

1 **VIRGINIA TOBACCO INDEMNIFICATION**
2 **AND COMMUNITY REVITALIZATION COMMISSION**

3 701 East Franklin Street, Suite 501

4 Richmond, Virginia 23219

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9 **Agribusiness Committee Meeting**

10 Thursday, April 15, 2010

11 1:30 p.m.

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14 Hotel Roanoke

15 Roanoke, Virginia

1 **APPEARANCES:**

2 The Honorable Joseph P. Johnson, Jr., Chairman

3 Mr. Buddy Mayhew, Vice Chairman

4 The Honorable Watkins Abbitt

5 Mr. Stephen S. Banner

6 Mr. Jordon M. Jenkins, Jr.

7 Mr. David S. Redwine, DVM

8 Mr. Kenneth O. Reynolds

9 The Honorable W. Roscoe Reynolds

10 The Honorable Thomas C. Wright, Jr.

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13 COMMISSION STAFF:

14 Mr. Neal Noyes, Executive Director

15 Mr. Ned Stephenson, Deputy Director_

16 Mr. Timothy Pfohl, Grants Program Administration Director

17 Ms. Stephanie Kim, Director of Finance

18 Ms. Sarah Capps - Grants Program Coordinator, Southside Virginia

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21 COUNSEL FOR THE COMMISSION:

22 Mr. Francis N. Ferguson, Esq.

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1 DELEGATE JOHNSON: Welcome to the
2 Agribusiness Committee meeting. I'll call on our Executive Director to take
3 the roll.

4 MR. NOYES: Delegate Abbitt?

5 DELEGATE ABBITT: Here.

6 MR. NOYES: Mr. Banner?

7 MR. BANNER: Here.

8 MR. NOYES: Mr. Barnard?

9 MR. BARNARD: (No response.)

10 MR. NOYES: Mr. Fields?

11 MR. FIELDS: (No response.)

12 MR. NOYES: Secretary Haymore?

13 SECRETARY HAYMORE: (No response.)

14 MR. NOYES: I met with Secretary Haymore
15 earlier this week, and he said the Governor may want to have him at a
16 different location today.

17 MR. NOYES: Mr. Jenkins?

18 MR. JENKINS: Here.

19 MR. NOYES: Mr. Redwine?

20 MR. REDWINE: Here.

21 MR. NOYES: Mr. Reynolds?

22 MR. REYNOLDS: Here.

23 MR. NOYES: Senator Reynolds?

24 SENATOR REYNOLDS: Here.

25 MR. NOYES: Delegate Wright?

1 DELEGATE WRIGHT: Here.

2 MR. NOYES: Mr. Mayhew?

3 MR. MAYHEW: Here.

4 MR. NOYES: Delegate Johnson?

5 DELEGATE JOHNSON: Here.

6 MR. NOYES: We have a quorum, Mr. Chairman.

7 DELEGATE JOHNSON: We have a quorum, and
8 we're legally constituted to conduct business on Thursday, April 15, 2010
9 here in Roanoke, Virginia.

10 Can we get the approval of the Minutes of January 11, 2010?
11 It's been moved and seconded. All those in favor? (Ayes.) Opposed? (No
12 response.) The Minutes are approved.

13 I'll call on Tim Pfohl to present the applications.

14 MR. PFOHL: Thank you, Mr. Chairman and
15 members of the Committee. The Commission received ten proposals for the
16 second round of FY10 Agribusiness funding. This was a March due date,
17 and we have received one additional proposal that is listed in your handout
18 and on the screen that we can speak to as the meeting goes along. We have
19 one other business issue regarding Appalachian Sustainable Development in
20 Russell County.

21 The Committee has a balance of just under 1.2 million
22 remaining from the FY10 budget line item, and we've got \$2.4 million of
23 proposals here for you today, and we have recommendations, as you can see
24 on the spreadsheet.

25 DELEGATE JOHNSON: I assume everybody has

1 received a copy earlier.

2 MR. PFOHL: I would point out that when Staff
3 reviewed these from Sara Williams, who was eight and a half months
4 pregnant, and I might notify you she happily delivered a baby boy a couple
5 of weeks ago, so we're happy to report there is another new resident of
6 Southwest Virginia that's on the tobacco payroll, so to speak.

7 Starting off alphabetically with the first, Number 2046, for the
8 Appalachian Agricultural Exposition Center. It's a request to assist with the
9 cost of purchase of a vacant former industrial building in Wytheville, and it's
10 almost a 22-acre site, and funds will be used to renovate the building and
11 establish an exposition center there, including leased office space for
12 agricultural agencies, as well as hosting a wide array of agriculture training
13 and other events. A show arena is planned for the site. The cost to acquire
14 this property is \$1.3 million. The applicants have indicated that there is an
15 additional half million dollars of renovation work needed to make the
16 property habitable.

