Foundation (Wellmont Health System)	Level One Heart Attack Network - SWVA Phase II	\$200,000
Total Special Projects (8)		\$5,262,793

Tobacco Region Opportunity Fund (TROF) Grants *Performance-based grants to localities in the tobacco region to assist in the creation of new jobs and investments, whether through new business attraction or existing business expansion.*

Organization	Project Description	Grant Amount
Bland County	W & B Fabricators, Inc.	\$100,000
Brunswick County IDA	Transcontinental Gas Pipe Line Co. and Virginia Electric & Power Co.	\$10,000,000
Carroll County Industrial Development Authority	Virginia Produce Company, Inc.	\$200,000
Charlotte County Industrial Development Authority	The Corsi Group	\$375,000
City of Bristol	CBH Bristol, LLC. (Creative Boutique Hotels)	\$265,000
City of Bristol	Snack Alliance, Inc. (Shearer's Foods, Inc.)	\$245,000
City of Bristol	Studio Brew, LLC.	\$100,000



Southwest funds along with Governor's Motion Picture Opportunity funds enabled the Virginia Film Office to reimburse a portion of production expenses for the filming of author/producer Adriana Trigiani's film adaptation of her bestselling novel series "Big Stone Gap". The motion picture was filmed in Big Stone Gap, VA, debuted at the 2014 Virginia Film Festival, and is scheduled for national release in 2015.

Virginia Electric Power Company is investing \$800 Million to construct a 1,360 megawatt natural gas power station in Brunswick County. Southside Economic Development funds enabled the County to acquire the site and a major TROF grant is funding the expansion of Transcontinental Gas Pipe Line Company's natural gas infrastructure that will also benefit several neighboring Southern Virginia counties.

Organization	Project Description	Grant Amount
City of Danville	North American Mold Technology, LLC	\$520,000
City of Martinsville	Solid Stone Fabrics	\$100,000
Dinwiddie County IDA	G. A. & F. C. Wagman, Inc.	\$235,000
Franklin County	Trinity Packaging	\$75,000
Floyd County	Hollingsworth & Vose	\$65,000
Grayson County	Falcon Turbine, Inc.	\$105,000
Grayson County	Independence Lumber	\$150,000
Henry County	CP Films, Inc. (Eastman Chemical Company)	\$230,000
Lunenburg County	ABC Recycling	\$45,000
Lunenburg County	Coast 2 Coast Trucking, Inc.	\$100,000
Mecklenburg County Industrial Development Authority	Microsoft Corporation	\$1,600,000
Patrick County Economic Development Authority	Pioneer Health Services	\$185,000
Prince Edward County	Helton House, Inc.	\$80,000
Prince Edward County	J. R. Tharpe Trucking Co., Inc.	\$95,000
Russell County Industrial Development Authority	Steel Fab, Inc., A Division of Samuel Pressure Vessel Group, Inc.	\$160,000
Scott County Economic Development Authority	Secure Mountain LLC.	\$460,000
Scott County Economic Development Authority	VFP, Inc.	\$160,000
Smyth County Industrial Development Authority	Liao Yang Ning Feng Woodenware Co., Ltd. (New Ridge, LLC)	\$450,000
Tazewell County	Ecosus Virginia, LLC.	\$1,000,000
Virginia Intermont College	Virginia Intermont College	\$210,000
Total Unannounced Projects (9)		\$5,245,000
Total TROF (36)		\$22,555,000
2014 AWARDS GRAND TOTAL (118)		\$88,553,028

Revenues, Expenditures and Net Position

Consolidated Statement of Net Position

	Fiscal Year 2014 (unaudited)	Fiscal Year 2013
Assets:		
Current and other assets	\$587,060,887	\$661,795,891
Capital and intangible assets	17,833	44,964
Total assets	587,078,720	661,840,855
Liabilities:		
Current and other liabilities	2,988,361	7,186,756
Long-term liabilities	93,483	120,168
Total liabilities ¹	3,081,844	7,306,924
Net position ² :	\$583,996,876	\$654,533,931

¹ In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, total liabilities do not include \$174 million at June 30, 2014, and \$191 million at June 30, 2013, in obligations for grant awards made prior to fiscal year end.

² Total net position includes \$326 million at June 30, 2014, and \$360 million at June 30, 2013, in the Tobacco Indemnification and Community Revitalization Endowment, which is subject to certain restrictions on annual withdrawals by the *Code of Virginia*.

Consolidated Statement of Activities

	Fiscal Year 2014 (unaudited)	Fiscal Year 2013
Revenues:		
Interest, dividends, and other investment income	\$16,132,094	\$28,587,572
Other income	625,953	450,506
Unrealized gain on investments held by the Treasurer	2,977,024	-
Total revenues	19,735,071	29,038,078
Expenditures:		
Administration	1,960,550	2,781,265
Indemnification payments	-	59,606
Community revitalization	88,311,445	116,969,871
Unrealized loss on investments held by the Treasurer	-	23,458,070
Depreciation	131	785
Total expenditures	90,272,126	143,269,597
Change in net position	(\$70,537,055)	(\$114,231,519)
Net position, beginning of year	654,533,931	768,765,450
Net position, end of year	\$583,996,876	\$654,533,931

Investment
1,800 Grants
\$1 Billion Awarded

Results to Date

16,000	new jobs committed by private employers since 2007
\$3.5 B	new capital investment committed by private employers since 2007
3,000	miles of broadband fiber built
80	industrial parks and mega-sites constructed and expanded
15,000	residents received financial aid at local community colleges
12,500	residents awarded GED credentials
8,000	students received scholarships for 4 year degrees
\$309 M	made available to farmers for indemnification
47,000	approved indemnification claims



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7th and Franklin Building • 701 East Franklin Street, Suite 501 • Richmond, Virginia 23219
804-225-2027 • 877-807-1086 • Fax: 804-786-3210 • www.tic.virginia.gov