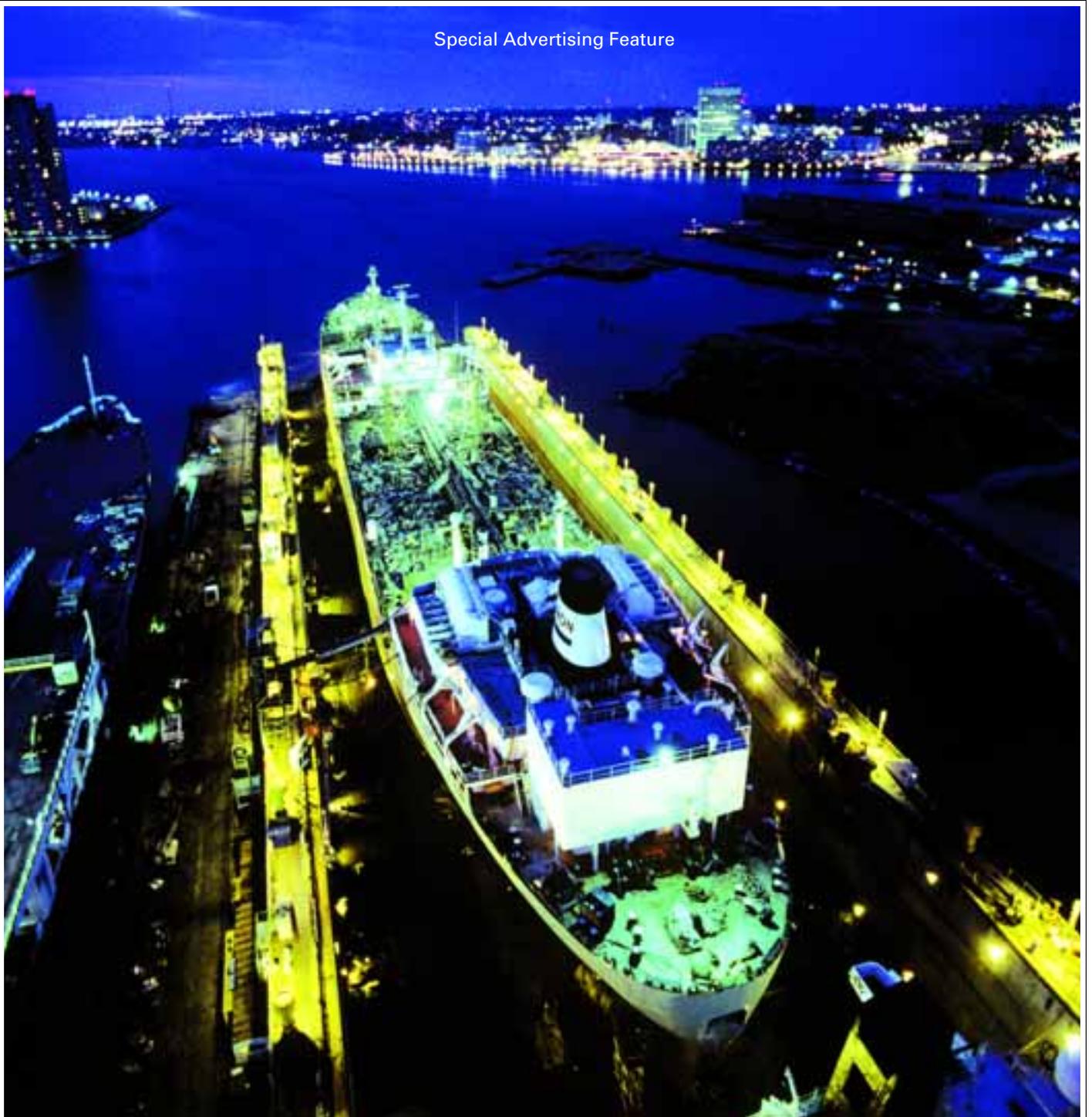


Special Advertising Feature



VIRGINIA *Leading the Way*



Many of the concepts on which Corporate America is based—free enterprise, competition, imports and exports, boards of trustees, CEOs—seem very modern, but all were part of the fabric back in 1607 when a group of Englishmen established an outpost of the Virginia Company in Jamestown. The settlement was arguably the first modern

corporation. It contained a variety of diversified divisions, from copper-smithing to timber-harvesting, and all helped launch Virginia's centuries-long history as a strategically located, multifaceted business community.

During Virginia's early years, the Commonwealth became reliant on textiles, furniture, and the tobacco that the original colonists discovered grew so well here. These days, Virginia cultivates a wide range of industries: plastics, tourism, motorsports, nanotechnology, global logistics, and biotech, to name a few. It's also carving out a niche for itself in the hot new field of modeling and simulation—or M&S, as it's become known—in which 3-D computer models are created to approximate a wide variety of real-world and real-time events. World-class ports and shipping facilities are just two of the other reasons businesses like Virginia. Education is another booming part of the state's landscape. So are the three dozen military installations and more than 250,000 military personnel based within its borders.

From the eastern waters where the country began, to Thomas Jefferson's

working farm at Monticello, to the high-rise corridors of northern Virginia and beyond, the Commonwealth has been a commercial presence for four centuries. Today's companies and their employees are passionate about the outdoors, as well as the high quality of life for a relatively low cost. Putting it all together, the state has the skilled workforce, public-private partnerships, and infrastructure to continue to be

a significant influence in the world of commerce for a long time to come.

INTELLECTUAL PROPERTIES

To be a leader in business, you must first lead in education. This is a truism recognized by Virginians as far back as Jefferson, who wrote that progress depends on the broadest possible diffusion of knowledge among the entire population. More recently Governor Tim Kaine referenced Jefferson's quote in his Jan. 14, 2006 inaugural address, stressing that "lifelong learning is our Commonwealth's top priority."

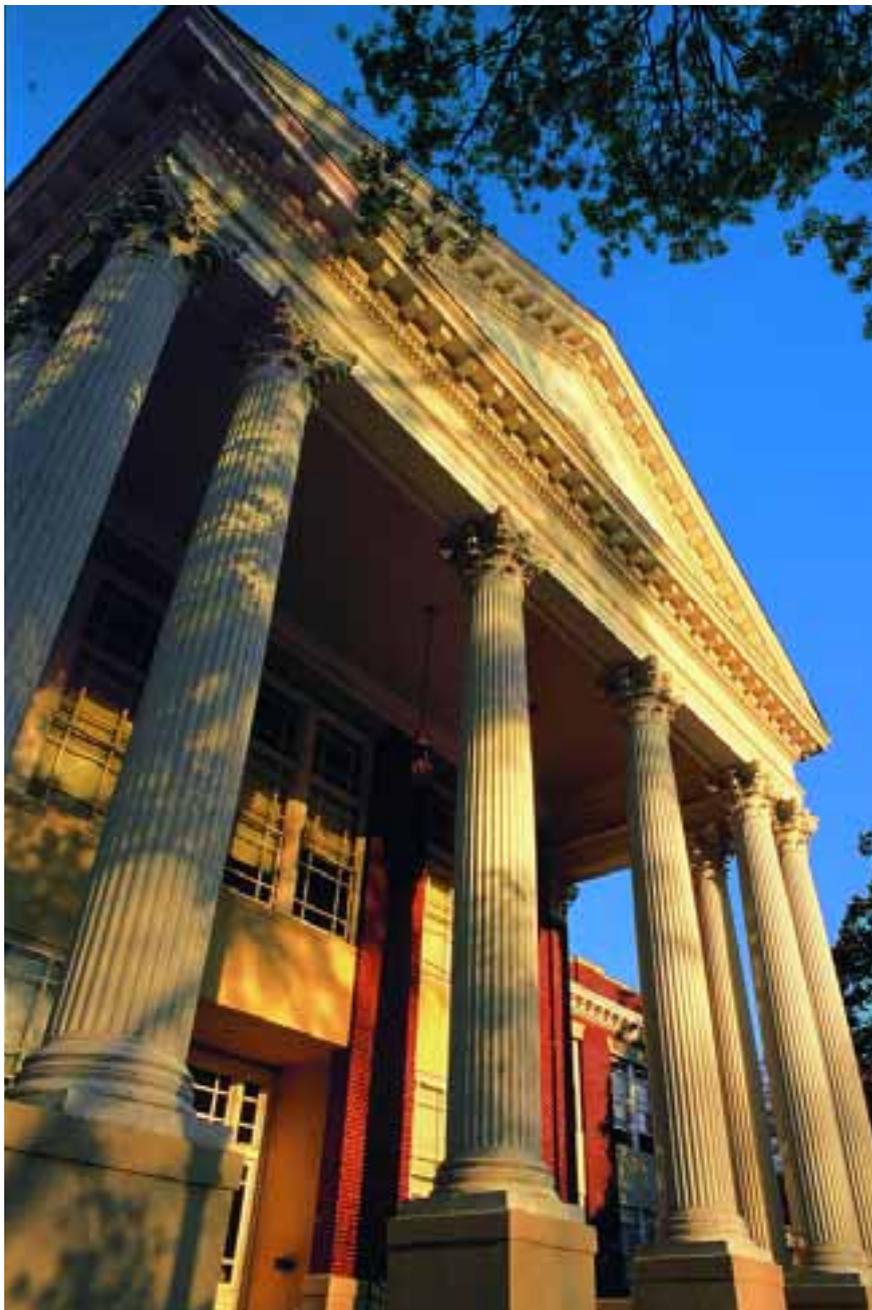
Two days after his inaugural, Governor Kaine signed an executive order establishing his Start Strong Council, which was charged with the task of looking for ways to make good-quality preschool programs available to everyone. Other actions the governor has taken thus far, including 4% raises for teachers, will help move all K-12 schools "from competence to excellence," he says.

