



Executive Committee Meeting

Tuesday, April 5, 2005

3:00 p.m.

General Assembly Building - 3 East Conference Room
Richmond, Virginia

APPEARANCES:

The Honorable Charles R. Hawkins, Chairman
The Honorable Terry G. Kilgore, Vice Chairman
Mr. Thomas W. Arthur
The Honorable Kathy J. Byron
The Honorable Allen W. Dudley
The Honorable Clarke N. Hogan
The Honorable Joseph P. Johnson
The Honorable Philip P. Puckett
The Honorable Frank M. Ruff
The Honorable William C. Wampler, Jr. (by telephone)
The Honorable Michael J. Schewel

COMMISSION STAFF:

Mr. Carthan F. Currin, III, Executive Director
Mr. Ned Stephenson, Manager of Strategic Investments
Mr. Timothy Pfohl, Grants Program Administration Manager
Ms. Stephanie Wass, Director of Finance
Ms. Mary Cabell Sulc, Manager of Communications and Committee
Operations

OFFICE OF THE ATTORNEY GENERAL:

Frank N. Ferguson
Anne Marie Cushmac
Stephanie Hamlett

SENATOR HAWKINS: All right, let's come to order. Carthan, call the roll.

MR. CURRIN: Mr. Arthur?

MR. ARTHUR: Here.

MR. CURRIN: Mr. Bryant?

MR. BRYANT: (No response.)

MR. CURRIN: Delegate Byron?

DELEGATE BYRON: Here.

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MR. CURRIN: Delegate Dudley?

DELEGATE DUDLEY: Here.

MR. CURRIN: Delegate Hogan?

DELEGATE HOGAN: Here.

MR. CURRIN: Delegate Johnson?

DELEGATE JOHNSON: Here.

MR. CURRIN: Senator Puckett?

SENATOR PUCKETT: Here.

MR. CURRIN: Senator Ruff?

SENATOR RUFF: Here.

MR. CURRIN: Secretary Schewel?

SECRETARY SCHEWEL: Here.

MR. CURRIN: Mr. Thompson?

MR. THOMPSON: (No response.)

MR. CURRIN: Mr. Walker?

MR. WALKER: (No response.)

MR. CURRIN: Senator Wampler?

SENATOR WAMPLER: (No response.)

MR. CURRIN: Mr. Vice Chairman?

DELEGATE KILGORE: Here.

MR. CURRIN: Mr. Chairman?

SENATOR HAWKINS: Here.

MR. CURRIN: At your direction, Mr. Chairman, Delegate Byron's Long Range Planning Committee met two weeks ago on the issue of securitization and a spending plan if the Commission chooses to follow that path. To that end Mr. Stephenson and Ms. Wass were there from the Staff to help the Committee with their deliberations, and Delegate Byron will have a report for us.

That information is in your packets, and in those packets are the different scenarios.

SENATOR HAWKINS: Delegate Byron, where do you want to start?

DELEGATE BYRON: At the beginning is a good place to start. I don't have any formal or written report, most of this is going to be looking at figures, which is what we do best, I guess. You'll be pleased to know we didn't spend it all.

However, in looking at it, as far as the Tobacco Commission spending plan, if you get that in front of you, that really is the meat of what our meeting was about. In looking at the various models we had, and all of them were not figures that were anything but sample budget figures, and no one had real numbers in front of them, I'd say they are pretty close to what we hope to achieve, depending on what happens with securitization.

Looking at those figures, the Committee determined we were going to look at 50 percent being the maximum securitization that we felt we were prepared to operate with, because when you go higher than that the monies, or the cash on hand, becomes very limited and makes it very difficult for some of the projects we've been accustomed to looking at and spending habits that we have already in place it would be very difficult to try to meet any of those standards with those figures. With the 50 percent being the maximum amount of money that we would securitize, these are the figures that we will look at today.

Just as a reminder, we have an endowment corpus and endowment earnings, and the earnings are the earnings, of course, that are earned on the endowment corpus. What we resolved is that we would take a

conservative approach. The maximum corpus invasion from Southside would be four percent. I guess I better explain that for those that are looking at this with a total blank.

In our discussion Senator Wampler presented splitting the corpus and having two separate accounts so Southwest and Southside would have their own corpus fund. It is my understanding he discussed this with the other Southwest members and they were in agreement with that. If not, then we will have another issue at hand.

In looking at it, and because they had 20 percent of the figures --

SENATOR HAWKINS: Do you want to try to get Senator Wampler on the phone?

Senator Wampler, do you want to be on the phone now, or do you want to call back later?

SENATOR WAMPLER: If it is okay, I'll call back in a little bit, I'm in a meeting right now.

SENATOR HAWKINS: That's all right, I just wanted to make sure.

Go ahead.

DELEGATE BYRON: If I say anything out of line, the other members can correct me. That was brought forward to us by Senator Wampler, that the Southwest funds would be separate in order to allow them, they felt like they had projects that were ready to go, in-hand, and that would allow them more availability for the money than if we tried to decide as a whole how much money each area was going to spend out of that corpus, keeping in mind that all the money from this securitization would only be spent as capital projects and somewhat limited as to what those funds can do.

Southside agrees to a four percent per year corpus invasion and ten percent corpus invasion from Southwest. The endowment earnings based on those figures, and we have some sample figures we can look at, all those earnings would go into Economic Development projects, with no limit to the amount that would be spent. In order to invade that corpus more than the four and ten percent, it would require a two-thirds vote of the Commission.

SENATOR HAWKINS: The Commission as a whole, and not just the region.

DELEGATE BYRON: The Commission as a whole. We felt like that if there were projects that were worthy of that, or if we had a company that came in that was outstanding and offered whatever that figure might be, 500 jobs, and there may be reasons everyone would be more than willing with accurate information in front of them to look at raising that figure. At the present time we don't want to test the waters by doing that.

SECRETARY SCHEWEL: When we say Economic Development, I'm trying to understand what that means. Sometimes we use it to describe an industrial park or a sewer line, and sometimes we use it for Deal Closings. When you are talking about it here, which way are we talking about it?

DELEGATE BYRON: The endowment earnings, or talking about Economic Development in the endowment.

SECRETARY SCHEWEL: I think you were talking about endowment earnings?

DELEGATE BYRON: Right. If you look at the other side of the monies that are not securitized, you see where the money could be used for certain closings that are not within the scope of the bonding requirement.

SECRETARY SCHEWEL: So there we're talking about economic revitalization and talking about unrestricted funds paid, essentially talking about deal closings?

