

1 VIRGINIA TOBACCO INDEMNIFICATION
2 AND COMMUNITY REVITALIZATION COMMISSION

3
4 Executive Committee

5 Monday, September 16, 2002

6 12:00 p.m.

7
8 Hotel Roanoke and Conference Center

9 Buck Mountain Room

10 Roanoke, Virginia

11
12 EXECUTIVE COMMITTEE:

13 Senator Charles Hawkins, Chairman

14 Delegate Terry G. Kilgore, Vice-Chairman

15 Delegate Kathy J. Byron

16 Delegate Isiah Hopkins

17 Delegate Joseph P. Johnson, Jr.

18 Senator Frank M. Ruff

19 Cindy M. Thomas

20 Delegate Gary D. Walker

21 Senator William C. Wampler, Jr.

22
23 Frank Ferguson, Deputy Attorney General

24 Anne Marie Cushmac, Senior Assistant Attorney General

25
26 COMMISSION STAFF:

27 Carthan F. Currin, III, Executive Director

28 Stephanie S. Wass, Director of Finance

29 Mary Cabell Sherrod, Special Assistant to the Commission

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1 Libby Ausband, Commission Staff

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3 SENATOR HAWKINS: Thank you all for coming. The Executive
4 Committee will come to order. I'll ask the Director to call the roll.

5 MR. CURRIN: Mr. Vice-Chairman?

6 DELEGATE KILGORE: Here.

7 MR. CURRIN: Delegate Byron?

8 DELEGATE BYRON: Here.

9 MR. CURRIN: Delegate Dudley?

10 (No response.)

11 MR. CURRIN: Delegate Isiah Hopkins?

12 DELEGATE HOPKINS: Here.

13 MR. CURRIN: Delegate Johnson?

14 DELEGATE JOHNSON: Here.

15 MR. CURRIN: Senator Ruff?

16 SENATOR RUFF: Here.

17 MR. CURRIN: Ms. Cindy Thomas?

18 MS. THOMAS: Here.

19 MR. CURRIN: Delegate Walker?

20 DELEGATE WALKER: Here.

21 MR. CURRIN: Senator Wampler?

22 SENATOR WAMPLER: Here.

23 MR. CURRIN: Senator Hawkins?

24 SENATOR HAWKINS: Here. Thank you all for coming, we've got a
25 fairly extensive agenda, and hopefully we can move through it fairly rapidly. The first
26 thing, Carthan, I want to thank those involved with the Education Sub-Committee and
27 their work dealing with scholarships and things we're trying to put into place. Also, I
28 want to compliment the Foundation working with us. Early on we determined it would
29 be in the best interest of the people that we represent to try to leverage these tobacco

1 moneys as best as possible. To that end we entered into an agreement with the Literary
2 Foundation, and to date they've been able to meet most of the charge. It's amazing to me
3 when you talk about leveraging money, every dollar we've invested has brought back
4 three dollars and thirteen cents to our community. This gives us an idea of what we can
5 do by leveraging money. Hopefully, dealing with the Literary Fund we'll be able to
6 address a problem that has to be dealt with in our section of the state. Hopefully, you all
7 have a copy of the demographics, and if you don't you need to get ahold of this. It shows
8 that the State of Virginia, 18.5 percent of the overall population, does not have a high
9 school diploma over the age of 25. In our area of the state it's about thirty-three percent.
10 When dealing with Southwest Virginia, it's about the same, thirty-three percent, from
11 thirty-three to thirty-four percent.

12 If we plan to build any sort of economic future in our area based on the viability
13 of our population to meet job demands we're going to have to have an educated work
14 force. The GED component of the Literary Foundation will help elevate people without a
15 high school diploma to the point where they can compete with these jobs that we're now
16 trying to attract. No one can underestimate the importance of what the GED portion of
17 the Literary Fund can do. One look at the demographics certainly underscores the
18 problem that we're faced with.

19 Also, dealing with this issue, it's sad to say but we're getting older and poorer in
20 our areas, too. Our median age is about forty, and that's not all bad, it meant that we're
21 losing our youth. Also, something that strikes me by looking down this list, every city
22 from Danville, Martinsville, Lynchburg, throughout the western part of the state, Norton,
23 Bristol, every one has lost population. And that is the statewide trend, but our cities
24 cannot continue to do this. We've got to figure out something we can do to stabilize that
25 as well. That leaves me with one statement that I'll open with before we get into this.

26 Ladies and Gentlemen, we're not only losing jobs but we're losing ownership. If
27 we don't do something to stabilize our economic base by bringing some ownership back
28 to our areas and have some control or economic control over our economic destinies
29 we're playing a foolish game. To do that we have to be able to partner with our research

1 universities and bring back the type of entrepreneurial experience that comes from
2 college and universities and people that want to invest intellectual capital in the areas that
3 we grew up in to be able to create jobs and bring people into our areas who are willing to
4 invest that capital into our jobs.

5 When I look around and see the transfer of ownership that has taken place in my
6 lifetime there is one realization that constantly comes back to me. The things throughout
7 our history that has helped us stabilize ourselves through good times and bad times has
8 been the locally owned economy. From the coal fields, the tobacco field to the cotton
9 mills, to the furniture manufacturers, to the cutting stone operations that were locally
10 owned and controlled by individuals who lived in the area. We're transferring that
11 ownership, which is not good or bad, and it's all part of the overall economic situation,
12 and I understand that, but unless you have a balance of local control and local ownership
13 that's able to determine our own fortunes and our own future we're playing a situation
14 that's going to lead us to be totally dependent on someone else's decisions outside of our
15 area for our financial and economic stability, and that's not good for the future of our
16 area.

17 Hopefully, as we start developing plans and continue the path that we're on of
18 economic development we will determine some way that we can balance outside job
19 offers with those that are locally grown.

20 Another point I want to make before I continue on the Agenda, the agricultural
21 aspect of our entire region I think is important not only for the stability of our area but for
22 the quality of life that historically it has offered. And, hopefully, we will not walk away
23 from any sort of prospect to help stabilize family farms and allow people to have choices
24 to be able to stay on the farm and earn a living if they wish to do so. We need options
25 and choices out there, and farms certainly should be one of them. We should not turn our
26 backs on that opportunity.

27 Having said that and moving on with the Agenda, Carthan, I understand you have
28 a list to approve the Minutes of the June 4th meeting? Is there a motion? It's been
29 moved and seconded that the Minutes of the June 4th meeting will be approved. All

1 those in favor say aye. (Ayes.) Opposed? (No response.) So moved. We'll have a
2 report on the North Carolina Rural Internet Access Authority.

3 MR. CURRIN: Recently, Mr. Chairman, a delegation from the
4 Commission went to Raleigh, North Carolina to visit our colleagues, the Rural Center in
5 North Carolina. They have put a proposal before us to consider a one hundred thousand
6 dollar grant to develop a comprehensive study working with North Carolina. We'd be
7 looking at some border counties in North Carolina and Southside Virginia, primarily to
8 look at ways that we could maybe collaborate and look at the whole issue of
9 telecommunications and that infrastructure and the lack there of and see how we could
10 possibly help each other. We're working on some multi-million dollar projects in that
11 regard, and they're looking at similar projects, and maybe we can pool our resources
12 together. That study would help solidify those points, and it would be a joint thing
13 between us. They're also working to their south to South Carolina and to their west, I
14 think, with Tennessee and Georgia. The proposal is before you, and it's in your packet. I
15 think we should do it. I know in carefully looking through the values, obviously us
16 getting something back, I think you, Mr. Chairman, wanted to ask a couple of the
17 members of the Commission about it.

18 SENATOR HAWKINS: I think it needs to be looked at, and also
19 initiatives like this have some sort of balance between the needs of the two regions. The
20 northern tier of North Carolina is a mirror to the southern section of Virginia. We have to
21 be very careful when we talk about expenditures of Commission money and a bi-state
22 agreement to make sure that we know what we're doing, but I think it needs to be looked
23 at. To that end I would like to appoint a committee of three to look at this and make a
24 recommendation back to the full Commission at our meeting which will be mid to late
25 October, which is less than a month away. Mr. Tom Arthur, Senator Puckett and Senator
26 Ruff, I'd ask that you all look at this and give us a recommendation as to what we can do
27 to make sure that it reaches the criteria that we have from the Commission and also meet
28 the needs of our citizens that we're trying to put in place infrastructure to help.

29 Moving on, Washington County. Mr. Currin.

1 MR. CURRIN: Thank you, sir. Washington County, Mr. Chairman, there
2 seems to be some disagreement over whether the proposal was for deal closing or not.
3 The staff supports the money going to this proposal, and it's for funding in Washington
4 County.

5 SENATOR HAWKINS: Is this dealing with the sprinklers?

6 MR. CURRIN: Yes, the fire suppression.

7 SENATOR HAWKINS: It was my understanding that the original
8 discussion of this subject was that we had agreed to do it due to the jobs that it brought to
9 the area. Senator Wampler, do you want to address this?

10 SENATOR WAMPLER: Sure, Mr. Chairman. Members of the Executive
11 Committee, I'll try to be as brief as I can, and I'll answer any questions that anyone has.
12 At the April meeting here in Roanoke, Secretary Schewel, Senator Hawkins and some
13 other members pitched the proposal of what was needed, and that is a fire suppression
14 system for an industrial park. It was pitched to the Secretary as Deal Closing. Not
15 speaking for the Secretary, I would say that it's a fair assessment that he generally
16 concurred that it would be a good and wise investment to close the deal. Delegate
17 Johnson reminds me that's correct. So if he was here he would say the same thing. The
18 dollars have been allocated to close that deal. He says now in the partnership it does not
19 fit the Tobacco Commission guidelines for Deal Closings. Let me explain that's the
20 objective points. What the money is used for, again, is for a ten-parcel industrial park to
21 build a fire suppression system. If we did it for the one entity in the park it would cost
22 about four hundred thousand, so we said why not do the whole park for the extra two
23 hundred thousand dollars. I would ask the Executive Committee on the following.
24 Washington County has supplied funds in a local match in the amount of two hundred
25 and thirty-seven thousand nine hundred and twelve dollars and an additional two hundred
26 and twenty thousand in the development costs of the park. They're putting up a lot in
27 terms of a local match. This is an item that I thought we had agreed with, but the
28 Secretary doesn't want to do it out of Deal Closings right now. I would respectfully
29 suggest, Mr. Chairman and members of the Committee, that we think about doing it out

1 of special projects, since the funds are available and it goes to the point of trying to create
2 jobs, not only at this one facility, but in others maybe it's an easy way to do it.

