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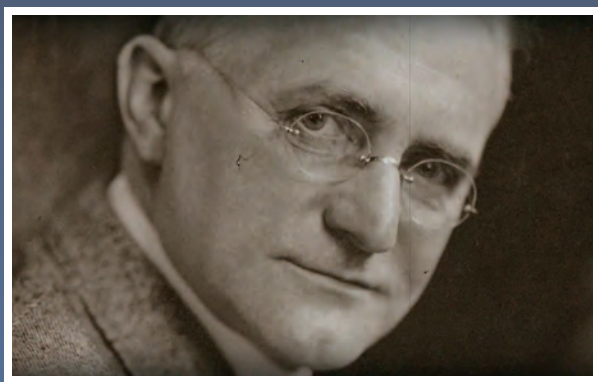

Eastman marks 100 Years

Kingsport specialty materials manufacturer rides innovation into second century

Plus
Shedding Jobs: workforce becomes worrisome
and
Saving Jobs: the teamwork that kept Domtar from moving out of state

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50 YEARS

Today, part of celebrating is thanking you for your role in our success story. We are forever grateful to you and for the support of all of the partners, stakeholders, colleagues, and especially our neighbors here at home in Greeneville, TN.

We can assure you that while a lot has changed over the decades, some things never will. Like our commitment to protecting and providing for our people. The quality of our services. The devotion to being good stewards of our environment and to the community in which we live.

We are proud of who we are and all that we have accomplished. And with you by our side, we are well positioned for continued growth and an exciting future.

On behalf of all of us here at ARTAZN, thank you.

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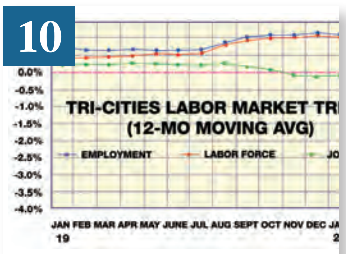

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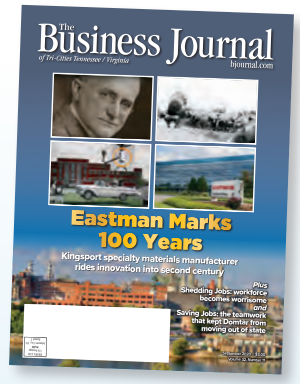

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Deadline for nominations is September 30, 2020. Nominate online at 40under.com

When you figure out how to turn garbage into gold, get other people to pay you to take their garbage

The phenomenon that is #2020 continues unabated. Massive unemployment. Trillions of dollars of new debt. A pandemic. Racial strife. Murder hornets. Fire tornadoes. Zoom meetings. Zoom dating. That tiger thing on Netflix. Everybody trying to make sourdough bread for some reason. And, of course, a presidential election campaign that makes one remember fondly the sound, sober and sensible candidacy of Ross Perot.

What we need right now is some kind of alchemy that turns this year's daily helping of what a polite person might call "solid waste" into gold. We'd all be rich as Midas.

Actually, though, one need look no further than Eastman to find just such alchemical magic. The specialty materials manufacturer (the words "chemical company" are no longer adequate to describe what Eastman does) really has found a way to break down waste material into individual chemical components that can then be reused in making brand new products.

Remarkably, there are still some in the community who hear "Reduce, reuse, recycle" and think dismissive thoughts of 1970s hippies and modern-day snowflakes. The folks at Eastman, on the other hand, tend to think of the circular economy as being very capitalist. It's based on the foundational principle of buying low and selling high. If you can add value to what others throw away, odds are you'll be rich someday.

So, if 300 million tons of plastic get used every year, and fewer than 50 million tons of that total gets recycled, yes, one can view it in terms of one's social conscience as a global environmental problem, but one can also see an economic opportunity of similar scope.

Rather than having to purchase new raw materials every time the company gets an order to manufacture a certain product, Eastman can take old carpeting, for instance, break it down using technology born from the coal gasification process, and extract the molecules of the needed raw material for use or sale.

Customers get the new product they want. Eastman builds greater long-term viability by lowering its raw materials cost, thus increasing margins. And yes, the landfills and oceans have that much less waste in them.

The company is actually using two different technologies to achieve the same end. One is for cellulosic polymers, the other is for polyester. Just think, polyester now once again has a useful purpose. Thousands of thrift store leisure suits have their long-awaited chance for redemption.

Eastman's leaders say they are far ahead of the rest of the industry when it comes to these technologies because Eastman can use very inexpensive waste as feed stock for the program while other companies try to catch up.

Mark Costa, Eastman board chair and CEO says of the reforming effort, "We take sustainability (into what we do), improving the environment as well as the quality of life every day."

Of course, Eastman is still subject to the headwinds of #2020, just the same as the rest of us. The company has acknowledged reductions in employment worldwide are likely coming before the end of the year. It is interesting to me that some of the same people who see snowflakes behind every environmentally responsible yet profitable action, also see Eastman as somehow being villainous for entertaining the possibility of staff reductions during a worldwide economic crisis.

In our view, Eastman remains a solid citizen of the region's business community, creating jobs, adding value to the economy, and promoting regional economic development to drive long-term economic competitiveness for all the cities, towns and counties in northeast Tennessee and southwest Virginia.

Perhaps some of the rest of us might take the company's example and learn to reorient our thinking about the negatives of #2020 to find ways to extract and concentrate on the most useful parts of every day's experience. To the people of Eastman, congratulations on reaching the milestone of 100 years in business, and Godspeed on your next century's journey.

Your home is not just your castle anymore, it is now your sanctuary.

The magazine will be distributed before and during the 'Builders' Showcase of Homes' at each of the homes, at sponsor locations and other points of interest.

Additional copies will be available for distribution throughout the year at Johnson City/Washington County Chamber of Commerce locations.

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July was the region's strongest month for pending home sales in five years

Low interest rates and high consumer demand sent northeast Tennessee home sales soaring in June and July, and a forward-looking indicator says the boom is not over yet.

July was one of the strongest months for pending home sales the area housing market has seen in five years, and the raw numbers were the highest since the Northeast Tennessee Association of Realtors (NETAR) launched its pending sales index in 2015. Sellers accepted 980 contracts during the month. That was a 10 percent increase from June, and June saw a 28 percent increase from May.

New contracts did not fall off the cliff like the rest of the economy when COVID-19 began dominating headlines in mid-March and April, but consumers did pump the brakes temporarily. There was a lull that put the market on a downward slide for about two months. It bottomed out in May before the market took off again.

Since new approved contracts – also known as pending sales – are one of the few forward-looking housing market indicators, market insiders pay a good deal of attention to them. They are a leading indicator because sales go under contract anywhere from 30 to 60 days before they close. In other words, the current month's pending sales is an indicator of what closing numbers will look like for the following two months.

July was the best single month for residential resale closings since 2008, when NETAR began tracking the local market for its Trends Report. There were 818 closings in July, up from 802 in June. These are the only months when there have been 800 or more closings. Given current conditions, August's closings look to be right there with them.

The housing market typically begins to slow down as it hits the fall season. There have been two exceptions. In both 2017 and 2018, the market spiked in October. Some contracts accepted in the last weeks of July will be moving to closing in early September, and it's a little too early to speculate about what numbers will look like beyond that.

What it is not too early to speculate about is the strength of the local recovery since that March-April swoon. If you put it on a chart, it is the sharp "V" recovery National Association of Realtors (NAR) Chief Economist Lawrence Yun predicted.

The current national outlook is for a 4 percent annual increase for home sales. Locally, July's annualized sales point to a 4.3 percent increase. That should increase with another month of 800 plus closings in August. Last year's annual growth was 6.5 percent. It was a two-point plus increase from the 2017 and 2018 yearly increases.

A good indicator of market behavior for the rest of the year will be days on market. When properties begin to linger on the market, it is a sign of some slowing down. Currently, consumers are snapping up properties quickly, especially in the mid-price ranges. The continuous days on market for a July resale were 57 days. That means half of the sales spent less time on the market and half spend more—all good signs of a hot market.