In raising that bar, the governor has an outstanding role model in Virginia's college and university system, which he calls "one of our crown jewels." The system, the 11th largest in the U.S., includes 16 public colleges and universities and 43 private, not-for-profit institutions. The state looks so favorably on higher education that the legislature increased funding 18.4% from 2004 to 2006, an upsurge that placed it third in the nation.

Virginia boasts the country's second-oldest college, the College of William and Mary in Williamsburg, but

■ *During Virginia's early years, the Commonwealth relied on textiles, furniture, and tobacco.*





higher education isn't a subject for the history books. Innovative programs that prepare students for new industries abound. Virginia Commonwealth University (VCU) in Richmond was the first major research university in the U.S. to offer a degree in homeland security and emergency preparedness. And a business class at the nation's second-oldest Lutheran college, Roanoke College, in Salem, manages \$500,000 of the school's money in a student-conceived mutual fund; since opening for business in January 2004, the fund has consistently beaten the S&P 500 stock index.

Governor Kaine wants opportunities of this sort available in all parts of the state, especially the southwest and southern regions, which face Virginia's greatest economic challenges. To that end, he recently signed legislation he proposed in January to create the New College Institute (NCI) in Martinsville. The institute, which will initially offer classes through five state colleges and universities, opened its doors in September with programs that include liberal arts studies with elementary-education licensure, a bachelor of science in nursing, and a master of education with a concentration in curriculum and instruction. Next year NCI plans to at least double the number of programs now offered, says Leanna Blevins, associate director.



ECONOMIC ENGINE

"More than a knowledge imparter, education is also an economic development generator," says Governor Kaine, who knows a thing or two about education: He served as principal of a vocational school in a Honduran village during a one-year hiatus from Harvard Law School. "Virginia has both a highly motivated, well-educated workforce and a thriving economic base," says Thomas F. Farrell II, president and CEO of energy giant Dominion and rector of his alma mater, the University of Virginia. "There is a reason

■ Virginia is home to some of the nation's top colleges and universities. Pictured here are the University of Mary Washington (top), the College of William and Mary (left), and the University of Virginia.



why those two go hand in hand in the state."

Strong community colleges are one of the keys to attracting business to Virginia and expanding the economy. "The defining question for companies that are thinking of coming here centers on the quality of our workforce," says Glenn DuBois, chancellor of the Virginia Community College System, which operates 23 colleges on 40 campuses. "They want to be sure if they make a multimillion-dollar investment they'll be able to find the workers they need. If not, you could give them the biggest tax break anywhere and they won't come."

The community colleges have "increasingly seamless connections" with the state's network of higher-education institutions, says DuBois. That means a student can complete the first half of a bachelor's degree and have a guaranteed arrangement with many of the other four-year colleges and universities in Virginia to complete his or her degree. At the moment, 65% of all undergraduates in the state are enrolled at community colleges. "The guarantee has lowered the cost of higher education for all Virginians," says DuBois.

The state also boasts extensive educational partnerships with businesses. In Martinsville, along the North Carolina border in the middle of the state, Patrick Henry Commu-

nity College, in association with the industry, trains students for jobs in motorsports manufacturing and maintenance. To the east, Thomas Nelson Community College in Hampton offers a two-year cooperative program for qualified students that alternates, every six months, class work at the school with designing nuclear aircraft carriers and submarines for Northrop Grumman. And this is just the beginning.

THE LATEST MODEL

Tidewater Community College is one of a number of institutions in the Hampton Roads area, along the southern coast, where modeling and simulation (M&S) has become the

■ *Professors work with students in the FemtoLab and the School of Engineering at Virginia Commonwealth University in Richmond.*

next wave in education and business; the school is starting an associate-degree program in M&S this fall. The 3-D computer models created in M&S approximate real-world events and allow users to observe and analyze changes with little additional effort or cost. In practice, M&S allows governments to create emergency plans before a weather catastrophe occurs; medical students can learn to treat patients without practicing on a live person; and companies can train employees—or the military can train soldiers—with systems known as serious gaming.

According to Jeffrey M. Anderson, executive director of the Virginia Economic Development Partnership (VEDP), a public-private collaboration is building a critical mass of M&S companies that will just keep magnetizing more. "Generating more than 4,000 jobs with attractive salaries and a projected output exceeding \$763 million by 2009, the modeling, simulation, and visualization industries are among the fastest-growing in Hampton Roads," says Jones Hooks, president and CEO of the Hampton Roads Economic Development Alliance, a public-private partnership



More than
20,000

*doctoral scientists and engineers
reside in Virginia.*



Quality of Life

Greater Richmond, Virginia offers the cultural and recreational opportunities of a large city with minimal traffic congestion and an average 24 minute commute. While not everyone will enjoy the serene commute of world champion kayaker and Metropolitan Richmond Sports Backers Executive Director Jon Lughbill, the region does provide Atlantic beaches, Blue Ridge mountain ski slopes and Washington DC's cultural amenities all within a two-hour drive.



Talent

The region's ten colleges and universities produce a steady stream of employees for new and expanding companies in fields including business, engineering, law and medicine. As the nation's first and only undergraduate engineering consulting firm, ChemEngine teams Virginia Commonwealth University's top engineering students with regional companies to solve real-world technical and engineering problems.

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THE CENTER IS CREATING A DATABASE THAT SCIENTISTS NATIONWIDE CAN USE AS A BASIS FOR COLLABORATING AND LEARNING ABOUT THE DIVERSITY OF MEDICAL MODELING AND SIMULATION.

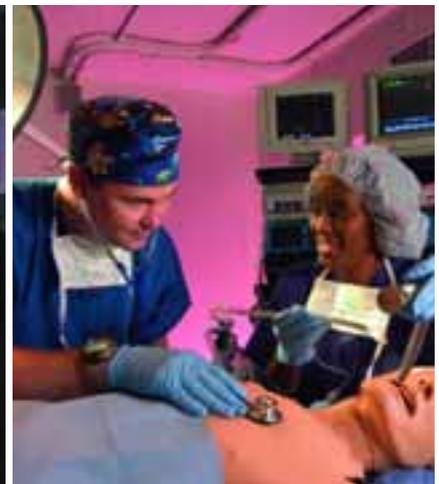
that works to attract and expand businesses in 15 localities in southeastern Virginia. "The alliance recognizes that tremendous impact and leads local M&S marketing efforts."

The education leader in the Hampton Roads M&S cluster—and arguably in the country—is Old Dominion University (ODU). The university is home to both the National Center for Collaboration in Medical Modeling and Simulation (a joint endeavor of Eastern Virginia Medical School and ODU) and the Virginia Modeling, Analysis, and Simulation Center (VMASC).