MR. STEPHENSON: I think the intent was, Secretary Schewel, that the historical Economic Development Committees, operating under their guidelines, would derive their monies

from the earnings from the corpus. They would function as they always have, but they would have to live only off earnings, and no MSA payments would be available to them any longer. The MSA payments would be available to the other committees shown at the top, such as Education, Innovation, which includes Ag, TROF and Special Projects.

DELEGATE KILGORE: The whole ball of wax.

SECRETARY SCHEWEL: When you say the other committees you're looking at the budget, which page?

Going back to the example that Delegate Byron was using. If there was somebody, a big company came in, then typically that would be a deal closing kind of thing. Would we be able to invade the corpus, is what I'm asking? Or, would we have to rely on the non-restricted funds?

DELEGATE BYRON: The corpus, and I don't know where this came from. It was the determination of the Committee that the corpus funds would be used for technology purposes, and that was a main priority that the Commission had looked at as far as where the infrastructure would go and where the money is needed the most. The question we had in the Committee that still has not been addressed is we don't have any real hard figures on what the next several years are going to be as far as technology. That's where the corpus monies were to go, and then the earnings were going to economic development, with the corpus designated directly to Southside and Southwest technology.

DELEGATE HOGAN: It is my recollection we're about \$6,000,000.00 short on the technology piece, where we need to be right now on the Southside.

MR. CURRIN: That is correct.

DELEGATE HOGAN: To the extent that addresses what you were talking about, Kathy.

Mr. Secretary, that seems to be the number. We want to do more in technology at some point in the future in Southside, and we can look at that, but the commitment we made to finish what we started is about six million.

SENATOR HAWKINS: Let me get this straight in my understanding. It is my understanding in the conversation you all recommended the normal four percent draw out of a special vote of the Commission. If something happens in the way of a project or a desire to do something more with technology, a two-thirds vote of the entire Commission, and we can invade the corpus up to 15 percent. Is that what the law allows us to do? Up to 15 percent, so we'd be able to have access up to 15 percent of the corpus for any particular project that is immediate and that we don't have funds to do it.

MR. CURRIN: I thought if you invaded 15 percent it required three-fourths vote.

SENATOR HAWKINS: It's a super majority, but the Commission can authorize up to 15 percent in order to find capital we need for a particular project. So, Mr. Secretary, I think that probably answers your question. We would have the availability of that much money for projects.

SECRETARY SCHEWEL: I'm not sure this is an important point, but I was trying to understand it. I thought I heard from what Delegate Byron was saying before was that if there's somebody that wants to build a big facility just as an incentive, I guess, we could use our money to --

SENATOR HAWKINS: -- Excuse me, Senator Wampler is on the phone. We were discussing the invasion of the corpus with a vote to be able to do it up to 15 percent on the Southside piece for a major economic development operation. Secretary Schewel was talking.

Secretary Schewel.

SECRETARY SCHEWEL: So if somebody said I want to build some facility in Franklin County, and if we want to provide an incentive for that, then I take it we would have to use restricted

money, and we would have to provide an incentive for some sort of public capital expenditure and we'd have to put in infrastructure in order for it to come out of restricted funds.

If you want to provide non-capital incentives, it would come out of unrestricted.

SENATOR HAWKINS: That's my understanding, yes.

DELEGATE BYRON: The only thing I'll comment upon is technology, and when referring to technology we were just using a sample. If you look at the Southside restricted funds and you see four percent invasion for the next three years starting with 2006. When you start talking about the '05 budget and '06, we need to get some professional help in the timing of it. Talking about the four percent invasion in the next three years, and then it drops to zero. That was simply because we wanted to get a better picture of what our needs would be.

There was also a discussion of some type of partnership where we didn't have a big pot of money sitting out there involving the parties in technology and coming to the table and looking for that corpus, but we wanted to be creative and leverage those dollars.

Those are examples for us to look at future discussions of how we are going to spend that. Nothing is written in gold, with the exception of our recommendations on the 50 percent and the corpus invasion and the separation of funds between Southside and Southwest. Is that correct, Carthan?

MR. CURRIN: Yes.

SENATOR RUFF: I thought we had a conversation that the members of Southside will make the decision on whether we would seek the four percent. I think we will get in an awkward situation if we allow Southwest upfront to say that they're going to take 10 percent and then we lock ourselves in at four percent with no control, because Southwest will control enough numbers, if they wanted to play mischief, I think. I think it is better when we are straight and it should be Southside's decision. We could deal with our part, and Southwest can deal with theirs.

SENATOR HAWKINS: You want the flexibility to use 10 percent with authorization from members of Southside.

SENATOR RUFF: Yes.

DELEGATE BYRON: Ten percent, the same as theirs.

SENATOR HAWKINS: Counsel, is that workable?

MR. FERGUSON: I'm not sure I understand Senator Ruff's question.

SENATOR HAWKINS: My understanding, Frank, is that dealing with the allocation and the formulary based on securitization and invasion of the corpus, ten percent will be authorized to Southwest Virginia for a period of time, two years or three years.

DELEGATE KILGORE: Four or five years.

SENATOR HAWKINS: They'll have access to ten percent invasion of the corpus for six or seven years, and Southside has recommended four percent maximum. It has been suggested that we give the authority to Southside to be able to use up to ten percent at the discretion of the majority vote for Southside to be able to balance off what takes place in Southwest without a vote of the entire Commission. Is that right?

MR. FERGUSON: I think as long as you don't go over the 10 percent aggregate you can do that. I wasn't at the Long Range Meeting, and it wasn't clear to me as to whether we're talking about the four and ten percent of their allocated portion, or whether it is four or ten percent of the total.

SENATOR HAWKINS: Their allocation.

MR. FERGUSON: In that case, then, it seems like less a concern if that is the plan, and that is what I thought you said.

SENATOR HAWKINS: Why don't I make a suggestion, Frank, to help you with what you suggest. Go ahead and make a recommendation from Kathy's committee then that ten percent, four percent from Southside with a maximum of ten percent with a two-thirds vote of the Southside delegation.

MR. STEPHENSON: Mr. Chairman, it would seem that we might run into a quorum and majority issue if we're dealing with a sub-set of a whole committee. That subset may only be a few members. I don't think it is defined what a quorum is, and that means one person showed up.

SENATOR HAWKINS: We may be getting a little, how about if we authorize a straight ten percent for both sides and use the four percent guidelines for Southside.