Tri-Cities economy shedding jobs

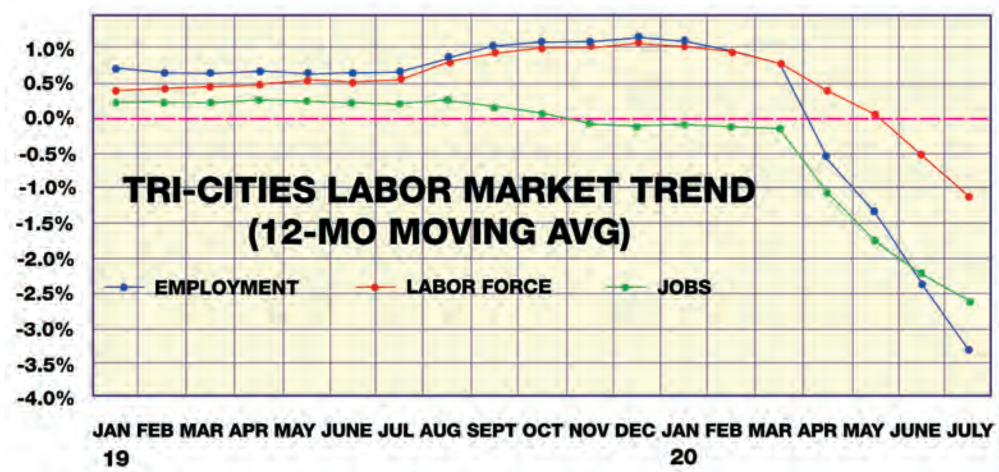
More worrying: Labor force participation on decline

by Don Fenley

WARN Act-mandated layoff notices are piling up in northeast Tennessee and southwest Virginia. Utility Trailer in Glade Spring – 326 layoffs. Scholle in Chilhowie – 128 layoffs. FLSmidth in Johnson City – 113 layoffs. Kennametal in Johnson City – 141 layoffs. Domtar in Kingsport – 308 layoffs (more on that on page 11). Cooper Standard in Surgoinsville – 86 layoffs. And, those are just the large employers mandated to publicize their layoff plans. Many other jobs are being cut under the radar.

While the Tri-Cities unemployment rate dropped to 8.7 percent in July, which at first glance might seem like good news, there were no local nonfarm job gains. By way of contrast, the national labor market created 1.8 million jobs.

Regional employers slashed 1,500 jobs from the June total. Employment dropped by almost 1,500 people. And, there were a little over 2,500 fewer workers in the labor force.



Some state and local officials continue pointing to the dropping unemployment rate as a sign that the jobs economy is improving. But when the jobless rate falls – as it did in July – because of a drop in labor force participation instead of an increase in employment, it's not a sign of an improving employment picture. Local workers are aging out of the labor force and others who are voluntarily – or otherwise – retiring by firms looking to trim costs with younger workers. Either way, the labor force participation rate is getting smaller. And a smaller labor force means a declining economy unless there is a new technology that makes up the difference.

There were 187,800 nonfarm Tri-Cities jobs in July. One must go back to July 1993 to find a lower total.

July is usually the bottom of the seasonal jobs slump. The typical seasonal pattern is for the jobs total to bottom in July then begin steadily climbing through November – the beginning of the holiday season. But, there hasn't been anything typical about 2020, so far.

From laid off to 'your job is gone'

Many of the most recent layoffs are the result of the recession we're in and not direct health issues related to COVID-19. And, some furloughed workers are learning they won't be coming back as businesses brace for the possibility of years of pandemic-related disruption. At the same time, companies across the nation that are bringing back furloughed workers are making reductions – fewer total staff and fewer hours – as they adjust to the new reality that many coronavirus-related closures won't be resolved until fall, according to the *Wall Street Journal*.

Another hand-me-down from the national economic mood is the fact that layoffs now reflect a shift in corporate thinking toward a more protracted crisis. Economist Dr. Jon Smith of ETSU recently pointed out one key fact driving that line of thought. "During the early days of this crisis, the Fed put $3 trillion into the economy. I don't think the chances are very good they'll do that again."

Smith is not alone in lacking optimism for a V-shaped recovery. Almost 80 percent of the economists participating in a National Association of Business Economics survey think there is at least a one-in-four chance of a double-dip recession. Nearly half of the 235 respondents to the survey said the COVOD-19 response from Congress was insufficient. That survey was taken in late July and early August.

While some are focusing on a double-dip recession, others point out that we're already in a K-shaped recession that they expect to continue. A K-shaped recession is one that affects some, but not all, of the population. Harvard's Opportunity Insights big data project points to that with the Tennessee June 27 employment data compared to January this year. It says state employment for low-wage workers – $27,000 a year and below – is down 8.7 percent and middle-wage employment -$27,000 to $60,000 – is down 0.2 percent. During the same time frame, employment for those making $60,000 a year or more is up 5.2 percent. BJ

Domtar shuttered its Kingsport operations in April, 2020

Saving Jobs: Economic developers say "complex" Domtar deal took teamwork

by Scott Robertson

Clay Walker, CEO of NETWORKS Sullivan Partnership and Lynn Tully, Northeast Tennessee director for the Tennessee Department of Economic and Community Development (ECD) knew they were going into a meeting with huge long-term implications for the regional economy when they sat down with Domtar executives shortly after the company announced it was temporarily closing down Kingsport operations during the COVID crisis.

"Generally speaking, but not always, most permanent shutdowns are preceded by temporary shutdowns," Walker says. "So anytime you have a temporary shutdown, you hate it, because there's a problem, but it also means it could be a much bigger problem. At the very end of May I thought something was going on because prior to having a meeting, the company asked me, 'do you know of anybody who can't sign an NDA (non-disclosure agreement)?' So, I thought that could be really good news or really bad news, but I knew something big was going on."

The bad news was that Domtar, which owns the paper mill that has been in continuous operation in Kingsport for more than a century, was indeed going to idle the facility, ending the employment of more than 300 area residents. The good news was that Kingsport was in the running to be the home of another Domtar manufacturing operation, including around 140 new jobs, but it wouldn't open for another couple of years. Kingsport was facing stiff competition in luring that site, including another existing Domtar facility site, rumored to be the company's Arkansas mill.

It was apparent that this would not be a run-of-the-mill economic development project. Domtar had very specific needs that neither the local economic development team and city government nor the state ECD could handle by themselves. "Lynn was the point person for the state and I was appointed for the local economic development team," Walker says. "We set up lines of communication with the people in the company who could talk about all these various issues."

For the next few months, that communication would be virtually non-stop, Tully says. "This project was one of the most complex projects I have seen in quite some time. A lot of the needs spanned not only multiple state departments, but multiple city properties including some that were in the parks and recreation department as well as other industrial property. It made this project really unique."

"We worked locally with the city and their review of not just an incentive package, but looking at the properties that would be necessary, any places where rights of way would be needed, any changes to the traffic patterns that would be needed," Tully says. "We worked with the City Department of Public Works, both with traffic and with wastewater and water delivery. They went out of their way to plan for the new needs of this facility."

The city of Kingsport was asked not only for that incentive package (a payment-in-lieu-of-taxes agreement which forgives 25 percent of the company's city taxes from 2024-2037), but also

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help in working out land swaps. The city and company agreed to a deal in which Domtar gives its Cement Hill property to the city and pays up to $500,000 to assist in the relocation of the Scott Adams Skate Park to Brickyard Park so Domtar will be able to utilize the current skate park land in its future plans.

Says Walker, "Domtar said, 'We don't want to disturb any part of the downtown living area and the amenities of the city, but we might have to change some things.' When we got into those things, Domtar was ready to pony up. So, it was a partnership. The spirit was, 'Let's figure this stuff out together.' I'm so proud of the city – Mayor Pat Shull leading the Board of Mayor and Aldermen and Chris McCartt (city manager) leading his team – they stepped up."

The city and state will be working together to address traffic pattern changes. While the new operation will come with many plusses in addition to jobs (not the least of which is a guarantee that there will be no "paper plant smell"), it will also come with an increase in the number of large trucks entering and exiting the Domtar property, perhaps to as many as 200 per day.

"We've worked with the city and the Tennessee Department of Transportation so those trucks won't be on Center Street beyond Clinchfield," Walker says. In addition, other changes may be in the works for Lynn Garden Drive and West Stone Drive, but while those are in the early planning stages today, they'll not begin until the plant is up and running in 2023, Tully says. "TDOT has worked with our local metropolitan planning organization (MPO), for many years. That is how new road projects get their start. We discussed with them the needs of this new facility, and how those needs are going to change from previous production. There are going to need to be some upgrades and some attention paid to how traffic moves in and out of downtown.

"So, again, working with that MPO locally and the state DOT planning service – they've got a long-range planning division – we were able to get everyone to the table," Tully says. "We talked about everything that we saw as potential concerns. They did some studies and have addressed everything they can at this point. Obviously, we've got a lot of work to do as the project gets underway. When the plant is producing its new product, we'll actually be able to count the vehicle and traffic changes. We will go ahead and prepare ahead of time, but we're going to verify those counts once the plant has been reopened. TDOT is great to provide industrial access funding where they can to support businesses and support job growth, so they have been great partners."

The northeast Tennessee delegation of state legislators also got into the act, lobbying for additional state funds for training and workforce development.

"We have a long history of support from the Department of Labor and Workforce Development in our region," Tully says. "We have so much educational support, both from our TCATs and Northeast State and the Regional Center for Advanced Manufacturing (RCAM) and our other local colleges and universities. We are very well positioned to find and get the training done that is necessary for our manufacturers like Domtar."

The company, meanwhile, will, according to Walker, "bring in simulators that, working with the Regional Center for Advanced Manufacturing, will benefit the community." While those training simulators will primarily run Domtar's proprietary software to train its own future employees, they also will be capable of running other software to allow the RCAM to use the simulators for other regional training and education efforts.

And even though Domtar has already announced its plans to refit the Kingsport facility, the state is still looking for ways to make the training process easier and more cost-efficient, Tully says. "We are looking for funding and opportunities for both on-the-job training and also for apprenticeships or specialty training that the new products will require."

