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VANDALIA HERITAGE FOUNDATION

**Statement to the West Virginia Media
By Laura Kurtz Kuhns
April 12, 2006**

Today, in response to the numerous calls that I have recently received, I have decided to write this two-part statement responding to the multiple inquiries that I have received regarding my employment with Vandalia Heritage Foundation, a 501(c)(3) non-profit headquartered in Fairmont; my relationship with Congressman Alan B. Mollohan (First District-WV); my previous employment with McCabe-Henley, a Charleston-based real estate firm; my personal investments in real estate outside of West Virginia, and my financial support of Congressman Mollohan's campaigns. Following my personal statement, I will then address the questions surrounding Vandalia's funding sources, our mission and our projects.

PERSONAL STATEMENT

My Employment with Congressman Alan B. Mollohan

First, to understand how I came to my current employment, I must bore the reader with some background and history, or what we here at Vandalia refer to as our "legacy". After graduating with a journalism degree from West Virginia University in 1985, I subsequently worked for WNPB-TV, the PBS affiliate in Morgantown, West Virginia. In 1986, I left the Mountain State, and followed many of my peers to our Nation's Capitol, where I accepted a position with the office of Congressman Alan B. Mollohan in the House of Representatives. Initially working in the front office, I was eventually promoted to legislative assistant, and ultimately was projects director when I moved back to West Virginia in 1990. In that role, I was responsible for working with small and large businesses, focusing on economic development projects, infrastructure, and for interfacing with communities and local governments to assist them through the maze of federal agencies. Congressman Mollohan earned his seat on the House Appropriations Committee in 1986, the year that I went to work for him, and I was eventually involved in district projects that entailed appropriations.

Marriage and Moving Home

During my time on Capitol Hill, I met my husband Don Kuhns, an area businessman, and we moved to West Virginia as newlyweds, wanting to be near my family and hoping for a life with more quality time than we had been able to enjoy in Washington. That has been anything but the case in the last 16 years, as we have worked extremely hard since we have been in West Virginia, and ironically, sometimes spend a weekend in D.C. to give ourselves a break.

The WVHTC and Growth of the I-79 Corridor

In fact, throughout several business endeavors, some successful, some not, I eventually returned to my employment with WNPB, where I left in 1992 to become the first full-time employee of the then-fledgling West Virginia High Technology Consortium, a non-profit dedicated to working with information technology firms that were attempting to get a share of the huge pie of federal procurement opportunities. When I left in 1994, the consortium had grown from a handful of companies to more than 50 members, the WVHTC Foundation had been created and the development of the I-79 Technology Park was under way. My initial office in the WVHTC had been a shared one-room space in a Class D- office building.

Real Estate and Reinvention: My Opportunity with McCabe-Henley

That same year, 1994, I was fortunate to be approached by Brooks F. McCabe, Jr. and J. Rudy Henley for an exciting new job opportunity with their home-grown real estate firm, and so I accepted the position of Vice President of Development for North Central West Virginia, helping Brooks and Rudy open their first satellite office (outside of Charleston) here in Fairmont. This was a particularly exciting time to be in the I-79 Corridor Region, as Congressman Mollohan's efforts to diversify the regional economy into the high tech sector were starting to really take seed. While with McCabe-Henley, where I left my position in 2000 as Managing Director, I was fortunate to be mentored by Brooks, who was leading downtown revitalization in Charleston and Fairmont, and Rudy, who was instrumental in assisting the WVHTC Foundation's development of the Innovation Center and the high-tech park. This was a tremendous opportunity, and I was gratified to work on initiatives like Veterans Square and Plaza in downtown Fairmont, and on the redevelopment plan for Grafton, West Virginia. I undertook courses in real estate development, including the Certified Commercial Investment Management (CCIM) courses and "Renovation and Adaptive Reuse of Older and Historic Buildings" at Harvard University. However, there was no education like working on actual development projects, and I owe Brooks and Rudy a great debt for taking a chance and allowing me the opportunity to learn on the job. While with McCabe-Henley, I was especially proud to work on the winning presentation and proposal for the largest public-private development undertaken at the time in West Virginia, the Stonewall Resort, located in my native Lewis County.