MR. FERGUSON: Mr. Chairman, I would point out that under the statute, as Stephanie points out, a request for even ten percent or less has to come from the Commission. Even the sub-committees will have to funnel their requests up through the Commission as a whole. It doesn't mean the Full Commission has to vote on that, you could delegate it, but it is not going to happen just because one or two members of one of the committees says we want four or ten or one percent. It still has to go through the Commission to be an official request from the Commission for the entity, rather than some sub-part.

SENATOR HAWKINS: So am I understanding that we go ahead and authorize no more than ten percent in any one year invasion of the corpus on both sides? We can use some sort of formulary on Southside's four percent, what our goals are?

MR. FERGUSON: I think all of that is fine, but the real legal issue is that as far as total is no more than ten percent aggregate can be invaded in any given year without two-thirds vote of the Full Commission.

SENATOR HAWKINS: That's a maximum of 15 percent by code?

MR. FERGUSON: Yes. You can certainly internally impose more severe restrictions upon yourself than the code requires. I caveat all of that with my evil lecture about delegating authority to spend below the Commission level. I would assume just because you ask for the disbursement doesn't mean you have to spend it yet. The caveat is that it is still going to require a Full Commission vote to expend those funds after you draw them down.

SENATOR HAWKINS: Basically, what we're doing is what we have done in the past, we have an allocation of the formulary based on the monies in Southside and Southwest, Economic Development, and that pretty much makes the decision on each side.

SENATOR RUFF: I'm just concerned about the maintenance, if this is majority vote, do one thing in Southwest, and then super majority --

SENATOR HAWKINS: -- We've got to come up with a set of bylaws that are an addendum to our regular bylaws and make sure we all understand what is going on. This would be fairly important, particularly when you get into the next wave of commissioners to have some understanding of what is going on. We have to be very careful what we do and have the ability to put the bylaws in place and have an addendum so we know what we're working with.

MR. CURRIN: Mr. Chairman, it might be a good time for the Treasurer to make a few comments.

SENATOR HAWKINS: You mean before we decide how to divide --

MR. CURRIN: -- Yes.

MS. WAGNER: I just wanted to let you know that as far as securitization we talked to Bear Stearns. We went to New York last week, and we interviewed four firms, all of whom made very good presentations --

SENATOR WAMPLER: Mr. Chairman, I couldn't hear what Madam Treasurer

said. Could she get closer to the speaker?

SENATOR HAWKINS: She is at the table now.

SENATOR WAMPLER: Always glad to hear from Madam Treasurer.

MS. WAGNER: Senator Wampler, we went to New York last week and interviewed four underwriting firms and quizzed all of them on a variety of issues, including how they would handle some sort of legal disruption in the marketplace. We ultimately selected Bear Stearns. There are really two leading firms that do most of this tobacco work in the country over the last two years, and Bear Stearns, and CitiCorp is the other. We had to pick one, so we picked Bear Stearns.

We are beginning the process of putting together this securitization, and it is on a very fast track. We want to get this done before Memorial Day if possible. If the Commission is not sure that we're going to securitize, the Governor is looking at it, and whatever the Commission wants to do. If you all are in doubt or don't want to do it, there are other things that we can do, so don't feel like you are forced to do this, but if you want to do it, barring any major litigation that has not been resolved, this would be the right time to go forward.

There are two Supreme Court cases that everybody is watching, and one is in Florida and one is in Illinois. The one in Illinois is the same case that messed us up two years ago. The Illinois court announces when it is going to make a decision. We will know a week in advance what cases they are announcing, and if they are announcing this case we won't price that week, stay out of the market.

The Florida court announces decisions every Thursday, so we'll be conscious of that when we decide how we are going to handle it.

The underwriters are committed to a one-week close, so we can get it done very quickly. If it is the Commission's will to go forward, we will be prepared to do it.

SENATOR HAWKINS: Let's go through some major discussions we want to make before the Full Commission. The figure has been suggested 50/50, 50 is normal, and 50 is securitized. Is that the recommendation from the Executive Committee to the Commission?

DELEGATE HOGAN: Mr. Chairman, there are two things here that I don't have a real good hold on. I think they are worth taking a look at. I'll ask for some help from Staff on this.

In terms of indemnification and the way those funds are decided, divided between Southside and Southwest, are different. Southwest uses a different formula to decide how they are going to pay their farmers than Southside, both farmers and quota holders. I think that is worth taking a look at in the context of you've got that split on how that money is going to be split, and that is done a certain way, and now we're going to take half of the rest and split it up another way. I think that is worth knowing about.

The second thing I would ask is that when you look at Southside Economic Development, which from the way I read this thing, that there is no more Special Projects. This is contemplating Special Projects and Agribusiness go away, is that right?

MR. STEPHENSON: No, sir.

DELEGATE HOGAN: Where are those funds?

MR. STEPHENSON: Under the word, Innovation, which is from your Long-Range Plan. That is where Special, Ag and TROF operate under that.

DELEGATE HOGAN: Why don't we take a second and look at Economic Development? It doesn't affect Southwest, because they do it in a lump, but I think we ought to look at what that 8.4 million translates into on a county-by-county basis. We need to know that.

SENATOR HAWKINS: Let's back up and deal with the indemnification piece. We have a ten-year payout period now that is dovetailed into the federal legislation we have agreed upon. Southwest Virginia had their payment schedule already lined up based on the history of their payout, we already

have our payment schedule based on our history. I think it would almost be impossible at this time to change the amount and time frame that we have set up our farmers, because in the farming community we have paid it down to a certain point. To go back and change the way we deal with that, we're going to put in place a whole dynamics, and I don't know if anyone would understand the mathematics involved. We're too close to finishing our payout to try to figure out something else to do.

Southwest has done what they have done based on their allocation formulary based on the county. What they have done is based on the poundage allocation of quota holders and growers and flue-cured, and those have been applied for their system that has been in place for the past five or six years.

DELEGATE HOGAN: I think I am right about this, but the people from Southwest, weren't you more generous to the farmers and quota holders than Southside was in terms of how you allocated funds? The answer to that is yes, so we're building into, we're saying we're going to honor the commitments to Southwest when they were made at a higher level than Southside is. We're going to take that off the top, and if you start splitting this money up by region you ought to consider how that is going to look.

SENATOR HAWKINS: No, no.

MS. WASS: The original indemnification payment rate changed the formulary. The formulary that we had changed because of the buyout, because the Commission at a previous meeting decided to take the remaining obligation and divide it up over the next ten years.

DELEGATE HOGAN: A hundred and twenty-five million dollars.