The refit itself will provide some positive economic impact while the plant switches from paper production to linerboard, Walker says. "There'll be about 400 people working on that construction. That's going to have an economic impact over a couple of million dollars."

Walker says he has heard from cynics who say the net effect of the deal is that the city and state are paying the company to cut 160+ jobs. He understands their point, and is sympathetic to those who will not be hired back. "I don't know that I'd like us very much if we weren't bothered by the fact that some good people are losing their jobs. But, I'd rather do my part in having 140 jobs to be replacing than 300," Walker says. "The long-term picture for the city and its relationship with an incredible corporate citizen overall, though, makes this announcement a pretty good day." BJ

Domtar has ceased production of sheet paper rolls at its Kingsport facility. FILE PHOTO

Alan Levine discusses Ballad's financials with *Business Journal* editor Scott Robertson.

Ballad using debt to protect cash reserves into autumn

by Scott Robertson

The COVID-19 pandemic has played havoc with the revenue stream at Ballad Health, but administrators are using a pair of no- to low-interest debt instruments to protect the company's cash reserves, at least for now.

As the crisis began in March and April, Ballad Health received and utilized $200 million in advance payments on Medicare claims through the Medicare Accelerated and Advance Payment Program, a $100 billion national effort designed to increase cash flow to Medicare providers and suppliers during the volume disruption caused by the crisis.

Those advance payments resulted in an offsetting liability, however, with repayment required over a 12-month period beginning 120 days after disbursement, and the bill has come due. "We've started paying back on that," Ballad Executive Chairman, President and CEO Alan Levine told the *Business Journal* in late August. "The way it works is, every Medicare patient that comes in, we bill Medicare and they zero-pay us. So, we're not getting paid right now for any Medicare patients that we see until that $200 million is accounted for, which really (stinks)."

An intense lobbying effort by the hospital industry to have those advances forgiven looked promising as recently as late July, but the impasse in Washington over additional funding for COVID-related relief efforts has scuttled that effort.

"The good news is, there was a whole combination of steps we took back in March," Levine said. "No.1, we did the furloughs and took a lot of steps to reduce our cost structure. We knew we were going to face a massive decrease in revenue. We did get some of the CARES Act money (ed. Note: roughly $82.5 million). We also secured, early on, a $130 million line of credit at a very low interest rate. We were fortunate to get it when we did. Our timing was right. Three different banks stepped up to help us."

"We did all that to shore up cash because we knew there was going to possibly be some disruption," Levine said.

"Some possible disruption" has turned out to be a bit of an understatement. According to Ballad's year-end results for the fiscal year ending June 30, 2020:

• Revenues for the 12 months ended June 30, 2020, totaled $1.993 billion, compared to $2.104 billion in the same period of 2019.

• Net operating income (prior to the expenses associated with the implementation of a new electronic medical record system and the COVID-19 pandemic) was a $38.5 million loss compared to $44.1 million in the prior year.

• Adjusted net operating income was $18.9 million, compared to a prior year income of $36.5 million – a 48 percent decrease.

• Operating EBITDA of $205.9 million was $22.2 million, or 9.7 percent, below the prior year. EBITDA of $246.3 million was $8.2 million, or 3.2 percent, below the prior year. Excluding stimulus funds, operating EBITDA was $123.4 million, and EBITDA was $163.8 million compared to a prior year of $228.1 million and $254.5 million respectively.

With the advance funds used, Ballad has begun examining when to begin utilizing the $130 million line of credit. Levine said he believes that point will come sooner rather than later.

"Our cash issue really is going to come in the fall. Now that we're paying back the $200 million - our days cash actually went up; We got up to about 300 days cash - but it's all now, going to come down very fast.

"All of that was sort of knowing when we had to start paying it

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back, when we're going to see the dip in cash receipts, and then when we would start to see it pick back up again. But even with our volumes where they are, we're still not going to pick up our weekly cash receipts like they used to be."

"So, doing that forecast and figuring out at what point will we need to use that line of credit, the reality is we may choose to use some of the line of credit to fund our capital," Levine said. "Under our capital for this year, our plan is to spend about $120 million. For about $80 million of that, we'll have to dip into cash and you know, the reality is that the interest rate on the line of credit is lower than the returns we're getting in the market. So, it's probable that we'll look seriously at using line of credit and not sacrificing any of our cash reserves."

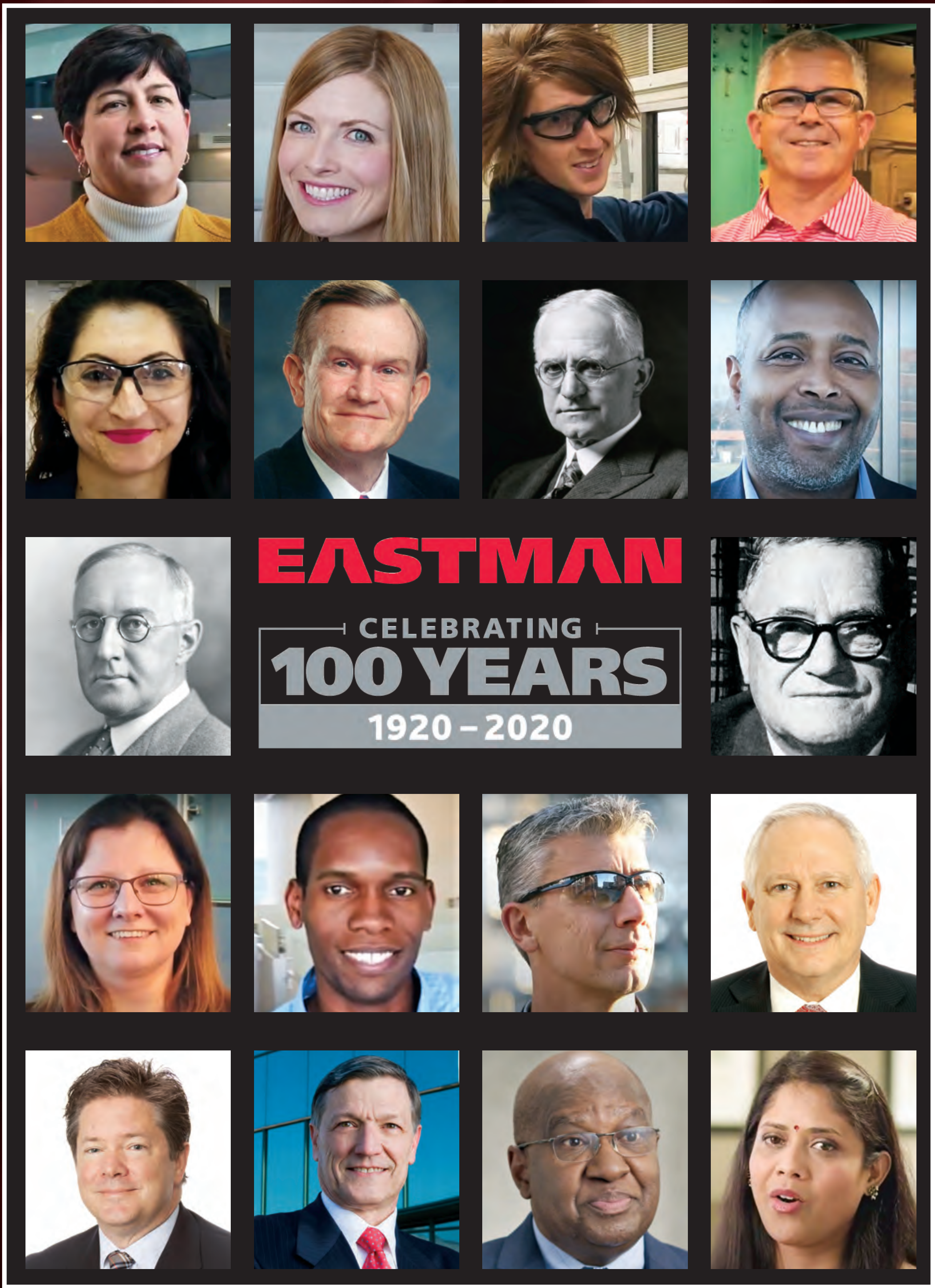
While an argument could be made that with Wall Street having recovered nicely from its March downturns, using cash from the investment side might make sense, Levine said that's really not the case. "Most of our cash is invested in low-risk. We have a pretty strict investment policy where some of it's put into real estate and some of it's put into the market. Most of it's in funds and index funds because we don't play games with our cash.

"We have diversity," Levine said. "Frankly, when the market was diving, our debt strategy and our cash strategy worked perfectly well together…our whole strategy related to cash is designed to mitigate risk. When the market's going up really high, we don't do generally as well as the market. When the market goes down, we generally don't do as badly as the market, and that's by design."

The crisis has hit Ballad at a particularly bad time, Levine said, because the transition from fee-for-service to value-based reimbursement models has not been kind to Ballad.