My Journey with Vandalia Heritage Foundation

In June 1998, a farsighted group of committed individuals with a strong interest in historic preservation and community and economic development, buoyed by the support and enthusiasm of Congressman Mollohan, formed the Vandalia Heritage Foundation, a non-profit organization dedicated to economic revitalization in northern West Virginia. Brooks and I were very encouraged by the idea that a non-profit could potentially take on the most difficult development deals. In retrospect, I am certain that his developments in Charleston and Fairmont had served as an inspiration, as well as a caution that many of these redevelopment challenges are too cost-prohibitive for the private sector to take on alone. It was Vandalia's mission and intent that it should work with local communities, other non-profit groups and the private sector to "professionalize the effort", as our Chairman, Dr. Emory Kemp would say, and to integrate and augment the local capacity to undertake community and economic development.

Since the group already had plans to redevelop the B&O Railroad Station in Grafton, and the list of redevelopment needs was growing as northern West Virginia's aging downtowns and neighborhoods further deteriorated, the board of directors—with a sense of urgency—determined that it would initially outsource the projects and real estate services while growing capacity and getting a track record. Consequently, the board decided to competitively procure these services and rather than hiring staff at the onset, to outsource the organizational management as well. Due to the unique experience that we had at McCabe-Henley, we decided to submit our qualifications; we were subsequently interviewed among other firms and eventually selected and hired to provide these services under a multi-year contract. Starting in 1999 from McCabe-Henley's Fairmont office, I became the primary company contact and project manager for Vandalia and provided organizational support and management, including direct support to the board and projects/real estate support to projects like the B&O Railroad redevelopment in Grafton and the renovation and reuse of the Buxton & Landstreet Building in Thomas, now home to Mountain Made's retail artisan gallery and warehouse.

Following a growth period, during which Vandalia's list of projects and available funding grew, I

faced a personal challenge of working on McCabe-Henley projects at the same time that I was dedicating 50-60 hours (weekly) alone to the Vandalia efforts. In December 2000 the board hired me as the full-time director, and I strongly encouraged them to continue the McCabe-Henley relationship for comprehensive real estate services as Vandalia's project and real estate needs continued to grow. Over the years, we have enjoyed a strong working relationship and continue to rely upon McCabe-Henley to provide these much-needed services, including real estate analysis, general real estate consulting (including development, project management, financing, property management) on an as-needed basis, and brokerage, the latter via a separate agreement. McCabe-Henley currently provides Vandalia with services under a monthly retainer that may be offset by commissions, if there are commissions. Vandalia sometimes acquires properties that have no listing and no commissions, such as parcels at tax sales. Occasionally we do acquire listed property and the commission may be split between brokerages, as is customary.

McCabe-Henley and Don Kuhns

My husband, Don Kuhns, was hired by McCabe-Henley in 1996, and has primarily been involved with managing the Morgantown Industrial Park but has also worked as a licensed real estate associate who handles brokerage, including leasing, disposition and acquisition. That employment preceded Vandalia's creation and had nothing to do with Vandalia.

However, Don does in fact provide support to Vandalia when needed, often donating his time to assist our staff and showing property on his own time. Does he earn brokerage commissions through his work with McCabe-Henley? Yes, possibly, when the seller of the property has listed the property or when the seller is willing to pay a commission, but by West Virginia brokerage regulations this is paid to the brokerage firm, or McCabe-Henley. What that firm pays him relative to commissions, whether they be associated with Vandalia or others, is frankly between McCabe-Henley and Don and I have always taken that approach from the time that he was hired in 1996. I can tell you that he has voluntarily assisted Vandalia on many, many occasions with leases and acquisitions for which he received no commission as there was none paid.

Personal Investments Outside of West Virginia: Bald Head Island

In 1997, I was introduced to Bald Head Island, North Carolina through McCabe-Henley's relationship with Benchmark Hospitality, the operator for Stonewall Resort, following our team's selection by the State of West Virginia. Since then, my husband and I have enjoyed the island as a get-away from our hectic work lives, and we have watched the real estate values grow. Eventually, we decided that rather than renting our vacation getaway each year, we would try to acquire property on Bald Head for the following reasons: 1) values were starting to increase greatly and we wanted to buy while we could still afford it; 2) my family enjoyed BHI as much as we did and we wanted to provide a place for the entire family to vacation; 3) BHI enjoys a great seasonal rental business, and we could rent the property out, thereby offsetting our mortgage; 4) this would, hopefully, eventually provide us with a retirement; 5) this would provide a better investment than the stock market; and 6) the tax benefits due to the interest deduction; 7) real estate was Don's employment and business.