17 DELEGATE JOHNSON: Do we have anyone
18 here to speak to that request? If not, then let's move on. The next one is
19 2087.

20 MR. PFOHL: This is the late filed application, and
21 we just received it last week. This is a request by the Dan River Business
22 Development Center --

23 DELEGATE JOHNSON: -- Let's defer that. The
24 next one will be 2063.

25 MR. PFOHL: The Industrial Development

1 Authority of Dickenson County requesting just over \$83,000 --

2 DELEGATE JOHNSON: -- You have
3 recommended what they requested, so everybody should be happy with that.
4 2041, Town of Farmville.

5 MR. PFOHL: The Town of Farmville requesting
6 just over \$400,000 for the Farmville Area Farmer's Market. The market has
7 existed at the train depot for two to three decades. They have acquired a
8 building that they would like to demolish --

9 DELEGATE JOHNSON: -- Are there any
10 representatives from the Town of Farmville here?

11 MR. PFOHL: They're here.

12 DELEGATE JOHNSON: Do you disagree with
13 this?

14 UNIDENTIFIED: No, I would agree.

15 MR. PFOHL: They're agreeing with the
16 recommendation. I would point out, Mr. Chairman, that Staff did suggest a
17 condition for fee-free public parking. The town is proposing to make that a
18 paid parking space so that would prevent all day parking, and I believe Staff
19 would be agreeable to that in the Farmville Project.

20 Number 2052, Nottoway County, and the project was also
21 submitted to the Southside Economic Development Committee.

22 DELEGATE JOHNSON: Is someone here from
23 Nottoway County to speak on behalf of this?

24 MR. PFOHL: Apparently not.

25 DELEGATE JOHNSON: Let's go to the next one.

1 2069.

2 MR. PFOHL: Public Policy of Virginia for The
3 Municipal Bio-Power Business Plan.

4 DELEGATE JOHNSON: Do we have anyone
5 here to speak on behalf of this?

6 MR. PFOHL: Yes.

7 DELEGATE JOHNSON: Are you satisfied with
8 the recommendation?

9 UNIDENTIFIED: Yes, sir.

10 DELEGATE JOHNSON: Then let's go to the next
11 one, 2057.

12 MR. PFOHL: Scott County Regional Horse
13 Association for the Horse Park Campground. Staff is recommending partial
14 funding of \$115,000 for camp sites, bath house, site development costs, and
15 related utilities, contingent on annual reporting of aggregated visitation and
16 revenues.

17 DELEGATE JOHNSON: Dr. Redwine, are you
18 happy with this?

19 DR. REDWINE: I'm satisfied with this, sir.

20 DELEGATE JOHNSON: 2058, Town of St. Paul.
21 Is anyone here for that one? All right. Go on to 2003, Virginia Tech. Are
22 you happy with this one?

23 SENATOR REYNOLDS: I'd like to ask one
24 question. The question has been raised with me, if it's proper to ask, what is
25 meant by the last part of the Staff's recommendation?

1 MR. PFOHL: Contingent on successful resolution
2 of the terms of the related company's profit.

3 SENATOR REYNOLDS: Please tell me what it
4 means, contingent on successful resolution of the terms Cobia Farms TROF
5 agreement. Would you specify what that means?

6 MR. NOYES: Ned, do you want to speak to the
7 existing situation?

8 MR. STEPHENSON: The Commission entered
9 into a TROF contract about four years ago with the Town of Saltville and a
10 company in that town. They have defaulted on that agreement twice. We
11 had one workout session and that has not been satisfactory, and the
12 Commission has required that they pay that money back, but they have not.
13 That Saltville company is only in part, it's owned by the beneficiary of this
14 grant. Stated another way, the beneficiary of this grant holds a minority
15 ownership interest in the Saltville entity. Staff's recommendation is to
16 withhold the approval of this grant, the disbursement thereof, until such time
17 as that Saltville entity performs on its promise. I know that's delicate, and
18 the Committee may want to separate those two interests. Staff took the
19 position that we needed the weight of this recommendation to induce the
20 Saltville company to do what they said they would do twice.

21 SENATOR REYNOLDS: Mr. Chairman, I
22 apologize, it's my problem, not yours, but I still don't understand what's
23 going to have to be done in order to satisfy the agreement.

