

The Business Journal

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Three Chambers, one vision

Bristol, Johnson City and Kingsport Chambers of Commerce find common ground and a regional purpose

Plus: A look inside Ballad Health's financials

Jerry Caldwell, Bob Feathers and Andy Dietrich.
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COVER STORY



All for one and one for all

The chairs of the Bristol, Johnson City and Kingsport Chambers of Commerce are leading their organizations in support of a regional economic development effort. Jerry Caldwell, Andy Dietrich and Bob Feathers recently sat down with the Journal to preview their next steps.

Cover Photo by Tara Hodges, Sweet Snaps Photography

FEATURES



14 Inside the Numbers: Ballard Health

When Ballard was formed, its legacy companies had dropping operations numbers and high debt. Yet their bond ratings are sky high. How?

17 Ballard Health, ETSU form new partnership

Health system, university to create fellowship program in addiction medicine

18 Entrepreneur spotlight: Russ Hubbard

Combat veteran and entrepreneur is eager to show others how to commercialize DOD patents, creating jobs and building the local economy.



20 Bringing biking back from Bentonville

Local government and economic development representatives from Northeast Tennessee and Southwest Virginia recently traveled to Arkansas to learn how to boost recruitment and retention of young professionals while increasing tourism.

22 NETWORKS' video gift

NETWORKS Sullivan Partnership recently unveiled a video it says it will share with anyone who wants to use it.

24 Operation Tomorrow's Workforce: See it to be it

The NanoSonic internship program benefits Homeland Security, the Department of Defense, and Southwest Virginia's workforce

DEPARTMENTS

From the Editor 7
Photo Feature: Microporous Expansion Groundbreaking 8
Trends 9

Guest column: John Speropulos 26
On the Move 27
Awards & Achievements 28
The Last Word 29

Office
423.979.1301
news@bjournal.com

Publisher
William R. Derby
bderby@bjournal.com
423.979.1300

Co-Publisher
Jeff Derby
jderby@bjournal.com
423.306.0104

Managing Editor
Scott Robertson
srobertson@bjournal.com
423.767.4904

Director of Business Development and Marketing
Jeff Williams
jwilliams@bjournal.com
423.202.2240

Richard G. Preston
rgpreston@bjournal.com
423.262.7760

Robin Williams
rwilliams@bjournal.com
423.794.6938

Creative
Derby Publishing, LLC
Graphics Director / Judd Shaw
jshaw@bjournal.com
423.833.2726



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David A. Greene, JD, CPA
423.232.0456
dgreene@covenanttrustllc.com



Paul Hoilman
423.232.0456
phoilman@covenanttrustllc.com

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40 Under Forty honorees will be featured in the December issue of The Business Journal.
Deadline for nominations is August 17, 2018. Nominate online at 40under.com

First class in economy

By rights, it should have been a nightmare. One of American Airlines' carriers, PSA, had a massive computer failure last month. Over five-plus days, 2,700 flights were cancelled. Charlotte, N.C. reportedly ran out of rental cars. Hotels were full. The airport concourses were what I refer to as "angry people soup." There, in the middle of it all, hoping to get to a better place (a low bar to clear at that point) stood I.

I had arrived at Tri-Cities Airport that morning aware of the problems PSA was having. I was told at the check-in counter it was a crap-shoot as to whether my connector flight from Charlotte to my destination would actually leave. My connector was a PSA flight, and most of those were being cancelled. So, I agreed to take a non-PSA American flight to an airport 100 miles from my destination instead. I'd just have to check in with customer service in Charlotte to get a rental car taken care of at my new penultimate destination.

When I arrived in Charlotte, I was told that my original connector was still listed as departing on time, but that there was another flight to my final destination leaving 45 minutes earlier, and seats were available. So, I abandoned the second route for the third option and boarded that flight.

We pushed away from the gate and stopped on the tarmac. And there we stayed.

There was a maintenance issue, the captain told us, so we would just wait for a maintenance crew to come to us and, "make what should be a very quick fix."

You may have heard the saying, "If you want to make God laugh, tell him all your plans." When God heard the pilot tell us we should have a very quick fix, I'm sure I heard God chuckle.

The sky opened in a sudden thunderstorm. We watched the truck that had been heading toward our plane from the terminal turn around. Once the rain stopped, the captain told us that it would be at least 15 minutes after the last lightning strike before the maintenance crew could approach the plane. I tell you all of this misfortune to set up a lovely denouement.

As we "celebrated" the one-hour mark of waiting on the tarmac, I mentioned to a flight attendant that I had a bit of a headache. I inquired as to whether any pain pills might be available. I was told that it was against regulations for such distribution to be made, but if I could be patient a few minutes, food service would begin and perhaps that would help.

Within 10 minutes, the crew began serving pretzels and drinks, there on the tarmac. When the flight attendant reached me, I received not only a package of pretzels, but also a napkin. My napkin, unlike those being handed to other passengers, was folded. Tucked inside were four ibuprofen tablets. The flight attendant smiled for a half-second and moved on.



The E gates at Charlotte Airport, June 20: Angry people soup.

Once the maintenance team arrived, they proved the captain right, making what was indeed a very quick fix. When the plane finally began to taxi, a small boy who had been blessedly quiet through the whole experience shouted, "Yaaaaaaah!" Most of the passengers laughed appreciatively. That boy was all of us. The flight attendant may have laughed loudest.

It dawned on me at that moment that amid all the chaos, all the disgruntlement and disappointment of the day, not one airline employee had been anything less than professional. Several had performed their duties with empathy and even, in the case of this flight attendant, grace. Think about that. They'd been dealing with extraordinarily unhappy people for a week. You'd think by this time their own veneer would be cracking. Yet they seemed to be doubling down on handling their own part of the business the right way.

My flight landed after the "crap-shoot" flight on which I had first been booked, ironically. In fact, the flight I took had been delayed for more than eight hours from its scheduled departure time.

Yet I felt buoyed by the experience. None of us had any control over our circumstances. But the rank-and-file employees I encountered each made the choice to control their own behavior and to rise above those circumstances. Had my flight been on time, I would have missed the opportunity to be inspired by those choices.

Years from now, I could remember that Wednesday as the day in which I encountered thousands of unhappy travelers, or as the day I wondered how a computer problem couldn't be fixed in a week, or as the day I sat on the tarmac for more than an hour as a thunderstorm and a headache both raged. Instead, I will remember it as the day I realized how any situation can be made better by people who choose to act in a first-class manner.

Microporous Expansion Groundbreaking



Microporous CEO Jean-Luc Koch, fifth from left, leads the groundbreaking ceremony.

Executives with Microporous were joined by representatives from the Tennessee Department of Economic and Community Development (TNECD) as well as regional economic developers and government officials to break ground on a 40,000-square-foot expansion at the company's Piney Flats facility June 13. The expansion entails a \$20

million capital investment, said CEO Jean-Luc Koch. "Our expansion plan calls for a 25 percent increase in our workforce, so that's basically 25 more employees," Koch said.

The expansion is a direct result of increased demand from customers, added Ed Feaster, CFO. "We are constantly pushing the boundaries of capacity, and that's why

we are here today."

A large turnout of area business leaders, including representatives from the Chambers of Commerce representing Bristol, Johnson City and Kingsport, was on hand. In addition to TNECD, Microporous worked with BTES, TVA and NETWORKS Sullivan Partnership.



Richard Venable and Andy Dietrich



Clay Walker and Chad Nimrick



Ed Feaster and Iliff McMahan



Jim Street, Brian Ritz and Michael Parker

Northeast Tennessee May home sales up 12.7 percent; biggest single month in 10 years

May was the single best month for closings on Northeast Tennessee single-family home sales in the last 10 years.

“Closings were up in every city market except Erwin and in every county market except Hawkins,” said Northeast Tennessee Association of Realtors (NETAR) President Aaron Taylor. “Consumer confidence and pent-up demand keep driving the local market to new highs when other markets are beginning to show fatigue in the face of tight inventories and higher prices.”

There were 691 closings on single-family home sales last month according to NETAR’s Trends Report. That’s 78 more than May last year – a 12.7 percent increase. The average sales price was \$177,883, up \$10,415 from last year for a 6.2 percent increase. Year-to-date closings are up 9.9 percent, and the year-to-date average price is up 6.7 percent.

Closings on townhome and condominium sales were flat while the average sale price was up 6.8 percent. The Trends Report shows 56 closings, up one from last year.

The average sale price was \$128,722, up \$8,182 from last year. Year-to-date sales are down 5.7 percent from last year, and the year-to-date average price is down 2.3 percent.

Taylor said the market had a 4.2-month inventory of homes for sale in May, up from 3.9 months in April. “For the first time in a couple of months, new accepted contracts didn’t consume almost all of the new listings coming on the market,” Taylor said. That gave inventory a small boost, but it’s still 26 percent below last year. There were 2,487 active listing in May compared to 3,362 in May last year.