The National Center for Collaboration brings M&S to medicine. "Simulation of diseases has been done by actors at the medical school for years. But the actors generally aren't sick, and students can't see, touch, or hear the disease trying to be simulated," says Don Combs, Ph.D., the center's director

and associate dean for planning and health professions at the medical school. With computer simulation through a partnership with VMASC, actors can now display symptoms that include heart and lung sounds, he says.

A second way the center is living up to its name is by creating a database—mostly funded by a Department of Defense (DOD) contract—of 230,000 research articles about M&S that scientists nationwide can use as a basis for collaborating and learning about the diversity of medical M&S. It will be the only one of its kind. The center also plans to create an R&D lab to test ideas from students, practitioners, and companies it would identify in order to improve patient care, says Combs. "Medical M&S is still kind of a cottage industry," he adds, "which means companies that want to come here would develop



■ **Left:** Old Dominion University's virtual operating room prototype. **Right:** Instruction using human simulation at a VCU department.

a competitive advantage they're not going to get anywhere else."

VMASC was launched in 1997 primarily as an R&D center in Suffolk to complement the military's Joint Training Analysis and Simulation Center. It now serves as an interface for academia, researchers, industry, and government, says VMASC business development director Mike Robinson. "M&S was first seen as a tool to be used by other disciplines, but in the last few years it's become a discipline in its own right," he says. "Old Dominion and VMASC have been the key to that transition."

Catherine Banks, assistant director for the M&S education program at VMASC, puts it this way: "M&S is branching off into so many different application areas that it will likely have an effect similar to the one computer science had 15 or 20 years ago. More than a tool, M&S is a method for doing research with data from other disciplines. For instance, M&S needs bioengineers for medical modeling. Research is currently being conducted in crowd modeling and mass-casualty modeling, and for that we need sociologists and psychologists to analyze group behavior."

VMASC offers master's degrees and Ph.D.s in M&S—one of only two public institutions in the nation to do so—and is also developing a bachelor's program. About one-third of the current 113 students are affiliated with the military, and that's one reason the center is in the Hampton Roads area. Its proximity to the U.S. Joint Forces Command (right across Interstate 664), with which it has three contracts, is intentional. The center has become a catalyst for businesses to expand in the area; a 32-acre M&S research park in which VMASC will take space next fall will continue to attract even more companies.

Lockheed Martin, one of VMASC's 47 industry members—others include Alion Science and Technology, General Dynamics IT, and Northrop Grumman—understands the benefit of closeness to clients and partners. In April 2005 the company built its



Center for Innovation in nearby Suffolk, where the Global Information Grid (the DOD's Internet) is one of the systems under development. "We wanted to be near people with hash marks and chevrons" on uniforms, says Buck Marr, vice president of the center.

Hundreds of companies make the most of Virginia's heavy military presence. In 2004 the number of active duty, civilian, reserve, and National Guard personnel based in the area (plus Navy and Marine Corps personnel afloat on Virginia-based ships) totaled 250,600. There are 31 military installations in the state—from the Pentagon down to an Army

■ *A view of the lighthouse at Lockheed Martin's Center for Innovation in Suffolk, a \$30 million modeling, simulation, and integration center.*

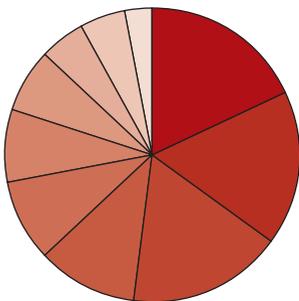
ammunition plant in Radford—plus half a dozen Coast Guard stations.

MAKING CONNECTIONS

Physical proximity to certain companies or a specific workforce is important, but nobody can operate in today's business environment without high-tech capabilities, and Virginia has plenty to go around. In fact, 50% of the world's Internet traffic passes through the state

2005 SECTOR EMPLOYMENT

Where Virginians work



- 18% Government
- 17% Trade, Transportation & Utilities
- 17% Professional & Business Services
- 11% Education & Health Services
- 9% Leisure & Hospitality
- 8% Manufacturing
- 7% Construction
- 5% Financial Activities
- 5% Other Services
- 3% Information

Source: BLS 2006

every day. Companies such as USA Mobility, Inc., a leading provider of paging products and other wireless services that makes its headquarters in Alexandria, and LCC International Inc., a wireless network consultancy in McLean, add to Virginia's ever increasing tech quotient. "To meet increasing mobile content demands, wireless networks are being deployed with WiMAX and other 3G and 4G technologies. Operators and content providers come to us for our extensive technical experience, software tools, and intellectual property

around the engineering of wireless networks," says Dean Douglas, president and CEO of LCC.

Sprint Nextel, whose corporate headquarters are in Reston in northern Virginia, offers a comprehensive range of communications services—bringing mobility to consumer, business, and government customers throughout Virginia. Its connections in the state aren't only tech-based, though: Many of its 4,900 employees in northern Virginia (the company employs 6,338 statewide) volunteer thousands of hours for organizations like Habitat for Humanity, Junior Achievement, and March of Dimes. In addition, Sprint Nextel will invest more than \$1 million this year in community initiatives in the greater D.C. area, through Sprint Foundation grants and community sponsorships in education, youth development, arts and culture, and civic infrastructure. Among the company's innovative technology infrastructure efforts are two robust wireless networks offering industry-leading mobile data services, instant national and international push-to-talk capabilities, and an award-winning and global tier-one Internet backbone.

Another vital Internet capability—broadband—is a reality in the rural areas of southern Virginia, thanks to a major technology effort begun in mid-2004. The Regional Backbone Initiative now includes more than 700 miles of fiber-optic cable connecting five cities, 20 counties, and 60 industrial, business, and technology parks, as well as major tier-one data/co-location centers in Atlanta, Charlotte, Raleigh, and northern Virginia. So far it's been at a cost of about \$66.5 million in grants—one of which was the second-largest single grant given since the 1940s by the U.S. Department of Commerce's Economic Development Administration.

The initiative is headed up by the Mid-Atlantic Broadband Cooperative (MBC) in conjunction with other networking groups, and it's now being expanded beyond its original vision.

"Industries and businesses look for areas with access to affordable telecom services as well as redundant carriers and diverse fiber routes. Our network deployment solves both sides of the equation," says Tad Deriso, general manager of MBC. "We're seeing more and more interest from the local private sector in having access to our unique fiber infrastructure, and we can rapidly provide advanced wholesale services for global carriers in our little neck of the woods. These capabilities put our region far ahead of other rural areas in terms of telecommunications infrastructure."

HIGH-END JOBS

The state's technology-job growth rate is the fifth-highest in the nation. Major tech employers include the Howard Hughes Medical Institute (a biomedical research organization) in Loudoun County; ITT Industries Night Vision (which produces night-vision devices for military and law enforcement), based in Roanoke; the Virginia Institute for Performance Engineering and Research (which specializes in vehicle dynamics) in Alton; and wafer fabricator Micron Technology in Manassas.