24 MR. STEPHENSON: Senator Reynolds, the
25 Saltville company needs to write a check and pay the Commission back.

1 That will cure the problem.

2 SENATOR REYNOLDS: That check is for how
3 much?

4 MR. STEPHENSON: One hundred thousand
5 dollars.

6 DELEGATE WRIGHT: Mr. Chairman, Ned,
7 wasn't this point made at the last meeting of the Agribusiness Committee on
8 this proposal concerning this problem?

9 MR. STEPHENSON: The problem has been
10 ongoing for many months.

11 DELEGATE WRIGHT: My question is what
12 progress has been made for getting a settlement with them? The issue has
13 been on the table, and from my understanding this was part of the discussion
14 at the last meeting. Has there been any movement where they will do what
15 they said they needed to do to satisfy this condition?

16 MR. STEPHENSON: There has been a little bit of
17 movement, Tommy, and there seems to be a willingness to do everything
18 except make a refund.

19 MR. NOYES: The application itself, in terms of
20 how it is structured, is substantially altered from that application that was
21 tabled and then referred the last time. Costs have been reduced, and a lot of
22 issues have been clarified. In terms of what is in this application, it is
23 substantively different than what existed, but on the TROF issue and on the
24 conditions there has been only marginal progress.

25 DELEGATE WRIGHT: My point is, didn't this

1 come up at our last meeting? It seems to me it did.

2 MR. NOYES: We did discuss this at the last
3 meeting, and there is progress on structure of the application. Staff is
4 satisfied at this point all the costs are reasonable and prepared to recommend
5 that this Committee go forward with an approval recommendation to the full
6 Commission but not disburse until the Saltville matter is resolved, that check
7 is written.

8 SENATOR REYNOLDS: What it means, if I
9 understand correctly, we will appropriate this money but it will not be
10 disbursed until the \$100,000 is submitted?

11 MR. NOYES: That is affirmative, sir.

12 DELEGATE ABBITT: Mr. Chairman, that's a
13 horrible way to do business, satisfy one contract and then fund another. But
14 if my understanding is correct, the people do not own the land; that's part of
15 the problem that you have in Saltville. If somebody is here from Tech, I'd
16 like to ask some questions about the profitability of the market. I think the
17 Commission should put off any action on this until the Saltville issue is
18 satisfied. It reminds me of some problems with Northrop Grumman and the
19 IT business with the State, extend the contract and get more money and
20 doesn't perform.

21 DELEGATE JOHNSON: Do you have a motion
22 that it be deferred until the 28th?

23 DELEGATE ABBITT: I move we defer this
24 consideration until the 28th.

25 DELEGATE JOHNSON: Senator Reynolds, do

1 you object?

2 SENATOR REYNOLDS: Yes, I do.

3 DELEGATE WRIGHT: I'll second the motion.

4 SENATOR REYNOLDS: Mr. Chairman, I have a
5 substitute motion. My substitute motion is that we adopt the Staff
6 recommendation, we adopt the Staff's recommendation as set forth in the
7 summary.

8 DELEGATE JOHNSON: We have a motion and
9 we have a second, any further discussion? The substitute motion is that we
10 adopt the Staff's recommendation. All in favor of the motion let it be known
11 by saying aye? (Ayes.) Opposed, no?

12 DELEGATE ABBITT: No.

13 MR. JENKINS: No.

14 DELEGATE JOHNSON: Let the record reflect
15 there are two no votes. These funds will not be disbursed until the check is
16 received?

17 MR. NOYES: That is affirmative, that's the Staff's
18 recommendation.

19 DELEGATE JOHNSON: Next one is 2064,
20 Town of Wise. Anybody here from the Town of Wise?

21 That takes care of all of the docket; now we'll go back. Is there
22 anyone here to speak on behalf of a request that had a zero?

23 SENATOR REYNOLDS: Mr. Chairman, there is
24 a gentleman here to speak on behalf of 2046.

25 MR. MUNSEY: Thank you, Mr. Chairman.

1 DELEGATE JOHNSON: I appreciate you coming
2 to my office in Abingdon to meet with me.

3 MR. MUNSEY: It was nice to meet with you. I
4 enjoyed talking with you, sir, and I appreciate this opportunity. I apologize
5 for our inability to convey our passion and our vision for our project in
6 Wytheville. I would sincerely re-invite your Staff and all of your members
7 to come and visit and view this facility. It's only a half mile off the interstate
8 and can be visually seen from Interstate 81. We feel it is a very viable
9 project to promote agriculture in Southwest Virginia. We had a study
10 completed by the Virginia Tech economic development. We have revamped
11 that on two different occasions, and they're looking at this particular facility
12 which will enhance not only in the community for agriculture but will allow
13 us to do many different things. It's 190,000 square feet of space, which I call
14 the three fingers, which has over 60,000 combined, which would constitute
15 our barn areas. It has also has a showcase available to handle purebred sales
16 of livestock. With that being said, I would cordially invite you to come and
17 view this facility.