"If you go back to 2018, we did 103,000 discharges. This year, we'll do 87,000. To a large measure, we did that to ourselves with all the value-based arrangements and risk-benefit. If we collect $10,000 per admission, which is close, we've lost $160 million per year in revenue." While that can translate to lower costs when patients choose to utilize urgent care facilities in place of emergency departments, there's another negative effect on Ballad's bottom line. "When we lowered our prices on urgent care and physician practices by 17 percent, that was part of a strategy to make it much less expensive for people to go to an urgent care instead of going to an ER," Levine said. "Now, our ER visits have dropped substantially and the net result is we've lost about $50 million of revenue. So, over $200 million a year has been lost simply because we're trying to reduce the cost of care and the financial model, the business model, doesn't reward us for that."

Levine said the cost savings realized by moving to value-based systems and pushing urgent care out of emergency departments simply don't make their way back upstream to Ballad. "This gets way in the weeds because of how attribution of patient lives works, but the insurance company saves the money. They share it with doctors, but the hospitals get penalized. I would think if we reduce readmissions we ought to be rewarded for that, but we actually get financially penalized." BJ



Special Section

Q&A: Mark Costa, Eastman Board Chair and CEO


Eastman Board Chairman & CEO Mark Costa

Over the course of a century, Eastman has been led by men whose focus ranged from visionary to operationally-focused on a granular level. Perley Wilcox, who negotiated the purchase of the original Kingsport site for a reported $205,000, became the first general manager of the Tennessee Eastman Corp., and led the company through its historical role in World War II. Wilcox's successor, James C. White was a high school drop-out who came to Kingsport as a wood and timber operations manager. The Kingsport Rotary Club described him as, "a stern man, respected for his fairness and lack of pretense." Skipping ahead in history, Earnest Deavenport led Eastman through the spin-off from Kodak in the 1990s, helping build a culture that led to the company earning the Malcolm Baldrige National Quality Award. The current board chair and CEO, Mark Costa, has led the company into an era in which Eastman broadly focuses on responsibilities to all stakeholders, from shareholders to customers to business partners to employees to the communities in which it operates. Costa answered questions from the Business Journal on the occasion of the company's centennial.

The Business Journal: Keeping in the theme of "Then. Now. Next.", let's begin with "then." Eastman has, in the last couple of decades, greatly diversified its product offerings. What were the key motivators in this shift toward broadening the company's scope of production?

Mark Costa: If you look at how we started in 1920, we were providing raw materials for one customer for one market. Even back then, we realized that model wasn't what was best for our future. So, I guess you could say that we have been diversifying our portfolio since the very beginning. But you're right, we have intensified our efforts over the past several years, particularly as we started on our transformational journey to a specialty materials company.

We recognize that having a diverse portfolio that serves a number of diverse markets is a huge advantage for us. A great example of that stability is playing out right now as we go through the COVID crisis. Some of our products and end markets are doing very well in a pandemic, such as packaging. Some are more challenged, like transportation. And then others are having mixed results. Overall, this diversity is a source of strength by providing balance, better earnings stability and growth.

BJ: Innovation has been the watchword at Eastman. But innovation takes planning, then execution, and both of those take time. Most companies are constantly looking for ways to become more efficient, but Eastman has needed to create the time to satisfy its existing customers while shifting more and more toward a culture of innovation. Simply put, how have your people found the hours in the day?

MC: To begin with, we have a great team that is creative, resourceful and highly responsible. Finding ways to improve a process and make it more efficient is part of our DNA. But on top of those innate advantages, we have also implemented a number of initiatives over the past several years to help drive focus and behaviors so that we move faster and are more adaptive and agile. And, we have made a concerted effort to stop doing non-essential work to allow more focus on those things that will drive results and accelerate innovation.

It's been a journey and I won't deny that our teams have taken on a lot as we transform to an innovation-driven, specialty materials company. But we're learning as we go and we're getting faster and more efficient every day. We have also aggressively looked for ways to shift resources to innovation and R&D. When we find ways to make the organization more efficient, we often are redirecting those savings towards accelerating our innovation efforts.

BJ: Some are surprised to hear a Fortune 500 chemical company is so focused on sustainability. Please explain how and why investing in building the circular economy is a pathway to new levels of success for the company, and how you measure that success.

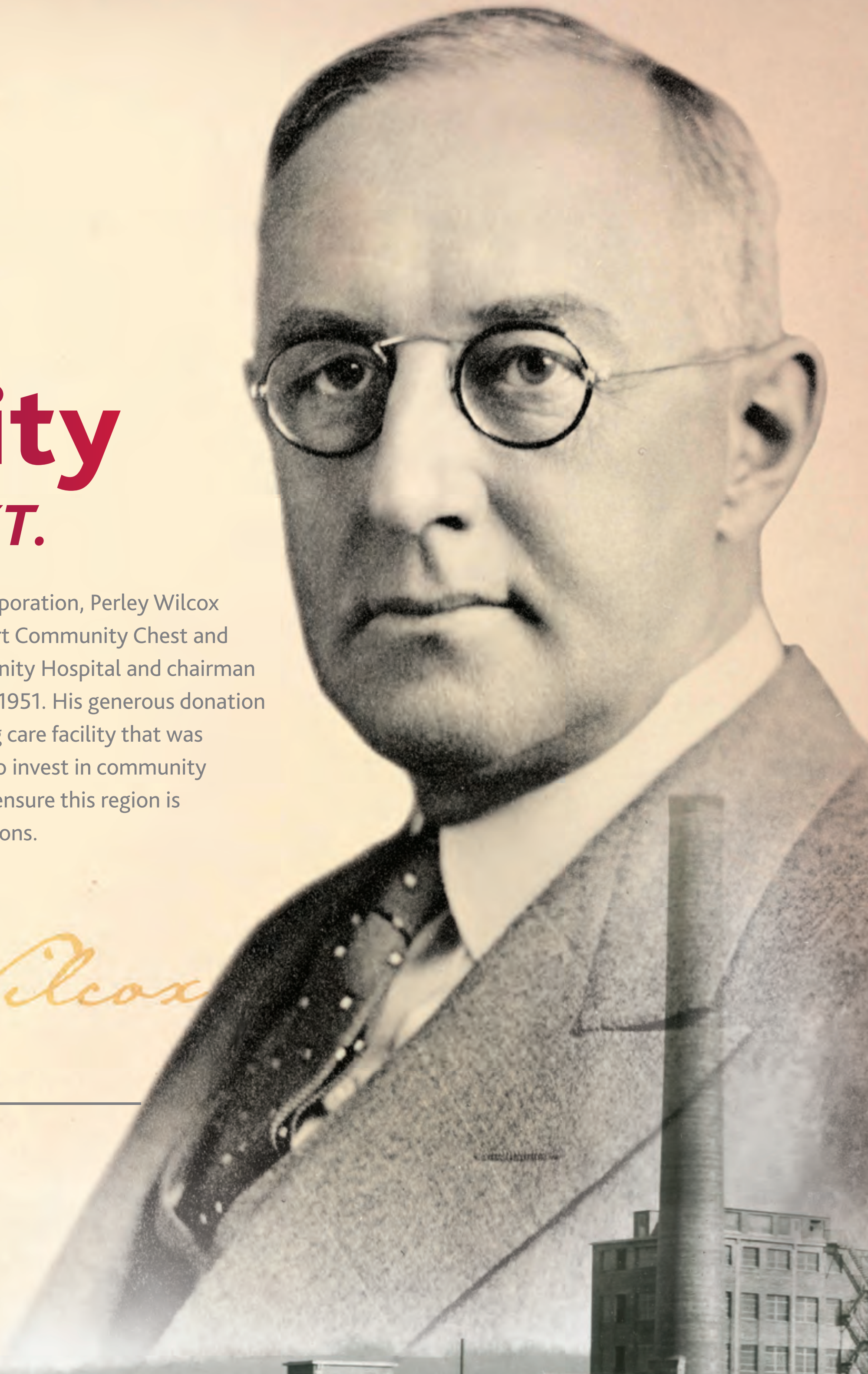
MC: Actually, sustainability is at the core of what we do, and Eastman has a long history of proving that. We have an innovation-driven growth strategy that's underpinned by sustainability macrotrends. And, as an innovation company with world-class technologies, we're uniquely suited to deliver solutions to some of the world's most complex problems. One of those big world challenges is the problem of waste, and Eastman is applying innovation to help solve that problem. We launched advanced recycling technologies in Kingsport over the past year that can recycle almost any kind of plastic waste, and already, we have recycled millions of pounds of complex plastic waste.

We call our technologies "molecular recycling" because

SEE **Q&A, 18**

EASTMAN

CELEBRATING 100 YEARS 1920–2020



Building community

THEN. NOW. NEXT.

Known as the “father” of Tennessee Eastman Corporation, Perley Wilcox was one of the original organizers of the Kingsport Community Chest and was a charter member of Holston Valley Community Hospital and chairman of the hospital’s board of directors from 1944 to 1951. His generous donation to the facility paved the way for a 50-bed nursing care facility that was named Wilcox Hall in 1961. Today, we continue to invest in community and economic development efforts. We want to ensure this region is a great place for all—now and for future generations.