MS. WASS: It no longer becomes a percentage that Southwest wants to pay its farmers or a percentage that Southside wants to pay its farmers. It becomes what is the remaining liability for each type of tobacco divided by ten.

DELEGATE HOGAN: That liability was not set by the Commission, it is a known number based on, the differential, or the way you've got it set up now, because we took that ten-year commitment, the differential for Southside and Southwest has gone away, as far as I'm concerned.

SENATOR HAWKINS: It's washed out.

DELEGATE HOGAN: Is that right, Ned?

MR. STEPHENSON: Nothing in this plan affects the indemnification payment stream, and so forth. Nothing we're doing here today affects that. That comes from the MSA payments and will continue as planned.

SENATOR HAWKINS: It's an accelerated payout when we look at total obligation at the end, it's already been worked into the formulary.

DELEGATE HOGAN: We agreed, or maybe the statute, the payout was twelve dollars a pound. What is the payoff per pound? What is the total number for growers and quota holders combined?

MS. WASS: Combined, it is twelve dollars per pound.

DELEGATE HOGAN: That is true in Southwest and Southside?

MS. WASS: Yes.

DELEGATE HOGAN: Southwest paid their farmers more quickly and accelerated that. Now, if we're going to flatline this stuff --

MS. WASS: -- We're taking the remaining obligation for burley and dividing it by ten years. Whatever the remaining obligation was, for 2002 after --

DELEGATE HOGAN: -- The fact that they accelerated, do you see where I'm going?

SENATOR HAWKINS: Less obligation if they were not able, they have

anticipated their, the only thing they're picking up is the balance of the obligation.

DELEGATE HOGAN: The same way with the balance of the Southside?

SENATOR HAWKINS: They're picking up on that.

DELEGATE HOGAN: I'm happy with that one.

SENATOR HAWKINS: If there is anyone that is not confused, let me know.

Does everyone understand that part of the allocation?

Moving on, the next piece has to deal with Economic Development allocations and how to deal with that.

DELEGATE HOGAN: Bearing in mind there's a big commitment at the Institute, a big commitment for Riverstone. We cannot, can't be dealt with through this stuff.

SENATOR HAWKINS: We're trying to account for that. Slow up, let's back up. When we first got the allocation of formularies based upon various things. The larger counties, and I represent one and you represent the other, Pittsylvania County is the largest tobacco-producing county. The allocation stream was a fairly large sum of money. In order to try to put in place an Economic Development piece as rapidly as possible we allowed an obligation to be incurred by the counties and cities based on their formulary and based on their monies, also Halifax and Riverstone. We signed an agreement with the bank that as long as the MSA money came in it would be loans. We're not going to walk away from that. Remember that every time we change the formulary the larger counties are the ones that are affected the most, so therefore the obligation that they incurred, the Commission has the responsibility to take up that slack. You're aware of that.

DELEGATE KILGORE: How is that built in?

DELEGATE HOGAN: Mr. Chairman, we've got plans to cover that, but also covers how this is going to affect the Southside formulary. I look at these things and see 16 million dollars, Innovation and Education, I don't know what that means in the context of the projects that I'm aware of.

SENATOR HAWKINS: This is one of the many problems we're going to have to deal with. I think we need a discussion on how we're going to have to live up to our obligations. Do you want to comment on that?

DELEGATE BYRON: We had sheets that are in a little bit more detail than this at our meeting, and we decided to consolidate for this meeting. I'd like to see those, because I thought it explained it a lot better.

The money that he is referring to is included in the Innovation and Education money. You don't have any of those breakdown sheets here, I guess.

MS. WASS: This is an annual budget item. The Commission can decide how much it puts into Education and how much it puts into Innovation. What we are trying to do here is not tie you in to some number, that is an annual budget decision.

SENATOR HAWKINS: We have an ongoing obligation with Riverstone.

MS. WASS: Those would be factored in under Innovation because they have to be from unrestricted funds. In the overall formula we're talking about, Southside, it will be factored into that formula. It is more of an accounting issue to make sure that we take money out of the right side of this.

DELEGATE HOGAN: I understand that, but in terms of making decisions about how securitization affects our ability to work with communities on projects that we know about and ones we don't know about, look at the details of the numbers, that's where it is, and that's what I want to see.

I don't know how 16 million dollars, do we know how much of that is already committed to Education?

MS. WASS: There are no future commitments to Education.

SENATOR RUFF: Mr. Chairman, I don't want to add anything that shouldn't be added here, but these numbers that are assigned certain monies to any particular area I think is dangerous because getting off and trying to divide it. The reality is, I think, it's the Executive Committee's responsibility to set the budget and say how much goes to Education and how much goes to Innovation and Economic Development as we move forward.

SENATOR WAMPLER: Mr. Chairman, I have to sign off momentarily.

SENATOR HAWKINS: All right.

By going back to the taxable and non-taxable, if we securitize 50 and keep 50, the 50 percent that we're not securitizing offers some flexibility and allows us to do what, the Education, Special Projects and TROF?

MS. WASS: Agribusiness and prior commitments.

MR. CURRIN: The same flexibility you have currently --

DELEGATE HOGAN: -- But out of that you've got indemnification, and that has to come. We've got Education scholarships which are substantial. I guess we could cut off scholarships, but we're committed on those, and in good faith we can't do that.

When you look at these numbers, I think the effect on Pittsylvania, if you want to be fair about it, Danville and Pittsylvania, you could get the money for the Institute, and that would be it.

SENATOR HAWKINS: Be barely able to do that. Pittsylvania and Danville would be under the allocation, we just can't do that.

DELEGATE HOGAN: That's what I'm saying, the impact it would have on those communities is pretty substantial. Before we recommend what action we're going to take we ought to see how it plays out in the communities individually.

SENATOR HAWKINS: There is another approach we have made to include technology. If we look at the outstanding obligations we have and invade the corpus to a certain amount, we can do that, and there are other things that we can do to get that debt out of the way. This is an ongoing discussion, and I don't right now have an understanding myself exactly, because we have not talked about the formula itself and the breakdown if we securitize our current structure.

Stephanie, do we have a breakdown based on 50/50 and each county's allocation piece?

MS. WASS: No, because I guess the point is we weren't going to touch the formulas or anything like that.

DELEGATE HOGAN: In looking at this, Mr. Chairman, right now if you look at Southside Economic Development, 14 million, that's going to play out. Pittsylvania has 3.4, and the 8 million you have got is roughly half of that. Mecklenburg has got 1.8, you've got half of that, you've got 900 thousand. If you walk through this thing you're going to see, Franklin, 421, 220 or 230.