3 SENATOR HAWKINS: Also, let me restate something that O think we're
4 beginning to lose focus on. This Commission was put in place primarily to change
5 economic fortunes of our area. We're dealing with the burley and flue-cured counties. In
6 order to try to change the economic fortunes of these areas we need to make investments
7 in the infrastructure to help attract jobs. If we do those things that bring jobs and attract
8 the type of investment we need both locally and outside the area that is our charge. We
9 have talked about education, and we've talked about all the things that we want to do, and
10 that is well and good, but our charge is changing the economic dynamics of our areas,
11 and this falls within that parameter, I think. Any discussion on that?

12 SENATOR WAMPLER: There are two other businesses that have located
13 in this park that have not asked for incentives from the state as a result of having the fire
14 suppression systems. Not only will there be ninety-four new jobs at this one facility that
15 will be created, but we also have two others. One of the others is a very high paying job.
16 They have rather large salaries, and this is a technology company. I think it's money
17 well spent.

18 SENATOR HAWKINS: I understand you're making this as a
19 recommendation to come from the Executive Committee in favor of this as we refer it to
20 the Special Projects?

21 SENATOR WAMPLER: We need the cash to be disbursed, we
22 have a need for fire suppression in these buildings. I would think it's within the
23 guidelines of the Executive Committee to say that we've already approved the cash,
24 instead of out of Deal Closings that we pay for it out of Special Projects.

25 SENATOR HAWKINS: Let's have some discussion on it, that's somewhat
26 of a departure from the original motion.

27 SENATOR RUFF: I don't disagree with this thing at all. I'm a little
28 reluctant to say that we need to bypass the Committee, and that has caused us some
29 problems in the past. I think we need to be very careful that we don't establish a policy of

1 overriding the committees and making everybody upset about it.

2 DELEGATE KILGORE: I don't believe we're overriding the Committee,
3 because I think this has actually been before the Committee, and we actually thought it
4 was approved, or assumed it was coming, and then run into a roadblock with the
5 Secretary. I believe that the full Committee is well informed on this.

6 DELEGATE JOHNSON: Mr. Chairman, as I recall, and maybe in this
7 very room, we met in the corner over there and the Committee had already discussed it
8 and wanted you and Senator Wampler and I and Delegate Kilgore and Secretary Schewel
9 and a couple of others and me and figured out what was to be done. I thought we all
10 agreed that it had been taken care of and approved it. So, we're not bypassing anything.
11 We're not bypassing anything, because it's a unique situation it was handled the way it
12 was handled.

13 SENATOR HAWKINS: We have two approaches to this. Number one,
14 we can continue with the approval based on Deal Closings, and we might have a bump in
15 the road, or either we can go to Special Projects, and it's a different criteria. Tom, what's
16 your opinion?

17 MR. ARTHUR: Well, I guess in this case I really have to agree with
18 Senator Wampler and Delegate Kilgore. I believe we all approved it and we were all in
19 place at the time.

20 SENATOR HAWKINS: The motion is before us to approve the project to
21 transfer it to Special Projects out of Deal Closings with the amounts of money that have
22 all been agreed upon. Is there a second?

23 DELEGATE KILGORE: Second.

24 SENATOR HAWKINS: Any discussion?

25 SENATOR WAMPLER: One point, Mr. Chairman, there is a very distinct
26 possibility that if we could, if cash flow is a challenge or a problem, we could divide that
27 into two equal payments and I think the county would be willing to float the difference,
28 and if we could leave that to the discretion of the Executive Director as he works with the
29 applicant.

1 SENATOR HAWKINS: Those moneys that are available.

2 DELEGATE WALKER: Mr. Chairman, I'm not sure why it wasn't done or
3 couldn't be done under Deal Closings. What was the Secretary's objection?

4 SENATOR HAWKINS: It's my understanding, Mr. Walker, I'm going to
5 try to define this the best I can. The Secretary's interpretation of our Deal Closing
6 regulations in his opinion precluded us from doing this investment which he thought was
7 not a Deal Closing investment. Is that correct?

8 SENATOR WAMPLER: Yes.

9 SENATOR HAWKINS: This takes it away from that argument into the
10 normal flow of Special Projects which we do in these situations. We may have to go
11 back and redefine and make sure we know exactly the criteria. Frank.

12 MR. FERGUSON: Just a matter of clarification, Mr. Chairman. Do I
13 understand that the motion that is before the Committee at this point should be voted on
14 favorably with the result of the money being disbursed immediately, or some portion of
15 it, or go to the full Commission at a later time?

16 SENATOR HAWKINS: My impression is immediately.

17 MR. FERGUSON: We had this discussion before. I understand the full
18 Commission has already approved the expenditure from a different pot, and that probably
19 ameliorates most of my concerns.

20 SENATOR HAWKINS: The problem I've got with waiting is if we
21 continue to try to postpone things to make sure everything meets every letter that we deal
22 with we could very well find ourselves losing opportunities that we just cannot afford to
23 lose. This is one of those situations that we need to move forward with and get on with
24 it.

25 SENATOR WAMPLER: Mr. Chairman, I'd ask Counsel if his concern
26 was one of where the money came from or whether it was a decision in general. One
27 option would be to transfer the five hundred and eighty-two thousand from Deal Closings
28 to capitalize Special Projects for that purpose. I don't know if that eases Counsel's
29 concern any or not.

1 MR. FERGUSON: My primary concern, obviously, is that the funds that
2 are expended by the Commission are done with the proper authority. It's been our
3 opinion, as we stated before, that sub-groups of the Commission have no authority to
4 spend money on their own other than this Deal Closings, which has specific regulations
5 and some specific guidelines for the Executive Director to spend small funds. Otherwise,
6 there's no authority to further delegate the spending authority that is normally the General
7 Assembly, beyond what they delegated.

8 SENATOR HAWKINS: It's my understanding since the basic principles
9 in the funding itself are approved --

10 MR. FERGUSON: -- What allows me to swallow this, if you will, it's my
11 understanding that the full Commission has approved the expenditure for this, and really
12 the only issue is which funding it comes out of. That is essentially an intra-Commission
13 issue, while it may or may not be in complete accord with the guidelines is not legal, if
14 that makes sense.

15 SENATOR WAMPLER: Mr. Chairman, let me do this, can we postpone
16 this action and let me, maybe Frank and I can talk just a couple of more minutes and
17 bring it back up on the Agenda?

18 MR. FERGUSON: You understand I'm not vetoing this.

19 SENATOR WAMPLER: I just want to make sure that what we're doing is
20 accurate.

21 SENATOR HAWKINS: Okay, that's fine. We need to make sure that it's
22 done within the parameters that are in place, and we also need to make sure that we move
23 ahead with these opportunities when we have them.

24 Okay, moving down the Agenda. Senator Wampler, if you'd like we can deal with
25 some Southside issues next if you want to spend a couple of minutes talking to Frank.
26 All right, Mecklenburg County, Carthan.

27 MR. CURRIN: Mr. Chairman, this request has a life of its own. We have
28 some representation from the area, and I want you to know the staff supports this request,
29 and it comes through the county's allocation. It was a proposal for DSL switching that

1 would go from Clarksville to Boydton. It went to Mr. Arthur's committee initially, and it
2 was referred to e58. Virginia Tech reviewed it, and it didn't quite fit the e58 criteria. To
3 move this forward, and I brought it before your committee today to hopefully support it.
4 Joyce French --

5 SENATOR HAWKINS: It's my understanding that this request puts in
6 place what some perceive as outdated technology that does not necessarily fit into the
7 overall scheme of the new and upgraded e58 project. Having said that, these moneys
8 would attract a certain investment in jobs that would not have taken place without these
9 moneys regardless of.

10 MR. CURRIN: Exactly.

11 SENATOR HAWKINS: So, it's my understanding then that this type of,
12 regardless of the viability of the technology ten years out, this company demands this sort
13 of technology to bring the jobs to Mecklenburg.

14 MR. CURRIN: That is correct.

15 SENATOR HAWKINS: Senator Ruff, would you like to add anything to
16 that?

17 SENATOR RUFF: You said it well.

18 SENATOR HAWKINS: Is there a motion?

19 SENATOR RUFF: I move to agree to the hundred thousand dollar
20 expenditure.

21 SENATOR HAWKINS: Is there a second?

22 MS. THOMAS: Second.

23 SENATOR HAWKINS: Any discussion? This is out of the allocation
24 formula from that area.

25 DELEGATE WALKER: When will that be spent?

26 SENATOR HAWKINS: As soon as Carthan writes the check, I suppose.

27 DELEGATE WALKER: Does that come out of last year's formula?

28 SENATOR HAWKINS: Yes, sir. These are moneys that have already
29 been placed, and these are just a reallocation of moneys that we discussed earlier. It's

1 been moved and seconded. Any discussion? All in favor? (Ayes.) Opposed? (No
2 response.)

3 Is this the one that EPA - this is Fred Ingram, Chairman of the Board of
4 Supervisors of Pittsylvania County.

5 MR. INGRAM: Good morning, Senator and Ladies and Gentlemen of the
6 Commission. I'm here representing Pittsylvania County. I'd like to tell you that Dan
7 Sleeper would have loved to have been here. He had a kidney stone earlier this morning,
8 so I got drafted last to be here, and that's okay, because I know what those kidney stones
9 feel like. I've got others here with me, such as the Assistant County Administrator, and
10 he will cover this. These contingencies are, like we said, the projects themselves have
11 been approved, but we're going to request that you eliminate some contingencies and add
12 some contingencies to the industrial park.

13 MR. HAWKER: I'm Otis Hawker, Assistant County Administrator for
14 Pittsylvania County. Basically, Mr. Chairman, what we've got, as you already stated, that
15 in the original application the Commission had a contingency in that we had EPA
16 approval, and what we found out is that there's no actual permit or anything and the EPA
17 actually has to permit the county to move forward with these projects. We actually have
18 two projects that we're talking about. One is the EPA requirement on Gretna, which is
19 the industrial park and the reservoir that the Commission has already approved. One is
20 the key industrial park at Hurt. The actual contingency that was on that originally, it was
21 actually a two point five million dollar project. On August the 9th we actually sent an
22 amended application for the phase two of this project and reduced it to two point seven --

23 SENATOR HAWKINS: -- I don't want to cut you off, but I hope you don't
24 mind. The bottom line is that you all need to change some of the criteria that were put in
25 place to make these flow easier to address the needs of these two partners?