18 In our initial estimate the total cost for this facility we put in
19 300,000 for a new roof. It does need a new roof, but I would reinforce that
20 with it's the same two and a half feet of snow this winter without damage to
21 the facility for an extended period of time.

22 With that being said, I thank you for allowing me to speak and
23 represent our vision in retrospect, but if you have any questions, I'll be
24 happy to answer them for you. We'd like an opportunity. This facility has
25 been on sale for approximately seven to ten years. The price really hasn't

1 gone down, but it is in a very advantageous area in Wytheville at the present
2 time. I'd like to invite each one of you and your Staff to come visit and let
3 us show you what we're talking about so you can see firsthand what we're
4 proposing.

5 DELEGATE JOHNSON: Are there any questions
6 from the Committee or the Staff?

7 MR. REDWINE: Mr. Chairman, briefly, I don't
8 doubt this is Agribusiness, and I don't doubt that it would benefit a lot of
9 people in the area down there, but the two problems with this project, we've
10 seen you guys before, and we very likely might see you again. I think that's
11 fine. I think the Staff has outlined some of the problems.

12 The two problems I have is that number one, it's an expensive
13 project and costs a lot of money outlined here to be spent. The second thing
14 is there is a lack of other funds. There has been a push in the short time I've
15 been on the Commission; we don't want to be the main player in some of
16 these. We'd like to contribute to some things, but you need some other
17 funds, and we need evidence that you're successful in going out and getting
18 those. Have you had any success, or do you have any kind of indication that
19 you're going to be successful in getting other funding for the project?
20 Because you're really talking about millions of dollars. From what I read
21 from the Staff and from what I'm getting from other Commission members
22 \$100,000 isn't going to take you very far toward a four or five million dollar
23 project. I'm interested in what your plans are there if you ever hope to make
24 this thing successful.

25 MR. MUNSEY: Initially we came to you in the

1 last go-around or the last submission and we requested \$3.1 million, and we
2 were told we were out of line with that and we should request a much
3 smaller amount, and that's why we resubmitted the grant application as you
4 now see. We also tried to request additional funds from both the federal
5 government, Rural Development, for a grant of 99,000 to enhance our
6 farmer's market, which would be incorporated within one of those three
7 fingers. The other grant for \$535,000 from the Virginia Hospital Group.
8 They purchased our hospital, and they have funds available. This is an
9 ongoing process and an ongoing project; the need substantially will be
10 millions of dollars. We're not going out and spending it all at one particular
11 point in time, and we're wanting to do this as a work in progress.

12 MR. REDWINE: What would it take in total? I
13 know you're saying, we're going to come along later and we'll do
14 landscaping and we'll put this in and or that in. But, what would it take in
15 dollars to get you started the first day in business? Aren't you still talking
16 about a matter of millions?

17 MR. MUNSEY: To open the doors, no. Once we
18 acquire the facility, and it depends on the purchase price, they started out at
19 \$3 million and they're now down to \$1.3 million, and that's the asking price.
20 I haven't negotiated that at all. Those buildings are 80 feet wide, 250 feet
21 long. We could open the doors on one end of that, put in a rolling door. The
22 farmer's market could be built under cover, not in the open outdoors, on a
23 concrete floor. We're not talking about mega millions of dollars. When we
24 started this process Virginia Tech came to us, and we looked at the
25 surrounding states like North Carolina, Kentucky, Tennessee, West Virginia.

1 All those states have furnished capitalization funds and built the facilities
2 complete to promote agricultural events. The type of facilities they're
3 talking about, you're talking about 25 to \$28 million, according to the
4 estimates we've received. We've downsized that because this particular site,
5 21 acres, is for the most part very level and paved parking lots to handle
6 over 400 cars. The buildings are there, so that the sales areas would be
7 available, as well as stall areas, as well as the farmer's market.

8 One of the factors was income potential, and this facility has
9 15,000 square feet of office space. It's our proposal to process that in and
10 rent those to businesses that want to associate themselves with the
11 agricultural industry, making it a complete circle, if you will. Thank you.