DELEGATE BYRON: Looking at the details in front of you, you're looking at that eight million dollar figure, but it does not include the two million that is already obligated for Innovation, and two or three million is in the Innovation money, see that sixteen million dollar figure there.

When we looked at this it was not that far off realizing there were going to have to be some changes made in the future as we look at some of these programs that we have funded in the past and in talking about Education and looking at where we have come from and where we need to go.

Economic Development was the, or along with Technology, was the major piece of this study, or the most important piece of this budget, I might say. This is money that is flexible in there and not that far off as far as where the money could be spent.

SECRETARY SCHEWEL: As you slice the dice and set up more and more of a

sort of structure like a stovepipe, I call it, the discretion that you have to do these things, it's limited in a parallel sort of way. I haven't studied the figures that Kathy was referring to talking about the issues that might be contemplated, but still the general point is your discretion is constrained the more stovepipes you have.

It seems to me that one of the issues, I don't represent a district, so I don't have to deal with the consequences of raising this issue, but one of the issues seems to me that you at least consider this now that you are considering securitization. Do you want to keep a stovepipe kind of approach on Economic Development, which is what you've got a stovepipe on, where you're divvying it up by jurisdictions, and Southwest doesn't do it that way, but Southside does, and it seems to me that an issue that you ought to at least contemplate is if that continues to make good sense.

SENATOR HAWKINS: Your point is well taken. Over the last four or five years, using the allocations formulas that are based on input from the local governing bodies, if you look at the quality of the projects that have been produced today by local government, it has declined in what it actually offers in the way of benefits. At some juncture it may be to the benefit of all of us to look at a different structure when it comes to an allocation and look at things and make sure we can do those things with a major infrastructure that is to the best benefit of everyone. The telecommunications piece is one of those things. Special things that come out of these communities that have real merit we might be able to take it on a case-by-case basis. But, to do that it requires a structure change.

What I think we need to start discussing now, where we plan to be as a Commission if in fact we do securitize, and to do that we're going to have to have some sort of long range working with the Budgetary Committee and try to come up with something that has some sort of support documentation about what we look like rather than in the abstract. Right now the only thing we're dealing with is abstract, and no one has any hard figures.

DELEGATE HOGAN: That's my point, Mr. Chairman.

SENATOR HAWKINS: What I suggest we do, and what we agreed to in the basic formulary function. Number one, do we in fact agree that we should look at securitization up to 50 percent of the MSA payment? Is that a given? We've discussed it several times. Does everyone agree that is a safe thing to do?

SENATOR RUFF: Until we look at these figures in detail.

SENATOR HAWKINS: In principle, do we look at that as a way that we can start some discussion if we do securitization, a reality of what we're doing in this part of the world?

DELEGATE HOGAN: Mr. Chairman, I would suggest to you that until you look at the details of how this plays out, we can either securitize or not securitize, and that is a choice to make.

SENATOR HAWKINS: If we don't have figures to support that, that's what I'm trying to get to. If we as an Executive Committee, then, go ahead and start formulating fairly soon, working with the Budgetary Committee and working with the Executive Committee and the Long Range Planning Committee so we can take certain tracks in place and current tracks for that without messing with anything where we are based on the current totals of money on the MSA.

The second track is using a budget based on a 50/50 split and the assumption of what our cash flow will be, based on information we have before us, and how those allocations would be allotted to localities based on the formulary.

DELEGATE DUDLEY: Before you get to that part, I don't think you can plug in any type of synopsis that says we're going to have anything for Economic Development work once we securitize, because the underlying reason for securitization is because we think the rest of it is going away anyway. We're looking at a sheet here that shows non-securitized funds going up every year. We're talking

about securitizing because we think the settlement is going away.

SENATOR HAWKINS: There are two or three arguments on that. In my mind there are arguments for securitization for long-range planning. If you know you have known amounts of money to deal with, you can plan better, and also for budget, and that's a reality.

Number two, if you take that piece of the overall equation out of the budgetary process itself it comes off the books. It gives us some sort of security when it comes to the legislative process, and that piece is out of the legislation and out of the budgetary process.

I think if you look at the overall structure of the tobacco industry, we're playing both ends, we're playing the safe side as well as trying to gamble with the future. If it collapses we still have that money in place. If we don't, the worst thing we would have done is be able to have money in our hands. I don't see a downside to securitization.

The third track I would like us to deal with, since the Executive Committee is going to have to make a recommendation, two budgets. One, based on the current structure and two, based on 50/50 split with the formularies in place of how we start looking at that structure. The third would be using the 50/50 split based on a complete change of the allocation formularies and putting more money at our discretion, being able to invest in Economic Development activities that have more impact on our regions than just 50 thousand here and a hundred thousand dollars there.

DELEGATE HOGAN: If you look at not securitizing, then look at this formulary and how to allocate these funds, I think that's worth looking at. Going back to what Senator Wampler was talking about and what Southwest's needs are, and they want to spend 20 or 30 million in the short-term on projects they know about. If that is their problem then we may very well be able to address that within the context of our existing formulas. I think our formulas are worth taking a look at. I wouldn't argue with you about that, but that doesn't, we don't have to securitize to do that.

DELEGATE BYRON: With the monies we need, Technology is looking for a large chunk of money, not only in Southside but Southwest. Where are all the dollars coming from? If we don't start getting those investments in now, and from what we can see and going out and taking a whole different approach for Economic Development, then in the long range rather than in putting in a little project here or a waterline there and cows out here, whatever the idea may be, they all have some merit to them, but we're going to have to start looking ahead now and looking at a whole different approach. I think we need to move forward.

SENATOR HAWKINS: We're talking about changing Economic Development for the entire two regions. I personally would rather take the monies we have and build an infrastructure based on telecommunications for all the counties so that at least we will be putting in place something that will not disappear, and everybody will have an opportunity for Economic Development, because there is a chance here we'll be able to do something, but that's beside the point.

Let's do something different, because we're getting off track here. Let's go around the table --

SECRETARY SCHEWEL: Mr. Chairman, in terms of from Ned's point of view and others, is there something we need to do today in order to keep the process moving forward, or is that not before us?

SENATOR HAWKINS: I think we have authorized the process to continue, we will have to stop it ourselves by actions of the Committee. What I would like to be able to do, Mr. Secretary, is to start looking at really what scenarios we're facing and what choices we have.

SECRETARY SCHEWEL: We don't have to decide, I just wondered if there was something we had to do.