Perley Wilcox

PERLEY WILCOX AND TENNESSEE EASTMAN CORPORATION CIRCA 1940

EMN-CC-12077 9/20

Costa speaks at the 2020 Eastman Leaders' Breakfast

we have the ability to process hard-to-recycle plastics on the molecular level, and we can do this an infinite number of times with no loss in product quality. The world needs this solution – we need to capture this value in waste instead of just throwing it away and sending it to the landfill. Molecular recycling is a better solution for the environment, and there is market demand, too. Consumers and brands are demanding more products with a better sustainability profile, and Eastman is able to meet those needs now. Our Advanced Circular Recycling technologies are already at commercial scale and scaling up quickly, and we will soon have measurable goals on materials circularity.

BJ: The "now" - or at least the most recent past - has been a story of moving forward against headwinds. As the trade wars transitioned into the era of COVID-19, Eastman had only a few weeks of unfettered forward motion. Please share recent examples of how Eastman teams have employed innovation in succeeding despite these externally created impediments.

MC: I'm extremely proud of how well the Eastman team has managed through this latest crisis. We quickly transitioned to this new world we find ourselves in, embraced technology in ways that we never have before, and continued driving our innovation-driven strategy forward. That's not to say that COVID hasn't slowed our progress. Obviously, engaging with customers virtually isn't a complete substitute to personal interaction, but we have gotten very creative in how we engage so that we can keep moving forward.

One way that we measure the success of our strategy is through new business revenue generation, and I am very proud to say that we continue to make great progress winning new business despite the challenges created by COVID. And one success that I am particularly proud of is the launch of Tritan Renew copolyester in June. Renew offers sustainability without compromise, providing the same durability, performance and safety of original Tritan but with up to 50 percent recycled content derived from waste plastic. Eastman will produce Tritan Renew with our innovative Advanced Circular Recycling technologies that use recycled plastic as a raw material, reduce consumption of fossil fuel and have lower greenhouse gas footprints. This product launch is a significant step forward for Eastman as the first product to market using molecular recycling made possible by our Advanced Circular Recycling technologies. Despite COVID, we have made considerable progress over the past year to create sustainable solutions that convert millions of pounds of waste into new materials.

BJ: As a publicly traded company, Eastman must constantly strive to create new value for shareholders. The company does this with an eye toward corporate citizenship, supporting education, empowerment and diversity and economic development in the communities in which you operate. So, as Eastman celebrates a century of operation, we'll ask you the same thing we asked Kingsport city leaders when they marked the city's centennial in 2017: The next time a major milestone is celebrated and Eastman's leaders look back into the company's history, how do you hope they will view the current era?

MC: No doubt this will be remembered as a time of great change, not just for Eastman, but for our industry and for the global economy in the way we work and conduct business. I hope this era will be remembered as a time of growth and transformation, when the company began on the specialty journey that would propel and sustain it for the next 25, 50 or 100 years. I also hope that the work that we are doing to strengthen all of those things you pointed out has taken lasting hold and made a marked and measurable difference in the lives of all of our stakeholders.

Our purpose is to enhance the quality of life in a material way. When others look back on this time, I hope they can see evidence of that in society at large through our innovative solutions and products, and more locally through an increase in quality jobs, through the innovative culture that we are cultivating, through more inclusive and diverse communities, through increased economic development across this and other regions where we have a large presence, and through long-term, sustainable growth for our company. BJ

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Eastman Then, Now and Next

Chapter One: Then

by Scott Robertson

Sometimes, it's better to be second. Just ask Eastman Chemical Co., the second chemical company to call Kingsport home. Eastman is celebrating a century in business this year. By contrast, the first Kingsport chemical company lasted less than five years. But, Eastman would never have had the chance to succeed had it not been for the prior failure of the Federal Dyestuff and Chemical Co.

In 1920, as Federal Dyestuff was ceasing operations without ever having completed construction of its Kingsport plant, George Eastman was in Rochester, New York, looking for a site for a new chemical plant of his own. World War I had interrupted Mr. Eastman's supply chain to such an extent that he vowed to find an American source for the lumber he needed to distill methanol for Kodak products.

At the same time, J. Fred Johnson was working to develop the land in and around the town of Kingsport, which had been chartered only three years earlier. Johnson caught the attention of Perley Wilcox, who at the time was assistant general manager of Kodak Park in Rochester. Wilcox traveled to Kingsport in the spring of 1920 and saw not only the half-built Federal Dyestuff plant, but also the rich hardwood forests stretching in every direction. Wilcox's enthusiastic report convinced Eastman not only to purchase the Kingsport property, but also large swaths of forest

SEE **EASTMAN,** 22

EASTMAN, CONTINUED

land in the surrounding states as well. Wilcox was named general manager of the newly formed Tennessee Eastman Company.

At the time, George Eastman viewed the Kingsport operation as an investment in the stability of the Kodak photographic business, and so allowed Wilcox and Tennessee Eastman the freedom to operate at a loss for 15 years. In what looks in retrospect like foreshadowing, it was not until Tennessee Eastman began to diversify its product line that it became profitable.

Methanol production dominated the first decade-and-a-half of Tennessee Eastman's existence, but it was the company's entry into the production of acetate products that would begin to propel real growth. Cellulose esters production began in the 1930s as the parent company adopted cellulose acetate in its film production. Soon after, Tennessee Eastman began producing acetate yarn, then Tenite cellulose plastics, rapidly broadening the company's customer base. The company was taking its first steps into the world of innovation.

World War II came to Tennessee Eastman two weeks before the rest of America. It was in mid-November that Wilcox took a call from the National Defense Research Committee asking if Tennessee Eastman would consider taking a contract to develop a new process for recovering anhydride from dilute acetic acid.

The process was essential in creating a new version of an explosive compound stable enough to be transported, but potent enough to punch through the hulls of Germany's fleet of U-boats, which were proving capable of surviving the blasts from traditional

SEE **EASTMAN,** 24

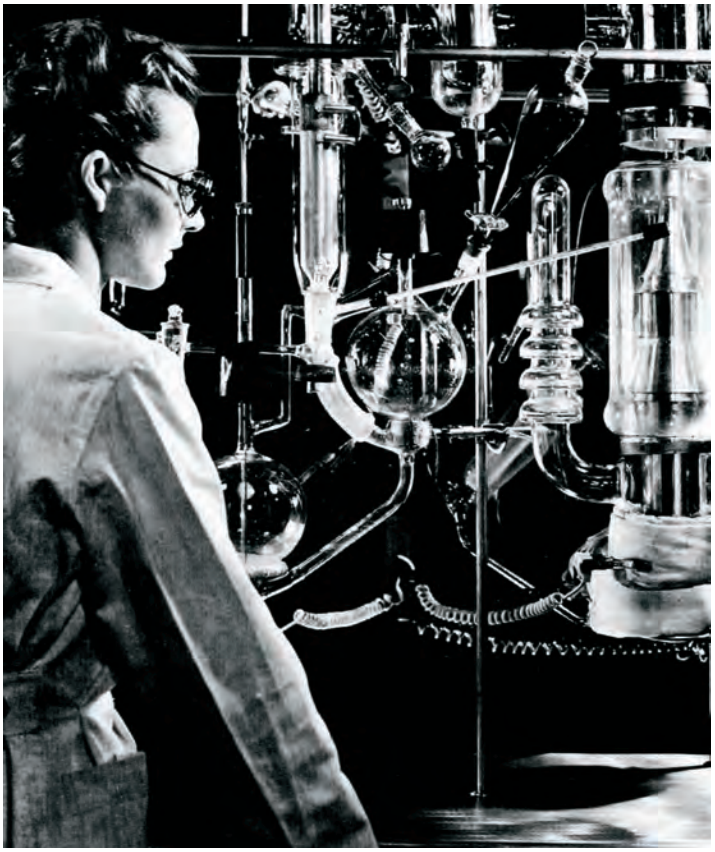
EASTMAN, CONTINUED

TNT-based depth charges. The U.S. had already begun production of RDX (Research Development Explosive), but the manufacturing process was woefully inefficient, the product was still too unstable, and all the RDX produced in the U.S. was spoken for by the British Royal Navy. The U.S., expecting to enter the war at some point, needed its own supply.

So, two weeks before the attack on Pearl Harbor, Tennessee Eastman received its first shipment of weak acid. Eastman's people quickly showed they had warmed to the idea of innovation. By Jan. 16, 1942, the company received authorization to build a small pilot plant. Having anticipated the receipt of that authorization, the company had already built the plant's first unit and had begun 24-hour production three days before the authorization arrived.

The next step was the creation of a larger explosives production facility, which Wilcox was adamant would not be adjacent to the main Tennessee Eastman campus. Thus, a site that had once been a part of the company's Bays Mountain logging operations was chosen, and the Holston Ordnance Works was hastily built. By March, it was up and running. The Army immediately authorized Tennessee Eastman to double capacity and, "make all you can." Around 20,000 workers were hired to build the new plant, creating a sudden housing shortage in Kingsport.