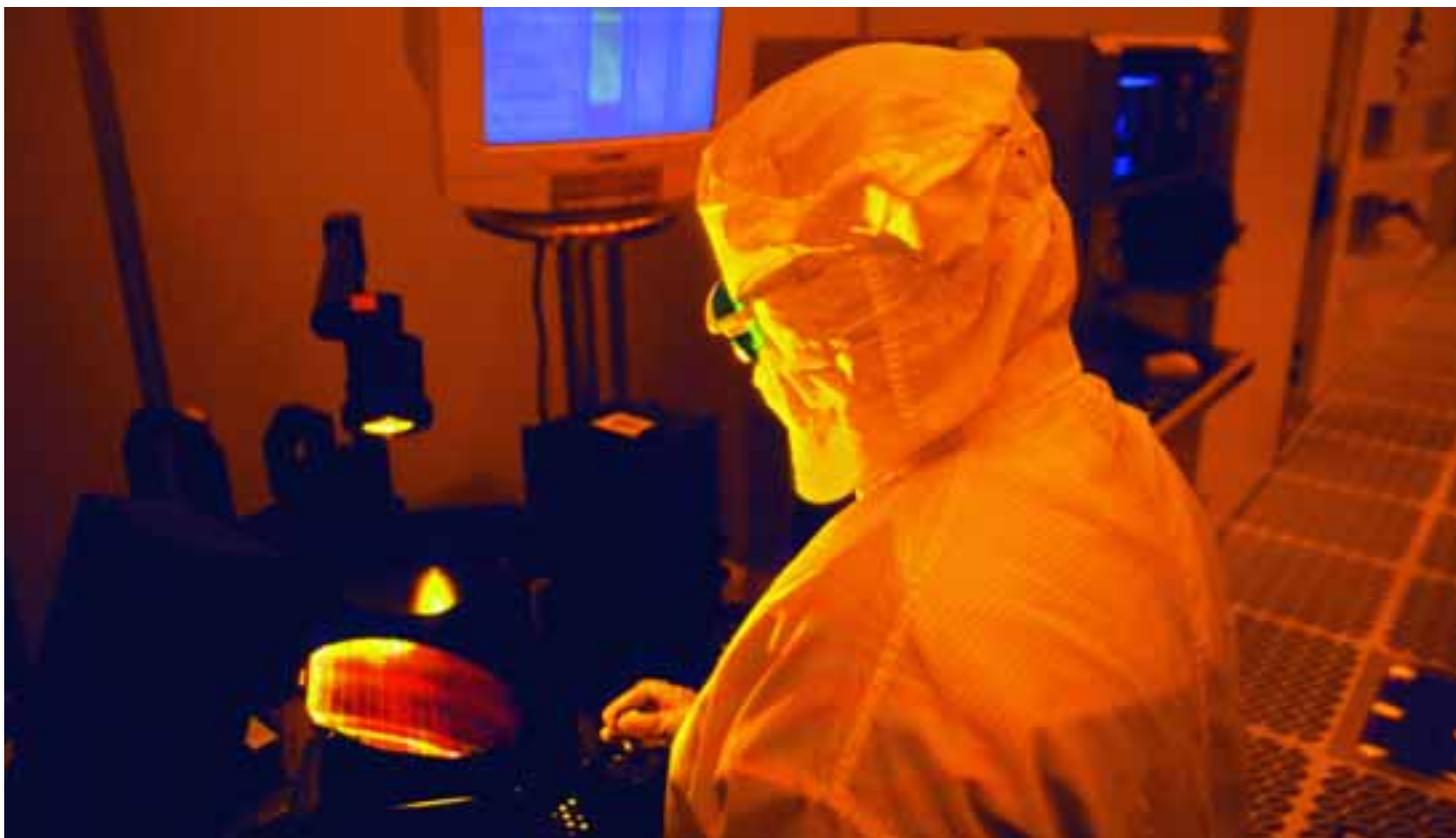
Micron is an industry partner with Qimonda in the Virginia Microelectronics Consortium (VMEC). The



Virginia is home to

14

federal research-and-development centers.



group, a collaboration among some of the state's higher-education institutions and the semiconductor industry, works to improve the reputation of Virginia as a center of excellence in microelectronics through research and workforce-development initiatives. Its Summer Scholar program sends students from half a dozen universities to work on research projects with semiconductor companies.

Another technology partnership between industry and academia won an Economic Development Leadership Award in March from CoreNet Global, an international association of corporate real estate executives. The university-based economic development program—operated by Prince William County and George Mason University (GMU)—features a technology park

■ *A lab technician at work in Qimonda's \$2.9 billion semiconductor plant in Henrico County.*

called Innovation that's anchored by a new public university campus just outside Manassas.

"There are three major reasons that this project is important," says Larry Czarda, vice president for regional campuses. "We can tailor academic programs specific to the needs of corporations for their future workforce. We offer the ability for mid-career people to teach on campus in their field, thereby letting them keep their skills up to date or enter into joint research partnerships. The third reason, which is more ephemeral, is the community of interest—in terms of staying on top of trends—with companies like Eli Lilly, Geo-Centers, and many others." Although this might sound as if the program is competing with community colleges, in fact GMU works "in very careful cooperation" with Northern Virginia Community College, notes Czarda. NVCC, the second-largest

WHERE THE PROS GET IT



Ferguson is the country's largest wholesale distributor of plumbing and building supplies, pipes, valves and fittings, waterworks, and heating and air conditioning products. Founded in 1953, Ferguson has doubled in size nearly every five years, with annual sales exceeding \$7 billion. Headquartered in Newport News, Va., Ferguson employs over 22,000 and boasts

a coast-to-coast distribution network with 1,300 locations in all 50 states, the District of Columbia, Puerto Rico, and Mexico. Ferguson's long-standing philosophy of settling for nothing less than the best—in products offered, in customer service provided, and in the people who are the Ferguson team—continues as the company's competitive advantage.

www.ferguson.com



SINCE 1998 THE PARTNERSHIP HAS UNDERGONE 22 EXPANSIONS AND RELOCATIONS, ATTRACTED MORE THAN \$615 MILLION OF INVESTMENT, AND CREATED NEARLY 2,000 JOBS.

community college in the country, with more than 60,000 students, might provide lab-tech training, for example, while GMU will prepare the master's program.

Since 1998 this public-private partnership has undergone 22 expansions and relocations, attracted more than \$615 million of investment, and created nearly 2,000 jobs. In August the FBI northern Virginia field office broke ground at Innovation, which currently boasts almost

one million square feet of office, lab, and other space; new construction will double that soon. A lab incubator space is planned for the very near future, says Czarda. In addition, GMU was awarded a \$25 million facility grant from the National Institutes of Health to help construct a \$42 million regional BSL3 biocontainment lab (such places usually study infectious diseases and sometimes work on biodefense projects). This space



■ *Novozymes Biologicals, Inc. conducts research and development at its Roanoke Valley facility.*

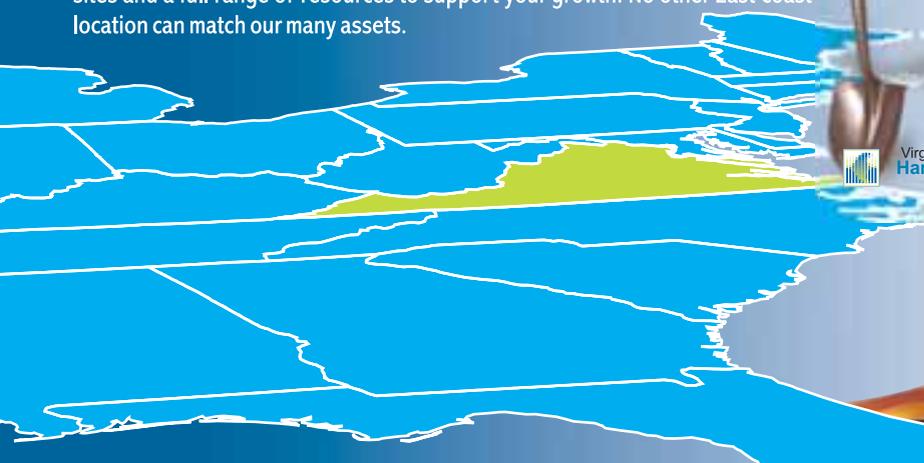
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Forbes.com
August 15th, 2006

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Fertile Ground for Business Expansion and Corporate Relocation

Our 15 localities in southeastern Virginia provide a wide choice of spacious sites and a full range of resources to support your growth. No other East Coast location can match our many assets.



"As a large employer, Ferguson appreciates the quality of workforce available in Hampton Roads to support our vision for customer service and growth. Coupled with this business aspect is the importance of the quality of life offered in Virginia's Hampton Roads that allows our employees to enjoy living and working in the region."

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solidifies the university's position as a leading research institution.

Virginia already ranks third among the 50 states as a recipient of federal R&D funds, and fourth in federal R&D funds per dollar of gross state product. In addition, the state's 14 major federally funded R&D centers have a combined budget of more than \$1.68 billion and employ more than 10,000 Virginians, and the numbers are growing every week.

The Virginia Tech Corporate Research Center offers a means for companies to conduct R&D near

faculty and students of the university that holds the fourth-largest number of patents in the U.S. and houses the world's third-fastest supercomputer. "People want to be near cutting-edge, pioneering work," says Ted Settle, director of the center's office of economic development. And they want not only to access professors' research in their core business, but also to be able to hire the university's tech-savvy graduates, says Settle.

Research efforts aren't limited to the Blacksburg area. "With a land-grant university like Virginia Tech,

you see the state—or larger—as your geographic service region," Settle adds. In that spirit, the university has recently received state money to create a regional R&D center in Lynchburg, home to two major nuclear-power companies, Areva (commercial) and BWXT (military-oriented). "We will put faculty, post-docs, graduate students, and technical support personnel on the ground away from the mother ship," says Settle, "and build new and enhance existing products and services with those companies."