The average single-family sale that closed last month was on the market for 115 days – the lowest time on market in 10 years. The average time on market for a townhome or condo sales was 90 days. The median time on market for county sales ranged from a low of 50 days in Unicoi County to a high of 149 in Wise. In the region’s two largest counties it was 64 days in Sullivan County and 62 days in Washington County, Tenn.

Here’s a capsule look at local market trends based on the year-to-date city and county single-family resales and average prices compared to the first five months of last year:

CITY MARKETS

Kingsport: Sales 326, up 58. Avg. price - \$177,942, up \$13,117.
 Johnson City: Sales 320, up 20. Avg. price - \$222,165, down \$7,844.
 Bristol, TN: Sales 131, up 18. Avg. price - \$154,371, up \$17,666.
 Greeneville: Sales 82, up 9. Avg. price \$134,314, up \$1,038.
 Bristol, VA: Sales 81, up 9. Avg. price - \$117,368, up \$7,130.
 Elizabethton: Sales 63, up 3. Avg. price - \$121,866, up \$711.
 Erwin/Unicoi: Sales 61, down 7. Avg. price - \$154,157, down \$14,385.

COUNTY MARKETS

Sullivan: Sales 773, up 86. Avg. price - \$171,601, up \$14,598.
 Washington, TN: Sales 666, up 39. Avg. price \$217,289, up \$11,316.
 Greene: Sales 272, up 29. Avg. price \$150,803, up \$7,450.
 Hawkins: Sales 228, up 16. Avg. price \$150,804, up \$13,624.
 Carter: Sales 204, up 3. Avg. price \$133,938 up \$674.
 Washington, VA: Sales 174, up 11. Avg. price \$179,998, up \$13,876.
 Wise: 85, up 27. Avg. price \$111,068, up \$12,326.
 Johnson: Sales 56, up 20. Avg. price \$200,602, up \$89,262.
 Scott: Sales 48, no change. Avg. price \$111,068, down \$12,326.
 Lee: Sales 19, up 5. Avg. price \$101,291, up \$25,938.



NOTE: Johnson County’s year-to-date high average sales price change is the residual effect of an outlier sale. NETAR counts city sales as those in high school zones. City sales and price data are included in the county totals.



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Jerry Caldwell, Bob Feathers and Andy Dietrich at the Kingsport Chamber of Commerce, June 12. PHOTO BY SCOTT ROBERTSON

The Business Journal Q&A

Jerry Caldwell, Andy Dietrich and Bob Feathers Chairs, Bristol, Johnson City and Kingsport Chambers of Commerce

By Scott Robertson

On June 12, representatives of each of the Chambers of Commerce serving Bristol, Johnson City and Kingsport met at the Kingsport Chamber building with the CEOs of the region's two multi-county economic development organizations: NETWORKS Sullivan Partnership, which serves Sullivan and Hawkins counties, and the Northeast Tennessee Regional Economic Partnership, which serves Carter, Unicoi and Washington counties. The topic was regionalism, with a focus on how to best maximize the strengths of Northeast Tennessee and Southwest Virginia without threatening productive economic development efforts already underway.

After that meeting, the chairs of the three Chambers, Jerry Caldwell from Bristol, Andy Dietrich from Johnson City and Bob Feathers from Kingsport, sat down with *The Business Journal* to discuss the outcomes from the meeting, including potential next steps, low-hanging fruit for early successes, and pitfalls to avoid.

The Business Journal: What do the three chambers, working together, look to accomplish in the short term? Each of you will be chair of your respective chamber through the end of the year. What can be accomplished in that period of time?

Jerry Caldwell: I think No. 1 has just been communication and collaborating. We're spending more time together and being intentional with knowing what's going on in each chamber and how we can work together on those things. It's pretty simple, but I think it has been a great move. We just are all in the room together a lot more than what I believe has been happening in the past. We're in the same room at chamber meetings at least once a month, sometimes more than that. We'll all be together twice this week.

Bob Feathers: I think there is an accountability that has been created in all three organizations. You don't get a lot of the little

snide remarks that we used to hear a lot. I like the word vision.

Andy Dietrich: I was born and raised here and I am excited to see that maybe we can get something started that gets some momentum. We need our population growth heading in a positive direction. The other positive thing is that the three of us are all friends. It just happened that we all became chairs of our chambers in the same year. It was just sort of meant to be. We agreed early on, since we're all buddies, to figure out something we can work together on. This just sort of fit. It's been awesome so far. We started small and it has just started to get traction.

BJ: So at the end of the year, how will you measure success? What do you hope to be able to look back on and say you accomplished?

Feathers: Today we discussed the MSA. That's really going to be a focus here until the end of the year. Legislatively we really have to push to get a common MSA. I think that's huge. I think getting the right players to the table and defining what the region really is – and frankly I think just having common data and analytics will let us know where we really are – I've said this repeatedly – depending on where you get your data, you may see the same things differently. You may have one source saying employment is up while another says down. It'd be nice to know where we are across the region, across the demographics. I typically look at GDP and it has been the same number for a decade. To me that's a massive decline. There just needs to be one basis for us to know the truth. It'd be nice if we had the same picture. Then we'd know where to move.

Caldwell: Success to me, is addressing those same issues, but success to me is creating something that is sustainable, that lives past us and pulls regional leaders into a room around a conversation. That might look different ways. I don't think any of us have defined what that looks like, but something that pulls us all into the room as a region and creates a conversation that moves us forward instead of us each having conversations in which we all come up with the same plan separately and all create the same thing. We don't need to duplicate efforts. We need to pull these conversations all into one room. And again, that needs to be sustainable and go on past us.

Dietrich: To that end, one of the things we decided today was we're going to bring the next chairs of the boards – we already know who's coming in next year – they're going to start coming to these as the table gets bigger. It won't be just throwing them into the fire next year, and the three of us have agreed to stay at that table to help continue this. We won't be chairs. We'll be

past-chairs, but we'll stay a part of this and see it through.

Feathers: Well, the government committees of each chamber will need to put their stamp on that and say, 'This is what we want.' I don't think it's going to be an issue, but our three CEOs were hoping that would be the case.

 *...if we want to get different results, we have to operate in a different way, and we have to be doing that together.*

– Jerry Caldwell

BJ: So, sort of an emeritus status for each of you to keep continuity of effort through institutional memory for at least the next 18 months.

Feathers: Right. And I think we could make that a formal committee that we're all on that carries this banner forward.

BJ: So in addressing what this looks like as it goes forward, the Chambers are not the economic development groups for the region. So if I hear you correctly, you all are trying to play a role in economic development support.

Caldwell: You guys chime in and correct me, but I think what has happened is, and Bob, you said this very well earlier, as a business community, we have come together and said, 'Hey, we need to be a region. We need to take a different approach.' What exactly that approach is, I don't think we have defined yet. But if we want to get different results, we have to operate in a different way, and we have to be doing that together. We're going to accomplish a lot more working as one than we are separated into these great little communities. What that looks like right now from an economic development standpoint, we don't have that defined yet. But we know we need to be working together

to grow. So the Chambers are really just playing a role here. This isn't a Chamber driven thing, really. It's more of a business community driven thing.

 *It's the business community saying collectively, 'Hey, we need to be a region.'*

– Bob Feathers

Feathers: The Chambers represent the broadest spectrum of the businesses in the entire region. Our three groups represent well over 2,000 businesses. Collectively speaking then, from my perspective, policy needs to follow that. We are electing people. If that becomes

a hindrance the business community needs to fix that. The business community needs to lead the charge forward. It's the business community saying collectively, 'Hey, we need to be a region.'

Caldwell: It's really just a conversation right now – a business-led conversation around ideas. There's not a plan in place right now. There will be. But it is a conversation, and we welcome people into that conversation. It's a conversation on how we get better. It's a conversation about opportunities and not rear-view mirror.

Feathers: It's really more of a vision. I mean, I think we can paint a common vision people can get behind. That will grow.

Dietrich: One of the neat things for me lately when people see the editorials and magazine articles is them telling me, 'I've never really thought about that, but it's something we need to do. You know, even with *The Business Journal* preaching about this for 30 years, I still feel my role right now is educational. I'm explaining to people what regionalism is and what baby steps we need to take. I've had a ton of questions like, 'How can I help?' and 'What do I need to do?' here in the last few weeks.

BJ: You mentioned the MSA effort. John Speropulos and Don Fenley have both put out good work on that. Don wrote a good piece last month on why that won't be a quick fix. The bureaucrats in the federal government who define MSAs have their numbers in place. But bureaucrats answer to elected officials, and elected officials take their marching orders from us, the citizens, the voters, and especially the business community. So are we hearing you say the Chambers are going to be speaking on behalf of the business community with elected officials to get that ball rolling?

Feathers: In short, I'd say that's spot on.

Dietrich: Yes.

BJ: So do you have a timeline or details as to what that process looks like?

Feathers: Again, I think our three Chambers collectively do a lot politically anyway. This will be one more initiative that we're going to see being championed –

Caldwell: – with a lot of other folks at the table. We need to pull more folks in. Yes, these three Chambers are important pieces, but we need more Southwest Virginia representation. We need to go a little further into Tennessee as well. So there will be more people at the table for that conversation.