In March 2003, we acquired an existing house located oceanfront and began to rent it out almost immediately in order to defray expenses. We subsequently were able to renovate the house, one of the island's earlier ones (1989, which is old by BHI standards). Before actually closing on the property, we invited our good friends, Alan and Barbara Mollohan, to visit on a fall getaway weekend, as we had been talking about east coast beach destinations and the Mollohans had recently had a less than enjoyable family vacation at a mid-Atlantic beach that had not been inexpensive. After the initial visit, the Mollohans were clearly as infatuated as we were with the

Island, and they returned and acquired the lot next to our house, on which they constructed a new home. We have enjoyed our respective family vacations on Bald Head, and occasionally at the same time. That led to our discussions of what we felt were still relatively reasonable values on BHI, comparatively, as opposed to mid-Atlantic or northern beach properties. Ultimately, we became aware of an opportunity to acquire some lots on BHI and decided to invest in these jointly; since both Don and Barbara were real estate professionals, this seemed to make a lot of sense to us. Since these five lots were jointly acquired a couple of years ago, we recently sold the first one in January. It was always our intent—speaking for Don and myself—to sell the lots and defray more of our cost of holding the beach house, which we only enjoy out of season due to the rentals.

Campaign Contributions

I have worked in the public and private sectors, grew up in a small business family, and have never worked as hard as I have with Vandalia. I am proud to support Congressman Alan B. Mollohan, Senator Robert C. Byrd, Senator Jay Rockefeller, and other candidates whom I believe work extremely hard for this state. I often do so through my personal contributions to their respective campaigns, and I believe that doing so is my right as an American. I am unaware of any law or regulation that prohibits an employee of a public non-profit, or for that matter a federal employee, to do so. I am also unaware of any other congressional delegation that works as hard as ours—and none that works as hard as Congressman Mollohan does for his district. West Virginians should know how fortunate they are.

Final Comment

I believe in the freedom that we enjoy in this country, which, along with our hard work and commitment, is what sets us apart. I believe in free enterprise, good government, and the United States Constitution. I believe in West Virginia's potential and that we can learn from our history and reinvent ourselves—and our economy—in new ways. I am privileged to be a part of the very effective non-profit network that Congressman Mollohan has encouraged and supported, and I believe that I am worthy of his continued support and that of Vandalia's Board of Directors. I am proud of the work that we have jointly accomplished in the last few years, and I am gratified by the rewarding feeling that, through this inspired effort, we are having a positive impact.

Finally, let me state unequivocally and emphatically: I have never personally profited from “earmarks” in any way, nor have “earmarks” funded my real estate investments or other personal purchases. In the United States of America, we are free to spend the money that we earn, and I can assure everyone, I earn every bit of my salary and more.

During the past month, following the initial inquiry by the New York Times, I personally spent a great deal of time trying to educate members of the national media, including the New York Times and Wall Street Journal reporters who recently authored stories making personal allegations against me, about how hard we are working to improve our State, and how effective organizations like Vandalia Heritage Foundation can be in that effort. Unfortunately, in spite of Vandalia and other non-profits spending many hours planning and providing tours of our projects and communities, and compiling extensive information and responses to inquiries about our funding and projects, not one positive aspect of our efforts appeared in either national story. What a shame that this is once again the case where West Virginia is concerned, and what a shame that I am disappointed but not really surprised.

I am pleased that we have this opportunity to set the record straight with the West Virginia press. Thank you.

**Statement to the West Virginia Media
Vandalia Heritage Foundation
April 12, 2006**

NOTE: This is the second part of a statement that I am issuing today to the West Virginia media, in response to multiple inquiries about congressionally directed (“earmarked”) funding to Vandalia Heritage Foundation that we have received through the efforts of Congressman Alan B. Mollohan (1st District – WV). The first part of the statement is my personal response to the allegations and inquiries made of me personally.

VANDALIA STATEMENT

Vandalia Heritage Foundation was incorporated in West Virginia in June 1998 as a non-profit organization chartered to undertake economic revitalization throughout northern West Virginia and is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. Since that time, Vandalia has been fortunate to receive funding through the efforts of Congressman Alan B. Mollohan. We have continued to earn his support and confidence through our performance and track record, but also through our responsible stewardship of these public funds. We recognize that federal funds are precious resources underwritten by taxpayers, and we take our responsibility seriously for ensuring that these funds are spent and accounted for in the proper manner and according to federal regulations and guidelines.