26 MR. HAWKER: Yes.

27 SENATOR HAWKINS: There's no transfer or changing of moneys that
28 have been allocated and nothing other than a couple of criteria that EPA signed off on,
29 and it doesn't meet this now, this contingency of this particular project?

1 MR. HAWKER: Yes, sir. What we are requesting instead of the EPA
2 requirement for both projects, just have the phase one environmental assessment as well
3 as the archaeological review both that are required by the state, but the DEQ actually
4 reviews that and accepts our amended application which reduces it for the Hurt project.

5 SENATOR HAWKINS: Which meets the state's criteria?

6 MR. HAWKER: yes.

7 SENATOR HAWKINS: Does the staff have any problem with that
8 changing? What's the recommendation?

9 MR. CURRIN: I recommend that we work with the county in this regard.

10 MR. ARTHUR: Mr. Chairman, have you all gone through the service
11 authority on this?

12 MR. HAWKER: Our problem right now is that both projects are being
13 held up by the EPA contingencies.

14 MR. ARTHUR: I understand that. That EPA deal came up as a result of
15 the service authority, though, wasn't it?

16 SENATOR HAWKINS: But even with our approval it has to go back
17 through the service authority, now, I understand, is that correct?

18 MR. ARTHUR: Is that true?

19 MR. HAWKER: We're going to be working with, well, we're going to be
20 working with the service authority on the reservoir for the Gretna project. The problem
21 is that there's no EPA requirement for the permit that we can actually apply for, that's the
22 reason that we're not going back to the state permit.

23 MR. ARTHUR: I understand that.

24 SENATOR HAWKINS: You all need to look at the Gretna reservoir. It's
25 been recommended that we approve these variances that have been requested by
26 Pittsylvania County. Any discussion from the Committee on that? Does anyone have
27 any comments?

28 DELEGATE WALKER: I move that we approve the changes.

29 SENATOR HAWKINS: It's been moved, is there a second?

1 SENATOR RUFF: Second.

2 SENATOR HAWKINS: It's been moved and seconded these variances
3 and changes be made. Any discussion? All in favor say aye? (Ayes.) Opposed? (No
4 response.) Thank you.

5 MR. FERGUSON: Mr. Chairman, a comment, because I think you may
6 have some other variances coming up, and I have no objection from a legal point of view
7 on that one, but I think the whole point of the contingency was the environmental impact
8 conformity, and that clearly is what was contemplated in any event. I don't think that
9 there's a material change. It's possible that there will be occasions when variances are
10 requested that there are material changes, and my advice in those cases might be that it
11 would go before the full Commission.

12 SENATOR HAWKINS: I would concur completely with that. If I thought
13 this had any sort of implications like that we would have.

14 MR. FERGUSON: I'm just trying to cover myself when I raise an
15 objection later on.

16 SENATOR HAWKINS: Your point is well taken. Anyone that went to the
17 expense to make this pretty brochure deserves to have quick action.

18 MR. CURRIN: Mr. Chairman, Kenbridge, we have the Mayor from the
19 town of Kenbridge here, and this is in your packet. They were awarded a seven hundred
20 and ninety-nine thousand dollar grant contingent on documentation for a wastewater
21 treatment plant. They're asking for twenty-six thousand six hundred dollars from out of
22 their allocated amount to be used for that study that's necessary for the project to move
23 forward.

24 SENATOR HAWKINS: We had some questions about studies in the past,
25 but does this fall within the criteria we put in place?

26 MR. CURRIN: If I may, Mr. Chairman, without the study they can't go
27 forward, they have to have a preliminary engineering study on this particular proposal.

28 SENATOR RUFF: Mr. Chairman, that is the first step that has to be taken,
29 and I would move that we approve the twenty-six thousand.

1 MR. ARTHUR: Mr. Chairman, you actually appointed myself and
2 Senator Wampler to come up with those guidelines for the next meeting, which really
3 hasn't occurred yet. Basically it's our general feeling that we approve no studies but with
4 one exception. We leave ourselves an opening for cases where projects that are worthy
5 that we approved that cannot go forward without a study, that we have an option on a
6 case-by-case basis of approving those.

7 SENATOR HAWKINS: Does this fall within that criteria?

8 MR. ARTHUR: Yes, it does.

9 SENATOR HAWKINS: You're making a motion that we approve it?

10 MR. ARTHUR: I have no motion here.

11 SENATOR RUFF: I already made the motion.

12 SENATOR HAWKINS: It's been moved and seconded that the twenty-six
13 thousand five hundred dollars be approved for the study, any discussion? All those in
14 favor say aye? (Ayes.) Opposed? (No response.)

15 The Honorable Terry Kilgore.

16 DELEGATE KILGORE: This may be one that I probably just need to get
17 the Committee to recommend that the full Committee act. This was a grant to the Cove
18 Ridge Center. They were in the process of purchasing a van. It's a great project down
19 there that they use for the kids and everything to take on different scientific educational
20 field trips and things of that nature.

21 SENATOR HAWKINS: We're buying a van?

22 DELEGATE KILGORE: That was one of the things, they came up and
23 did not have the matching moneys, a cash draft, and they wanted us to pay that out, but I
24 realized the Committee voted for it to be matching, and it was, actually, the full
25 Committee would have to address this. All I'm asking this Committee, and after listening
26 to Counsel I would ask that we suggest or we do it and then go from there. I can't
27 remember all of the proposal. I don't have it with me right now, but I had it.

28 SENATOR HAWKINS: My understanding then is that Delegate Kilgore's
29 recommendation is that this be forwarded to the full Commission for discussion.

1 DELEGATE KILGORE: Right, I'll get some more information.

2 SENATOR HAWKINS: That doesn't require a vote, then. Thank you.

3 Museum of the Middle Appalachians, Ms. Cox.

4 MR. CURRIN: You have a request from Ms. Cox. Their original request
5 was for a great deal more than what was awarded. Ms. Cox is asking that the amount that
6 has been awarded to be used for some different purpose.

7 MS. COX: I'd ask for about five minutes, and I don't think I'll be any
8 longer. I did have a little report, Mr. Chairman. Mr. Chairman, members of the
9 Committee and staff, I'm Kitty Cox, 120 Developers Lane, Saltville, Virginia. I'm here
10 today representing the Museum of the Middle Appalachians and the Saltville Foundation.
11 Each of you has read about this, and it's an exciting dig of the Museum of the Middle
12 Appalachians in Saltville. The digs were held in Saltville on July 29th and August 9th of
13 2002. This is a preface to what I'm going to ask for.

14 The dig was under the direction of Dr. Ralph Echerman with the most productive
15 of vertebrae and fossil remains recovered during any one week of exploration in the
16 Saltville area. It is possible that the remains of an entire elephant have been found, but it
17 is still unknown exactly what it is, and we won't know for maybe another year until the
18 dig is complete. The kiddie dig was also a very successful dig with eighty-three children
19 participating in the two-day dig on Friday, August 2nd and Saturday, August 3rd, 2002.
20 This is a very educational program. Earlier this year the Saltville Foundation submitted a
21 much larger grant to you to be used for an architectural/engineering plans and site
22 preparation for a much needed permit for a museum building. You approved the grant on
23 April 11th of 2002 for fifteen thousand dollars. We really appreciate the grant, but the
24 amount we were awarded was not sufficient to go forth with the project as outlined in the
25 grant. I would like to request that you allow us to use the fifteen thousand for a storage
26 unit that are designed to store fossils. We have four already, but they're already full, and
27 they are Smithsonian approved. I described in prior correspondence that we'd be able to
28 purchase approximately eight quarter units, and we'd have four thousand dollars for
29 exhibit development. Since our 2002 dig I just described produced such a large fossil,

1 and I'm not exaggerating, some of them are maybe this long, and they're huge bones that
2 were excavated. Since that has taken place we need to request a number of quarter units,
3 and the amount of exhibit development might take all of the quarter units. We have to be
4 flexible, and we may need to purchase larger quarter units than I had a quote on when I
5 gave you the amount. If there is any amount or a small amount left over we'll use it for
6 exhibit development. Your approval of these ultimate changes would be greatly
7 appreciated. I thank you for allowing me to appear before you today. If there's any
8 questions I'll do my best to answer them.

9 SENATOR HAWKINS: That's a wonderful presentation, and I certainly
10 applaud you all on your effort. I have made a pledge not to vote for any museums
11 because of the economic problems that we're facing, and we're trying to, that does not
12 mean that it won't be approved, I'm just not going to vote on it. Obviously we've already
13 allocated these moneys. If you go back and look at our charge, if we get into museum
14 funding it's neverending, and I think for us, I don't think we'd be able to accomplish any
15 of our charge that we have as a Commission. Having said that, does anyone want to
16 make any comments on that?

17 DELEGATE JOHNSON: Of course, Ms. Cox is here and has made her
18 presentation and proposal, and it was for an amount that was sufficient to do what the
19 grant proposal would have done and what the Board wanted to do. Now, I guess in our
20 judgment or wisdom we decided that they shouldn't have what was needed, and we cut it.
21 I say we, the Board cut it and cut it down to an amount that they could not do what they
22 wanted to do, or not do a good job, and rather than do a half-blank job they have very
23 wisely asked, let's spend the money for something that will benefit the community, and
24 they don't want to waste the money. I think they're to be commended for that. They
25 could have gone ahead and spent the money and had nothing, but this way they're
26 requesting the money that they've been permitted to use, money for a project that will
27 benefit the community, economic development preservation.

28 SENATOR HAWKINS: Is there a motion?

29 DELEGATE JOHNSON: Yes, that's my motion.

1 SENATOR WAMPLER: Second it.

2 SENATOR HAWKINS: It's been moved and seconded that this variance
3 from the application be approved. Any discussion?

4 MR. FERGUSON: Mr. Chairman, I'd ask how time-sensitive this request
5 is. This seems to be more than a minor change, and for the museum it's a different
6 purpose that what the hundred and fifteen thousand originally was for.

7 DELEGATE JOHNSON: It'll be a different use. It's fifteen thousand.

8 MR. FERGUSON: Fifteen thousand, I'm sorry. For that reason my
9 preference would be that the full Commission have an opportunity to vote on this, and
10 you'll meet in October, and then there'll be a chance to do that.