BJ: We keep hearing about the Ballad Health service area (Greeneville, Tenn., in the west and Marion, Va., in the east) as a potential footprint for the region. Is that along the lines of what you're thinking right now?

Caldwell: I don't know if that's what the MSA will look like. I think we'll get there through more conversations, but we certainly view that as the region.

Dietrich: The Ballad footprint may be a good starting point. It



It's exciting that there is such enthusiasm for this.

– Andy Dietrich

us individually or as the Chamber, others that are involved.' The purpose of this is to say, 'We're all better together.' When you say that, you want all those voices. We want everybody at the table and on board because we are stronger together. I've used an example before: I view this like my children. I have four children. They're all Caldwell's. What's good for the family is most important. They can't do things that are going to be detrimental to the family. Having said that, I also want all four of them to keep their individual identities. I want my children to be who they are, but remember the greater good of all. That's what we're saying here. All these communities keep their identities. They are great communities each in their own right. But we have to focus on the greater good of all.

Dietrich: There are several people who have brought up concerns, such as people in the outlying communities who feel they are already being left out. I think the need is to understand that we're not starting big and going bigger. We have had a couple of meetings in which there have only been six of us (the chairs and CEOs of the Chambers). Today's meeting was nine people. In our next meeting, each of us is going to invite three to five people from each Chamber or from the economic development arm. It's going to grow. We can't dive right in with 50 people at the table at the start, or we'll never get anything accomplished. So it's going to be slow baby steps for a while. Baby steps.

Feathers: Jerry, what you said is spot on. This is inclusive. There is no intention to leave any one organization, person or entity out. The conversations are happening as we can have them.

Dietrich: It is exciting that I have had individuals, presidents of universities and colleges, businesspeople, stop me and say they want to have a seat at the table. It's exciting that there is such enthusiasm for this.

Caldwell: The other thing we all recognize is this is something that will not end at the end of our terms with the Chambers. This is a long-term effort. This is from now forward. We know that. These are not things that are going to be answered in 60, 90, 120 days or six months. This will take much longer than that.

Dietrich: And once we do get a plan, we have to stick to it. Our communities and our region have to stick to it. **BJ**

may not be that large at the end of the day, but it's a great starting point.

Caldwell: I would just go back to what I said before. Our effort is to make this a very inclusive and intentional conversation. This is not about shutting the door and keeping people out. We would say to everyone, 'If you have thoughts, share them with us. Share them with

us individually or as the Chamber, others that are involved.' The purpose of this is to say, 'We're all better together.' When you say that, you want all those voices. We want everybody at the table and on board because we are stronger together. I've used an example before: I view this like my children. I have four children. They're all Caldwell's. What's good for the family is most important. They can't do things that are going to be detrimental to the family. Having said that, I also want all four of them to keep their individual identities. I want my children to be who they are, but remember the greater good of all. That's what we're saying here. All these communities keep their identities. They are great communities each in their own right. But we have to focus on the greater good of all.

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Dietrich: And once we do get a plan, we have to stick to it. Our communities and our region have to stick to it. **BJ**

Roe likes idea of MSA reunification

Tennessee First District United States Congressman Phil Roe said he would support a plan to reunify the Kingsport and Johnson City Metropolitan Statistical Areas. In a mid-June interview, Roe told *The Business Journal of Tri-Cities, TN/VA* and the *Johnson City News & Neighbor*, “I wouldn’t know why we wouldn’t do it.”

“It has never made any sense to me to have Kingsport – a nine-iron from here – to be in a different MSA than we are sitting here in Washington, Carter or Unicoi County. I would be all for it.”

The chairs of the Johnson City, Kingsport and Bristol Chambers of Commerce have all stated the reunification would be something their organizations will be working toward. “I have not heard from them directly,” Roe said, “but I will be vocally supporting it.”

The White House Office of Management and Budget makes updates to MSA definitions based on US Census Bureau population estimates. Nick Mulvaney is director of the OMB. “I know Nick Mulvaney very well,” Roe said. “I would be glad to call him up and talk to him.”



Congressman Phil Roe speaks with *Johnson City News & Neighbor* Editor Dave Ongie and *Business Journal* Editor Scott Robertson. PHOTO BY BILL DERBY

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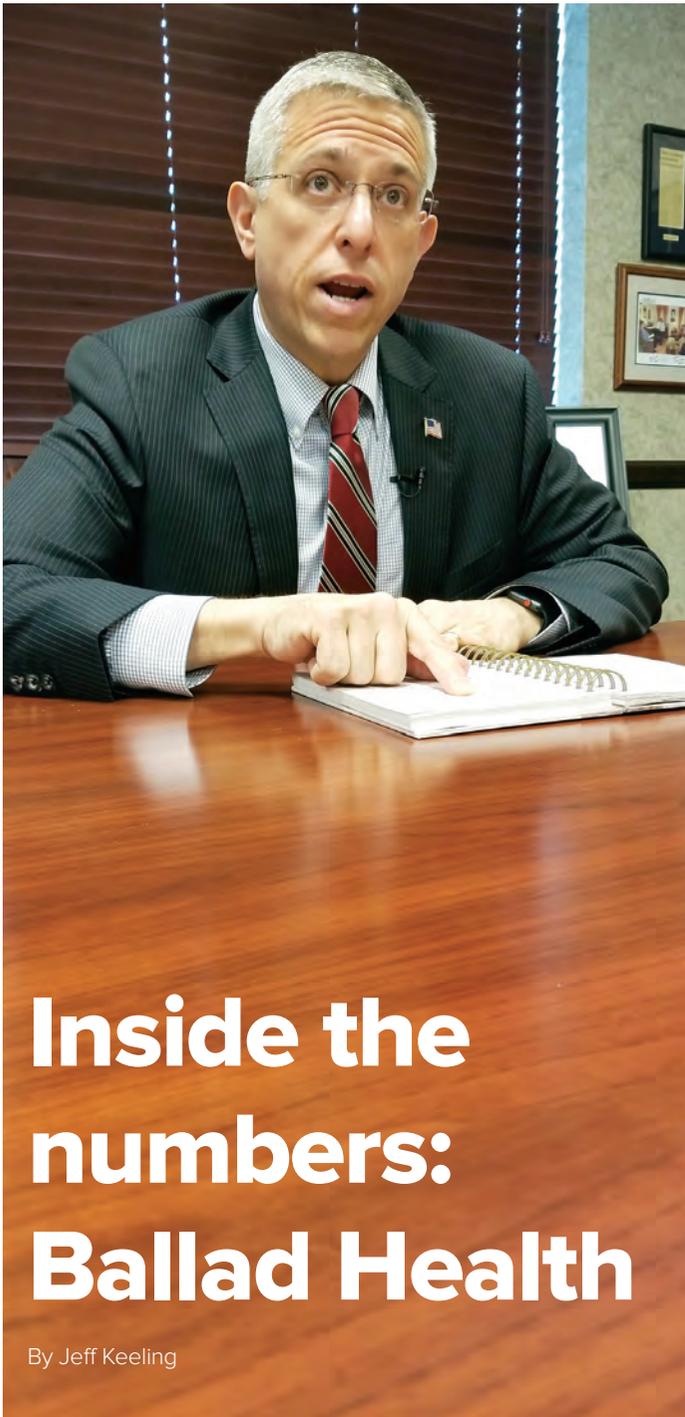
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Inside the numbers: Ballad Health

By Jeff Keeling

Alan Levine, PHOTO BY SCOTT ROBERTSON

Better bond rating, merger mechanics and timing save Ballad \$20 million a year

Ballad Health CEO Alan Levine is talking cash flow, and he's happy.

It's a Wednesday morning and Ballad's fiscal year-to-date operating numbers look relatively grim. The newly formed health system faces an unprecedented challenge: leading regional population health improvements and quantifying those results for two states. Leadership must integrate two former rival hospital systems, overcome egos and short-term pain to "right size," find synergies and improve quality. That "right-sizing" will occur against the backdrop of the continued shift to value-based payments, declining inpatient volumes and the compounding factor of operating in a region with slow to no population growth, low incomes and lots of people who are old, sick or both. Ballad must generate sufficient cash flow to pour hundreds of millions of dollars into population health, mental health, research and other worthy endeavors as part of fulfilling the Certificate of Public Advantage (COPA) in Tennessee and Cooperative Agreement in Virginia. Those strict oversight instruments represent the framework of the "state action immunity" required to justify the competition-diminishing merger that produced great angst at the Federal Trade Commission.

If those challenges send Levine into an emotional downturn he's not revealing it. He lists accomplishments since Ballad took control of Mountain States Health Alliance and Wellmont Health System Feb. 1. "We've merged two corporate structures," Levine says. "We've done a complete plan of finance and gone to market. We've redone all of our benefits. We've created a senior management team and integrated the management team throughout the system – and we're trying to get our arms around some of these external factors that affect us, the loss of "340B" (reduced prices on pharmaceuticals) in some of the hospitals and things like that that have affected our current year performance. And on top of it we've hired 350 new nurses and eliminated 150 duplicative positions."