Having said that, it is imperative that two key points be made: 1) congressionally directed (“earmarked”) funds are in fact legal and according to some, necessary, for Members to bring resources to local projects; 2) there is great accountability and oversight of these funds through the existing federal regulations and guidelines. For example, non-federal entities that expend \$500,000 or more in a year in Federal awards must have a single audit conducted in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133. That audit, which must be performed by Certified Public Accountants (CPAs) or accounting firms with CPAs, ensures that public non-profits are meeting the requirements and that there are no financial or accounting improprieties. It should also be noted that organizations spending less than \$500,000 while exempt from audit requirements, must still have their records available at any time for review by the Federal agency or General Accounting Office. During its history, Vandalia has repeatedly passed its audits without any findings (deficiencies which the auditor is required by OMB to report in the schedule of findings and questioned costs) Should there be any such issues, the auditors are required to report these to the board of directors, which has ultimate oversight and responsibility for the organization.

Vandalia has made a practice of reinforcing internal oversight, and in fact several years ago hired a CPA, independent of our auditors, to consistently perform this function and to help us strengthen our internal policies and procedures for handling our funds.

Vandalia Heritage Foundation’s Sources of Funds

While again, we have been fortunate to receive congressionally directed funds to further our mission of economic revitalization in northern West Virginia communities, Vandalia Heritage Foundation does not derive its source of funds entirely from congressionally directed funding. The attached summary provides a list of all of the grants that Vandalia has received since its inception. Further, Vandalia utilizes other sources, such as earned income and conventional financing through lenders, to bring our projects to fruition. One example is the 1901 Buxton & Landstreet Building in Thomas, West Virginia, a former coal company store which was renovated

for reuse in 2000 as the retail artisan gallery and warehouse for Mountain Made, another regional non-profit that works closely with Vandalia. The B&L project, which was completed in multiple phases over a five-year period, is an excellent illustration of how Vandalia has leveraged the “earmarked” funds with other grants and loans to complete the project. This investment now provides VHF with net operating income, ultimately leading to our sustainability, but more importantly, it has provided a place for jobs creation, through Mountain Made’s mission of supporting artisans and craftspersons in growing their businesses, and through the spin-off that has occurred.

Vandalia Heritage Foundation’s Charitable Purpose

Since Vandalia Heritage Foundation was formed, it has taken on a wide range of community and economic development initiatives throughout northern West Virginia. The attached graphic entitled “Vandalia’s Charitable Purpose” from our recent brochure best illustrates this; the pie chart indicates that of the grant funds that we have received, thirty-nine percent (39%) have been allocated to VHF-owned projects, while the remainder of these have been allocated to external community efforts, such as Arthurdale, The Aurora Project and the Preston Academy in Preston County, Cottrill’s Opera House in Thomas, and the John Marshall House in Hancock County. The map of such projects underscores our commitment to providing these local efforts with support.

Often, the local support that Vandalia provides to communities, including our home base of Fairmont, is not about the funding as much as it is about the technical assistance and capacity building. We believe in seeding local initiatives—which we are primarily able to accomplish through the “earmarked” funding—that might not otherwise happen. Repeatedly, where we have done so, the local folks have supported these efforts through their own hard work and commitment, often by volunteers, with minimal economic resources. Our Chairman, Dr. Emory Kemp, likes to say that we are about “professionalizing the effort”, and that is the best description of how we work. We do not replace local non-profits or community-based groups, rather, we complement them and try to fill the void, or integrate the different components, of place-based revitalization.

Our real purpose is to take on the difficult redevelopment challenges experienced by aging communities and to address these primarily through the built environment. Sometimes the technical assistance that we provide is as simple as pointing out the necessary due diligence to proceed, providing design assistance, helping with procurement procedures, researching the history of a community or key landmark, or meeting historic preservation guidelines. Occasionally it is as complex as doing financial analysis or assessment of structures’ potential for redevelopment. We work closely with other professionals, particularly those in the architecture and engineering professions and in the construction industry. We take a team approach and to fully utilize our limited resources, we often outsource technical services on behalf of both Vandalia-owned and external projects.