11 SENATOR HAWKINS: How time-sensitive is this request?

12 MS. COX: The fossils have been preserved, and the only thing we're
13 lacking having them ready for storage or display if we can find a site and catalog them.

14 DELEGATE JOHNSON: Mr. Chairman, we meet in October, October's
15 not going to be a big problem. Can you wait until then?

16 SENATOR HAWKINS: The recommendation then from the Executive
17 Committee will be to make the recommendation to this variance. That's made in a
18 motion.

19 DELEGATE JOHNSON: Yes.

20 MR. ARTHUR: Is that a substitute motion? The motion was made and
21 seconded.

22 SENATOR HAWKINS: Oh, seconded. That the Executive Committee
23 refer it to the full Commission for approval. Is that right?

24 DELEGATE JOHNSON: Yes. It's a variance for an application that's
25 already been submitted and approved but changed, really.

26 MR. ARTHUR: Are we still in discussion?

27 SENATOR HAWKINS: Yes.

28 MR. ARTHUR: May I speak?

29 SENATOR HAWKINS: Yes.

1 MR. ARTHUR: I have no real problem, it's something that we certainly
2 could do, but I'd like to make sure that we're consistent. The consistency here falls with
3 what we did to Halifax and South Boston. I'd like for us to look at this thing to make
4 sure we're being consistent.

5 SENATOR HAWKINS: But this leaves us with, my understanding at this
6 point, we're referring this to the full Commission meeting next month for that decision
7 and approval. All those in favor of recommending this to the full Commission in the
8 October meeting for their approval there, say aye? (Ayes.) All opposed?

9 MR. WALKER: No.

10 SENATOR HAWKINS: How many no's?

11 MS. THOMAS: No.

12 SENATOR HAWKINS: Two no's and one abstention. The motion carries
13 to make a recommendation to the full Commission.

14 MS. COX: Mr. Chairman, can I ask a question?

15 SENATOR HAWKINS: You certainly may.

16 MS. COX: This means then that we don't know that we will get the
17 money?

18 SENATOR HAWKINS: With the persuasive nature of those that represent
19 you on this Commission I can almost assure you that those allocations will be probably
20 made available. But there's no way I can guarantee anything, I've got a problem with the
21 thrust of this, and several Committee members do, because we have to be consistent
22 when dealing with museums. There's a feeling that these moneys have already been
23 allocated, and I'm sure those arguments will be made.

24 MS. COX: Thank you.

25 SENATOR HAWKINS: Moving on with the Agenda, then, we've got a
26 couple of loans to look at. Carthan.

27 MR. CURRIN: Yes, Mr. Chairman, the Commission at its June meeting
28 authorized a loan to the R. J. Reynolds Memorial Hospital contingent upon their
29 industrial authority guaranteeing that loan. Since that time the IDA has informed me that

1 they're unwilling to guarantee that loan. What the county has now asked you or us to
2 consider is that out of their '03 allocation that the county loan the hospital in the same
3 amount that's been discussed, one hundred and sixty-one thousand, that the hospital pay
4 back the county, Patrick County, excuse me, and they would pay back the county for the
5 loan, at which time when the county received its funds back then, of course, it would
6 have to go to if they wanted to use that money for something else, which I'm sure they
7 would want to, at some point it would go before Mr. Arthur's sub-committee on Southside
8 for approval.

9 SENATOR HAWKINS: This is a big change then?

10 MR. CURRIN: Yes.

11 SENATOR HAWKINS: Then this has to be referred back to the full
12 Commission.

13 MR. CURRIN: Yes, I wanted you all to be aware of it before we got
14 there.

15 SENATOR HAWKINS: The recommendation is that it'll be referred to the
16 full Commission because of the complete change in the criteria.

17 MR. CURRIN: Yes, Delegate Armstrong called me Friday and expressed
18 his support for this move. I talked to the leadership of Patrick County, and they informed
19 me they're comfortable with loaning the hospital out of their allocation, which is out of
20 this year's allocation, out of this year's money.

21 SENATOR HAWKINS: We'll get it on for discussion at the October
22 meeting.

23 Lenowisco, the loan there?

24 MR. CURRIN: Yes, you have before you a letter, Mr. Flanary is here, and
25 he is going to describe the situation to us.

26 MR. FLANARY: Thank you, Mr. Chairman and members of the
27 Committee. I'm Ron Flanary, Executive Director of Lenowisco. Back in April the
28 Tobacco Commission approved a loan request for the e58 initiative for four hundred and
29 forty-five thousand dollars, which triggered us launching a regional broadband project

1 principally for Lee, Wise and Scott Counties and also embracing Southwest Virginia.
2 The four hundred and forty-five thousand dollar loan was basically to install the fiber
3 conduit, together with two major regional water projects under construction. On the
4 strength of that we launched the project and went into construction in June, and I think
5 there was about six miles installed, and it doesn't move along at break-neck speed,
6 because you have to go the same rate as the pipeline conduit. We cash flowed with some
7 local resources that we had, but to be very blunt, we're broke. We've waited about five
8 months to work out the loan agreements, which I will compliment Carthan and Stephanie
9 from the staff, who've done a great job putting together this. But the draft agreement we
10 received, the loan agreement, is incredibly complex. I think it obligates my dog and my
11 train collection, I'm not sure.

12 SENATOR HAWKINS: What kind of trains do you have?

13 MR. FLANARY: They're good, but at any rate, I discussed this with
14 Delegate Kilgore last week, and knowing the Committee is coming up with this meeting I
15 asked him if it would be appropriate to send a letter. So basically we find we are all
16 doing this for the first time, and we're buying conduit and installing it in the ground.
17 Senator Wampler has been there, Delegate Kilgore has been there, and Carthan's been
18 there, so he knows what we're doing. I understand this is a complex legal issue, but it
19 goes to the question of how do you collateralize this. So I would throw out a suggestion
20 that we either convert this to a grant and consider it as a pilot project, which it is, because
21 we are taking your vision and putting it in the ground the way the Tobacco Commission
22 envisioned it. We're just the people that implement your vision, you may consider some
23 variation of that, but in the meantime we've lost about five months and we need our
24 money. So that's the thrust of our request.

25 MR. FERGUSON: I'm not sure all the concerns that Lenowisco has, but
26 again this was done as a loan, and as a result we felt obligated to make sure that it was
27 secured and there were proper enforceable provisions for the loan to be repaid. It has to
28 be through an agency that the state could deal with, we couldn't make a loan directly to
29 Jones Conduit Company or whatever. I think that's probably what has caused some of the

1 confusion. Certainly there's been no attempt to be obstructionists on our part, or the
2 attorneys that we've been working with. It's certainly up to this Commission whether
3 they wish to change it to some other format. Obviously, if it becomes a grant, that is
4 something I believe the full Commission should have to vote on.

5 SENATOR HAWKINS: My understanding of the discussion that we're at
6 this point is that changing from a loan to a grant and using it for a pilot project, is that the
7 discussion?

8 SENATOR WAMPLER: I think that's accurate.

9 SENATOR HAWKINS: There, of course, the full Commission would
10 have to be involved if it's a major change. Any discussion on the recommendation that
11 the Executive Committee will make to the full Commission in October on this
12 application? Anyone have any comments?

13 SENATOR WAMPLER: Mr. Chairman, too many times do we dig a ditch
14 and cover it back up only to have to dig the same ditch, open it and put in water pipes or
15 conduit or some other fashion. This was in conjunction with an existing water project,
16 and it only made sense to do it. I think what you hear Mr. Flanary saying is two reasons.
17 One is because of the length of the negotiations for the loan terms, albeit, the first one I
18 guess we have done of the e58, and that's taken some time. He's fronted his own cash,
19 and his cash flow is out, and this Commission ought to give some consideration to that.
20 I'm not sure what the answer is to it, but there ought to be some consideration, redeeming
21 faith, or at least he should be paid that portion till such time as the loan is properly
22 structured.

23 SENATOR HAWKINS: I don't think anyone has any problem with that.

24 SENATOR WAMPLER: But it's easier said than done. We're
25 demonstrating something that makes sense, and no one else is doing it, and it's putting us
26 way ahead.

27 SENATOR HAWKINS: Delegate Byron.

28 DELEGATE BYRON: I'm sure I don't know the details of this whole
29 thing, but just looking at this on the surface, we approved something that in everyone's

1 mind was a loan for something that seemed reasonable to do, and whether or not
2 someone laid conduit before they had the money or vice versa is not something that
3 everyone took into consideration as their responsibility or afterthought of this. The fact
4 that they put this down and for some reason we can't come to terms, and not all of us
5 know what the terms were or whether they were reasonable or unreasonable or protective
6 or whatever. To just turn around and complicate it seems to me like is throwing another
7 wrench into it before we can figure out what the problem is. It doesn't seem the right
8 way to go. You said Mr. Flanary had his personal money in this?

9 MR. FLANARY: I was facetious.

10 DELEGATE BYRON: Well, then, you don't have my sympathy.

11 SENATOR HAWKINS: Delegate Walker?

12 DELEGATE WALKER: Mr. Flanary indicated that they couldn't live with
13 the requirements that we were putting on the loan, it seems like maybe he could bring
14 forth a document for us to agree, and I don't mind changing the terms to the loan, but I
15 don't think making a loan a grant is viable. If he's got some terms that they can live with,
16 he can present it to us.

17 SENATOR HAWKINS: Mr. Flanary, would you like to address that?

18 MR. FLANARY: Mr. Chairman, I'm not an attorney. The problem is that
19 when we received the loan documents from the Commission they encumbered all our
20 assets, including assets or things in other funds beyond the Tobacco Commission.
21 There's a set of provisions that authorizes the Commission to seize all assets and all of
22 our funds beyond what you invested, if you determine the project is in default. We did
23 talk to Stephanie, and she made us an offer, and we had to talk to our attorney. Our
24 attorney said that there's three options. You can consider making it a grant or making it
25 on an unsecured loan or assume that we're not going to rip the conduit out of the ground
26 and use a Deed of Trust or some instrument like that.