The leadership that engineered that quick work helped earn Ballad a ratings upgrade (from BBB-plus to A-minus) from Standard & Poors and Fitch, two bond ratings agencies. S&P noted among positive factors in its late April upgrade report Ballad's "management team with proven turnaround and integration skills." The combined system's "excellent business position, with an overwhelming market share" didn't hurt either. And so Levine and Ballad CFO Lynn Krutak, architect of much that influences the rating agencies' decisions, are happy – \$20 million a year in free cash flow happy. Armed with that A-minus rating and having structured the merger advantageously, the system will soon refinance (it occurred in early June) \$1 billion of its \$1.3 billion in long-term debt that decreases annual debt payments from \$105 million to less than \$85 million.

This is Ballad's bond rating story – *The Business Journal* is listening.

Fortuitous and timely

Ballad's interest savings come just when it needs cash flow the most: at the outset of a nationally scrutinized attempt to transform the health of a region, remain financially viable and meet the states' stringent requirements. (Requirements, it bears noting, that are

designed to protect consumers and help facilitate better overall health and higher healthcare quality in the region.)

S&P, which listed “ability to comply with terms of the COPA and (Cooperative Agreement) and the high number of performance metrics” among partially offsetting rating factors, put it this way later in its report: “While every merger has its own set of challenges, the creation of Ballad Health is unique, given the regulatory oversight, and it could be more difficult for the system to implement certain strategies due to onerous guidelines and approval process set forth in the COPA.”

Even Levine, who knew what the systems were getting into when they sought state action immunity, seems to suggest that the final product’s bite appears capable of being as bad as its bark. “The COPA, state action immunity, is a very strict regulatory instrument that we did not anticipate, and so we had to do a lot of work with the rating agencies to explain how we would operate within the COPA, how we would be successful even given the constraints of the COPA. And the reality is the rating agencies, and I think more importantly ... the actual bond investors – they believe us. I think they believe us because of what Standard & Poors put in their report. We have a strong organization, we have good management, we have good governance and I think those factors play to our advantage.”

The wind in Ballad’s sails from the refinancing certainly plays to the system’s advantage. “Not having to make \$20 million in debt payments, over 10 years that’s two-thirds of our commitment,” Levine says, referencing the COPA requirements for community investment. “And that’s without even one dollar of (merger) synergies. We believe we can achieve the synergies in addition to that, which we need to do.”

How Ballad restructured the long-term debt that Wellmont (\$411 million at March 31, 2018) and Mountain States (\$892 million) brought to the marriage is an interesting story in itself. How Ballad’s leadership utilizes that windfall will have critical implications for the success of the whole merger endeavor and the COPA. And the role debt load has played and will play in the fortunes of the region’s hospital systems can’t be overstated.

The one that didn’t get away – how a merger became an acquisition

Late last fall, as Mountain States and Wellmont’s merger drew close, the subject of tax-exempt bonds and “advance refunding” of high-interest bond debt entered the tax reform debate. The House version eliminated tax-exempt bond financing for non-profits. If bond purchasers’ interest payments from borrowers were taxed, the cost to those borrowers – including Ballad – would increase.

“There was a brief moment of panic,” Levine recalls. Leaders called on former Tennessee Lieutenant Governor Ron Ramsey, who talked with Congresswoman Diane Black, a Tennessean who chairs the budget committee. “She’ll tell you she was very involved in changing the language during conference to permit refinancing,” Levine says.

In the end, the method the systems used to structure the merger trumped even the results of that debate in terms of impact. Leadership created Ballad as a holding corporation that would own both systems, post-merger, allowing their brief continued existence. Due to the systems’ complexity, Levine says, leadership didn’t want to immediately fold both into a new legal structure. “We figured it

would be better to create a new holding corporation that would acquire Wellmont and Mountain States and leave all those legal structures in place, and over time we’ll consolidate.”

Debt-wise, that move gave Ballad six months to seek what’s called “acquisition financing.” Had the two systems merged and then formed Ballad, their only refinancing option would have been advance refunding – taking advantage of lower interest rates prior to bonds’ call date – an option tax reform had eliminated.

It got even better. Borrowers who qualified for tax exempt refinancing flooded the market during the early winter to beat the law change. Spring debt issues were rarer, and thus more attractive to investors. Ballad received \$5.6 billion in offers as it sought \$540 million in fixed-rate financing, Levine said. The new system is restructuring the remainder of the \$1 billion using variable rates, with the added advantage of a better rating.

Why it matters so much

Levine says Ballad has a solid plan for long-term success, including meeting the COPA and Cooperative Agreement requirements. “I don’t want to make it sound easy,” Levine says. “It’s not easy. It’s never been done. And so we will certainly stumble and make mistakes along the way.”

Even without the mistakes that inevitably occur in any organization, Ballad faces a heavy lift. While the merged system’s 77 percent market share and historically strong financial performance and operating margins are other positives noted by S&P the report also lists several “offsetting factors.” In addition to the earlier-mentioned COPA compliance challenges, they include poor operating results through seven months of the fiscal year that ends June 30, and challenges with the legacy systems’ integration and the ability to recognize benefits and cost savings initiatives over time.

For Ballad to thrive and meet the states’ expectations, it needs every bit of spare cash flow it can get. Additionally, the system must continue chipping away at debt levels S&P described as “moderately elevated, with debt as a percent of capitalization and debt burden above median levels.” At 3.96 percent through March, Ballad’s debt burden was well above the 2.40 percent median for comparable A-rated healthcare systems. That’s one reason, Levine says, Ballad plans “voluntary debt reduction” – funded through cash flow – of \$385 million between fiscal 2021 and 2023. Combined with regular payments that would notch Ballad’s debt down 44 percent over five years according to the S&P report and put its debt ratios much more in line with peers.



Lynn Krutak, PHOTO COURTESY BALLAD HEALTH

BALLAD, CONTINUED

Debt was a double-edged sword for Mountain States for years. The system long used it as a tool, starting with its formation in the late 1990s when it purchased five hospitals from for-profit competitor Columbia/HCA. The debt load continued increasing through former CEO Dennis Vonderfecht's creation of a "hub and spoke" system as MSHA grew and gained regional market share. The results generally included strong financial performance and market share, but the ratings agencies typically mentioned the system's maximum annual debt service (MADS) ratio as a primary reason for keeping its rating at BBB+. Nonetheless, "it was effective," Levine says of the strategy. Krutak agrees.

"You compare where we were in operating ratios, liquidity ratios, everything was well above what we needed to be A-rated except for the leverage ratios," Krutak recalls of past days at Mountain States. "We knew we had higher debt ratios than what everyone liked, but all of that debt was the result of a planned borrowing from a strategic standpoint as we grew the system and acquired these facilities. It wasn't just debt issues for routine equipment. Each of those issues was in our plan."

When Levine arrived in 2014, plans changed. The system was forecasting about \$126 million in EBIDA midway through its fiscal year, but with long-term debt pushing \$1.2 billion its MADS was \$70 million. That would have resulted in a 1.80 MADS ratio, a situation Levine refers to as "brutal. We had to take some swift action." Mountain States laid off more than 150 people and began to focus on debt reduction. "Those are very relevant ratios for a system like ours," Levine says of MADS ratios, adding that ratios skewed to high long-term debt "leave us very little in the way of capital and slows our net asset value. It's a death spiral."

At the end of June 2014, the system's long-term debt totaled \$1.075 billion and had budgeted very little for several years. Levine says leadership foresaw macro changes in health care that would make such a debt load riskier than it had been. "We saw this coming – you go back to the reporting four years ago, we projected a decrease in inpatient utilization, there was no population growth. We knew we ... needed some flexibility on the balance sheet."

A bit about the challenges

Ballad is navigating the early challenges of merging during a tough fiscal year for the legacy systems. Through March 31 (nine months), Mountain States had operating income of \$2.3 million compared to \$28.0 million at the same period of fiscal 2017. Net patient service revenue was down more than 7 percent to \$775 million. Conversely, expenses increased with salaries/wages, contract labor and benefits up nearly 15 percent. Wellmont endured an operating loss of \$6 million through March 31 and also saw salaries and benefits jump. Levine says the total labor cost increase of about \$40 million included almost \$20 million in wage increases – part of a strategy to attract and retain talent and to move away from more expensive contract labor.

Heading into the final quarter with a combined operating loss of \$3.7 million, compared to \$40 million in operating gains at the same point last year, may not seem like a great position. Levine's not fretful, and the S&P report shows that the systems' EBIDA margin – even given the difficult year through seven months – was

just a touch below the median for a comparable A-minus system. He says the wage increases, the impact of contract labor and the loss of some "340B" reduced-price drug supplies account for much of the difference. "There's not been any real operational issues that are a result of poor operational oversight per se. These are factors that hit us that we couldn't control."

Looking ahead, Levine says the long merger process allowed the systems to recognize their "cultural differences" and work through them. This has helped pave the way for significant progress in the things that matter most in the long run both from the COPA's perspective and in the current value-based reimbursement climate – quality of care, innovation, and cost to consumers.