12 MR. BANNER: Where is this building located in
13 Wytheville?

14 MR. MUNSEY: On Peppers Ferry Road.

15 MR. BANNER: If I was on 81, what would I look
16 for, north, south?

17 MR. PFOHL: Right next to the meeting center
18 where the Commission has met. Just on the hill right above it.

19 MR. BANNER: South side of 81?

20 MR. MUNSEY: Yes.

21 MR. REYNOLDS: I'd like to relate it to
22 Washington County's Fairground. We've built something similar, and it's
23 really almost like everything we're talking about. We hold two sales, one in
24 the spring and one in the fall; both of them have been successful. We have
25 other sales there and horse shows and rodeos, and we're doing these things.

1 I'll just say that our cashflow is slow; we don't have any paid employees.
2 We rent almost every weekend to somebody. Our utilities, insurance, I'm
3 amazed at what it costs. I'm not sure you're going to cover near your
4 operating expenses from what you projected, because we have a hard time
5 making it with no employees and operating it every weekend. It's hard to
6 make any money, but I just wanted to point it out to you. I don't know how
7 you are going to be any different than we are, because we're doing exactly
8 what you want to do, and we can't hardly make it.

9 MR. MUNSEY: Do you have office space that
10 you rent out to external businesses?

11 MR. REYNOLDS: No, we don't, but on weekends
12 we have vendors come in and rent there.

13 MR. MUNSEY: I can appreciate that fact. It's
14 been a while since I've been to yours. I've been there for bull riding. I saw
15 that a couple of times year before last. I understand how these things work,
16 and I appreciate your comments. We feel that with the rental space we have
17 and with the access of the two interstates that we can bring about the income
18 that we know is projected. As a matter of fact, Virginia Tech with their
19 study said that we should be able to make more than what we projected.

20 MR. REYNOLDS: Maybe so, but I just wanted to
21 point that out to you.

22 MR. MUNSEY: I appreciate that.

23 DELEGATE JOHNSON: Any members of the
24 Committee wish to ask any more questions, or do you want to take anything
25 out of the block of what the Staff has recommended?

1 MR. NOYES: 2003 has already been dealt with.

2 MR. ABBITT: I would move that we approve the
3 rest of the Staff's recommendations.

4 MR. BANNER: Second. On 2087, that's deferred
5 to the Committee?

6 MR. NOYES: That's right. After we take the vote
7 on the Staff's recommendations I'll be happy to discuss 2087, which seeks
8 the balance of the funds from the existing Agribusiness Committee's pocket.

9 DELEGATE JOHNSON: We're voting to accept
10 the Staff's recommendations, and we'll recommend that to the full
11 Commission, \$786,274. Any questions or discussion? All in favor let it be
12 known by saying aye? (Ayes.) Opposed, no? (No response.) The ayes
13 have it. We've voted on those now.

14 Let's go to 2087.

15 MR. NOYES: 2087, if I may, Mr. Chairman and
16 members of the Committee, that's a late arriving application, and I discussed
17 that at length with Mr. Mayhew. Piedmont Bio-Products has received funds
18 from the Tobacco Commission on a couple of occasions in the past for the
19 development of pyrolysis technology. That's proceeding for that technology,
20 and then assessments of different feedstocks, that's also part of the larger
21 project. That is moving along very well after some starts, to be sure. We're
22 awaiting the opportunity to go for significant federal funding to roll out this
23 technology in southern Virginia. We have a funding gap, and that is to say
24 existing resources already approved by the Commission will not be
25 sufficient to take us through to that point where we could expect a decision

1 by the Department of Energy. That matter is currently before the state
2 through the Department of Mines, Minerals and Energy, and it's not like
3 we're just starting the process. We're going to run out of funds to make
4 those, or continue those necessary improvements to the equipment and the
5 testing, particularly the heat exchanger. We're going to run out of funds
6 before the opportunity for the federal funding will be present.

7 So in my discussions with Mr. Mayhew, what this seeks to do is
8 to provide interim financing as much as possible and as much as remained in
9 the Agribusiness budget for that period of time until this thing can move
10 forward. Is that a fair assessment?

11 MR. MAYHEW: I would say so, and I would just
12 like to add the fact that I have been involved or very closely involved with
13 this project for the last three or four years and it's within 20 miles of my
14 home and I go there sometimes several times a week, and I've been in very
15 close contact with Ken Moss. He's done a very outstanding job of bringing
16 this thing from something that wasn't working at all when it was turned over
17 to him to something that is now producing about 10 gallons of oil an hour.
18 We feel like we've learned enough through the process that we have a pretty
19 solid reasonable expectation that we're going to be able to up that quite a bit
20 with these additional funds. It does take time to do these things.