In every case, whether we sub-grant funds to a local non-profit or we expend it directly on the projects, we ensure that we (or the sub-grantee) are meeting the guidelines of the funding agency.

Vandalia Heritage Foundation’s Real Estate Portfolio and Sustainability

While Vandalia Heritage Foundation owns substantial real estate, much of that is under-developed or mothballed for future development. Our strategic plan for sustainability focuses on the eventual redevelopment of that real estate, which is often a key historic landmark in a community, like the Waldo Hotel in Clarksburg. The attached pie chart illustrates that not all of our real estate has been acquired through “earmarks”, or any other grant for that matter. In fact,

an equal amount of loans and grants have enable use to acquire properties, while a smaller percentage has been “gifted”—donated by other non-profits or private individuals.

While we have redeveloped some of our properties quite successfully, and our model is for each property to support itself, ultimately leading to sustainability, often we are the “last stop” for historic properties that may otherwise be destroyed or lost to communities forever. We recognize that while we cannot save every deteriorated yet important structure, we can focus on intervention, and in doing so, we have been responsible for saving historic treasures (in addition to the Waldo Hotel) like the B&O Railroad Station and Willard Hotel in Grafton and the Carskadon Mansion in Keyser.

Since our charitable purpose and mission dictates that we acquire such properties when other local entities are unable to do so, we often acquire structures that carry great challenges and impediments to redevelopment, or with issues that may make the buildings cost-prohibitive to the private sector. Once we can address such issues, such as a major environmental remediation/abatement in the B&O Railroad Station, often using the congressionally directed funds but certainly not limited to those, then the properties can either be fully redeveloped and returned to productive use, or mothballed for future redevelopment. In Thomas, where we have acquired several buildings and redone them over a six-year period, the private sector has now been following suit. Vandalia’s role as catalyst is perhaps the most important role that we can play in some communities.

In order to accomplish our goals of finding new uses to bring aging structures back into productivity, preserving the historic fabric and the character of our communities, and augmenting local historic preservation and community development initiatives, we often have to acquire difficult properties, as stated above. The bricks and mortar aspect of revitalization is perhaps the simplest to tackle, while finding economically viable uses for the buildings is the most challenging. To that end, owning and mothballing empty structures over time is not particularly conducive to sustainability, but we believe that this is critical to carrying our charitable mission and purpose. To the extent that some properties are “easier” to make income-producing, we have tried to focus our efforts on the occasional short-term victory—like the Buxton & Landstreet and Peacock Buildings in Thomas--and still not lose sight of the long-term goals of making each and every property we own productive. Once we have accomplished that, undoubtedly there will still be instances where we are called upon to “intervene” and acquire—or help a community organization do so—a key historic property that will negatively impact that sustainability curve.

Leveraging the “Earmarks” and the Team Approach

We view the congressionally directed funding as precious, limited, and critical to our efforts to carry out our mission of economic revitalization. Having said that, we consciously set out to leverage these funds as much as possible, and Vandalia has a great track record of combining them with other sources to implement our projects and plans.

We are, by design, a small organization with a very versatile, talented and dedicated staff, and we regularly shift roles and encourage employees to experience different aspects of the work that we undertake. Our organizational model of outsourcing some services, performing others in house and cross-training our staff focuses on everyone performing at each individual’s “best, highest use”, which may differ from project to project. This approach and our agility, not unlike that of small business, keeps our operating costs down and allows us to undertake multiple projects at once. I am proud of the Vandalia team and our track record of accomplishing successful outcomes and our commitment to seeing through the most challenging initiatives. We as a group

are also proud of our local communities and their leadership and dedication, and we view them and their organizations as a very necessary part of our team.

Summary

Since its inception more than seven years ago, the Vandalia Heritage Foundation has undertaken nearly fifty community and economic development initiatives, including some of our own projects. We have done so through a variety of mechanisms and roles, and we have partnered with many local, regional and national organizations to do so.

Perhaps because we have been working so hard to accomplish our efforts in such a relatively short time, we have yet to study the final outcomes of each project—or the total economic impact of our activities and of the “earmarks”.

Still, we know that we have had a positive effect, and we are proud of the confidence and support of Congressman Alan B. Mollohan, and of our Board of Directors, and of our community partners. We hope that we will continue to merit the commitment that each of them have displayed so strongly over these last few, busy years.