"There's very little if any, 'well, this is how Wellmont does it,' or 'this is how Mountain States does it,'" he says. "We have an integration team that's collaborative, that's working extremely well together."

"We're making decisions based on data and evidence... I ask the same question every meeting we're in – 'how does what we're talking about get us to top decile performance.'"

Already, he says, moving to a common supply item in one specialty has saved nearly \$1 million. And Ballad's "clinical council" has set out to reduce "c diff" (one of the most dangerous hospital-acquired infections) by 40 percent. "The implications of that are, number one it improves quality. It helps us achieve the results of the COPA, and it reduces our cost."

Adds Krutak, "We are very focused on what the synergies are and the operational improvement opportunities that we have, and we have timelines and dollar amounts assigned to each of those." Those efforts complement quality improvements, she says. "Quality and financial go hand in hand, and so our team is very focused on both of those."

S&P reports Ballad is forecasting "integration expense savings" of \$41 million annually, "compounding to about \$158 million by 2023." With \$308 million in required spending over 10 years to meet COPA requirements and another \$385 million in planned debt reduction, \$20 million a year represents a significant boost indeed. S&P's report offers several cautionary notes, but allows that the merger, even with the COPA's complexities and demands present, provides "many benefits, such as the ability to expand the scope of services by providing more efficient and quality care and meaningful cost savings, among other things."

Seeing those potential benefits materialize is top of mind for Levine. "Us being successful is reducing the overall cost of health care, it's investing in clinical services that are needed, it's improving the health of our population," he says.

That will mean efforts to integrate the health care delivery system. "If we identify for instance the people in the region that are diabetic, and we can invest in technology that identifies the people who are diabetic and allows them to have connectivity to our care managers, then when they're having an acute issue with their blood sugar spiking, our care managers are made aware of it and they can then reach out to them and get them into the delivery system before they have an acute problem. To us, that's an example of how population health can work."

An extra 20 million bucks a year will pay for a lot of care managers and a lot of technology to connect them to chronically ill patients. 

Ballad, ETSU partner to create fellowship program in addiction medicine

East Tennessee State University President Brian Noland and Ballad Health Chairman and CEO Alan Levine have announced a partnership through which ETSU will apply to the Accreditation Council for Graduate Medical Education to create a new fellowship program in addiction medicine. As part of its commitment to expand education and training in the region, Ballad Health will fund any un-reimbursed costs of the fellowship program, which, over a 10-year period could cost more than \$2.5 million.

“In continuing with our mission to improve the quality of life for the people of this region, East Tennessee State University has partnered with Ballad Health and other important partners throughout the region to combat the opioid epidemic and other forms of addiction,” Noland said. “By investing in this new fellowship program, we are providing more avenues of treatment for those who call this area home and suffer from the disease of addiction.”

Noland credited the recent merger of Wellmont Health System and Mountain States Health Alliance with helping to push forward the goal to create the fellowship program.

“Ballad Health and ETSU are committed to working together to serve our region,” Levine said. “The expenditure of these resources to bring this new fellowship program is a great example of investment into something new and needed, and the resources will come from Ballad Health as a result of the synergies from the merger.”

The American Board of Medical Specialties (ABMS) formally recognized addiction medicine as a new subspecialty in March 2016. Certification by an ABMS-recognized specialty is considered the “gold standard” in physician credentialing, assuring patients that their physician meets the highest standards for training, practice and clinical knowledge.

“This recognition by ABMS will help assure patients and their families that the care they receive is grounded in science and evidence-based practice,” said Dr. Patrick G. O’Connor, M.D., MPH, and past president of the American Board of Addiction Medicine, adding that the recognition will “ultimately increase the number of physicians who are trained and certified as addiction medicine specialists.”

ETSU will begin gathering the resources required for the application for fellowship approval immediately, with the goal of accepting the first fellows by July 2020. The number of positions included in the program has not yet been determined.

“This program could not get off the ground without the commitment from Ballad Health, and this is a great example of what can result from the partnership between ETSU and Ballad Health and our shared dedication to this region,” said Dr.



Dr. Brian Noland, ETSU president

Robert Means, dean of the ETSU Quillen College of Medicine. “We are both committed to helping our region emerge from the opioid epidemic much stronger, and more well-trained physicians will be critical to our success.”

According to the American Board of Addiction Medicine, 16 percent of the non-institutionalized U.S. population age 12 and older – more than 40 million Americans – meets medical criteria for addiction involving nicotine, alcohol or other drugs. This is more than the number of Americans with cancer, diabetes or heart conditions. In 2014, 22.5 million people in the United States needed treatment for addiction involving alcohol or drugs other than nicotine, but only 11.6 percent received any form of inpatient, residential or outpatient treatment. Of those who do receive treatment, few receive evidence-based care.

“In addition to the creation of this fellowship program, ETSU and Ballad Health plan to aggressively seek opportunities to expand research and residential treatment in collaboration with our regional partners,” Levine said. “We believe we can make the case our region is worthy of investment by both Virginia and Tennessee and the federal government as funds are made available for research and treatment.” **BJ**

Kingsport veteran seeks to lead other vets to entrepreneurial success

Russ Hubbard commercializes DoD technology, and wants others to follow suit

By Scott Robertson

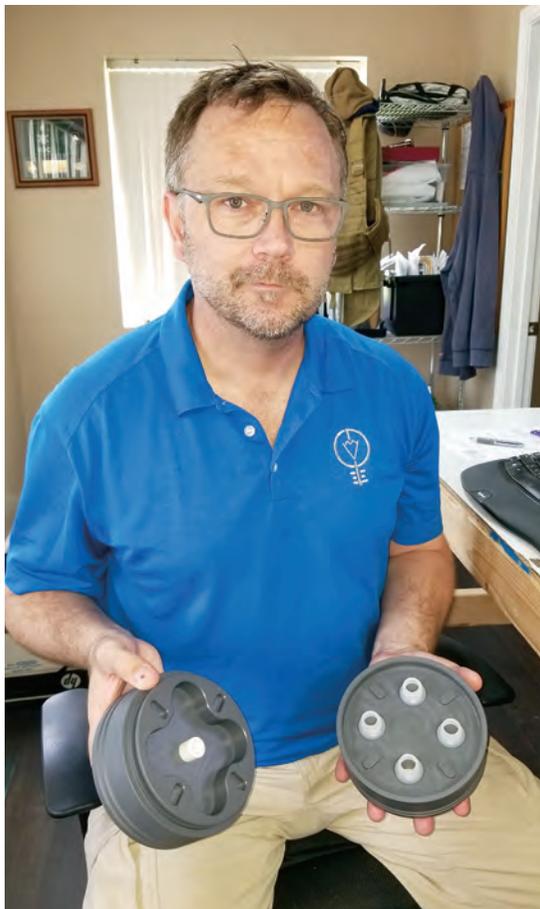
Russ Hubbard has found a new mission.

Hubbard, the owner of Per Vivo Labs in Kingsport and a combat-wounded veteran, is searching for fellow veterans who share his entrepreneurial spirit. “The Department of Defense and related U.S. Government agencies are in great need of commercialization partners,” Hubbard says. The opportunities that creates represent a potential boon for the region’s economy.

Hubbard knows from whence he speaks. Per Vivo Labs is currently working on multiple projects which arose from DoD patents that Hubbard is now commercializing. The first, branded “Odor Trace” is a system for safely training dogs to sniff out improvised explosives. Hubbard is already marketing Odor Trace to police and security officials in the U.S. and Canada. The second, which Per Vivo has branded “Zeroth Power Link” is something different altogether.

Hubbard picks up what is to the naked eye, a rubber tube, sealed at each end. Inside the tube is a chemical compound with unique behaviors. If you pull each end of the tube slowly, it will stretch normally. But if you use a quick motion, it’s like trying to stretch rebar with your hands. The resistance increases exponentially with the rate of force applied to it. “You might have three pounds of resistance at slow speed and 300 pounds at high speed,” Hubbard says. Hubbard is incorporating the compound into physical therapy devices. “You can’t get hurt – there’s no elastic rebound and you always have the potential to be exercising at the maximum of what your ability is at that very moment.”

The technology was developed at the U.S. Army Research Lab at the Aberdeen Proving Ground. Hubbard discovered it while researching physical therapy options for an injured relative. “I picked up the phone and called them. The technology was



Russ Hubbard with Per Vivo Labs’ Odor Trace product.

available, so I entered the negotiation process. Having been in the military, I knew what font and typeset they wanted, that sort of thing. That’s 95 percent of the battle with those guys. Within 90 days I had secured the exclusive license for these devices in the physiotherapy/exercise sciences space. For what we propose, the risk/reward curve is highly in our favor.” In addition, Hubbard, a graduate of the Entrepreneurship Bootcamp for Veterans with Disabilities, says he wants to help others do what he’s doing. “It’s economically advantageous for me to see the community develop.” With a population rich in veterans and engineers, coupled with a veteran-friendly business environment, Hubbard believes the region is ripe for such development.