SEE **EASTMAN,** 26



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- Locally Grown In -Season
- Over 100 Organic Items
- Helpful Meal Solutions
  Featuring Shortcuts ready cut fruits & vegetables

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EASTMAN, CONTINUED

By the time the war would end, the facility would produce just short of a billion pounds of a potent explosive with no explosive-related deaths despite an almost complete lack of previous explosives experience in the workforce.

The company's ability to perform large-scale operations quickly, efficiently, safely and securely caught the eye of General Leslie Groves, who was heading up an operation known as the Manhattan Project. Groves was under pressure to build the first atomic bomb before the Germans, so he needed work done quickly and done right. That led him to Kingsport.

On Christmas Eve 1942, Groves placed a call to James C. White, the general manager at Tennessee Eastman. Groves had already hired DuPont and Union Carbide to operate other parts of the secret research and development facility he was building at Oak Ridge, Tenn. He wanted Tennessee Eastman to run the electromagnetic plant.

White initially declined, saying Tennessee Eastman was already stretched too thin, having only 6,500 employees – a third of whom were on military leave. Groves then called Wilcox, who was then president of Tennessee Eastman. Wilcox backed White's decision, but Groves kept climbing the chain of command. Calls from Groves to both the president and chairman of the board of Kodak produced a face-to-face meeting between Groves, White and Wilcox. Groves assured Wilcox and White the job would only require around 1,500 people, with a hard cap

of 2,500. Somewhat mollified, and with Kodak looking on, Wilcox and White signed on.

As it turned out, Groves slightly understated the human resources required. By the end of the war, the Y-12 facility would employ more than 24,000 people. Under Eastman's management Y-12 produced around 75 pounds of U235 for the war effort, including the material in the bomb dropped on Hiroshima. In addition, RDX from Holston Ordnance Works was used in the production of the Nagasaki bomb, meaning Eastman would be directly involved in the war effort literally from before America's official commencement of hostilities until the end of the war.

Once the war ended, the company continued to diversify its product offerings. By the late 20th century, Tennessee Eastman chemicals were being used in the manufacture of everything from apparel and home furnishings to auto parts. The company invented Superglue and the coal gassification process.

Tennessee Eastman also surpassed a significant milestone when it became a player in international commerce, selling more product to outside customers than to its parent company in Rochester.

That nexus became more important as the century drew near its close. By 1993, while the Tennessee operation was profitable, Kodak was facing a debt load of $7 billion and management was unsure how to handle the emerging digital photography market. As early as 1990, Kodak Chairman Kay Whitmore had considered breaking up the Tennessee operations to sell piecemeal. Earnest Deavenport, who would later become Eastman Chemical Co.'s first CEO, argued that the Tennessee operation should be spun off as a whole, and allowed to become a publicly traded company. After three years of deliberation with advisors from Goldman Sachs, Whitmore and Deavenport agreed to make the spin-off happen.

The July 1993 *Business Journal of Upper East Tennessee and Southwest Virginia* headline read, "Goodbye Kodak, hello Wall Street." The newly minted Eastman Chemical Co., would, on Jan. 1, 1994, take its place as a Fortune 300 company.

Said Deavenport, "You provide kids with a healthy environment, a good education and the better things in life. But at some point, they need to leave home and be on their own." Deavenport's metaphorical kid was already making its way in the world before the spin-off became official. In October 1993, Deavenport received word that Eastman had won the Malcolm Baldrige National Quality Award.

Eastman had risen to become one of the best-respected companies in North America, with growing markets and assets worldwide. And, nobody had thought about Federal Dyestuff for years. BJ

Eastman Then, Now and Next

Chapter Two: Now

by Scott Robertson

George Eastman created Tennessee Eastman a century ago because he'd grown weary of the supply chain disruptions created by the Spanish Flu and the War to End All Wars. How ironic he might find it to learn that as the company began its second century of operations, Eastman is again dealing with supply chain and other issues created by a war – in this case a trade war between the U.S. and China – and a pandemic.

Despite the unprecedented challenges of 2020, Eastman's leaders say the company remains driven by innovation. Eastman's moral purpose is also unchanged: to enhance the quality of life in a material way. And, from a financial perspective, the company is maintaining a focus on maximizing cash generation.

Eastman has announced plans to cut costs by $150 million this year, with $60 million of those cuts already having been made. The company has already divested itself of one Asian facility and is evaluating what other structural changes will put it in the best position for the eventual recovery of discretionary spending in the world economy.

One area where the company is looking to find value is network optimization. Over the years, Eastman's acquisitive nature has brought onboard a large inventory of warehouses and manufacturing facilities. "As you look at those plants, warehouses and networks of how we do everything, there are opportunities to optimize all of that," Board Chair and CEO Mark Costa said after the release of second quarter earnings. "There is headcount reduction as well. So as we optimize our business operating model and our investments about making us more effective, nimble and agile in our commercial operations, all the way through how we improve our effectiveness of operations, especially a lot of lessons learned here in the last four months, we see real opportunity to streamline the organization and take out costs."

The unanticipated challenges created by the financial, cultural and medical crises of 2020 have given the company an opportunity, Costa said. "It's a great year to sort of step back and say, 'how do we complete the transformation to a specialty company, both on the commercial capability and innovation investments which we're continuing to do, but also on how we become very cost competitive to create value for our shareholders and stay competitive against the people we face in the marketplace?'"

"We will be driving an operational transformation program to remove cost by greater than $200 million by the end of 2022 with a significant impact in 2021," Costa said. "Altogether, with these actions we've taken in 2020, we are well positioned to benefit from the return of economic growth as we look at the future in 2021 and beyond – as we lead from a position of strength with our innovation-driven growth model – it's the heart of how we win." BJ

Eastman Then, Now and Next

Chapter Three: Next

by Scott Robertson

There is a reason publicly traded companies like Eastman put disclaimers ahead of any forward-looking statements they make. As 2020 has shown, economic realities feel no compunction to respect one's plans, even if one is a Fortune 300 company with 100 years of experience.

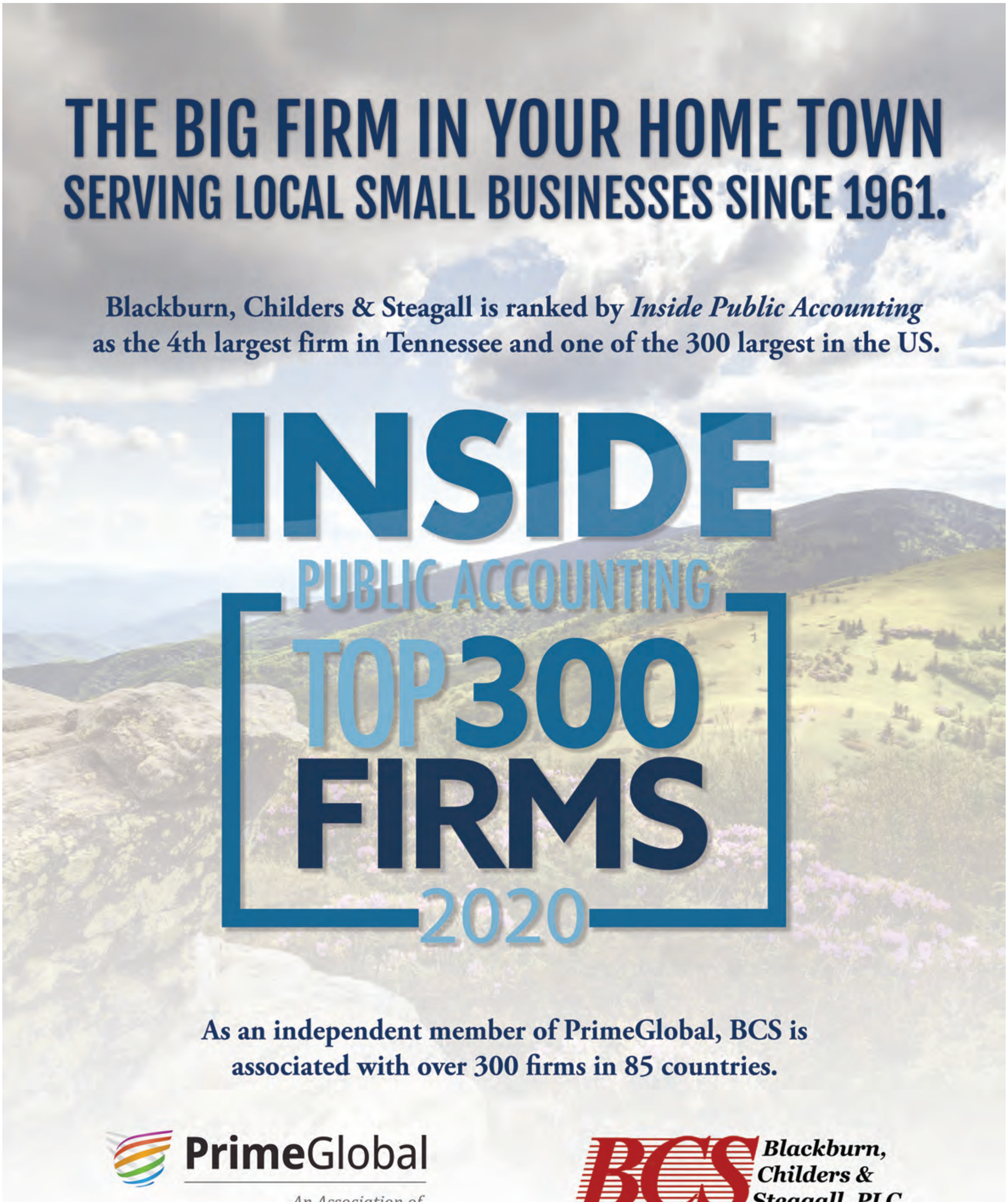
That having been said, Eastman's leadership has made it clear throughout the centennial celebration that the company's values will remain constant moving forward. Corporate citizenship, support of education, empowerment and diversity, and economic development in the communities in which it operates will remain watchwords for Eastman as it begins its second century of operation.