■ *The Port of Virginia—the First Port in America—continues to be the anchor in Virginia’s global-logistics industry.*

feet of distribution space have been announced. Over the past five years, the distribution centers—featuring big names like The Home Depot, Target, and Wal-Mart—have created more than 6,000 jobs in the state. The main reason they come is Virginia’s ready access to the rest of the U.S. and the world through ocean and inland ports, 3,400 miles of railroad track, 14 commercial airports, UPS Freight headquarters, countless major trucking facilities, six key interstates, and more.

Two major airports serve northern Virginia and the entire Washington, D.C. metro area: Ronald Reagan Washington National Airport in Arlington County, across the Potomac River from the nation’s capital, and Washington Dulles International Airport in Fairfax and Loudoun counties. Reagan National served almost 18 million people last year; currently its airlines fly non-stop to 76 destinations. The 44-year-old, 11,830-acre Dulles is Virginia’s air-travel behemoth. It moved 27 million passengers last year and now offers nonstop service to 125 cities, including 47 international. Dulles was the first in the country designed for commercial jets. Today 30 airlines use its runways.

Back in Norfolk, the “First Port in America,” as the signs say, is now arguably the best. It’s also the No. 1 reason for transportation, distribution, and global-logistics growth in the state. Covering three terminals—Norfolk International Terminals (NIT), Portsmouth Marine Terminal, and Newport News Marine Terminal—and 1,035 acres along the banks of the Elizabeth and James rivers, the Port of Virginia handled nearly \$16.2 billion of import cargo and \$11.2 billion in export cargo last year.

The entire port should double its capacity when a new terminal under

GATEWAY TO THE WORLD

Whether high-tech or high-end retail, companies are drawn to Virginia by the basic fact that the Commonwealth is the gateway to the East Coast and beyond. The state is within 750 miles of two-thirds of the U.S. population and 300,000 manufacturing firms, plus almost 60% of the nation’s total personal-income and consumer expenditures.

An entire industry—global logistics—is thriving in Virginia: From January 2000 to June 2006, plans for more than seven million square

Leader

Suez-class cranes that can handle ships loaded 26 containers across.

50-foot channels.

A \$279 million renovation at Norfolk International Terminals.

State-of-the-art yard equipment.

A one-of-a-kind truck chassis pool.

Direct access to Eastern U.S. and Midwest markets.

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construction by A.P. Moller–Maersk Group, the world’s biggest container-shipping line, is fully developed (phase one will be complete next July). The \$450 million project is the largest private investment ever made in a U.S. port. “This location is extremely important to the East Coast and its benefits are crucial, especially its 50-foot channel depth, which differentiates it from other ports,” says Griff Lynch, project director for APM Terminals Virginia; a 55-foot channel depth project has been authorized but not yet begun. The cumulative impact of APM’s new terminal, says Lynch, is expected to produce revenues of \$6.4 billion over the next 15 years.

A fifth terminal, created with sand dredged from the shipping channels, is being developed by the Virginia Port Authority (VPA). Called Craney Island, it will double the port’s size again when it becomes operational, sometime around 2035. “Current and prospective customers are comfortable we’ll be a viable port for a long time,” says Russell J. Held, managing director of marketing for the VPA. As an example, he points from a ten-story tower at NIT across stacks and stacks of containers to the 271-foot-high Chinese cranes built to handle ships with 26 rows of containers,



\$16.2
BILLION

worth of imports and

\$11.2
BILLION

*in exports flow through
the Port of Virginia each year.*

even though today’s ships have only 19. Also, the port’s business has increased by an average of 9% for the past three years, and Held doesn’t expect that to change soon.

On a hot, humid summer’s day, perhaps not unlike the one in June 1607 when lumber was sent to tim-

ber-deprived England a month after the Virginia Company set up shop, Dr. William Kelso stands on the bank of the James River, 55 miles away, watching container ships sail by. “It’s ironic that we’re now shipping things back,” says the archaeologist credited with finding James Fort, the first structure of the 17th-century settlement. “It’s the same deal as it was 400 years ago: What can you export to Europe?”

While northern Europe is still the port’s second-largest region in terms of containerized trade, the largest proportion of recent growth has been with India—surprising, given that not ten years ago there wasn’t any Asian container service to the East Coast. The new distribution centers being built by major U.S. retailers demanded it, and now Asia and India together comprise almost half of the port’s trade.

MOVING INLAND

Distribution centers are popping up around the state, but many of the largest are centered around either the Port of Virginia or the Virginia Inland Port, in far-north Warren County and surrounding communities like the city of Winchester. According to VPA, almost 80% of distribution and warehousing



■ *Left: Washington Dulles International Airport offers nonstop services to 125 cities. Right: The sun rises over the Chesapeake Bay Bridge-Tunnel, known as one of the “Seven Engineering Wonders of the Modern World.”*



space in Virginia can be attributed to port-related business. The 16-year-old Inland Port, operated by VPA, is the intermediate destination for cargo that's trucked the 220 miles to or from the ocean port, and it connects there with Norfolk Southern rail service. The Inland Port captures cargo from the Midwest that would otherwise go to different East Coast ports. A proposed Roanoke-region intermodal terminal will most likely provide similar local development and relieve highway congestion.

Norfolk Southern, which has experienced a growth surge over the past three years and will buy 1,700 new coal cars from Roanoke-based FreightCar America as one result, is also the driving force behind a new project called the Heartland Corridor. Scheduled for completion in 2009–2010, it will expand Norfolk

Southern's double-stack capacity between the Port of Virginia, Columbus, Ohio, and points west. "We see this as a better route for traffic moving into the center of the country," says chairman, president, and CEO Wick Moorman. "So you've got a virtuous circle, if you will, of more traffic meaning more business opportunities for us, and then more opportunities for the port to grow because we can offer more efficient service."

Many ports don't have rail service; Virginia's facilities have not only Norfolk Southern (its primary carrier) but also CSX. "Having a dock rail, where containers can go right to rail service, is a huge advantage," says Held. "With that, plus our deep channels, visionary infrastructure, roads west, and Mid-Atlantic location, we really are sitting in a great position for today and are attractive for several decades out."

■ *Norfolk Southern Railway, a major freight railroad headquartered in Virginia, has 21,000 route miles in 22 states in the U.S. and Canada.*

BIG IDEA TOWN

Two companies that recently set up shop in Danville came in part because of the geographic location of the state and the city. Yorktowne Cabinetry liked its access to the seemingly impervious home-construction boom in the southeast, while Essel Propack saw U.S. Route 58 as an efficient way to get its plastics supplies from the ocean port and other highways to nearby customers. But while geography and logistics were important factors, the promise of a qualified workforce and a close partnership with local and state officials sealed the deal.

Danville, with a population of 48,400, is one of a number of cities in the southern region that has seen serious job losses because of the exit of most textile and tobacco companies. It had the highest unemployment in the Commonwealth—11.9% in February—when the average rate in the rest of the state was 3%.

But thanks to collaborations among elected leaders, economic development officers, the community college, specialized job centers, and existing or interested companies, Danville has welcomed almost 4,700 new jobs since March 2004, a figure roughly equivalent to all new jobs announced there in the 1990s. That helped decrease its unemployment rate to 8%. Governor Kaine made Danville his first community stop in office, 16 days after his inauguration. "He wanted to make sure he sent the message that he's very serious about focusing on Danville," says Virginia Secretary of Commerce and Trade Pat Gottschalk.

From the formation of Galileo High School—a magnet school focusing on biotech, information technology, and aerospace—to the creation of high-tech infrastructure—such as a cyber park, fiber network, and business incubator—Danville now has what it needs to attract various tech companies. Luna nanoWorks, which

THE CENTER IS PROVIDING AN ENVIRONMENT WHERE STUDENTS WILL WORK UNDER THE SAME PROCEDURES AND STANDARDS USED IN AN ACTUAL MANUFACTURING PLANT.

occupies a renovated building in the historic tobacco warehouse district downtown, is one that has recently arrived to the city.

A few soy-covered rolling hills away, Yorktowne Cabinetry, one of the nation's largest producers of semi-custom cabinetry, built a new manufacturing facility in January. Danville's infrastructure was important to Yorktowne, says Doug Agner, operations manager—especially its workforce development, which he said is more important today than machinery. Yorktowne will go from six to 330 employees in one year. That would have been "impossible," Agner says, without the "overwhelming can-do attitude" and "continued support" of local people and institutions.