Hubbard has already helped another entrepreneur commercialize a military patent. An engineer Hubbard had sent to the Army Research Lab asked for Hubbard’s help in applying for a license to commercialize a robotic arm technology he’d seen there. Last month the product that engineer has created was showcased on FoxNews and Drudge.

A library of more than 9,000 DoD patents can be found at techlinkcenter.org, an aggregator operated at DoD expense by Montana State University to make idle DoD technologies available to the private sector. The site is a complete database of all DoD patents issued since 1997. Nationwide, TechLink agreements have generated more than \$1.6 billion in sales of new products and services, \$4.4 billion in economic output, and 1,580 jobs per year.

Hubbard says he’s open to other veterans who wish to seek out his input. “I want to give back,” he says. “It’s exciting. When you open a door for somebody, you don’t know where that’s going to take them.” 



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Bringing Back Bentonville's Biking Buzz

Arkansas seminar on mountain biking and economic development draws attendees from Northeast Tennessee and Southwest Virginia

By Scott Robertson

The idea that outdoor recreation can be a beneficial tool for economic development, especially in rural areas, is not new. For the last few years, young professionals have been making decisions about where to live and work based more and more on the recreational amenities offered in any given market. So it was not surprising that when the International Mountain Bicycling Association held its Trail Labs session in Bentonville, Ark., last month, economic development entities from both Northeast Tennessee and Southwest Virginia were in attendance.

Why go to Bentonville?

Bentonville is home to the world headquarters of Walmart, which needs young professionals, and must compete with companies in much larger markets for them. Because Walmart and the Walton Family Foundation realized the drawing power of outdoor recreation, there may be no better place in America to display outdoor recreation's potential economic relevance.

In the region stretching from Fayetteville a few miles to the south and the Missouri border a few miles north, more than 150 miles of trails have been built in the last few years. According to an InfrastructureUSA study released in April,

- Bicycling in Northwest Arkansas provides \$137 million in benefits to the economy annually.
- Bike tourism is a significant economic driver with tourists spending \$27 million at local businesses each year.
- Investment in soft-surface mountain bike trails is a key driver of tourism with at least 55% of mountain bikers traveling to Northwest Arkansas from outside the region.
- Bicycling in Northwest Arkansas generates \$85 million annually in health-related benefits.
- Residents of Northwest Arkansas spend more than \$20 million on bicycling annually.
- Houses within .25 miles of the Razorback Greenway sell for an average of nearly \$15,000 more than those two miles from the trail.

"It's an economic driver," said Bentonville Parks & Recreation Director David Wright. "It benefits people who own businesses, and not just businesses directly related to this. The development community now wants to build along the trail system."

Kaline Griffith, president and CEO of Visit Bentonville, added,

"We have 33 people a day moving into Northwest Arkansas. The median age is 31.8." Outdoor recreation is allowing companies in a small town to compete for employees with Austin and Denver.

Gary Brumit, principal of Active Strategies, a company whose website says it makes "active lifestyle development a catalyst for growth and quality of life improvements in your community," spoke to the potential economic impact, saying, "Everybody



(L-R) Kayla Carter, Emily Mayo, Katie Dunn, Idalina Walker and Jenny Brock in front of a mountain bike jump near Bentonville.



Brock and Carter at the International Mountain Bicycling Association Trail Labs.

wants to bring in a Toyota factory. Outdoor recreation is a Toyota factory. We just didn't know it."

Take-aways

With Johnson City, Tenn.'s Tannery Knobs Mountain Biking Park about to open and other mountain bike trails being considered on Buffalo Mountain, as well as in Carter and Unicoi counties, Johnson City Vice Mayor Jenny Brock, Northeast Tennessee

Regional Economic Partnership Outdoor Development Manager Kayla Carter and mountain bikers Marc Upton and Nathan Cole were eager to maximize the existing investment while considering next moves.

“As I look at our infrastructure investments today, I am keenly aware that my generation will enjoy them for a while, but the real benefactors are future generations. I ask this question, ‘what will it take to get young people to make Johnson City and the region their home to live, work and play?’” Brock said. “The demographic mix of our area is showing many of these young people are going elsewhere, mainly the large urban centers. I believe easy access to outdoor recreation can be a feature of our community that may attract them to stay or to come.

“Our major businesses are appealing to us to help with maintaining a strong workforce,” Brock said. “For our region to remain economically robust, we must grow. To grow, we need to attract younger people to move here. They want certain things. I think we have all those things right here. A well thought out trail system for both traditional biking and mountain biking is a feature a city/region can provide that can be one of the factors in workforce recruitment and retention. Tourists adding to our tax base is icing on the cake.”

The impact of an increase in demand for outdoor recreation opportunities in the region is already being felt, Carter said, especially among young professionals. “They want to be able to quickly access the trails or rivers after work and on the weekends. Mountain biking in Northeast Tennessee serves as a great example of how to engage with young talent as well as families. It’s also boosting our economy through bike sales, maintenance and event curation. Mountain biking is on the rise in our region. It’s already contributing to an increase in the quality of life here.”

Idalina Walker and Emily Mayo, tourism and recreation development specialists for Friends of Southwest Virginia, were joined at the event by Katie Dunn of the Norton, Va., city manager’s office. While the plethora of information on building safe, sustainable trails for mountain bikes was good, what struck Walker was, “the development strategies shared are not limited to mountain biking, but can be adapted to develop diverse outdoor recreation opportunity’s across Southwest Virginia.

Carter agreed, saying, “It’s clear that there’s going to be a return on our investment by making moves toward enhancing and creating opportunities for people to experience our natural capital in a variety of ways. It’s important for me to mention that mountain biking is just one user group that we hope to engage in our outdoor development



Walton Family Foundation Program Officer Gary Vernon shows local officials around the Coler Mountain Preserve bike trail.

efforts. We want to support efforts to develop opportunities, including but not limited to, hiking, paddling, fly fishing, climbing, hunting, horseback riding, off-roading as they are all equally as important to the outdoor recreation economy in our region. They all work together to provide an experience-based economy. But, we must all work together to enhance and create sustainable ways to leverage those recreation opportunities.” 

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Screenshots from NETWORKS Sullivan County “Northeast Tennessee Quality of Life Video”

NETWORKS video showcases region’s “Quality of Place”

NETWORKS Sullivan Partnership has released a quality-of-life video it plans to offer to companies and organizations free of charge. The near-three-minute video features dozens of short vignettes showcasing locations both inside and out of its own coverage area. NETWORKS is the economic development organization for Sullivan County, Tenn., and its cities of Bluff City, Bristol, and Kingsport, and marketing and recruitment arm for Hawkins County.

NETWORKS launched the first in a series of promotional videos May 31 to serve as supporting pieces to the community video the organization first made public two years ago. Like the first video, the latest marketing piece was produced as a collaborative effort with Cumberland Marketing. Because of its regional flavor, NETWORKS is offering to allow the second video to be used by other organizations and private companies, either with the NETWORKS logo still attached, or replacing that logo with the organization or company’s own logo.

“After the first collaboration with Cumberland went so well, turning out a product that has received more than half a million views and been recognized with an award of merit by the Southern Economic Development Council, we knew that keeping with our plan to produce a subset of topic-specific videos was the right path,” says NETWORKS CEO Clay Walker.

Walker said that from the beginning, the team recognized that in order to show the quality of life people enjoy here, the video would need to include footage beyond the Sullivan and Hawkins counties’ borders.

As the video neared completion, NETWORKS staff thought that it was something anyone in the region might want to use, so Walker proposed the idea to make the finished product a “gift to the region” at the April Board of Directors Meeting. The Board voted unanimously to do so.

“This video was intended to showcase the variety of exciting things to do that we enjoy and can sometimes even take for granted. You can’t tell that story within city or county boundaries, just as you can’t tell our available workforce, network of supporting industries, or countless other stories we tell in economic development,” Walker added. “So, if other organizations can use this video as a vehicle to tell our story, particularly to attract visitors, residents, and people to fill key positions, we obviously want to make this available to them.”

So far, Walker said, NETWORKS has received interest in the video from Bristol Motor Speedway, Friends of Steele Creek Park, YPTri, the Northeast Tennessee Regional Economic Partnership, Tri-Cities Airport, Bristol Tennessee Essential Services and TCI Group – Jerry Petzoldt. [B](#)



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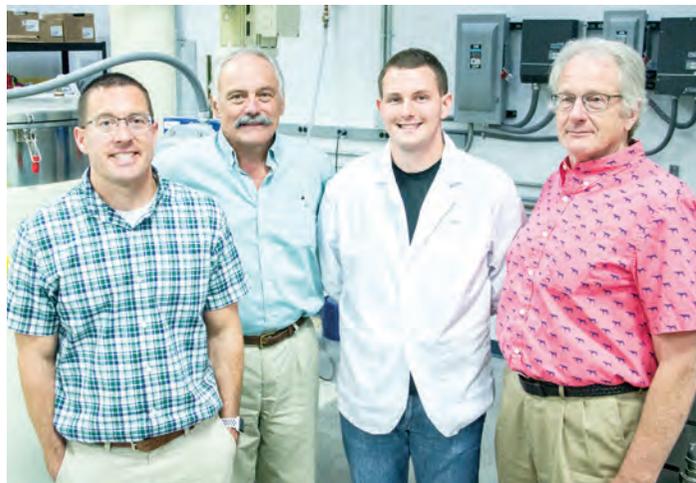
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See it to be it: internships for the emerging workforce



(L-R) Rich Baranauskas, Rick Claus, Dallas McKinney and Jeff Dinger



Baranauskas and McKinney at Nanosonic

The first in the 2018 series of three “Operation Tomorrow’s Workforce” articles by United Way of Southwest Virginia

According to the Annie E. Casey Foundation, roughly 3,000 of Southwest Virginia’s youth between the ages of 16 and 19 aren’t in school or working. United Way of Southwest Virginia is developing solutions to address the workforce gap, starting with the emerging workforce; one solution is a high school internship program.