The company issued a statement of values earlier this year which said, in part, "From maintaining safe and reliable operations to developing insights that benefit our customers to innovating the future, we're focused on making a difference for the many people who count on Eastman, today and for generations to come."

In addition, the culture of innovation will remain a hallmark of the company moving forward. "It's the people that define success in any company," Board Chair and CEO Mark Costa said. "It's not the assets or markets. It's the people who innovate. It's the people who adapt to challenges and find solutions. And we're doing it again. We're going to be one of the forward-leaning companies in sustainability and the circular economy. I can't tell you how incredibly excited I am about that because it's an example of how we build a future for the next 100 years."

While 2020 has presented unprecedented challenges, it has also served as a reminder of Eastman's ability to adapt, innovate and thrive. Eastman has been weathering challenges longer than 99 percent of the world's businesses. The company's rich history suggests a culture ready to meet whatever challenges await, Costa said.

"This (centennial celebration) is an opportunity for us all to appreciate - through a lot of stories and a lot of discussions and remembering history - to remind us of what we can do as we go forward into the future." BJ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The Business Journal Q&A: Senator Marsha Blackburn

Tennessee's soon-to-be senior senator has made China policy a personal priority

Senator Marsha Blackburn in Hawkins County before the COVID outbreak.

Much has been made of the United States' debt to China, currently around $1.08 trillion. In the few decades since China went from being an entirely Communist power to utilizing a mix of Communism and Capitalism, that nation's economy has grown exponentially. Tennessee Senator Marsha Blackburn has made China policy a significant part of her work since taking office upon the retirement of Bob Corker. She released a white paper on China several weeks ago in which she warned that the COVID Crisis could "provide the nexus to shape a new world order.*" To stave off the tide of Chinese economic inroads, and focusing particularly on the United States, Blackburn and Arizona Senator Martha McSally recently introduced a non-binding resolution demanding China pay U.S. Bondholders more than $1.6 billion in debt that goes back as far as 1912. *The Business Journal* spoke with Blackburn August 20.

The Business Journal: Thank you for speaking with us today, Senator. Tell us about the genesis of the resolution you've co-sponsored with Senator McSally regarding some very old debt owed by China.

Senator Marsha Blackburn: Well, this is a debt that is held by U.S. citizens, and you're right, it goes back decades. The United Kingdom resolved this issue when (Margaret) Thatcher was the prime minister, but this has never been resolved for U.S. citizens. So, as we began hearing from people about what we wanted to do about China, from repatriating manufacturing to having China waive their debt, the association which has dealt with this, which is led by a Tennessee resident, brought this forward and said, 'You know, we were never able to get this issue resolved, and we would like to elevate this as we talk about China being required to make U.S. companies and citizens whole.'

You know, we have the Stop COVID Act, which is a piece of legislation that (Senators) McSally and Hawley and Cotton and several others have worked on, which (if passed, would give) U.S. citizens a day in court for loss of life and/or livelihood. They (might be able, if the bill becomes law) to take the Chinese Communist Party to court. In this legislation, what we would do is remove the foreign state immunity protection. This is what we did for 9/11 survivor families. It's what we did for the Beirut bombing survivor families so they can seek compensation from that government. So, getting back to all of these debts, the bondholders came forward and said, 'We would to see if there is an avenue for us to hold China to account to fulfill their obligation on these bonds, which they have not done.'

BJ: In talking with companies in our neck of the woods that do business internationally, they were generally pleased when the trade agreement with China was signed after a couple of years of difficult negotiations and hard work. But they only had a few weeks of relative stability before COVID hit and we were thrown into another round of what is essentially open economic conflict with China. It's my understanding that China was supposed to spend $200 billion with us this year and next year as part of the trade deal. While we've had some success in agriculture, the Chinese are not coming close to honoring their agreements in other areas. Is that an accurate assessment?

MB: My understanding is that that is a fairly accurate statement. There has been aggressive trade in the ag sector. China, of course, is facing restrictions from some of our U.S. compa-

*see The Last Word, p.30, The Business Journal of Tri-Cities TN/VA, August 2020 nies when it comes to semiconductor chips, and just like my SAM-C bill (The Securing America's Medicine Cabinet Act - S. 3432) would repatriate pharmaceutical manufacturing to the U.S. – active pharmaceutical ingredients, then what you would see in other sectors is a push to repatriate some of that manufacturing. There are some companies who have been leery of doing business with China, and they again expressed concerns if there is a secondary source they can use that is not China-based because of lack of trust with China holding their intellectual property, honoring those agreements, or concerns about actually getting things shipped out of the country. So, there is some hesitation there. I don't know the exact figures, but this does get updated by (the U.S. Department of) Commerce every month *(Ed. note: after the interview the senator's office forwarded the following figures from the Commerce Department – see the box on p. 34).*

BJ: One of the problems, according to businesspeople we have spoken with, is that there seems to be a fundamental cultural problem going back to how China views the West, going back to the Boxer Rebellion and even the Opium Wars. We hear there seems to be no moral compunction whatsoever about doing things to western companies like ignoring intellectual property rights and flat out stealing, frankly.

MB: Yeah.

BJ: From a practical perspective though, the U.S. has to have China as a trading partner in the world economy; the two largest economic powers in the world have to do some business together. So, how do we protect American businesses from something that is essentially a culturally ingrained enmity from our would-be trading partner?

MB: I think you are so spot-on on this. You see, they feel like, how they look at who owns your thoughts and your ideas. They feel like if you print something, it is then owned by the public because you have thereby shared it. We don't believe that if something is printed then you have no ownership. We believe that you are entitled to benefit from that concept that you created or the widget that you designed or the book that you have written or the song that you have written. So, you are exactly right. China uses a completely different way.

I heard one of the best statements the other day. I don't know if you've followed the case of Jimmy Lai, who is a journalist and works out of Hong Kong. Under the new China security law, they arrested him at his office. He gave an interview to Maria Bartiromo last weekend, and he said, 'You know, the world wants China to assimilate to the world and do business like the rest of the world, the community of nations does business, has interactions, and participates in global organizations. China isn't interested in that. China is interested in domination. They want the rest of the world to submit to them.'

So, that is a fundamental difference. Now, I will tell you, I have been very

SEE **Q&A, 34**

pleased with our allies and how they have stood up and pushed back on China. I think that is incredibly helpful. It is something that is going to stand us in good stead as we move forward and try to deal with China because at this point where we are, we have to realize that China looks at the 21st century as the China century. They think they are entitled to it. Xi Jinping (general secretary of the Chinese Communist Party) has set himself up as the autocrat for life. He is going to be president for life. He is more like Mao and is looking at Maoist-type policy. They are trying to expand into the China Sea. They are pushing back on Hong Kong, changing their agreement there. They are pushing on Taiwan. They are pushing into countries all across the globe through their debt diplomacy options. In Djibouti (Africa), they are giving Djibouti technology in exchange for their port, which was to be commercialized, but now they have put a military base there. So, China is incredibly aggressive. It is going to require the community of nations to push back on China and say, 'No, you really can't do things like this. This is not the way nations act toward one another. There is a protocol for how you conduct yourself within the community of nations.

BJ: If we look at reshoring our manufacturing that has gone to China, obviously the fact that China has stolen intellectual property from businesses that went there for cheap labor over the last 20+ years has made it clear that there is good reason to pull back from that kind of business relationship. But, when we reshore manufacturing, we are going to see increases in costs as we restructure our own economy, as we build new plants and create new jobs. That's going to take an investment of time and capital – there are going to be costs associated with it. Do you think it will be a difficult sell to American consumers to say, 'Look, your drugs will probably cost more because they're going to be produced here,' or do you think the American people will see the national security need and be willing to make those sacrifices?

MB: You know what is so interesting to me about all of this? Having worked on the issue of China going back into the mid-1990s when we were dealing with issues of piracy in the entertainment industry, and then of course we saw this expand into handbags and scarves and things that would be knocked off and sold on the street. Then you started to see our lumber industry get hit with furniture that was made by inexpensive labor in China but then did not hold up.

I talked to a lady the other day, and I think this pretty much sums up where a lot of people are. I know this is a little bit simplistic, but I think it says, 'This is where people are traveling.' She said, 'Marsha, I've got to tell you what I did. I had to buy some new linens.' They had a child who was going off to college. 'So,' she said, 'I got online and started looking for the things we needed.'