21 He's also done an extensive amount of work with field stocks,
22 such as switchgrass, miscanthus, hybrid poplar. He's growing this on a ten-
23 acre tract, and it's just off Route 29 near Gretna. I can't think of a better way
24 to spend a few more of our dollars to advance this. The whole concept
25 behind it that makes it so unique is the fact that the ultimate goal is to have it

1 owned by local producers and others who would choose to invest in it and
2 that it could be replicated throughout the tobacco-growing regions and
3 beyond, where that could be a real opportunity for growers to grow
4 feedstock, and that fits in with the type of fuels we're looking to use in the
5 future. I believe the possibilities are almost endless. We still have some tall
6 hills to climb to get there. I appreciate you all being concerned and
7 interested in it. I've talked it up a lot during the last few years.

8 One other thing I want to add; hopefully, two weeks from now
9 when we meet for our full Commission meeting there will be an opportunity
10 to present a ten-minute update on this in the form of a DVD and we can
11 show you all what's going on there, and I think you'll understand the process
12 a lot better. I won't say anymore except that I hope you will see fit to
13 support us on this.

14 Thank you.

15 DELEGATE JOHNSON: Is there a motion?

16 MR. MAYHEW: I so move that we take the
17 400,000 that's been requested and recommend it to the full Commission that
18 this grant be approved.

19 MR. BANNER: I'll second it.

20 DELEGATE ABBITT: How much money have
21 we put into this so far?

22 MR. MAYHEW: About 1.3.

23 DELEGATE ABBITT: How much private
24 investment?

25 MR. MAYHEW: If you consider in-kind, we're

1 probably matched several hundred thousand dollars. If you took the value of
2 the intellectual and the hard work that's gone into this thing, not only free of
3 charge, but some funds have been provided by the individual that's doing
4 this, it would amount to quite a bit of money. As far as actual cash, there
5 hasn't been any.

6 DELEGATE JOHNSON: Do we have a Staff
7 recommendation?

8 MR. NOYES: The Staff doesn't ordinarily make
9 recommendations, but I favor the use of the entire balance, which is
10 \$400,918.76, for this purpose to get us to that next stage where we can get
11 outside investment in addition to Tobacco Commission investment.

12 MR. REYNOLDS: I attended a meeting in
13 Tennessee this last week where they built one of these labs in Tennessee,
14 and they're processing primarily switchgrass. In three years' time their
15 acreage has increased, and they've got about 7,000 acres in switchgrass that
16 they're delivering to their plant and processing. That's really impressive, as
17 far as I understand.

18 MR. MAYHEW: Let me just add to that, and I
19 could talk on this subject for several hours, but one other exciting part of this
20 process is the fact that the Institute in Danville, and with Mr. Moss'
21 insistence, has taken on the process of miscanthus, which cannot be
22 replicated by seed, and at the present time you have to take the roots and
23 then replant them, and it's a very slow process. He suggested that the
24 Institute take tissue samples and replicate small plants from that, and they've
25 actually done 10,000 of them for us, and they've substituted it and planted it

1 in the fields in the way tobacco has been planted, and they are of similar
2 size. We think there's been a real breakthrough in the way that we can
3 replicate and get massive amounts of easy-to-plant plants. Miscanthus has a
4 yield one and a half to two times that of switchgrass. So we believe, and we
5 have processed both of those into oil recently, and they do very well. We
6 feel like the miscanthus is going to win out over switchgrass in the long run.
7 We can harvest this once a year for the next 20 years or more without doing
8 any major equipment improvements. There are so many values to it that fit
9 that I believe with the economy the way it is today, and we've got quite a bit
10 of open land. If we dedicate this to a crop that can produce income while we
11 perfect this technology, I think it's a good fit.

12 MR. BANNER: It's annual, it comes back every
13 year?

14 MR. MAYHEW: It grows up almost as high as
15 this ceiling, and it dries off in the wintertime and the nutrients go back into
16 the soil, and you can cut it any time after that and all through the winter. In
17 fact, this was just cut and baled three weeks ago. Now it's coming back, and
18 you cut it about four inches. You plant it on three-foot centers, and after a
19 couple or three years the root mass will grow and you'll have solid grass. It's
20 quite a spectacle to see.

21 SENATOR REYNOLDS: I call for the question.

22 DELEGATE JOHNSON: The question has been
23 called for, and we have a motion and a second that we approve this
24 \$400,000.

25 MR. NOYES: Nine eighteen seventy-six, that is

1 the actual balance.

2 MR. PFOHL: The request is for 400 even.

3 DELEGATE JOHNSON: All in favor let it be
4 known by saying aye? (Ayes.) Opposed, no? (No response.) The ayes
5 have it.