Students who complete internships during the latter years of high school gain awareness of local opportunities, build skills needed to find and keep a job, assist with post-secondary planning, and fill workplace gaps. These internship programs can be seen across the globe, across the country, and across our region.

Jeff Dinger, special projects manager for Giles County, said, “It’s incumbent upon us, especially rural America, to do everything we can to encourage our young people to be able to stay in our communities. But we also need to attract more businesses like the great ones we already have, so our young people have the opportunity to stay. If we allow our talented young kids to grow to their potentials, this emerging workforce becomes a powerful factor in improving our economy.”

In Giles County, Dinger oversees the summer youth work program, currently in its sixth year serving fifty high school students. The program tailors the internship placements to the interests, aptitudes, and dreams of each participant.

Students have been placed as interns with state parks, supermarkets, graduate research laboratories, IT departments, and more. What’s behind the success of the program is a lot of passion, planning, and collaboration. It may be the county’s program, but Dinger said what makes the program work is a very genuine and open collaboration between government, employers, non-profits, and school systems.

Many school counselors guide students to apply for the pro-

gram. Former intern Dallas McKinney said, “When I received the program application from my guidance counselor, I wrote down that I was interested in polymer chemistry. I’d just read something online about it and thought it sounded cool.”

McKinney, a 2014 senior at Narrows High School, just so happened to find his polymer chemistry internship with NanoSonic, an award-winning high-tech company in Giles County.

He found out that NanoSonic was actually “cool” - they partner with organizations like NASA and the U.S. Departments of Defense, Homeland Security, and Agriculture to produce innovative materials that bypass the limitations of normal materials. Polymers they create include flexible, heat resistant, and puncture resistant material used for firefighter gloves, thermal protection systems for spacecraft entering back into the atmosphere, or flexible, rubber-like metal for stretchable electronics.

McKinney said, “I think knowing what was in ‘that building over there’ definitely widened the horizon on what I could do, where I could go, and what opportunities are available here in Giles County.”

As the first high school intern at NanoSonic, McKinney spent the summer on many projects, including testing chemical sensors in the dark for light sensitivity. A few perks to the job included access to industry-specific high technology equipment and the ability to work as a group with staff members across departments, including Vince Baranauskas, chief technology officer and one of McKinney’s mentors.

Baranauskas said, “Dallas was able to set up reactions and perform them himself, make composites, prepare samples, and he even helped with report writing. He wore multiple hats and really got a feel for what it was like to do fundamental research, applied research, and then take it to the next level for various applications.” McKinney continued to intern for NanoSonic each summer when he returned home from college.

BJ Features

Richard Claus, president and chief executive officer for NanoSonic, said, “We got to know Dallas as he worked for us over the first summer. We welcomed Dallas back again for two more summers – we knew him, and he knew us.”

McKinney’s responsibilities at NanoSonic grew, and so did his knowledge and enjoyment of his role working with materials. When he graduated from college (in only three years) with a degree in applied physics, NanoSonic hired him. Now, he works at NanoSonic as a lab technician and will be soon studying for his PhD at Virginia Tech. McKinney said, “I’ve actually molded my course load to focus on material science because of NanoSonic.” The path before him in polymer chemistry has been shaped because of what he experienced through his internship.

Across the region, other internship programs exist in similar partnerships between multiple sectors – government, school systems, non-profits, and employers. The newest internship effort is spearheaded by United Way of Southwest Virginia, which currently serves 29,000 students with its career readiness program Ignite.

United Way of Southwest Virginia’s implementation of high school internships alleviates some of the challenges operating an internship program entails: recruiting participants and employers, matching and supporting youth and worksites, monitoring program implementation, and connecting the program to year-round programming.

The internships will integrate with current high school components of Ignite, including soft skills curriculum and web-based career exploration software provided by United Way – already in use by the students. United Way of Southwest Virginia will coordinate internships through the state-of-the-art software, so job matching will be customized to each student’s career goals and plans, and employers will be able to digitally post opportunities and sort applications.

Travis Staton, president and CEO of United Way of Southwest Virginia said, “We must invest in our youngest citizens to see improvement in outcomes related to adult self-sufficiency. We are placing importance on connecting the worlds of learning and work to prepare our new generation for their futures and provide them with the opportunity to stay here in Southwest Virginia.”

As local employers partner with United Way’s Ignite program across Southwest Virginia, Giles County remains a shining example of success and a reminder that sometimes, you have to see it to be it. **BJ**

10:00am *Washed the windows.*
10:15am *Ran a virus check on the computers.*
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Excitement builds around reuniting the Tri-Cities in one MSA

By John Speropulos

Discussions about reunification of the Johnson City-Kingsport-Bristol Metropolitan Statistics Area (MSA) have garnered a gratifying volume of interest and support in the past month or so.

On LinkedIn, my blog about the topic was seen by almost 3,000 people. Of that, a little over 100 were CEOs or executive directors. *The Business Journal* also reprinted it, and the *Kingsport-Times News* weighed in with a supporting editorial. Those are just a few examples. But what this tells me is people are genuinely interested in advancing more regionalism in Northeast Tennessee.

There was also a follow up by another blog – Core Data. It was based on an interview with the point person for the Office of Management and Budget’s review committee for MSA delineations. It also resulted in a quick Census Bureau review of commuting data to see if the area’s combined commuter pattern could be a springboard to consolidation. The result wasn’t encouraging. The idea of a combined commuter pattern was rejected, and the review said that based on the most recent data neither the Johnson City nor Kingsport-Bristol MSAs met the unification benchmark. The full explanation can be found at Donfenley.com.

All of this is background to a process that seems a little arbitrary and dismissive of the reality that the ten counties that made up the original MSA are one marketplace and economy worthy of a single data voice. Unfortunately, the last major review of the process that split the region did not receive any comment. Fortunately, another review is or will soon be underway.

The strongest argument for unification is the region has changed since 2000 when it was broken up because in the Census Bureau’s words, it was a “larger, looser-knit region than its component metropolitan or micropolitan statistical areas.” During the past 18 years, the region has grown. The growth was not as fast as some would like but it has grown despite the worst economic downturn since the Great Depression and a conversion of a manufacturing-centric economy to a service economy. On the horizon that will expand with significant health care delivery and education components and a fledgling aerospace cluster.

That future isn’t based on a looser-knit or divided region. Recent comments from Eastman Chemical CEO Mark Costa and Ballard’s Alan Levine can be used to set the focus. They’re committed to unified regional action to carry the region into the future. And both have pledged support to that end because as a region it has a stronger voice than any of the individual towns or counties can exert.

Reunification of the old Johnson City-Kingsport-Bristol MSA isn’t a step toward consolidated governments or infringing on any jurisdictions’ sovereignty. It’s about data collection and reporting on the economic marketplace. It wouldn’t put us in the nation’s top 100 MSAs. But it would be in the top 110. Currently, none of the local region’s Census-defined regions are large enough to get that critical first look when data reports on the largest MSAs are released. And since some Census data releases are based on the



size of the MSA, you must wait for months for the information. That’s simply not good enough in a data-driven business and economic climate.

Congressman Phil Roe recently told *The Business Journal* during a meeting in its office in Johnson City, “It has never made any sense to me to have Kingsport – a nine-iron from here – to be in a different MSA.” He said he would be all for a plan to reunify the MSAs. The White House Office of Management and Budget makes updates to MSA definitions based on US Census Bureau population estimates. Nick Mulvaney is director of the OMB. “I know Nick Mulvaney very well,” Roe said. “I would be glad to call him up and talk to him.” (Ed. Note: See p.13, this issue)

The 10 counties that made up the old MSA can be found in the first blog on this topic at Speropulos.com. They have more in common today than they did two decades ago and are worthy of a formal reunification review. OMB has a process for just that. And now that Congressman Roe has said he would support a plan to reunify the MSAs those who like the idea should contact his office with their support. [B](#)

John Speropulos, CCIM, SIOR, is president of Mitch Cox, Realtor, Inc. He regularly writes at speropulos.com.

ON THE MOVE

ADVERTISING AND PR

Long-time group creative head Benji Vega has made the switch from The Richards Group in Dallas to Johnson City, Tenn.-based Creative Energy as chief creative officer (CCO).