She said, 'I would see different prices popping up,' and she would read about one and it would hit her that it was made in China. So, she entered into her search engine what she was looking for, but made in the USA. She said, 'I tell you what, I am willing to pay an extra $5 for a set of sheets to know that I am not sending money to the Chinese Communist Party.'

This is a lady who is not politically active, but she is smart. She's astute. She pays attention to events and she had never thought about China and China's government being one and the same with the Chinese Community Party. Through all of this information about COVID, and then hearing people say, 'Well, you know, 10 years ago I lost my job to China,' and beginning to hear some of this information, she began to put it all together.

So, I will tell you, just as that lady is a consumer who's putting in her search engine that she's willing to pay, or that Tennessean who had that cardiovascular pharmaceutical that was recalled because it was made in China and it was contaminated, or so many other different cases of companies that had their intellectual property stolen by the person doing the manufacturing in China and now that company is out of business and now 53 U.S. jobs, Tennessee jobs, are lost. That is the type of thing that has us saying, 'Surely there is a template for this coming back.'

That's why the SAM-C bill, the pharmaceutical bill is so encouraging – the acceptance of it. The president has done much of it by executive order because you incentivize the return of these businesses. You put in place partnerships that institutions of higher learning can apply for advanced manufacturing grants in order to complete the education of students who are going to work in these industries. I think people are willing to pay another dime on the dollar to know they're not sending money to the Chinese Communist Party. BJ

Promises made, promises unkept

• Through June 2020, China's year-to-date total imports of covered products from the United States were $40.2 billion, compared with a prorated year-to-date target of $86.3 billion.

• For covered agricultural products, China committed to an additional $12.5 billion of purchases in 2020 above 2017 levels, implying an annual target of $36.6 billion (Chinese imports, panel b) and $33.4 billion (US exports, panel c). Through the first six months of 2020, China's purchases were thus only at 39 percent (US exports) or 48 percent (Chinese imports) of their year-to-date targets.

• For covered manufactured products, China committed to an additional $32.9 billion of purchases in 2020 above 2017 levels, implying an annual target of $110.8 billion (Chinese imports) and $83.1 billion (US exports). Through the first six months of 2020, China's purchases were thus only at 57 percent (US exports) or 55 percent (Chinese imports) of their year-to-date targets.

Golden named ETSU Allen and Ruth Harris Chair of Excellence in Business

Former Eastman Vice President David Golden is the new chairholder of the Allen and Ruth Harris Chair of Excellence in Business at East Tennessee State University. Golden will also serve as professor of practice.

According to the university, the principal mission emphases of the chair are:

• To strengthen the working relationships between ETSU's

SEE **AWARDS AND ACHEIVEMENTS, 36**

David Golden, ETSU's new Allen and Ruth Harris Chair of Excellence, speaks with ETSU President Dr. Brian Noland. BUSINESS JOURNAL FILE PHOTO.

programs in business and the regional business community

• To enhance the regional, national and international reputation of ETSU and its business programs

• To enhance the academic, research and service programs in business, with an emphasis on management skills and practices

•To assist with the development of the ETSU MBA program which serves as a means of upgrading the management skills of area personnel

• To provide expertise to businesses and other organizations seeking to improve their management systems and practices

Golden retired from Eastman in July 2019, having served as senior vice president, chief legal and sustainability officer, and corporate secretary. Golden was an original member of the ETSU Board of Trustees. He stepped down from that post in July 2020. Golden is a graduate of Brigham Young University and the J. Reuben Clark School of Law at Brigham Young.

Golden succeeds Dr. Allen Spritzer, who had held the chair since 1999.

Crown Laboratories joins Inc. 5000 "one-percent list"

Johnson City, Tenn.-based Crown Laboratories recently has been informed that the company has made the Inc. 5000 list for the seventh time. Crown Laboratories is listed at No. 2,350 on the list of the fastest-growing private companies in America.

Only one percent of the companies ever to make the list have done so seven times. Companies that made the 2020 list have grown, on average, sixfold since 2016.

By comparison, the economy grew 15 percent during the same period. BJ

Jeff Bedard, Crown Laboratories CEO

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California, Here We Come?

by Morgan Griffith

A famous song of the 1920s went, "California, here I come."

Today, one might sing that line with dread rather than anticipation as rolling blackouts afflict California residents. But the same public policies that have brought disaster to the Golden State are being pushed with vigor elsewhere, including here in Virginia.

The immediate cause of the rolling blackouts is simple. California cannot produce enough power to meet demand. In the middle of a heat wave, when demand on the power grid increases, enough supply cannot be found, especially at the end of the day when solar power fades.

Many of the actors in this debacle, from grid operators to utility regulators to the state's top public officials, point their fingers at each other. The fundamental culprit, however, is California's mandate that all power must come from clean energy by 2045. The mandate also puts down benchmarks before then, for example setting a 50 percent clean energy goal in 2025.

Morgan Griffith

Cleaner energy in itself is a worthwhile goal. California erred by setting arbitrary goals and then placing increasing burdens of electricity generation on wind and solar power, sources that simply have not proved up to the task.

To add insult atop injury to California's citizens, between 2011 and 2018 they were hit by electricity prices increases nearly seven times higher than those in the rest of the country, according to the advocacy group Environmental Progress.

The dysfunction in California's energy policies is plain to see, which is why it is alarming that some would bring these policies to other states and to the United States at large.

In April, Governor Ralph Northam signed the Virginia Clean Economy Act requiring 100 percent carbon-free energy in the Commonwealth by 2050.

According to the State Corporation Commission, which regulates electricity rates, the mandate to build solar and wind generation capacity will drive a rise of 45 percent in the rates paid by Dominion Energy customers over the next decade.

So Virginians should brace themselves for at least one feature of California's electricity regime, the surging prices.

The Virginia Clean Economy Act will also shut down most coal-fired power plants by the end of 2024. One of coal's assets is its capacity to act as a baseload power source. Unlike wind or solar power, it can provide power at any time. Closing coal plants takes away a reliable energy source that can make a crucial difference during a time of increased demand, as California's power customers likely know all too well by now.

In spite of these obvious flaws, proponents of wind and solar mandates counter that climate change is too urgent, and that their policies are the only way forward to save the planet. But there are alternatives that can reduce greenhouse gas emissions without forcing skyrocketing rates and requiring customers to accept lapses in service.

We can pursue a strategy that focuses on energy production within the United States and development of new technologies that can be exported to the world.

Between 2005 and 2018, total greenhouse gas emissions in the United States decreased by 10 percent. Clean power mandates did not drive this decline. Instead, a major contributor was the use of natural gas produced in the United States, which burns cleaner than other fossil fuels.

Energy production in the United States, which takes place under greater environmental scrutiny than in other energy producers around the world, increased jobs without driving air pollution. As long as fossil fuels will be used, and they will be in other parts of the world whatever California and Virginia might do, we should encourage the use of responsibly produced American fossil fuels.

American companies and laboratories are also hard at work finding ways to burn fossil fuels in a cleaner manner or put the byproducts to use. We should encourage these developments, which can then be deployed in our country or sold around the world, controlling pollution while creating jobs and boosting economic growth.

Researchers in our region have made great advances in this field, as U.S. Department of Energy officials learned in a meeting I recently set up between them and Southwest Virginia energy innovators.

As China constructs power plants in sub-Saharan Africa using slightly-improved 1970s technology, the United States can move forward with cutting-edge research and development that benefits the environment and American jobs.

California's experience with clean energy mandates is an alarm bell. Paying higher rates and accepting intermittent service cannot be the only possibility for our energy future. We should heed the warnings and pursue a better alternative.

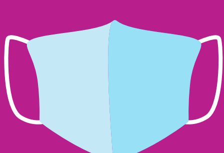
Morgan Griffith is the United States Congressman representing Virginia District 9.

Morgan Griffith is the United States Congressman representing Virginia District 9. He can be reached via his Abingdon office at 276.525.1405, or by visiting *morgangriffith.house.gov.*

#SafeWithUs

Your safety is our priority. That is why face coverings are required for every patient, visitor and team member in all Ballad Health facilities. And it's the reason we encourage wearing face coverings in the community when physical distancing isn't possible. **We can all keep each other safe.**

#MaskUp



Why I #MaskUp...

Being a business leader in the Appalachian Highlands is an enormous privilege — and it comes with an equally enormous responsibility. We've always been very proud to help keep our communities healthy with high-value, top-quality products, and now, we're helping keep you healthy by Masking Up to stop the spread of COVID-19.

Food City stores were among the first in our region to require everyone, including our customers, to wear masks. It wasn't always popular, but it was undoubtedly the right thing to do. That's what being a good community partner and neighbor is all about.

It's clear, that if we are going to help slow the spread of COVID-19, we all have to do our part. The team at Food City is proud to be part of the solution, and we'll continue doing everything we can to help fight this virus.

Please join me, and Mask Up!

Steve Smith
President/CEO, Food City

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