6 All right. Public comments.

7 MR. PFOHL: Mr. Chairman, before we get to
8 that, there is one issue of old business regarding the Appalachian Sustainable
9 Development Project in Southwest Virginia. Very quickly, your Committee
10 back in '07 --

11 MR. NOYES: -- There is one unfinished matter of
12 business, but when we get to the next Committee meeting there is none
13 scheduled now, and it'll probably be in December. There is one unfinished
14 matter that has just come up, and it's not a money issue in terms of a new
15 award, and Tim is going to tell us about it.

16 MR. PFOHL: In '07 and '08 your Committee made
17 two grants to Appalachian Sustainable Development for the sustainable
18 wood facility in Castlewood in Russell County. That unfortunately has not
19 been a sustainable operation. Appalachian Sustainable Development is now
20 about transferring the ownership of that facility to the Russell County IDA
21 and potentially having the IDA lease that to a private operator. Those grants
22 did have clawback provisions regarding the sale and Commission funded
23 assets. The business operations manager is here, Kathlyn Terry, to discuss
24 that.

25 MS. TERRY: I will be brief. Basically, as Tim

1 said, what we're doing now is trying to make sure that we have a very clear
2 picture of everything that comes into the project and what our obligations
3 are at this time. As Tim mentioned, many of the grants that we received
4 have clawbacks or diversionary clauses in the contracts. Some have
5 recommended we turn the assets over to Russell County and some
6 recommend that we keep it. What I'm here to ask for today is for a
7 representative of the Tobacco Commission to work with ASD and with our
8 group of funders to unravel this and make sure or to get everyone involved
9 in the decision-making process and that we'll be able to satisfy the contract
10 stipulations that we have obligated ourselves to, and that is our request.

11 It seems to me that the best way to approach it is that way.
12 Right now we believe that leasing the facility to an interested party is the
13 best way to handle this. It would hopefully keep the business operational
14 and employ more people than ASD was able to employ over the time we've
15 been operating it. We have at least one, possibly two or three, interested
16 parties who are interested in running the business, and that's our request.

17 MR. NOYES: If you make a decision to go
18 forward with the lease arrangement, how would the proceeds from the lease
19 be used?

20 MS. TERRY: That's one of the questions we need
21 to answer and identify. Different funders have different thoughts on how
22 that should be handled. ASD, we've been the recipient of the funds, and
23 what we need to do is make sure everyone is at the table to come up with the
24 best solution.

25 MR. NOYES: The Committee needs to hear the

1 outcome of what you've discovered in this process and an opportunity to
2 consider it and agree before a final decision is made. There are public funds
3 that were used for what we all believe was a fine initiative, but unfortunately
4 it hasn't come to fruition.

5 DELEGATE JOHNSON: Do we need a motion
6 that we work with?

7 MR. NOYES: Well, I think the ask is to simply
8 have someone as part of the process, and what I'm saying is that before a
9 decision is made by ASD, Appalachian Sustainable Development, this
10 Committee should be afforded the opportunity to know what the plan is. I
11 don't know if we need a motion. I don't know if you can bring it back on the
12 28th.

13 MS. TERRY: One of our benefactors, the Russell
14 County IDA, if we don't do something within 180 days it refers back to
15 Russell County.

16 MR. NOYES: Russell County IDA would be an
17 eligible recipient of the assets, not as a governmental entity, but that
18 wouldn't be a problem. The problem would be that if you were to lease it to
19 the private sector at below market interest rates, the U.S. Department of
20 Commerce would be very cranky, I can tell you, and then use the funds for a
21 purpose not consistent with the way that the grant was intended to be used.
22 When you get money from the Tobacco Commission and use it for
23 something entirely separate, we need to know all that. If this is something
24 that's going to happen in the relatively near future, I would suggest that this
25 Committee be prepared to hear the outcome and recommendations ahead of

1 the July Board meeting. We could take action to agree to do something or to
2 recommend a different course of action.

3 Is that a reasonable time frame?

4 MS. TERRY: Yes, it would depend, and I would
5 assume that Russell County would think that was reasonable. As far as the
6 interested parties taking over the business, I can't speak for them, but I
7 would think that could be worked out.

8 MR. NOYES: I think there should be some
9 notification that the money approved by this Committee shouldn't go out
10 without members of this Committee knowing that it is being used in a way
11 that is consistent with what you intended.

12 MS. TERRY: That's been our goal and the goal of
13 the IDA and Rural Development. We want to be very transparent in what's
14 happening.

15 MR. JENKINS: I'm a little bit confused. You say
16 we need to be aware of what's happening. Do we have any authority to
17 affect the outcome of what's happening?