SENATOR HAWKINS: I think before we go before the Full Commission we

have to be fairly comfortable with the decision we make, or recommendation, and until we see some real hard budgetary figures and get our hands on it --

DELEGATE KILGORE: -- Is there going to be another opportunity before the Full Commission meeting to look at these details?

SENATOR HAWKINS: I would suggest we have a budgetary sub-committee for Long Range Planning to start working on the different budgets and have another Executive Committee meeting fairly soon and go through the options that we have and come up with some recommendations that we feel comfortable with as an Executive Committee. Then we'll give the Full Commission a breakdown of our discussions, what the options are, why we've reached the decisions we have reached.

MS. WASS: Do you want a county-by-county breakdown on this sample budget, what it would like?

DELEGATE KILGORE: Are we talking about just Southside?

SENATOR HAWKINS: We don't need it for Southwest.

In my own mind, Stephanie, what we need is to make sure that when we start looking at the long-term investments we have an understanding of what these cash flows, both positively and negatively, the responsibilities we have for the Commission, have the different breakdowns, and also by going back and reviewing the entire allocations formulary and see if we can better use our money in other things.

MR. CURRIN: About two months ago I directed the Staff to come up with some scenarios that worked as far as the Southside formula. The work is not quite done, but we are working on it.

SENATOR HAWKINS: Let's go around the table and get everybody's opinion.

DELEGATE HOGAN: I guess the devil is in the details, from my perspective. I want to see how these numbers break out and how they are going to work before I can make any kind of decision on what I think is a good idea.

SENATOR HAWKINS: We'll all do that.

DELEGATE HOGAN: I reserve judgment until I see those hard numbers.

DELEGATE DUDLEY: I would tend to agree to a point, but I'm still not clear. We're spending money a year before we get it, and at some point we meet that crossover and we securitize, and I've never seen a good set of numbers of what happens at that point. I think the Staff needs to have a report for us before we start working on any kind of budget. Something is going to have to happen.

MR. ARTHUR: In my mind the decision was whether or not to securitize, or we don't. I thought we made that decision based on the fact that, I don't have the confidence that ten years from now we're going to have this MSA or tobacco companies are going to still be operating in the sense that some other people still think that is a possibility. I therefore agree that we're going to have to have some numbers, rather than pulling them out of the air. I don't believe the MSA payments are going to be there, and therefore I believe in securitizing, and that's the key to the whole thing, and we can decide how we're going to spend it.

DELEGATE BYRON: I think securitization is a good thing, and we can do more for our communities by having those dollars now and investing them now.

SENATOR HAWKINS: The securitization piece, we have discussed it for the last several years at least once, but every time the Commission voted on it, it voted to securitize.

SENATOR RUFF: The problems that our communities face today with the loss of textiles, tobacco, furniture, is impacting us more. Right now it would be nice to have a cash flow, money, thirty or fifty years in the future. The reality is that our problem is now, and we should be able to have the money to have an impact when we're down at the lowest point.

SENATOR PUCKETT: I've always supported securitization efforts. It gives us

some security in having funds for a long period of time. I don't want to speak for the entire Southwest delegation. Joe is over at a bill signing, but I think we're pretty satisfied with our commitment to securitization at 50 percent.

SECRETARY SCHEWEL: Securitization, the point that Delegate Dudley makes before about sort of arguing on both sides of your mouth when you look at these sheets, and I think that is an important point, but I tend to analogize it to buying and creating a portfolio in which you have stocks and bonds. The fact that you have both stocks and bonds doesn't mean that you think the stocks are going to go bankrupt, it's just that you decided that that is a good way to spread the risks. It seems to me that is what we're doing, and that is the appropriate approach.

The only other point I would make is that I do think that you should look at the Economic Development allocation to see if that is still, in Southside, whether that is still making sense, given that we have looked at the cream of the crop in projects, and are we still going to be funding things because they know it's going to be funded and they're not going to pay for it out of the county's and locality's budget, where they would otherwise be funding themselves. Are we really making a difference?

DELEGATE KILGORE: I would agree with a lot of what Mr. Secretary says, splitting things up and hedging, we've done a lot of good with the Tobacco Commission, we've had a lot of success, but I think this is an opportunity here to do things a little bit faster and help our communities a little bit faster. I think we'll make the right decision here. I would like to see some of the details and some of the things you all are worried about. Southside I'm not worried about, because we do ours a little bit different.

MR. ARTHUR: From an Economic Development standpoint, I agree with Mr. Secretary here, we've seen the best of the best so far, and from here on out it appears the opportunities have gone downhill to do as much good, and therefore this formulary that we have been using would be passé now, we don't have to use it anymore. We might want to take another approach to funding. It doesn't matter which county, if we've got a good project we can fund it. By securitizing we do away with this year-to-year budget because we know we've got some money out there that we can take and hit major items that are going to be good for all of us as opposed to as you said in the past 50 thousand here for this water project out in Campbell County is not doing much good for anyone. I didn't mean to pick on Campbell County. Campbell County doesn't get much allocation, therefore we can't do much.

SENATOR HAWKINS: In the last several days I have talked to several people. There are some fairly large projects out there that need funding that have regional impact on more than one county.

MR. ARTHUR: Technology --

SENATOR HAWKINS: -- Let's do this. It's my understanding from the discussion the allocation split on Economic Development, that we're comfortable with the normal split in Southside and Southwest. We're looking at, if we securitize with the 50/50 split, that's the maximum we feel comfortable in doing. The securitization piece is ongoing, and unless we stop it, and the decision has already been made. The next step is to go on to another step and see what happens later on. In order for us to have an intelligent discussion, in my mind based on options that we are discussing, we need to go back and look at the budgetary process, and we need to look at some hard figures based on our history and based on projections that we're making and based on the information we have before us. What I would recommend, Kathy, is that you get together with your sub-committee and work with the budgetary sub-committee we had in place, and we'll probably need to change that. We need to probably have two different budgetary committees, one from Southwest and one from Southside, start to look at the formularies, and they are different, and we need some work on that.

Let's set up a Southside sub-committee with Delegate Dudley and Tom and probably, Allen, have you got time to do this? So Allen, Clarke, Tom and Gary Walker and Claude Owen, look at Southside and how we're doing things.

DELEGATE HOGAN: That makes sense, Mr. Chairman, and to do what you're doing we may want to. What you're saying is that if we take Economic Development, Technology, Education, Special Projects and Agribusiness, sort of rub those in together and say if you have X amount of money, how would you spend it?

SENATOR HAWKINS: Look and see how you spend it. It's how it affects the counties. You have to remember the indemnification piece will stop, we're not talking about that.