The two stops at the top of everyone's must-see list are the Institute for Advanced Learning and Research (IALR)—a high-level industrial R&D

partnership among Virginia Tech in Blacksburg and Danville's Averett University and Danville Community College—and the Regional Center for Advanced Technology & Training (RCATT), which is operated as part of the community college's Workforce Services program.

These institutions and others like them represent the future of economic development in the state. "Our first mission is to train the present workforce and new employees," says Jerry Franklin, RCATT director of manufacturing and technical services. Among other things, the center assesses applicants for mechanical aptitude and develops custom training programs. Established companies and local entrepreneurs alike use its rapid-prototyping technology to create polymer models of everything from motorcycle parts to prosthetics.

These machines, plus RCATT's associate degree in polymer manufacturing technology—and the Advanced and Applied Polymer Processing Institute at IALR—help Danville recruit plastics businesses. "We're hoping we're attractive enough for companies to want to come here," says Franklin.

That seems to be an understatement. Essel Propack, a plastics company headquartered in India that claims to be the world's largest producer of laminated tubes (for Crest, Fixodent, and others), acquired a 100,000-square-foot manufacturing facility in Danville almost four years ago. At the moment, RCATT is working with Essel to give students experience in a production

ONE SOURCE FOR WIRELESS



In today's competitive environment, businesses must operate more effectively and efficiently than ever before. That's especially true for mobile communications where single-source suppliers can provide an economical and competitive edge.

USA Mobility of Alexandria, Virginia, has emerged into a single source for wireless communications, specializing in serving the business, government, health care, and emergency response sectors. USA Mobility offers traditional one-way and two-way messaging via its nationwide networks. In addition, the company offers wireless voice and data services through Sprint, Cingular Wireless, RIM / Blackberry, and Vocera Communications. The company's product offerings also include wireless connectivity systems for medical, business, government, and other campus environments.

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USAMOBILITY
ONE SOURCE FOR WIRELESS

environment where they would work under the same procedures and quality standards used in an actual manufacturing plant.

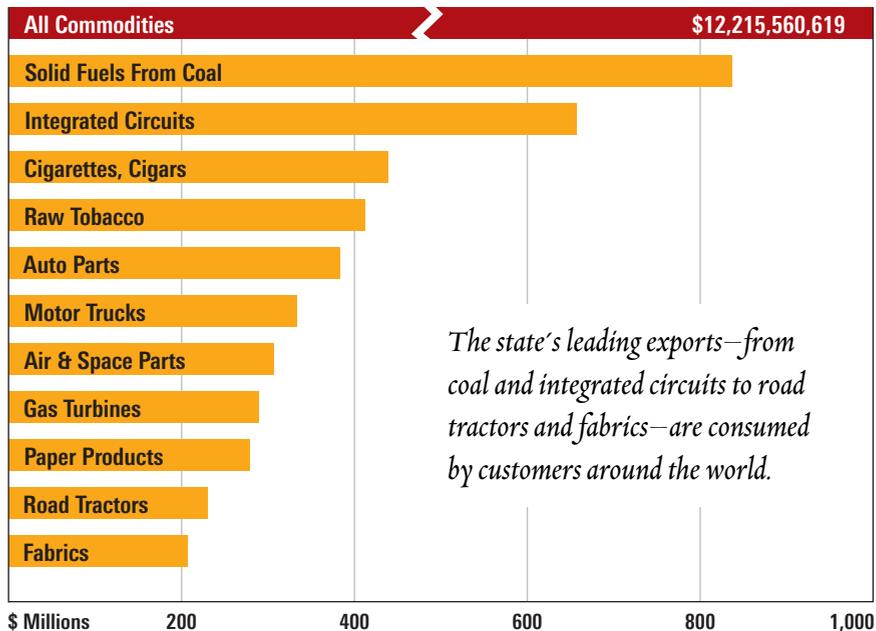
Essel Propack employs 185 people in high-paying jobs, with “many more to come,” says Kerry Dodds, molding plant manager. (Twelve hundred people applied for the first 13 positions.) And Arista Tubes, a tube-making company that Essel acquired in August 2004, is bringing 145 jobs to the area. That’s what Secretary Gottschalk calls a word-of-mouth cluster. “It’s the greatest result you can get, when one company sells another one on the area,” he says. Adds project coordinator Bruno Killias: “Danville bent over backward to attract us, and it kept its promises.” In return, he says, Essel Propack wants to turn Danville into the tube capital of the world.

DISTRIBUTING THE WEALTH

Although the renaissance of Danville is dramatic, it’s not unfamiliar. Martinsville–Henry County (population: 73,346), 30 miles west of Danville, also had a heavy stake in furniture, textiles, and tobacco until much of the business went overseas. But now the area is cultivating a niche market that relates back to furniture. Oak Level Finishing and Repair, for example, refurbishes imported goods that have been damaged in transit. And four furniture companies that were established in either Martinsville or Henry County before 1924—American of Martinsville, Bassett Furniture, Hooker Furniture, and Stanley Furniture—are still around, successfully remaking themselves in an ever-changing global economy.

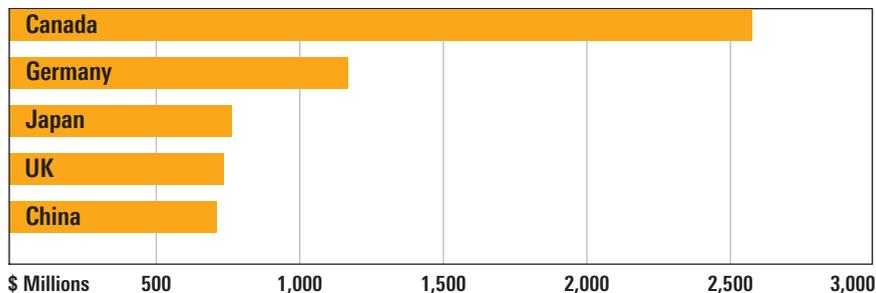
“The furniture industry is deeply invested in this community,” says Mark Heath, president and CEO of the Martinsville–Henry County Economic Development Corp. “They’ve helped us in countless ways, and it’s our turn to help them if we can.” With a concerted local effort to grow its furniture specialty and other businesses, including

VIRGINIA’S TOP 2005 EXPORTS ...



The state’s leading exports—from coal and integrated circuits to road tractors and fabrics—are consumed by customers around the world.

... AND THEIR DESTINATIONS

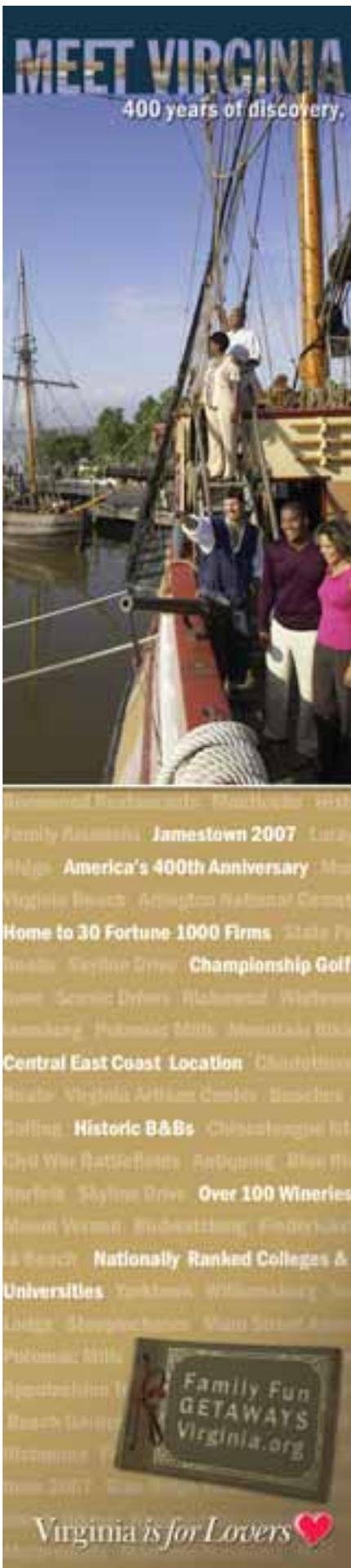


Sources: The World Trade Atlas; OM Series

plastics, motorsports, food processing, and tourism, unemployment has dropped from a peak of 12% in 2002 to 5.3% this June. The area’s high-quality health-care systems, natural beauty, and median home price of \$82,875 are also a big draw to a variety of demographic groups, especially retirees.