27 SENATOR HAWKINS: I don't think anyone wants to take an
28 unreasonable approach, but suggest having your attorney work with staff and maybe the
29 Attorney General's Office and come up with a recommendation to make to the full

1 Commission next month and get this thing settled.

2 SENATOR WAMPLER: Trying to clarify a point as to where we are in
3 the discussion, because it's only going to be magnified times ten once we get into e58 on
4 a large scale. I hope I can communicate this clearly, because from an economic
5 development standpoint, fiber optics is just as important as an industrial road access
6 project in Mecklenburg or a water treatment facility in Pittsylvania County. That's what
7 it's going to take to build the industrial sites of the next generation if we're serious about
8 it. The economics of charging someone, the term of a loan for a water pump or a sewer
9 pump or an industrial access road doesn't work. We have to recognize that there needs to
10 be a balance between what the loan can carry and what portion needs to be a grant. I
11 think what Mr. Flanary is telling us is that he thought a loan would work, but guess what,
12 the cash flow is not there. I think it's a larger problem we're going to have in the future of
13 how we try to provide an incentive if the fiber optics and trying to carry us until such
14 time as it starts paying for itself.

15 SENATOR HAWKINS: I think you've hit upon exactly what we need to
16 be addressing. This probably will be a fundamental decision that has to be made, how to
17 address all these projects we're dealing with throughout e58.

18 SENATOR WAMPLER: I can give you a short answer, part of it will have
19 to be a grant and part of it will have to be a loan to make it economically viable.

20 SENATOR HAWKINS: Can we have the discussion between the legal
21 entities and come up with some sort of document that would address this suggestion?

22 MR. FLANARY: Mr. Chairman, there is some urgency. We've expended
23 nearly a hundred and sixty-eight thousand dollars and without some attention; we're
24 going to have a stop work order.

25 SENATOR HAWKINS: We can't have that, and we need to get this thing
26 finished, and it's too important to get this thing to stop. We need to have some sort of
27 understanding about how we can handle these sort of deals. Let's get something done
28 between now and October and get this thing back on track, maybe a combination, I don't
29 know, we've got to come up with some sort of fundamental approach that meets the

1 needs, not only for you all, but this is something we're going to be dealing with many
2 communities from now on, and we need to have some baseline to deal with.

3 MR. FLANARY: I do want to address your question about the timing of
4 it. We didn't choose this window of opportunity. The water line started the ditch
5 opening, and we didn't have authority to act on it, and this was a good faith effort. We
6 threw our money into it, and we worked it out, but we're basically broke, so we're going
7 to have to stop work on it until such time as we can work it out. I don't know what else
8 to say.

9 SENATOR HAWKINS: October is next month, and we'll be in Abingdon.
10 I would suggest that Delegate Kilgore meet with you and get some legal advice, and the
11 attorneys can come up with some recommendations. What I'd like to see happen that the
12 58 initiative, which is telecommunications, and that's a major thrust of this whole
13 Commission to be able to offer these types of communications now, and to do it we need
14 to know how to handle this. I think Senator Wampler's suggestion of maybe the
15 grant/loan combination and unsecured loans possibly or anything we can come up with to
16 make this work, we need to do.

17 DELEGATE KILGORE: I want to add something. Those of you that
18 have other suggestions, this is going to be like the first horse out of the gate, so let me
19 know what you all are thinking about long-range so we can, hopefully, try to address
20 them in this document that we come up with.

21 SENATOR HAWKINS: The e58 Task Force, also. Any type of
22 suggestions you might have for how this needs to be approached in the future might be
23 helpful to give us some suggestions. We need to get this thing moving.

24 MR. ARTHUR: I feel for this situation, but it's such a change, and it's got
25 to happen in October. If he has to stop, he has to stop.

26 SENATOR HAWKINS: Without objection then we will postpone any
27 decision on this until the October meeting when suggestions will be made on how this
28 should be fixed. Okay, Carthan.

29 MR. CURRIN: Mr. Chairman, Southwest Virginia Broadband Request.

1 DELEGATE KILGORE: On this Southwest, you have something that --

2 SENATOR WAMPLER: Mr. Chairman, at the Virginia International
3 Raceway after we had moved from one room to the other, and it seems to me that
4 Delegate Johnson made the motion to, and discussion was made, and I can't remember
5 who seconded it, but that we would empower the Executive Committee to move forward
6 with the disbursement of dollars for preliminary engineering and further fiber optics in
7 Southwest Virginia generally speaking from Abingdon to Marion and from Marion to
8 Independence. Discussion was further given to Gate City, to Kingsport, a critical link.
9 You'll find in your packet a letter from Bristol, Virginia Utilities as to the dollar amount,
10 it's not tabbed, but I think it's halfway through your packet. It'll be from Bristol, Virginia
11 Utilities. The estimated costs for the segments, Abingdon to Marion, and that segment
12 being a hundred and fifty thousand dollars, and then Marion to Independence, two
13 hundred and ten thousand dollars. Mr. Chairman, the only thing that clogs the issue is if
14 we're able to use excess capacity on American Electric Power's line there would be no
15 need for preliminary engineering from Abingdon to Marion, which is a fifty thousand
16 dollar request. Delegate Johnson, does that explain what your motion was?

17 DELEGATE JOHNSON: Yes, sir.

18 SENATOR WAMPLER: That's where we are, and you asked us to come
19 back with what the actual costs would be, and that was the motion filed correctly, and it
20 would empower the Executive Committee to disburse those dollars.

21 SENATOR HAWKINS: Any discussion?

22 DELEGATE WALKER: What pot of money are we talking about?

23 SENATOR WAMPLER: It would be no more than three hundred and
24 sixty thousand, and if we're able to use A&E's capacity, less than a hundred and fifty
25 thousand. Mr. Chairman, that is in conjunction with building spokes probably in ninety
26 miles in either direction of the Bristol hub. We've already approved to the north and
27 west, and this takes us to the east.

28 SENATOR HAWKINS: Does that answer your question?

29 DELEGATE WALKER: Where is the money coming from?

1 SENATOR WAMPLER: I would suggest the only place it could come
2 from would be Special Projects.

3 SENATOR HAWKINS: That was my understanding. Any further
4 discussion? Does everyone understand the request? Is there a motion?

5 DELEGATE JOHNSON: So move.

6 SENATOR HAWKINS: Is there a second?

7 SENATOR WAMPLER: Second.

8 SENATOR HAWKINS: Discussion? All those in favor say aye? (Ayes.)
9 Opposed? (No response.) The motion is carried. Yes.

10 DELEGATE BYRON: Mr. Chairman, I would make a formal request
11 from the Executive Director of the Committee. Perhaps we could get a map for the
12 Commission members that would make it a little visual for us to see where we are and
13 see where we have invested some money in the 58 area, unless you all have it. That way
14 when you're talking about something like this in this situation we just talked about, we
15 can see what we're doing here and we can put all this together.

16 SENATOR HAWKINS: Carthan, can you take care of that?

17 MR. CURRIN: Yes.

18 SENATOR WALKER: Mr. Chairman, I think Kathy just hit the mother
19 lode. If you recall during our trip to Raleigh was a great big visual covering the entire
20 wall and showed where investments were made. I think for any number of reasons we
21 need to have that. I realize times are tight and dollars are limited, but we need to and
22 need to have a first class job of what we have done, and it's not something you prepare
23 overnight, you have to give a lot of thought to it, but I think we need to spend a lot of
24 time and effort on that.

25 SENATOR HAWKINS: Well, I think the Executive Director is going to
26 pursue that course. Delegate Kilgore.

27 DELEGATE KILGORE: Can we go back to Lenowisco for a moment?

28 SENATOR HAWKINS: Going back to Lenowisco, Delegate Kilgore.

29 DELEGATE KILGORE: I'd like to make a suggestion and see if counsel

1 thinks this is okay. Since they are in a cash strapped situation faced with getting a stop
2 work order, if we could possibly allocate a hundred thousand dollars with the
3 understanding that a hundred thousand dollars is going to be turned into, we talked about
4 an unsecured loan or a loan so we can keep this project going. I'm not asking for the full
5 four hundred and forty-five thousand. We've got a month here, and with the
6 understanding that it will be turned into this loan that we are going to sit down and work
7 out.

8 SENATOR HAWKINS: Frank.

9 MR. FERGUSON: This Commission has operated on occasion and done
10 something like that in the past, I might say against my advice, but they've done it. I'm
11 trying to think of the best way to have some stopgap remedy or whether it might be a
12 preferable way. If I recall correctly, and I believe the Commission, when the
13 Commission voted previously were there some terms attached to the loan at that time? I
14 thought there were, and I think that's what we were sort of bound by. I'm not sure they
15 have all the terms that he may have seen in the proposed loan documents at this point,
16 and I'll talk to Mr. Flanary before we leave about trying to move the loan process ahead,
17 at least. If we can do a hundred thousand dollars and do it as a loan and perhaps do it on
18 very bare minimum terms and just to make sure we cover the terms that were covered in
19 the motion that was made, and then the Commission would have the option in October of
20 either forgiving that loan or reducing it to an unsecured loan, or however the Commission
21 decides to do it. If that's possible, maybe we can move forward on that basis prior to
22 October or in the next week or two.

23 SENATOR HAWKINS: Frank, it's my understanding that unless we do
24 something fairly soon this project is going to stop.

25 MR. FERGUSON: I understand that, and I also assume it's significant not
26 only convenience costs but dollar costs in doing a stop work order. I understand that, and
27 I'm trying to avoid that. I'm just trying to come up with a way that accomplishes that
28 goal at the same time does not put the Commission at risk.

29 SENATOR HAWKINS: What you're suggesting is go ahead and approve

1 a hundred thousand dollar loan based on the minimum requirements that we put in the
2 original document, is that your suggestion?

3 MR. FERGUSON: We'll do that out of our office as opposed to outside
4 counsel's office for purposes of expediting it, and it'll probably take me a week, and I'm
5 putting work on Anne here.

6 SENATOR HAWKINS: Do the minimum standards meet the needs that
7 you're talking about?

8 MR. FLANARY: Yes, sir, Mr. Chairman. I think that the terms that this
9 Commission were offering were fine. It's the semantics of the documents that get to the
10 level of detail on collateral things.

11 SENATOR HAWKINS: Let's go ahead and expedite this and follow the
12 suggestion of Counsel and make a recommendation. Is there a motion?

13 DELEGATE KILGORE: I'll make the motion.

14 DELEGATE JOHNSON: I'll second it.

15 SENATOR HAWKINS: It's been moved and seconded that we grant
16 approval of a hundred thousand dollar loan based on minimum requirements agreed to by
17 the Commission at its June meeting.

