

Project: Coal Mine — Pineville, West Virginia

Allocatee	West Virginia Community Development Loan Fund, Inc. a subsidiary of The First State Bank
Headquarters:	Barboursville, WV
Service Area:	West Virginia
Round I Allocation:	\$4 million

As noted earlier, the NMTC makes possible commercial investment and community development initiatives that would otherwise have been impossible. One inspiring story of such a venture involves a local bank and a coal mine, both of which are located in West Virginia.

An existing coal company (whose name did not want to be publicized) had wanted to open a new coal mine in Pineville, a southern West Virginia community with a population of 700 people. Pineville and its surrounding area had been adversely affected by the increased automation of the coal mining industry in the 1980s and 1990s. As a result, there had been severe unemployment, a depressed economy, and high poverty rates.

The coal company ultimately approached First State Bank of Hurricane, West Virginia about a loan to help finance its planned coal mine for Pineville. First State Bank was initially reluctant to approve the loan. The bank did not want to get involved in the coal mining business, Pineville was outside of its lending area, and the collateral the coal company offered — its mining equipment — was too risky.

It was not until the NMTC was available that the Pineville coal mine was able to move forward. First State Bank created a wholly-owned subsidiary called West Virginia Community Loan Fund, Inc., which applied for and received a \$4 million NMTC allocation in Round I. Of that amount, \$1.2 million was provided as a loan to the coal company for the purchase of equipment so that they could start digging the mine. (The remainder of the NMTC allocation went to five small business financing initiatives in both urban and rural areas of West Virginia. The projects all involved retaining locally-owned businesses, such as an insurance agency with two jobs, two hardware stores with five jobs each, a garbage collection service with two jobs, and a wood products manufacturer with twenty jobs). The \$1.2 million allocated to the Pineville coal mine helped to fill a crucial gap in the financing of this \$3.7 million project (of which the remaining funds came directly from the coal company).

Since the Pineville coal mine opened in mid-2004, it has been a resounding success. More coal was found at the site than the coal company had originally anticipated. In addition, the mine generated a \$4.8 million gross profit in its first six months as well as created fifty new jobs. (The original estimate for the number of new jobs created was thirty-five). The jobs are also well compensated — \$50,000 to \$55,000 a year — which is a significant income for this economically-depressed part of West Virginia.

According to Roy Hamilton, Vice President of First State Bank, the Pineville mine would never have opened had it not been for the NMTC program. He said that the NMTC allowed

First State Bank to invest in an area from which it would have typically stayed away. It also permitted the bank to provide the coal company lower interest rates on their loan, as well as accept as collateral something that carried with it more uncertainty. Hamilton is so enthusiastic about the tax credit's potential that he plans to establish a coalition of other West Virginia bankers to explore future NMTC opportunities in the state.