Other communities across Virginia, especially in the south and the southwest corner, are growing again after the loss of coal, tobacco, and other jobs. Many are benefiting from a new VEDP initiative called

Distributed Services. “If a company is, say, working on a defense contract, certain functions need to be kept close to the DOD around D.C.,” says Anderson of the VEDP. “Certain other functions don’t need to be co-located. Following the same model businesses use for outsourcing, we’re working with people to move to lower-cost, higher-opportunity areas.” While private business has often taken such jobs offshore, the federal government doesn’t allow that, which presents an opportunity for small Virginia



IN THE SPIRIT OF PARTNERSHIP, NORTHROP GRUMMAN AND CGI-AMS INFORMALLY SWAP RÉSUMÉS OF JOB APPLICANTS WHO MIGHT BE A BETTER FIT FOR THE OTHER COMPANY.

communities to attract companies with government contracts.

It isn't second nature for many of these places to market to the IT sector or federal agencies, says Anderson, so his office works with them to recognize their areas of expertise and what they'd need to build to make their locality attractive. Lynchburg, for one, in the middle of the Commonwealth, boasts cellular and other similar capabilities. One hundred miles due north, Harrisonburg, where James Madison University is located, focuses on programming, but may also want to concentrate on digital security, Anderson says. The VEDP also identifies companies to match with communities.

One of the strongest examples of this satellite-office phenomenon occurred recently in Russell County, one of the seven counties and one city covered by the Virginia Coalfield Economic Development Authority, which works to diversify the economy of southwestern Virginia. Both Northrop Grumman and CGI-AMS announced at the end of last year plans to build multimillion-dollar technology centers in Lebanon to house some of their operations.

Northrop Grumman, Virginia's largest technology and manufacturing private employer—responsible for nearly \$11 billion of economic activity within the state—last fall entered into a public-private coalition called the IT Infrastructure Partnership. The ten-year, \$2 billion initiative—arguably the first in the U.S.—will transform the IT infrastructure of the state's 85 executive-

branch agencies. In addition to 400 new jobs in Lebanon, it will add more than 600 around Richmond. (Of Northrop Grumman's 120,000 employees worldwide, about 32,000 are in Virginia.) The 110,000-square-foot facility in Russell County will be the company's East Coast service delivery hub; jobs filled mostly by people living in the area will include technical help-desk and server administration positions.

In Lebanon, Northrop Grumman and CGI-AMS, usually competitors, informally swap résumés that might be a better fit for the other company, says John Manta, director of consulting services for CGI-AMS. It's all in the spirit of the partnership that was the clincher for his company. "Nobody was in a fight for who's going to get credit for the deal," he says.

Shannon Blevins, of the Workforce Services Division of the Virginia Department of Business



*Virginia's workforce
is growing at*

2 TIMES

the national average.



■ *Northrop Grumman is working on a ten-year program that will modernize the IT infrastructure of the state's executive-branch agencies.*

Assistance, became the project manager for these two initiatives, which Manta says was a "brilliant" move. She coordinates efforts among strategic partners, including Southwest Virginia Community College in Richlands, and a variety of four-year institutions in Tennessee, Virginia, and West Virginia, all within commuting distance. "These two projects are unique. Offering so many jobs in one type of industry cluster creates such a wonderful opportunity for the southwest region," says Blevins. "That's kind of unique for the state of Virginia."

"What's happening in Russell County is a perfect example of the governor's leadership style," says Secretary Gottschalk. "He firmly believes in collaborative relationships to accomplish goals. All three levels

of government came together to provide assistance, incentives, and support, and to try to make the projects successful."

Public and private ventures alike are very keen on creating jobs in every part of the state, and their efforts are bearing fruit. From Jan-

uary 2005 to June 2006, the southwestern and south central parts of Virginia added 11,141 jobs. With central Virginia and Hampton Roads coming in at a total of 11,509 for the same period, those areas struck a balance that hasn't occurred in more than a decade.

HENRICO COUNTY



Henrico County lies in the heart of central Virginia. The county, one of the state's most prosperous and growing communities, is already home to four FORTUNE 500 companies, including Circuit City, Brink's, Genworth, and LandAmerica, and is corporate headquarters for dozens of others. Outstanding schools, premier neighborhoods, unsurpassed county services, and a low cost of living are what give Henrico County its exceptional quality of life. And even with a booming economy and a growing population, home prices remain affordable and tax rates are the lowest in any urban Virginia location. Discover what happens when quality of life and technology meet affordability.

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HENRICO
COUNTY

Virginia

MAKING BUSINESS HISTORY

Virginia's long history of strong incentives means companies can go just about anywhere in the state. "Virginia began with a very, very strong pro-business record and has always had a sense of reliability," says Governor Kaine, who cites, as an example, that the state has had a triple-A bond rating since the 1930s. "Folks are looking at us for long-term stability."

Energy-producer Dominion has been part of the local business com-

munity since the 1780s—"certainly one of the oldest surviving public companies in North America," president and CEO Farrell says from his office above the rapids of the James River in Richmond. James Madison wrote the articles of incorporation, and George Washington was an early investor. Dominion now operates in 20 states, with 9,000 employees in Virginia alone. The company's last base-rate increase was in 1992. Adjusted for inflation, that actually

equates to a 35% reduction in residential rates and positions Dominion well below the national average. "Making sure we have a reliable, efficient product at a relatively low cost is essential to the economic vitality of the state," says Farrell.

Richmond itself has been a business destination since a few weeks after the landing at Jamestown. It was then that Captain Christopher Newport, who sailed upriver on a fact-finding and treasure-hunting

average commute time has been cut to 24 minutes. And cranes are everywhere, including the airport. New recruiting targets include small-and medium-sized foreign tech companies, and VCU's engineering school and 20 R&D centers provide a good

■ *An extensive infrastructure—from banks to headquarters of nationally recognized ad agencies—is a great draw to the greater Richmond area.*



mission, reached the rough waters of what is now the state capital. He thought it was a good place for commerce, says Gregory H. Wingfield, president and CEO of the Greater Richmond Partnership. Captain Newport was right. In January, *Expansion Management* ranked Richmond as America's 15th-hottest city for business expansions and relocations. The downtown is being revitalized, including an enlarged convention center. The

foundation, says Wingfield. So do major tech manufacturers like Qimonda, which operates a \$2.9 billion semiconductor plant in Henrico County, part of the Richmond metro area. "This plant is indicative of the high-quality labor force we have and demonstrates that we're a good location for 21st-century industrial and tech facilities," says Fred Agostino, executive director of Henrico County Economic Development Authority. An extensive

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VIRGINIA
Is For Business

For more information on business opportunities in Virginia, please contact the Virginia Economic Development Partnership at 804-545-5700 or visit www.YesVirginia.org.



■ *Virginia is home to 544 miles of the Appalachian Trail, more territory than any other state.*

including 200 locals hired since the move that began this spring. "It's a great benefit to us to locate to a growing city," says Donna Owens Cox, vice president, communications. "The pro-business environment and quality of life are also important. And the entire community continues to be extremely receptive to MeadWestvaco and our employees."

Philip Morris USA was founded in New York City in 1902, but it has been incorporated in Virginia since 1919. So moving its headquarters to Richmond in 2004 was also a homecoming—although more of a consolidation, bringing 250 employees to join the 6,000 already in the state. "As a major employer, we have a vested interest in the economic health of the region and ensuring the area can produce the next generation of qualified leaders," says John R. Nelson, president of operations and technology. The company is not only involved in the community, but it has also invested \$350 million in its Center for Research and Technology, the largest private capital investment in Richmond's history. There the country's leading cigarette manufacturer will continue a decade's work of creating technologies that may potentially reduce the harm caused by smoking and could result in other new tobacco products, says Nelson.