18 DELEGATE KILGORE: The June meeting.

19 SENATOR HAWKINS: Does everyone understand that request? Is there
20 any discussion? Is that proper?

21 MS. CUSHMAC: The April meeting.

22 SENATOR HAWKINS: The April meeting, thank you. You can do that in
23 about a week?

24 MR. FERGUSON: I need one of the Lenowisco attorneys to come up
25 with the piece. We don't do loans as a matter of course, we're plowing new ground here.

26 DELEGATE KILGORE: I'll work with you.

27 SENATOR HAWKINS: We just can't have these projects stop if we can
28 avoid it at all. Any further discussion? All in favor say aye? (Ayes.) Opposed? (No
29 response.) The motion carries.

1 SENATOR WAMPLER: Can we take a pass at the fire suppression
2 system again?

3 SENATOR HAWKINS: Be happy to.

4 SENATOR WAMPLER: Mr. Chairman, this is for Washington County,
5 five hundred eighty-two thousand nine hundred and eighty dollars.

6 SENATOR HAWKINS: The one you discussed with Counsel, the
7 recommendation?

8 SENATOR WAMPLER: Yes, I would offer this as a compromise. I think
9 if we have a commitment this will be the high priority item in October. Delegate
10 Johnson, Delegate Kilgore, Senator Puckett and Senator Wampler can go home and tell
11 them that we think it's in good shape. That would be the requested amount of five
12 hundred eighty-two thousand nine hundred and eighty dollars be approved from Special
13 Projects. That's this first point. The second point to the motion is that five hundred
14 eighty-two thousand nine hundred and eighty dollars be recommended to be transferred
15 from Deal Closing balance to Special Projects so that we can accommodate the same
16 intent we had. So, the motion is to approve it, the Executive Committee would approve
17 it, recommendation to the full Commission at our next meeting, and that five hundred
18 eighty-two thousand dollars be transferred from Deal Closings to Special Projects.

19 SENATOR HAWKINS: It's my understanding that we will recommend to
20 the full Commission that which we already approved and in principle be approved again
21 by transferring moneys to fill those obligations from Special Projects.

22 SENATOR WAMPLER: From Deal Closings to Special Projects.

23 SENATOR HAWKINS: Is there any discussion on that recommendation?
24 Is there a motion?

25 SENATOR WAMPLER: That's the motion.

26 SENATOR HAWKINS: Is there a second?

27 DELEGATE JOHNSON: Second.

28 SENATOR HAWKINS: All in favor say aye? (Ayes.) Opposed? (No
29 response.) That's carried.

1 MR. CURRIN: Mr. Chairman, we have a presentation from Rachel
2 Fowlkes, Southwest/Southside Virginia Export Initiative, and George Hiller, also.

3 MS. FOWLKES: We have a handout. My name is Rachel Fowlkes, and
4 I'm Executive Director of the Southwest Virginia Higher Education Center in Abingdon.
5 This particular project we bring before you is a project for both Southside and Southwest
6 Virginia working with existing businesses export initiative. Most of our businesses in
7 both Southside and Southwest Virginia are struggling to keep their heads above the water,
8 to have new markets, new revenues and expanding employment opportunities for folks
9 that live in the region. I think the focus of the Tobacco Commission has been on
10 recruiting new industries, and they've spent a lot of dollars in industrial parks and the
11 deal closings for new companies coming in to the localities. Our existing companies are
12 coming back to us and saying, what can you do to help us to expand our own businesses,
13 grow their businesses and find new markets for our products and services.

14 We have been fortunate to have George Hiller, a former employee of the
15 partnership, whose specific territory was helping businesses in Southside and Southwest
16 Virginia. George has been advising us on some projects that we can do to help sustain
17 businesses in Southwest Virginia. One of the opportunities he brought to our attention
18 for business in Southwest Virginia is an ARC trade initiative to Mexico. Last week we
19 had a program on the Mexico initiative with a person from the United States Embassy in
20 Mexico. Several of the folks from the U. S. Department of Commerce and the Virginia
21 Department of Commerce working with local businesses in the Southwest region.
22 They're making a tour all over Virginia promoting export initiatives.

23 The proposal before you is one that encourages businesses in Southside and
24 Southwest Virginia to take advantage of this trade mission to Mexico, where companies
25 are partnered with Mexican distributors to help them market and sell their products and
26 services in Mexico. I know that different people have worked with these businesses to
27 help us all understand the advantages of this enterprise. Most of the businesses in
28 Southwest, and I assume this is true in Southside, NAFTA is a four-letter bad word, and
29 they don't really know how to take advantage of free trade agreements to promote their

1 own products and services. All they see in the newspaper is that all the jobs have gone
2 south, literally and figuratively, because of NAFTA. They have not had an opportunity
3 to see what they can do to expand their businesses and to bring new revenues in and jobs.

4 SENATOR HAWKINS: Not to interrupt you, but I'd like to know what
5 we can do in our area of the state to compete with Mexican companies?

6 MS. FOWLKES: I'm going to ask George to do that.

7 SENATOR WAMPLER: Before we do that, Mr. Chairman, can I give you
8 one original idea? We were brainstorming a way that we could sell to Mexico, and this
9 Commission always struggles trying to find agricultural related products. Grayson
10 County and Washington County happen to be big Christmas tree producers. Speaking to
11 Secretary Schewel about it he got right excited, because we realized there's a great
12 market and an agricultural sector to sell Christmas trees and wreaths, which actually have
13 more profit. That's an original idea of mine, and nobody can steal it.

14 SENATOR HAWKINS: That's certainly a market we can deal with, but
15 there again, the overall impact of thousand of jobs being lost to that market cannot be
16 offset by raising Christmas trees.

17 SENATOR WAMPLER: That was just one idea.

18 SENATOR HAWKINS: The problem I'm running into with my localities I
19 deal with, loss of jobs equates to loss of plants, which equates to loss of tax revenue that
20 cannot be offset by anything other than a new plant or new equipment that brings in more
21 tax revenue and more jobs, and I'm trying to figure out what we can do with Mexico to do
22 that.

23 MS. FOWLKES: It's a combination of new jobs and new plants, and also
24 a combination of growing businesses that are already in existence.

25 MR. HILLER: In terms of Mexico, this is Virginia's fastest growing
26 export market. Currently Virginia exports over a billion dollars worth of products and
27 services to Mexico every year. The state also has a trade office in Mexico City. In terms
28 of specific sectors, what we try to do with the agricultural products that the Senator
29 mentioned is apples. We have identified several sectors that we think have, or we know

1 have had good growth prospects, and not only in Mexico. I think it's important to
2 understand that this is not strictly exports to Mexico. It's true this is the initial thrust that
3 this program has started, but we have several other initiatives in mind, other markets as
4 well. Certainly mining and industrial equipment, and there's a major opportunity for that
5 in Mexico. Actually, in spite of a lot of the negative press concerning furniture industry,
6 several of our major furniture and home furnishings companies in Virginia have active
7 export programs and full-time international sales managers. We think there are areas
8 there that we can build on and to encourage a lot of smaller companies to take a look at
9 what they're doing internationally so that they can hopefully develop new markets and
10 increase sales and retain jobs in the future.

11 SENATOR WAMPLER: Mr. Chairman, I'll try to give you a little better
12 answer now. The top five I've come up with, Mr. Chairman, is Lime Power, Mr.
13 Chairman. They make transformers, and I've been talking to the CEO of that company.
14 They think so much of the Mexican market they're considering putting a full time sales
15 force in place trying to match up. This is compressors, makes compressors for HVAC,
16 and Mexico is one of their biggest markets. Royal Industries makes medical or handles
17 medical supplies that are used for surgery. Strongwell, a plastic manufacturer, fiberglass
18 ladders is one of their biggest sellers. Supersacks, which has industrial grade sacks, bulk
19 sacks that they're trying to export. That is a list of five right there that have been
20 identified.

21 MS. FOWLKES: If you would, look at page 12, and you asked
22 specifically about Southside. These are businesses that have been targeted and have been
23 worked with before in Southside that have export potential not only in Mexico but some
24 other markets.

25 SENATOR HAWKINS: Traditionally, Canada has been our largest
26 trading partner by far. I fully realize I have to deal with the world I live with and deal
27 with the cards that have been dealt me, so I'm open to any suggestions at this point. I
28 haven't seen anything that we can be able to produce that would offset losses that I've
29 seen in this area.

1 MS. FOWLKES: Strongwell is a good example, and George has talked to
2 them about making these ladders.

3 MR. HILLER: Strongwell is actually one of the largest export partners,
4 and they export all forms of these ladders. Ladders are assembled in Mexico. I don't
5 think the intention here is to replace jobs that have been lost to China or Mexico.

6 SENATOR HAWKINS: They'll never be replaced, and we've got to have
7 a new way of thinking and create a new economy. Anything we have to do to create that
8 new economy we'll have to do. What do you all need from us, and when do you need it,
9 and at what point do you plan to make a full report to the full Commission? Where do
10 we stand, and what would you like to do?

11 MR. CURRIN: Senator Wampler asked me, because this is an opportunity
12 come before us in between meetings, and this is an appropriate venue for this type of
13 thing to happen when an opportunity presents itself. This is innovative and different than
14 the kind of thing we have been asking about and we want to do. I think it sort of
15 dovetails into some of the things we've talked about in the past. We need a marketing
16 plan. The reason they're here today is because this opportunity has developed in between
17 our June meeting and our October meeting.

18 SENATOR HAWKINS: This is of major importance I think for all of us,
19 but should this not be a joint effort from the Southside and Southwest?

20 MR. CURRIN: Yes. It can be an entire regional situation.

21 SENATOR HAWKINS: We can meet jointly and bring everybody up to
22 date.

23 SENATOR WAMPLER: Mr. Chairman, if I understand the guidance
24 you're giving me. The Southwest Economic Development Committee is meeting
25 Monday of next week. We will review this and try to provide further guidance, and I
26 would suggest probably Southside do the same.

27 SENATOR HAWKINS: Or either invite a member of the Southside,
28 Chairman of Southside to meet with you all next Monday evening. Both of your areas
29 need to be involved, and a recommendation would be in place, and it's something we

1 need to pursue.

2 SENATOR WAMPLER: Mr. Chairman, they're under a fuse, and the trade
3 mission and the major focus for the market is first of December, if memory serves me
4 right. I suspect we can wait until October 21 or whatever.