18 MR. NOYES: I think we do.

19 MR. JENKINS: So we have to decide whether
20 we're going to sell or let it go?

21 MR. NOYES: The transfer of any assets to a for-
22 profit entity.

23 MR. JENKINS: The bottom line is that we have to
24 make that decision.

25 MR. NOYES: You will have to have that

1 opportunity, yes.

2 MR. BANNER: Mr. Chairman, this facility in
3 Castlewood, I'm sort of aware of it from every aspect. I think part of the
4 problem, Kathlyn, you correct me if I'm wrong, is that Sara is out of the
5 Abingdon office now. But I think what Kathlyn wants is a member of the
6 Staff to sit in on these negotiations to represent the Tobacco Commission.

7 MR. NOYES: To volunteer Tim.

8 MR. BANNER: That's what I was going to ask,
9 and I was almost ready to do that in the form of a motion. Just volunteering
10 Tim to work with her on that and make sure our interests are looked after.

11 DELEGATE JOHNSON: Anything else to come
12 before the Committee?

13 MR. FERGUSON: Mr. Chairman, I think you
14 have a member of the public who wants to speak.

15 MR. FLICK: I'm George Flick from Virginia
16 Tech, and just a very brief comment, Mr. Chairman and members of the
17 Committee. The shrimp project that we have, I'd like to say that, and that
18 project included Dr. Leary, Mr. Johnny Angel, and others who are with us.
19 We're hoping that if we can do some research in aquaculture we could make
20 better use of the greenhouses and better use of some technology and have a
21 viable shrimp industry in Virginia. I can speak for myself that I'm hoping
22 we can have a comprehensive shrimp project so we can be effective. Our
23 competitors are foreigners, and there are also people in North Carolina,
24 Georgia, Alabama. I hope as we move this project forward that we will
25 involve the Southside people, and we're close to an agreement, and that's

1 why we had them up here today. Mr. Angel said he'd be very happy to work
2 with us. We hope some of that technology will be transferred to these
3 people so we can increase the growing season and new marketing
4 opportunities and that we all work together. We have a full-time person
5 stationed in Southside, and we hope this project will really work well. We
6 have a challenge to make aquaculture work in Virginia, but we don't have
7 the things China has, like cheap labor, and we also play it honestly and
8 fairly.

9 Thank you so much for the confidence you placed in us, and I
10 hope everything works out well and at the end we can have a very successful
11 project.

12 DELEGATE JOHNSON: Thank you.

13 MR. EDDIE COCHRAN: Good afternoon,
14 gentlemen. I want to make a quick comment. I run Strawberry Creek
15 Shrimp Farm in Chatham, Virginia, and we've been growing our project
16 there for the past five years and working with Virginia State on our own
17 money and time, working with Southside farmers in the surrounding areas to
18 promote freshwater farm growth to the tobacco region. We supply all the
19 baby prawns to the Southside farmers.

20 On April 2nd our facility caught fire, due to a propane water
21 heater malfunctioning. Right now we're running on a shoestring, we've got
22 4,000 animals in the water now that are set to go out to Virginia farmers here
23 in a couple of weeks. That's why we came up to ask Virginia Tech to assist
24 us in continuing our operation as we move forward. We have to rebuild and
25 basically shut the facility down, clean everything up. Once we get that

1 accomplished and save what animals we have, the insurance will build us
2 back, but we were doing a lot of research on our own in conjunction with the
3 tobacco community, trying different vegetations in the ponds and different
4 feed ratios. I also work exclusively with Virginia Aquafarmers Network, the
5 United States Freshwater Prawn Growers Association, so I've been involved
6 in this for the last five years. I'm hoping we can be a little more active
7 partner in the research.

8 DELEGATE JOHNSON: All right, thank you.
9 Are there any other folks who want to speak? All right. Do I hear a motion?
10 We're adjourned.

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PROCEEDINGS CONCLUDED.

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1 CERTIFICATE OF THE COURT REPORTER

2
3
4 I, Medford W. Howard, Registered Professional
5 Reporter and Notary Public for the State of Virginia at large, do hereby
6 certify that I was the court reporter who took down and transcribed the
7 proceedings of the **Tobacco Indemnification and Community**
8 **Revitalization Commission Agribusiness Committee Meeting when held**
9 **on Thursday, April 15, 2010, at the Hotel Roanoke, Roanoke, Virginia.**

10 I further certify this is a true and accurate transcript
11 to the best of my ability to hear and understand the proceedings.

12 Given under my hand this 5th day of May, 2010.
13
14
15

16 _____
17 Medford W. Howard
18 Registered Professional Reporter
19 Notary Public for the State of Virginia at Large
20
21
22

23 My Commission Expires: October 31, 2006.

24 Notary Registration Number: 224566