LAND OF OPPORTUNITY

Both Philip Morris USA and MeadWestvaco were recipients of grants from the Governor's Opportunity Fund. Philip Morris received \$3 million, and MeadWestvaco was given \$2 million. "The Governor's Opportunity Fund is for projects in which we are competing with at least one other state and possibly foreign countries, so it's really a deal-closing fund," says Secretary Gottschalk.

infrastructure—from banks, like BB&T branches and the headquarters of its broker/dealer subsidiary Scott & Stringfellow, to nationally recognized ad agencies and upscale restaurants—is also a fantastic draw to the greater Richmond area.

Two companies are now making business history in Richmond by moving their headquarters there. For MeadWestvaco Corp. it means coming home to where its Covington paper mill has been in operation for more than 100 years. More than that, it's about centralizing opera-

tions and positioning for the future. The company, whose worldwide sales were \$6.2 billion in 2005, is the leading North American and Brazilian producer of time-management and home-office stationery products, and the world's largest supplier of specialty chemicals.

Packaging represents two-thirds of MeadWestvaco's revenues, and the company aims to be the global leader in packaging and packaging solutions. More than 26,000 employees work in 29 countries; now they'll be led by 600 people in Richmond,



■ **Governor Tim Kaine (left) and MeadWestvaco CEO John Luke (center) after announcing the company's headquarters relocation to the Greater Richmond area.**

"It's not the sole reason a company comes here. They come because of our business climate, workforce, and other factors important to them. But without this fund we're put in the position of being less competitive, and this is the factor that shows we're serious." For the current fiscal biennium, the legislature has appropriated \$15.9 million for the fund, which is available statewide.

The Governor's Opportunity Fund may be the business incentive in Virginia that gets the most notice, but it's just the start of the support the Commonwealth offers all companies, whether they've been here more than 50 years—like Ferguson Enterprises of Newport News, the country's largest wholesale distributor of plumbing and building supplies—or whether they're considering a relocation from another state or country. The

Virginia Investment Partnership Grant Fund, another source of capital, is designed to encourage continued investment by Virginia companies that have operated in the state for at least five years. The businesses must propose projects that either support manufacturing with a capitalized investment of at least \$25 million, or they must be any type of employer making a

capitalized investment of at least \$100 million and creating at least 1,000 new jobs (or 400, if average pay is at least twice the area's prevailing average wage).

The list of benefits to operating in Virginia is long. The corporate income tax rate of 6% has remained unchanged since 1972. Virginia is a right-to-work state, and it has a streamlined permitting process. It

VIRGINIA COMMONWEALTH UNIVERSITY



"VCU is a 21st-century, urban research university leading the region into a knowledge economy built upon innovative ideas, disciplines, and technologies," says VCU President Eugene P. Trani. Located in the heart of Richmond, VCU is Virginia's fastest-growing university, enrolling more than 30,000 students in the arts, sciences, and humanities, and ranks among the top 100 in the country in sponsored research. Sixty of the university's programs are unique in Virginia, and 20 graduate and professional programs have been ranked by *U.S. News & World Report* as among the best of their kind. The VCU Medical Center is the most comprehensive academic health center in Virginia, training the full spectrum of health-care professionals and delivering world-class patient care.

www.vcu.edu

levies no tax on Internet access, and there is no local income tax, no state-level property tax, and no intangible property tax. Its unemployment tax burden, workers' compensation costs, and average hourly manufacturing wages are lower than the national average, and building costs range from 10% to 25% below the U.S. average, depending on the region of the Commonwealth. Tax incentives are given for retraining workers, running a day-care facility for employees, and many other programs. There are 57 designated enterprise zones, 21 designated technology zones, and six general-purpose foreign-trade zones. For these and a variety of other reasons, *forbes.com* ranked Virginia as the best state for business in a report released last month.

Small businesses receive a warm welcome in Virginia, too. There are 32 publicly funded and nonprofit small business incubators, plus two state offices that provide help: the Virginia Department of Business Assistance and the Virginia Small Business Development Center Network. The latter has 29 local centers statewide and is a partnership that links the U.S. Small Business Administration, George Mason University, and local sponsors including universities, community,



colleges, chambers of commerce, municipalities, and economic development organizations.

In 2005 Virginia ranked 11th in the country in the amount of venture capital investments in projects that had a home in the state, according to Jerry Giles, director of finance for the VEDP. The monetary total equals almost \$402 million; this figure is up from \$272 million and a position of 13th in 2004. "Far

and away, the predominant industry that has benefited is the information technology sector," Giles says. "A lot of it relates not only to general business applications but also to homeland security and other defense-related operations, plus telecommunications and life sciences applications."

Virginia's overall economy is so vibrant that the state has a record \$1.4 billion budget surplus for fiscal year 2005–2006. In fact, *Governing* magazine awarded the state an A- for management of state government, a testament to Virginia's long-term planning and management of money, people, infrastructure, and information. It was the highest grade earned, and one of only two states to receive that grade. Governor Kaine has said of the top honor, "I don't view it as an accolade. I embrace it as a challenge."

RELATIONSHIP BANKING

BB&T Corporation operates more than 1,400 banking offices in 11 states and Washington, D.C. Unlike most large financial institutions, we're divided into autonomous community bank regions. That allows each region to operate on a more personal level with its clients. Locally, BB&T is led by Luis Lobo (D.C.), Dontá Wilson (Fairfax), and Don Strehle (Falls Church). Rip Howard is president of BB&T of Virginia. These experienced bankers lead regional teams dedicated to providing full-service banking and additional financial services such as insurance, investments, retail brokerage, corporate finance, international banking, leasing and trust. We believe in relationship banking. We get to know our customers and what matters most to them. To learn more about us, stop by a BB&T financial center or visit us at www.BBT.com.



THE LIVING IS EASY

The governor's challenges are quite different in his off-hours: fishing in the James and navigating its rapids in his canoe, which he docks on the porch of the Governor's Mansion. Quality of life is one thing that



■ *Martinsville Speedway, built in 1947 as a dirt track before the formation of NASCAR, is one of five main motorsports venues that operate 42 major races in Virginia.*

attracted him—and attracts many companies and their employees each year—to Virginia.

The state's mild climate with four distinct seasons provides an opportunity for many outdoor sports and spectator events. Virginia has five main motorsports venues that operate 42 major races: Martinsville Speedway, Richmond International Raceway, South Boston Speedway, Virginia International Raceway, and Virginia Motorsports Park. It's also home to eight minor-league baseball teams, the headline-making George Mason Patriots basketball team, half a dozen ski resorts, and more than 330 golf courses.

Crepe-myrtle-lined back roads and wildflower-pocked interstates lead the way from the Atlantic shores of Chincoteague, the "clam capital of the world," to the 5,729-foot-high Mount Rogers in the Blue Ridge Mountains. In between,

more than 100 wineries on 2,400 acres in half a dozen viticultural regions draw oenophiles and tourists alike (half a million annually), boosting a burgeoning industry with centuries-old roots. And with large metro areas scattered throughout the state—like Richmond, Norfolk, and the Washington, D.C., region—big-city amenities abound. But smaller towns also offer appealing suburban and rural lifestyles.

Colonial Williamsburg is probably the most visited attraction in the state, which adds to the proof that history is a huge tourism draw. Almost two dozen Virginia communities have a historic Main Street, including Culpeper and Staunton, and abandoned tobacco warehouses are being converted to apartment buildings and arts centers, like the Prizery in South Boston. Virginia is the birthplace or childhood home of eight U.S. presidents, the Civil War was fought here, and so was the final major battle of the Revolutionary War. To mark the 400th anniversary of America at Jamestown, commemorative events will last throughout 2007 not only in Historic Jamestowne, the public archaeological site of James Fort and the remains of the town, but also across Virginia and along the East Coast.

Looking back is a favorite Virginia pastime. But so is foresight; it's a common denominator of most business success stories in the state. The governor says Virginia is now "positioning itself for the future" and "getting ahead of challenges we might face." To make that happen, partnerships will continue to play a key role, much as they did between the Englishmen of the Virginia Company and Chief Powhatan. "Jamestown captures the values of our state," says Governor Kaine. "We need to remind ourselves to continue to innovate globally, seek opportunities, and have the same entrepreneurial spirit of America's first commercial venture." —Heidi Ernst

WEB DIRECTORY

Virginia Economic Development Partnership
www.YesVirginia.org

BB&T Corp. ■ www.bbt.com

Dominion ■ www.dom.com

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Hampton Roads Economic Development Alliance
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