5 MS. FOWLKES: We have to match the company or with the person in
6 Mexico. When they go on a mission they have appointments set up.

7 SENATOR HAWKINS: Somebody come up with a motion.

8 MS. THOMAS: In looking at the export prospect, is this all- inclusive or
9 is this just a starting point? I was wondering, because there's a lot of small business
10 manufacturers in the Campbell, Bedford and Lynchburg area.

11 MR. HILLER: It's just a starting point in getting people, and we try to
12 uncover additional prospects and companies. I might not have been familiar with some
13 of these companies that are themselves good candidates to be involved.

14 MS. FOWLKES: For example, last week when we had the person from
15 Mexico that had come back from a trade mission and the person from the Embassy. We
16 had four companies come to the Higher Education Center, and we had no clue
17 whatsoever that they were interested. One was a small software company, and one was a
18 mining firm dealing with equipment. We had a farmer from Mendota. It really is
19 amazing people already involved in export that we had no idea were doing it. That's one
20 of the companies George had put on his list. There were five companies that were
21 represented that day, only one was actively working.

22 MS. THOMAS: I've just been reading the copy of *Virginia Business* and
23 talked about the region 2000 area as one that's noted for small businesses in the state.

24 SENATOR HAWKINS: It's my understanding then we're talking about
25 immediate action to be able to meet some matching funds that are required to prior to
26 December, is that correct?

27 SENATOR WAMPLER: Mr. Ferguson is going to tell us we can't spend
28 the money unless the full Commission tells us we can. I'll go ahead and explain that one
29 right now.

1 MR. FERGUSON: If I'm the person that's the bearer of bad news, again,
2 the Committees, including the Economic Development Committee, the Executive
3 Committee, Special Projects Committee, none of them have the authority to spend money
4 themselves. All they can do is recommend to the full Commission.

5 SENATOR HAWKINS: What I think would be appropriate at this time is
6 to go ahead and allow the Economic Development Sub-Committee to make a
7 recommendation to the full Committee and I think, can you do that within a week or so?

8 SENATOR WAMPLER: I think so. Let me be concise in this. First it
9 was a Southwest proposal, and I said it makes so much sense to me that we ought to
10 expand it to Southside. In doing so I'm fearful that I've clouded the issue where it's hard
11 to get this roaring herd of thirty to agree on trading nickels. It's something that I don't
12 know we can do, if Mr. Arthur would come, and I don't know what Southside thinks
13 about it, and I think it happens to have a lot of merit, and I've talked to my employers that
14 I know do business in Mexico.

15 SENATOR HAWKINS: I think it's something that needs to be done, and
16 the recommendation to the full Commission, I hope to do that with a positive
17 recommendation from this, but I don't know exactly where to put it.

18 SENATOR RUFF: Mr. Chairman, I don't know that it's a bad idea, but
19 Senator Wampler has had a chance to talk about it and think about it a little bit longer
20 than we have, and I think that's part of the problem. I think if we can hash through and
21 make sure we're not duplicating, if this is the best way to do it then it may go down a lot
22 easier.

23 DELEGATE BYRON: I'm sure Senator Wampler would agree that when
24 you compare this type of quick response to legislative time it takes a little bit of time to
25 digest and dissolve some of the things that are going on. I think just receiving this, and
26 it's just hard to focus on Christmas trees, when you just look at the market, especially the
27 market being as it is today. I don't know what the market is in Mexico.

28 MR. CURRIN: Mr. Arthur would like to have the Southside Committee
29 meeting.

1 SENATOR HAWKINS: Delegate Kilgore.

2 DELEGATE KILGORE: I think what Senator Wampler said that the
3 Southwest, I think that we believe it's a very good idea, and we thought it was so great
4 that we were going to let you all come in, but we think we're going to do it anyway when
5 it comes right down to it, because we need jobs down there, and if we get them through
6 export to Mexico that's how we'll get them.

7 SENATOR HAWKINS: So the recommendation is that Southwest
8 Virginia will make a recommendation to the full Commission to fund their part of this,
9 and you'll let Southside make its own recommendation?

10 MR. CURRIN: In the meantime, Mr. Chairman, I'll work with Rachel and
11 George and Southside.

12 SENATOR HAWKINS: Delegate Walker.

13 DELEGATE WALKER: Mr. Chairman, in talking about the region 2000
14 heartland, those people, see how it would mesh with that.

15 MR. CURRIN: Sure, absolutely.

16 SENATOR HAWKINS: Let's see, Carthan, if we can't have a proposal
17 that meets the needs of both regions. If not, go ahead with the Southwest proposal.

18 MR. CURRIN: Yes, sir.

19 SENATOR HAWKINS: All right, thank you. That's been very helpful.

20 MR. CURRIN: Marketing Strategy. Mr. Chairman, over the last several
21 months, and I've shared thinking that it might be helpful for the Commission at some
22 point to have a formal marketing strategy where you might want to put dollars in any
23 marketing strategy to help expand more towards Southwest and Southside Virginia. I
24 hear constantly from our local economic developers in both regions that they don't get
25 enough prospects in the state. One thing I hear all the time is that people don't know
26 about Southside and Southwest. All I'm asking is for permission to look into it.

27 SENATOR HAWKINS: I think it's an understood problem that we all
28 face, lack of attention to these areas. Anything we can do to focus on the opportunities,
29 we need to do. I think when you start restructuring at the office, which you're in the

1 process of doing, you may want to bring someone in to help execute those matters, but
2 it's certainly something you should pursue. Any problems with that? I don't think we
3 need a vote on that.

4 MR. CURRIN: All right. The next item is TROF Guidelines. Let me
5 bring everybody up to date on how our current Deal Closing guidelines are currently
6 constructed. The threshold that we operate under are as follows. Twenty-five jobs
7 minimum, a million dollars in capital investment, and the process is as follows.
8 Washington County either comes or calls me or calls a partnership that has a particular
9 project. If we're involved in it they call me and I look into it and evaluate it and contact
10 Senator Hawkins. I send him a memo on the deal and what's involved and much money
11 is requested, et cetera. He gets it and then he comes back to me and I send it to the
12 partnership and they do a return on investment. If they agree it's a good deal. In most
13 cases they have had money in our deals, in most cases. It then goes to the Secretary's
14 Office for his approval and offered to the Governor for his approval. Those are the
15 current guidelines. It has been my understanding by some members of this Commission
16 that maybe we need to revise those guidelines to give the Commission some increased
17 flexibility. It's been suggested that beyond Senator Hawkins, the Chairman, that maybe
18 that the two Chairmen of the two respective Economic Sub-Committees be part of that
19 decision making, in addition to the Chairman of the full Committee and myself.

20 There's been discussions, I'll give you a little history lesson. Mr. Leaf, who used
21 to be part of this Commission, wrote the current guidelines, and that's how the Executive
22 Branch had their hands in it for our Deal Closing process. I have felt we needed to know
23 exactly where we are, and if you all want for me, and it's been discussed at meetings
24 we've had in the past, and it comes up we continue the current guidelines.

25 SENATOR HAWKINS: If we can streamline this to make more in-house
26 decision making, then certainly we need to expand it beyond the decision made by the
27 two of us. Right now there's so many checks and balances that by the time you go
28 through all the hoops we could lose a lot of momentum. I'd like to look into the whole
29 structure and see if we can take some of the loops out of Richmond and put more of the

1 decision making back to us. If we do that we need to expand our decision making to
2 more members of this body.

3 MR. CURRIN: In addition there's been some concern expressed to me by
4 local governments that possibly, and I don't know this for a fact, it's been suggested that
5 possibly our money is being supplanted, or the Commonwealth should maybe be putting
6 their money in. I mean that when our moneys are being wedded into the Governor's
7 opportunity funds maybe some of our funds are being supplanted, and they should not be.

8 SENATOR HAWKINS: I don't know how you want to handle this.

9 MR. CURRIN: I think a comparison, we've had a full year and we could
10 do this, do a comparison and see what happened like the two previous years.

11 SENATOR HAWKINS: Well, I think that's a decision that should come
12 out of this body to make some recommendations. We could get into some discussion
13 today, and possibly we should go ahead and do that. What's the feelings of the members
14 of the Executive Committee on the Deal Closing situation and the structure today? Does
15 anyone have any recommendations?

16 DELEGATE KILGORE: I agree what you stated earlier. By the time you
17 get through the whole process sometimes you lose the prospect that you're dealing with.
18 There needs to be some way that we can act quickly and we can respond to a request first
19 off. Then secondly, maybe our guidelines need to be relaxed a little bit with the addition
20 of other individuals in this decision making process. I would suggest that we just add
21 some to assist you yourself in making that decision and whether that be the Southside and
22 Southwest Chairmen.

23 SENATOR HAWKINS: Should both of them have to sign off on every
24 application, or does one deal with certain parts of the state and that particular Chairman
25 sign off on that particular one, or do you need both? Do you want to keep the Executive
26 Branch in the loop?

27 DELEGATE KILGORE: Yes, I think the ought to be in the loop, because
28 we have to deal with them as far as the GOF money.

29 SENATOR HAWKINS: Time out, let's all back up. There's no way we're

1 going to sit here and debate this and come up with any sort of conclusion this afternoon.
2 Someone's going to have to have some recommendations to bring to us and some
3 recommendations that make sense to the overall thrust of this Committee. The only way
4 to do that, Carthan, go ahead and come up with three or four different scenarios dealing
5 with the way the Commission is structured today. One expanding it to include Southwest
6 and Southside Economic Development sign off and one that takes a more streamlined
7 approach when it comes to the Executive Committee. That will be your charge, and that
8 ends our responsibility and not yours to make that decision.

9 SENATOR WAMPLER: Mr. Chairman, institutional knowledge, if I'm
10 accurate, would suggest that we've had several courses of action a year or eighteen
11 months ago, whenever we adopted them. We would ask the Director to brief us on what
12 those courses of action were. If you can recover those documents you probably have a
13 right fruitful exercise.

14 SENATOR HAWKINS: In the discussion back when we first put all this
15 policy in place, it may be beneficial to go back and look at those minutes, but until we
16 have some recommendations that we can look at I don't think there's anything we can do
17 but have a debate which will achieve nothing.