DELEGATE HOGAN: We're not worried about that. Frank, do you want to be on that?

SENATOR RUFF: Let Tommy do it.

SENATOR HAWKINS: Southwest Virginia, Terry.

MR. CURRIN: Maybe Delegate Byron's committee, they've done work on that. Delegate Byron's committee has done their work today, if you want to split the two regions and have a sub-group do the work and report to the Executive Committee, it will become a scheduling nightmare, and there is a lot of overlapping.

SENATOR HAWKINS: We'll put Tommy on it, and they can get the information, and Southwest all work as a group.

DELEGATE KILGORE: Is William still there?

SENATOR HAWKINS: No.

DELEGATE KILGORE: We've got a meeting scheduled.

SENATOR HAWKINS: What we need before the next Executive Committee meeting is to come up with a plan of what we're going to do.

SECRETARY SCHEWEL: Mr. Chairman, any chance we could add a couple of non-legislators to these groups?

DELEGATE KILGORE: We're going to meet with all of ours.

SENATOR HAWKINS: Well, on Southside we've got Mr. Walker and Mr. Arthur and Mr. Owen, and Secretary Schewel, you could be on both. They could use your expertise in this area. This is really important. We've got to make some fairly tough decisions and make recommendations that make sense to these communities long-term. If we don't spend the time to come up with the right sort of information to support the decisions we have to make, this whole thing will fall apart. So far we have been able to make decisions that have worked for the benefit of the entire communities, and I don't think anybody can take one thing that we have looked at that we have made a mistake on. We've got to make sure that we are comfortable with what we're recommending to the Commission. When we leave this, it is going to be a legacy that is ongoing. We can't leave something important out, that won't work, this has got to work. Securitization gives us the ability to put a bump in the economy we need to do desperately and get it done.

DELEGATE BYRON: Mr. Chairman, are we dealing with made-up numbers, or what numbers are we going to deal with?

SENATOR HAWKINS: I hope we can get some hard numbers. Can we come up with the history and projections?

MS. WAGNER: Are you talking about the MSA payments?

SENATOR HAWKINS: Yes.

MS. WAGNER: We will have the current economic forecast, and we will get that

to the Commission.

DELEGATE HOGAN: When you run a business plan, and I never bothered to do the best case scenario, but sort of okay and what's bad. I think we probably ought to look at these MSA payments from growers, I'd like to get the logic. I would like to hear a flatline of where we are and see how those numbers go together. That's what you would do if you were putting together a business plan.

MR. STEPHENSON: Quite obviously, Mr. Chairman, the information before you today is speculative, and we just don't have it. As time progresses between now and the date that the bonds actually get sold, we will have more and better information all the time. It's just a matter of whether we can get that information to you in these committee meetings before the Treasurer needs to make her decision.

SECRETARY SCHEWEL: A question was asked about the numbers on the unrestricted side. I understand about the rise in the numbers, but on the restricted side where you have the four percent assumptions, did that get fixed because of arbitrage restrictions or interest rates, or if interest rates go up will we get a better yield?

MS. WAGNER: Well, if interest rates go up we can get -- it depends more on the bonds, whether they are paid --

SECRETARY SCHEWEL: -- If we issue 300 million in bonds, and we're paying --

MS. WAGNER: -- Six and a quarter percent, the four percent is not the arbitrage, what we think we can earn on the money.

SECRETARY SCHEWEL: The amount we pay should be assigned to the MSA?

MS. WAGNER: Yes.

SECRETARY SCHEWEL: Then we deposit, and we're earning on that money.

MS. WAGNER: Yes.

SECRETARY SCHEWEL: Interest rates have been historically low recently.

This assumes the same interest rate throughout?

MS. WAGNER: Yes.

SECRETARY SCHEWEL: Four percent. If interest rates go up, then we'll earn more than four percent?

MS. WAGNER: Yes.

SECRETARY SCHEWEL: We capped --

MS. WAGNER: -- In the aggregate, as I understand the law, over the life of the bonds we can't exceed six and a half. If one year we earn eight percent and the next year four, that's okay.

SECRETARY SCHEWEL: But the four percent, we would have the potential to go above that?

MS. WAGNER: The four percent is sort of an assumption for fixed income securities we anticipate you can earn. The need for this money, we're not buying Apple Computer.

MR. CURRIN: Do you know why those figures go up?

MS. WAGNER: The MSA payments. In the last projection done by economists the last time they got paid to do it when we were involved, they're projections that they had, and I assume it's inflation, why the numbers go up.

MR. FERGUSON: Under the dateline schedule of payments under the MSA they go up. So the base that we work from, Anne Marie and I were talking, take 2007, nine billion nationally, but the total amount that they start from before they do all the adjustments goes up and is still going up, that's one reason.

The other reason is, love it or hate it, the Allocable Share Amendments around the country are going to level off because of some of the forces.

DELEGATE HOGAN: That's a happy supposition I have heard before. I'm not suggesting you're advocating it --

MR. FERGUSON: -- That goes into the analysis that gets you there, but if you don't buy it that's one thing.

MR. CURRIN: In pricing the bonds in the current condition, Jody, the market is based on where it was, and then --

MS. WAGNER: -- Slightly higher.

DELEGATE HOGAN: Fifty percent of three hundred million, and when you all were in Roanoke it was sixty percent of three hundred million. I asked that question, and everyone clearly said it was 60 percent. Ned, I think you answered it. If you look at 60 percent of 300 million, now it's 50 percent, which is it?

MR. STEPHENSON: The important thing to know here is that there are a multitude of variables that we are dealing with today, and that is just one of them. The interest rate where the haircut is and what the net endowment will be. There are a multitude of variables, and I think that is giving the Committee heartburn. That is, too many things are not known today. That is an unknown.

DELEGATE HOGAN: The bottom line is I can deal with the known unknowns, it's the unknown unknowns that create the problem. When Bear Stearns comes back and says we did the best we could for you, but we can't give it two forty, where is the trigger? Where do we say no? That could very easily happen. I would suggest to you that probably will happen, maybe it will be two eight-five. It will not be more than 300 million, and I think you know that.

MS. WAGNER: Actually, the projections we got, I think the Governor, more than 300 million, but what you all need to do is tell us at what point we walk away. Nobody is going to force us to close. From the day we get ready to price, if you don't think these net proceeds are adequate we can take a walk.

DELEGATE HOGAN: We need to talk about settling triggers and what deal we're willing to take and what deal we're not willing to take. We've got to decide that ahead of time, because we're not going to get a quorum together and poll everybody, we can't do that.