Vega spent nearly 10 years at The Richards Group, most recently as group creative head for the agency's affiliate, PYRO. The Richards Group is the nation's largest independently owned ad agency, best known for its pioneering work for Chick-fil-A and The Home Depot, among others.

"We've powered up our creative chops with a talent like Benji who will oversee all of our creative executions and support an aggressive new business effort within our core vertical markets," says Creative Energy President Tony Treadway. "He will also oversee our integrated approach (traditional through digital/social) to existing accounts, including Hispanic marketing efforts."

As a managing partner, Vega founded a national Hispanic agency, iNSPIRE!, for Leo Burnett and served as creative director for Ornelas & Associates, a Hispanic firm in Dallas for brands including Nissan and Budweiser.



Benji Vega

EDUCATION

The Tennessee College of Applied Technology Elizabethton has announced two workforce development-related hires and promotions. Adam Vest, a 2011 welding program graduate of the college, has been named welding instructor. Prior to joining TCAT Elizabethton, Vest was a welder at Tennessee Electric Industry, Renfrow Brothers Construction, Yates Construction and Engineering and Thompson Construction Companies.

Melody Bailey of Greenbrier, has been named assistant coordinator of NC3 certifications. Bailey has extensive experience in automotive, diesel, high performance and emergency generator industries. TCAT Elizabethton will soon initiate off-site NC3 training for business and industry in Northeast Tennessee. Bailey will also be an off-site instructor in that process. Bailey was automotive instructor at TCAT Nashville, field service coordinator for Thompson Caterpillar in La Vergne, telematics validation engineer at Delphi Automotive in Auburn Hills, Michigan, and Diagnostic Engineer with Snap-on Tools in Rochester Hills, Mich.



Adam Vest



Melody Bailey

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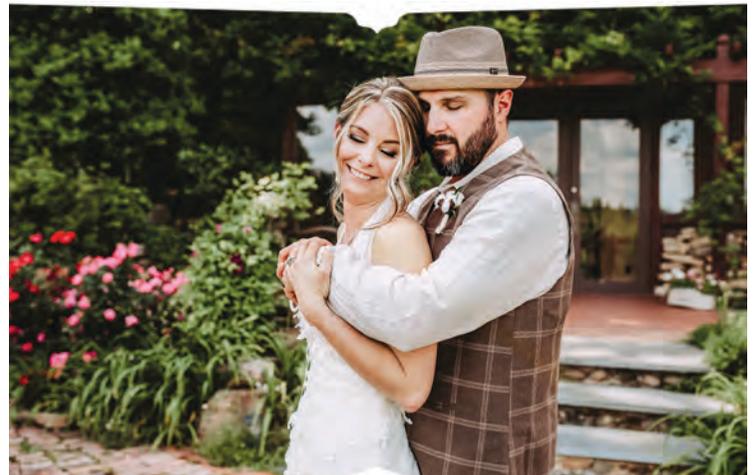
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AWARDS & ACHIEVEMENTS

Six from Northeast named to Leadership Tennessee class

Leadership Tennessee has announced its 2018-19 class, comprised of 45 leaders (including six from the Tri-Cities) who will spend the next year engaging in collaborative, non-partisan dialogue on issues of statewide importance. The 45 new class members represent each geographic region of the state, including the communities of Bristol, Chattanooga, Clarksville, Jackson, Johnson City, Kingsport, Knoxville, Martin, Memphis, Murfreesboro and Nashville.

The Tri-Cities' enrollees are: Jerry Caldwell, executive vice president/general manager, Bristol Motor Speedway; Senator Jon Lundberg, state of Tennessee; Alan Levine, chairman/CEO, Ballad Health; Mayor John Clark, city of Kingsport; Dr. Jeff McCord, vice president, Northeast State Community College; and Aundrea Wilcox, executive director – KOSBE, Kingsport Chamber of Commerce.

“Each Leadership Tennessee class brings its own experience



John Clark



John Lundberg

and insight to the table, and we're especially excited about Class VI and what they bring to the conversation around critical issues in Tennessee,” Leadership Tennessee Executive Director Cathy Cate said. “Each class grows together over the course of the year as they challenge their perspectives on issues in their communities. We're looking forward to the conversations Class VI will have over the next year as they develop the program around focus areas they highlight as critical to state success.”



Aundrea Wilcox

ETSU's Innovation Lab named Incubator of the Month, receives Impact Award

The Innovation Lab at East Tennessee State University has received the Incubator of the Month and Impact Award from the International Business Innovation Association (InBIA). InBIA, a global nonprofit that supports entrepreneurial organizations, recognizes high-impact member organizations throughout the year by awarding a monthly Impact Awards in six categories. ETSU's Innovation Lab was selected in the university category. The Innovation Lab assists aspiring entrepreneurs in developing their ideas from concept to commercialization. It offers wet and dry lab space, office space, an entrepreneur resource center, meeting rooms and an innovation studio. 

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ETSU athletics to receive \$15 million from multimedia deal

The ETSU Department of Intercollegiate Athletics announced Thursday an unprecedented multimedia rights agreement with Van Wagner Sports & Entertainment's collegiate services division.

The 10-year deal grants Van Wagner exclusive rights to represent ETSU as the rights holder for the program's sponsorship and media sales, as well as on- and off-campus marketing promotions for the Buccaneers' brand. In return, the agreement is anticipated to net ETSU approximately \$15 million in revenue and cost-savings over the life of the contract.

"This is a historic day for ETSU Athletics and our entire university," said ETSU Athletics Director Scott Carter. "A partnership of this magnitude is a testament to the extraordinary brand we have at ETSU. Each of our corporate partners has made this day possible through their tremendous support and investment in the Bucs. I would like to thank Matthew McGahey for his outstanding effort in making today possible, along with Leona Marketing Group president Dan Gale for his guidance in this process. We are truly excited to partner with the team at VWSE and cannot wait to get started. This agreement will allow us to reallocate other departmental resources to better meet our primary goal of providing the best experience possible for our

student-athletes and fans."

"The opportunity to work with Scott Carter and Matt McGahey to build on the amazing foundation they have established at ETSU is truly an honor," said Mike Palisi, Executive Vice President of VWSE. "The growth and trajectory of ETSU is directly related to the University's commitment to 'Excellence Everyday' and we are confident that corporate America will embrace meaningful strategic partnerships with ETSU.

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A model for the Commonwealth

By Ben J. Davenport Jr.

In 1941, my father, Ben J. Davenport Sr., founded Davenport Energy, a small oil jobbership. Upon graduating Hargrave Military Academy and Virginia Tech in 1964, I returned to Chatham to work for my father's company and helped grow it into a multifaceted company providing quality petroleum products to more than 21,000 customers throughout south side Virginia and North Carolina.



As chairman of the firm today, I am constantly reminded of the importance of receiving a good education and having a career. I believe an individual's path to a successful career has many parts and starts long before they graduate from school. In fact, if we want to prepare our youth for work, then we have to start early and help them along the way.

Because of this belief I have served in many capacities to assist in driving efforts to revitalize our commonwealth's economy, including sitting on the Virginia Early Childhood Foundation Board, where efforts are underway to ensure more children in Virginia enter kindergarten adequately prepared for school and ready to learn.

Recently, we were excited to approve a new partnership between GO Virginia and the United Way of Southwest Virginia. We think this could serve as the catalyst for a lifelong learning initiative and entice young people to want to be a part of our future economy.

United Way of Southwest Virginia has created a program called Ignite, a cradle to career initiative, which is bridging the gap between the worlds of learning and work by connecting schools and students with employers and employees.

Already, in the second year of implementation, Ignite has reached more than 29,000 students

and received high honors for preparing youth for the new Virginia Economy. Ignite is sparking career interest in the next generation of Southwest Virginia's workforce through two simple strategies: career awareness and skill development.

In April GO Virginia awarded United Way a grant to assist with developing an internship component of the program, where high school students' learning will now be connected to on-the-job experience. Through these new efforts United Way will be creating a plan for credential alignment, ensuring that education and training programs in high school match employer needs.

Research tells us, youth who participate in work-based learning are more likely to do better in school, attend college or join the workforce than those who do not. As an employer, an owner of a regional waste-management company and a regional energy company, I, too, see the gaps between workforce readiness and educational preparedness. As GO Virginia supports the United Way of Southwest Virginia on building the internship components of Ignite, I encourage our Commonwealth's employers be a part of this solution and learn more about providing working opportunities for youth at an earlier age.

In Virginia and the U.S., employer requirements are continually changing and upgrading to new skill requirements. As these challenges become more difficult in a 21st century economy, we will need more collaborative community-wide solutions such as United Way's.

As employers it's essential we work together with our educational intuitions from middle and high schools to colleges supporting educational goals. We should openly communicate and coordinate our efforts at every stage ensuring we are doing our part in building a robust and competitive economy and preparing the next generation for the jobs of tomorrow.

Ben J. Davenport Jr. is vice chairman of GO Virginia (Virginia Growth and Opportunity Board)

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