18 MR. CURRIN: The last item, Mr. Chairman, is to update the Long-Range
19 Task Force, which is the meeting scheduled for the 29th and 30th of this month here at
20 this hotel. It's the second meeting of the Long-Range Task Force. We'll have a working
21 session on the 29th beginning at 2:00, and we've invited multiple presenters who have a
22 background in economic development and strategic thinking, and they will be talking to
23 the Task Force and answering questions. We'll be getting an update on the 30th on e58
24 and scholarship programs that we have funded to date. We'll get into an immediate
25 discussion that afternoon about what we learned and heard on the 29th. The next meeting
26 of the Task Force will be the 28th of October, and the last one that's been planned is
27 November 25th. The first meeting that we had here we decided we wanted to bring in
28 some expertise, and that schedule is in the packet. That packet contains information on
29 who has been invited and what topics are going to be discussed.

1 SENATOR HAWKINS: Those meetings are open, and any suggestions
2 that might be helpful to facilitate those decisions might be helpful.

3 SENATOR WAMPLER: To that end on the speakers at the Long-Range
4 Task Force. It seems to me that there's a lot of theory in those speakers, and I'm not sure
5 there's an appropriate balance of practical application of our economic developers in our
6 region. I'm not saying they have the answers, but we need a reality check from time to
7 time before we go off in theorists or futurists as to what the region may or may not look
8 like. That's a friendly suggestion. I think there needs to be a balance of the professionals
9 who do that every day and tell you why we can't be like Ireland or somewhere else.
10 That's a respectful suggestion.

11 SENATOR HAWKINS: Having said that what else, Carthan?

12 MR. CURRIN: After the 29th and 30th, the Long-Range Plan Task Force
13 will meet on October 28th here, and then on November 25th will be the last meeting, and
14 we'll hope by that date to provide an interim report.

15 SENATOR HAWKINS: The long-range plan, to bring everyone up to date
16 that may have forgotten, this is anticipation of the securitization taking place. That is still
17 in the Governor's Office. It has not been acted on as of yet. Anything else?

18 DELEGATE KILGORE: I would like to, along with that discussion, that
19 point you just went over about securitization. I don't think anything has been done, and
20 we really need to send a message to the Governor or the Executive Branch that that needs
21 to be completed, and that needs to be looked at, and we need to get on with it.

22 MR. CURRIN: Mr. Chairman and Mr. Vice-Chairman, to that end the
23 Director of Finance and myself met with Treasurer of Virginia last week. From that
24 conversation, and Stephanie can fill us in on the technical aspects, but the bottom line is
25 that I've been told that securitization will not take place until after January.

26 DELEGATE KILGORE: I think that's too long to wait, because we're
27 allowing some windows of opportunity to slip by. I'm afraid that by the time we get ours
28 on the market or ours on the street that the discount rate is going to hurt us.

29 SENATOR WAMPLER: I think the Executive Committee ought to get a

1 sense of the full Commission in October. We anticipated the securitization, and we'd like
2 to know why it's not taking place.

3 SENATOR HAWKINS: Is the recommendation then that we recommend
4 to the full Commission that we let the Governor's Office know our feelings about the
5 immediacy of the situation?

6 DELEGATE KILGORE: I'd say we go a bit further and have the
7 Executive Committee authorize Mr. Chairman to send a letter to the Governor asking him
8 why this has not has been completed, where we are and why we're not going as fast as we
9 believe we should.

10 MR. CURRIN: Mr. Chairman, in essence, what I've been told and
11 Stephanie's been told, that we're waiting for a long-range strategic plan to come out.

12 DELEGATE KILGORE: That was not part of the deal.

13 MR. CURRIN: I told them in the meantime --

14 SENATOR HAWKINS: What we need to do is go ahead and let the
15 Governor's Office know in anticipation of a long-range plan even if the money is
16 escrowed after the securitization takes place, our need is to have the money secured.

17 SENATOR WAMPLER: Mr. Chairman?

18 SENATOR HAWKINS: Senator Wampler.

19 SENATOR WAMPLER: Bear with me for just a moment.

20 SENATOR HAWKINS: Yes, sir.

21 SENATOR WAMPLER: The long-range plan will be a tremendously
22 effective document once we complete it and present it and move forward. I would
23 suggest that Southwest and Southside present to the full Commission at its October
24 meeting what our short-term needs are, short-term is two or three years from now, hard
25 infrastructure. At the Southwest meeting on Monday of next week we will have a plan
26 that will identify at least ten million dollars of needs, and that's on the conservative side,
27 regional projects that will address what we believe our economic development needs to
28 be. My hunch would be that in Southside you would find twenty-five to thirty million
29 dollars worth of needs that in the short-term need to be accomplished whether it's

1 horizontal, vertical products, or other infrastructure. We all know we have
2 indemnification to pay. We could make a very strong case that we need those dollars in a
3 short-term. If the Treasurer or the Executive Director thinks that we should do it in
4 multiple projects, that would be just fine, but we need to move forward with what we
5 need. We need to jump start the economies rather than wait another six, nine, twelve
6 months or eighteen months. I think this institutionalizes those plans, and that's short-
7 term. Every region knows what they need right now. There's no reason why we should
8 wait, and we have that data before us. The point being that Southwest and Southside
9 ought to have that short-term plan to be prepared for the October meeting quantifying and
10 demonstrating what those needs are.

11 SENATOR HAWKINS: Point taken and I think that they are easily
12 identified, particularly when you look at the regional thrust of the e58 project, and that's
13 the one that ties both regions together with a major infusion of money. We've got some
14 educational initiatives in place that will require a great deal of investment over the next
15 several years with local revenues. Also the local initiatives for economic development is
16 opening now to telecommunications people. I'm not sure where Southside stands on their
17 recommendations as a group but I'll certainly try to encourage them.

18 DELEGATE KILGORE: When can we expect a copy of your letter?

19 MS. WASS: Part of the information the Governor will need to structure
20 the deal is to know how the funds will be spent, specifically to know how the taxable
21 bonds are affected. I will be working with Morgan Stanley over the next couple of weeks
22 and present some different financing scenarios and options that'll probably be presented
23 to the Long-Range Task Force, show them what that results in, or how the limitations will
24 affect the long-range spending.

25 SENATOR HAWKINS: That will be helpful, and I'd also ask Delegate
26 Kilgore about the letter he has recommended. I think it's certainly in our best interest to
27 put our feelings down and express it to the Governor. Anything else?

28 SENATOR WAMPLER: Mr. Chairman?

29 SENATOR HAWKINS: Senator Wampler.

1 SENATOR WAMPLER: Two minutes or less to give a report on where
2 we think we are potentially with Deal Closings, and I use that term, potential or other
3 special projects or opportunities to build new jobs. We have one business or an existing
4 facility that is being courted heavily by neighboring states, and that amount might be
5 something toward two hundred thousand dollars. Without going into Executive Session,
6 and I'll explain that one later, but that's working with the Governor's Office, and maybe
7 they would be asking the Tobacco Commission for two hundred thousand. There is
8 another in a technology park that we have that we've invested money in previously, and
9 its bearing fruit. We have a rather technologically advanced business that may require
10 something like a hundred and twenty-five thousand dollars to close the deal. Under the
11 category of good news from young Wampler, where we have previously approved two
12 hundred and thirty-nine thousand dollars for the Glade/Highland Industrial Park, that's
13 Smyth and Washington Counties jointly, they will only spend two hundred and one
14 thousand dollars, so we can expect to have thirty-seven thousand dollars returned.

15 SENATOR HAWKINS: Senator Wampler, I understand you may be
16 making a request out of Special Projects for three hundred and twenty-five thousand, and
17 you're going to return thirty-seven, so it'll be about two hundred and eighty-nine
18 thousand. We look forward to that recommendation.

19 SENATOR WAMPLER: That two hundred thousand is a top figure, and it
20 may be less.

21 SENATOR HAWKINS: We need to deal with these as rapidly as possible.
22 I would expect, Carthan, in your study to find out how we could facilitate with as many
23 checks and balances as possible.

24 Any other discussions or any other questions?

25 MS. THOMAS: I have something I'd like to bring before the Committee
26 just for information. I don't know how many of you receive this newsletter. It is "The
27 Scoop," and it's from the flue-cured tobacco farmers stabilization. This is something I've
28 seen in the last week or so. It is a side-by-side comparison of the tobacco. I've given
29 Mary Cable copies of this to distribute to all members of the Commission, and it's very

1 comprehensive. It was something that I could understand, so I thought you all might be
2 interested in that.

3 SENATOR HAWKINS: That's an excellent idea, and appreciate you
4 bringing it to our attention, because we need to be aware of what's going on the Federal
5 side. Any other comments?

6 MS. THOMAS: Carthan, I would like to commend you for the letter you
7 sent to the farmers talking about the indemnification process and how that is soon to
8 draw to a close.

9 MR. CURRIN: That wasn't my idea, but I'm happy to hear it.

10 MS. THOMAS: It was very comprehensive, and it was a wake-up call for
11 a lot of farmers. I think they knew it, but they lulled themselves into a sense of security
12 that this money is going to be here for a long time. This wake-up call was much needed
13 and very comprehensive, and I commend you for it.

14 MR. CURRIN: Thank you. Senator Ruff and Senator Hawkins and --

15 SENATOR HAWKINS: That was the Director's idea. All thanks or
16 complaints go directly to him. Any other Commission members have anything else?
17 Public comments, we have outweighed the public.

18 MR. FLANARY: Mr. Chairman, I want to thank you and other members
19 of the Committee for consideration of these issues that we're faced with. I appreciate it.

20 SENATOR HAWKINS: One thing I want to say before we adjourn, and I
21 want all of us to keep this in mind. The state budget becomes increasingly less
22 dependable, and there's going to be more and more demands made on available sources
23 of money that may be around. We're going to have to be very conscious of decisions that
24 are made to make sure that we are not supplementing things that are not the charge of this
25 Commission. This includes a lot of the educational discussions that will be carried on for
26 the next several months. Having said that, are there any other comments before we
27 adjourn? Is there a motion to adjourn?

28 SENATOR WAMPLER: So moved.

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PROCEEDINGS CONCLUDED.

CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, was the court reporter who took down and transcribed the **Minutes of the Executive Committee of the Virginia Tobacco Indemnification and Community Revitalization Commission Public Meeting** held on Monday, September 16th, 2002 at 12:00 p.m. at the Hotel Roanoke and Conference Center in Roanoke, Virginia.

Medford W. Howard
Registered Professional Reporter

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