MR. ARTHUR: Mr. Chairman, Ms. Byron and I have decided that we don't really understand our charge. Would you restate the charge?

SENATOR HAWKINS: What we need to do in order to come up with some sort of an understanding of what options are before us. Rather than having an abstract that we're dealing with on the projection is to actually have hard budget projections made based on different scenarios.

The first budget would be drawn up in a traditional manner that we deal with and look down and see how that lays as far as the localities are concerned.

Then have a budget based on 50/50 allocation of the split and have a budget in place with the formularies and the allocated pieces and what happens to our localities there. Factor in our outstanding obligations with that.

The other piece is dealing with doing away with the allocation money and the flexibility by using the same figures in all three budgets, we'll be able to determine where we are and what we can do and make some recommendations.

Does that make sense?

DELEGATE BYRON: Yes and no. You're talking about three different budgets

and the second one based on the 50/50, and we somewhat did that in our Long Range Committee, but we didn't do the third, which is the allocation. It depends on how deep you want that discussion to go. If you're going to look at the discussion being all about how Economic Development is going to be done in the future based on what may or may not happen. If that should be part of the discussion, or is that getting off track.

The other piece was talking about Economic Development, and it didn't just deal with the endowment earnings, unless that is what you want them to stick with, because you have closing funds and other things that are tied into the Education and Innovation piece.

SENATOR HAWKINS: We need all that spelled out as best you can. What I'm trying to get across is that if you look at the current allocation formula, the counties have been using a certain percentage of money that is known. If in fact we do the securitization those monies will change the way they are delivered to us. So, does it behoove us at that point to change the formulary back, where you've got counties that are getting a million, they get four hundred thousand dollars and what they can do with that, or are we better off looking at something that will have more impact to the region rather than taking those monies and reallocate them on the formulary.

We need to see these figures and understand what impact we're looking at. We may find out it does not justify doing that with the localities because it would not have the impact that we could make as a Commission looking at larger projects. Does that make sense?

DELEGATE HOGAN: We could look at it and say we'll give every county in Southside 250 thousand, and over and above that you compete, we could come up with something like that.

SENATOR HAWKINS: We're at a point now where we're going to have to make some decisions based on long-term plans and based on some sort of understanding where we can go with the monies that are available to us. We need, in my mind, to have some sort of road map so we'll know where we're going with things. I'm not comfortable right now.

SECRETARY SCHEWEL: There is going to be no under 50 percent scenario. The amount you have to budget is always going to be less, long-term it is going to be less than the non-securitization. So it's going to be a little hard to do an apple-for-apple, because it is going to be less.

SENATOR HAWKINS: At least we'll have some understanding of what we're looking at with the numbers. The last piece will give us the ability to understand and have monies in the bank, which is a dependable position to be in, to have the bonds backing it up. We've got to come up with, it's complicated enough, and we need that sort of input from the Committee members. We need somebody to chair this, and, Allen, I know you're busy at the bank, we need somebody to chair this thing, Allen, congratulations, with your banking background, all right. We've got some tough decisions to make, and we may make a decision that we're not very comfortable with. It's going to have to be done.

Does anybody wish to say anything else today? Southwest does things a little differently.

SENATOR PUCKETT: We do things a little different, yes. When you don't have much money, you're limited, and we recognize that.

MR. STEPHENSON: One note, Mr. Chairman, including today and between now and the Commission meeting on the 28th, I think we have scheduled eight committee meetings in the next three weeks' time, so there is a lot before us.

SENATOR HAWKINS: We may have to restructure that.

MR. CURRIN: Senator Wampler has suggested to me that, at least from the Southwest's point of view, Southwest Economic Development and Special Projects Committee, his committee delay action until we decide what we're going to do. That doesn't have a direct impact on where the monies flow. I think it's being a little conservative, and I thought I'd pass that on.

SENATOR HAWKINS: I don't think we can allocate any money to anyone until we decide.

DELEGATE HOGAN: Does that include Southside? Can we put all those committees on hold until we get this thing?

SENATOR HAWKINS: I think we should do that, because we can't allocate any money.

MR. ARTHUR: That was the only thing we were going to talk about on the 12th, we could put it off. We don't have enough information to make a decision until we can get this information before us on these recommendations.

MR. CURRIN: Mr. Chairman, I would appreciate a motion directing the Staff to hold off until the appropriate time.

SENATOR HAWKINS: Is there a motion? All right, there is a motion and a second. It has been moved and seconded that we alert our localities as to what we are dealing with in the allocation piece dealing with the possibility of securitization. They will be part of the overall discussion and understand what is going on. Any discussion? All in favor? (Ayes.) Opposed? (No response.)

MR. CURRIN: A housekeeping matter. We need a motion to approve the Minutes of the previous meeting.

SENATOR HAWKINS: It has been moved and seconded that we approve the Minutes of the previous meeting. All in favor say aye? (Ayes.) Opposed? (No response.) All right.

MR. CURRIN: A further housekeeping point, unless there is some other business on this subject we have to open up to public comment.

SENATOR HAWKINS: It's time for public comment. Is anyone here from the public that would like to say something?

It may be to our benefit that we allocate money to the technology piece and telecommunications and move on.

MR. CURRIN: I want to make sure, Mr. Chairman. The Southside Committee will be chaired by Delegate Dudley, and Southwest you'll defer to Delegate Kilgore, and Secretary Schewel will serve on both.

SENATOR HAWKINS: Allen, you may want to allocate people from the two groups to work together on the structure, that's up to you.

MR. PFOHL: Mr. Chairman, so that I understand my marching orders, the Special Projects and Southwest Economic Development are on hold?

DELEGATE HOGAN: Well, we're going to cancel that anyway.

SENATOR HAWKINS: I don't think we can do anything until we get all the facts.

MR. STEPHENSON: On Technology there is a pinpoint we're trying to deal with.

DELEGATE HOGAN: We'll deal with it later.

MR. CURRIN: We'll have some wiggle room, if it becomes necessary we can alert the Chairman, we may have to meet on that to do it.

SENATOR HAWKINS: Is there anything else to come before the Committee? Ladies and gentlemen, we thank you. We're adjourned.

PROCEEDINGS CONCLUDED.

CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Executive Committee when held on Tuesday, April 5, 2005 at 3:00 p.m. at the General Assembly Building - 3 East Conference Room, Richmond, Virginia.**

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

Given under my hand this 8th day of April, 2005.

Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2006.