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**VIRGINIA TOBACCO INDEMNIFICATION
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Executive Committee Meeting

Monday, January 7, 2008
2:00 p.m.

Conference Room 3 - Patrick Henry Building
1111 East Broad Street
Richmond, Virginia 23219

1 **APPEARANCES:**

2 The Honorable Charles R. Hawkins, Chairman

3 The Honorable Terry G. Kilgore, Vice Chairman

4 The Honorable Kathy J. Byron

5 Mr. Clarence D. Bryant, III

6 The Honorable Barnie K. Day

7 Mr. Patrick Gottschalk, Secretary of the Department of

8 Commerce and Trade

9 The Honorable Clarke N. Hogan

10 The Honorable Joseph P. Johnson, Jr.

11 The Honorable Phillip P. Puckett

12 The Honorable Frank M. Ruff

13 The Honorable William C. Wampler, Jr.

14

15 COMMISSION STAFF:

16 Mr. Neal Noyes, Executive Director

17 Mr. Ned Stephenson, Deputy Director

18 Mr. Timothy Pfohl, Grants Program Administration Manager

19 Ms. Stephanie Wass, Director of Finance

20 Ms. Britt Nelson, Grants Coordinator Southside Virginia

21 Ms. Sara Williams, Grants Coordinator Southwest Virginia

22

23 OFFICE OF THE ATTORNEY GENERAL:

24 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel to the

25 Commission

1 SENATOR HAWKINS: All right, thank you all
2 for coming. Neal, would you call the roll?

3 MR. NOYES: Delegate Byron?

4 DELEGATE BYRON: Here.

5 MR. NOYES: Mr. Bryant?

6 MR. BRYANT: Here.

7 MR. NOYES: Mr. Day?

8 MR. DAY: Here.

9 MR. NOYES: Secretary Gottschalk?

10 SECRETARY GOTTSCHALK: Here.

11 MR. NOYES: Delegate Hogan?

12 DELEGATE HOGAN: Here.

13 MR. NOYES: Delegate Johnson?

14 DELEGATE JOHNSON: Here.

15 MR. NOYES: Mr. Owens?

16 MR. OWENS: Here.

17 MR. NOYES: Senator Puckett?

18 SENATOR PUCKETT: Here.

19 MR. NOYES: Senator Ruff?

20 SENATOR RUFF: Here.

21 MR. NOYES: Mr. Thompson?

22 MR. THOMPSON: (No response.)

23 MR. NOYES: Senator Wampler?

24 SENATOR WAMPLER: Here.

25 MR. NOYES: Delegate Kilgore?

1 DELEGATE KILGORE: Here.

2 MR. NOYES: Senator Hawkins?

3 SENATOR HAWKINS: Here.

4 MR. NOYES: You have a quorum, Mr. Chairman.

5 SENATOR HAWKINS: Thank you, and we have
6 two new members of the Executive Committee, Ed Owens, also took over
7 Chair of Southside. Bernie Day also is with us, and he is Co-chair of the
8 sub-committee as well, so welcome.

9 All right, we've got a quorum, and I'll ask for a motion to
10 approve the Minutes of October 18th.

11 DELEGATE KILGORE: I'll make the motion.

12 DELEGATE JOHNSON: I'll second it.

13 SENATOR HAWKINS: It's been moved and
14 seconded to approve the Minutes. All those in favor say aye? (Ayes.)
15 Opposed? (No response.) That motion is carried.

16 Ned, do you want to bring us up to date on the Opportunity
17 Fund?

18 MR. STEPHENSON: Ladies and gentlemen,
19 when you had your meeting in October, one of the issues you left in the way
20 of unfinished business was how to treat certain clawback and TROF
21 agreements where the companies had not performed. At that time you asked
22 us to determine what the Virginia Economic Development Partnership was
23 doing with those particular grants for which we were asking the clawback.
24 If you look in your book behind the Executive Committee tab, the last page
25 will show you the status of those same grants. There are about six or seven

1 of them, giving you the amount of money that the Tobacco Commission
2 awarded and the amount that is due. Also, the amount that the Partnership
3 awarded and the status of the Partnership grants.

4 In particular, if you remember, there were two companies who
5 appealed to you for relief on the clawback. One in particular was Globaltex,
6 Incorporated. If you remember, Mr. Jose Diaz-Llaneza made a presentation
7 to you, asking that you release him of that clawback requirement. We had
8 another one, Consolidated Glass, who also asked to be relieved. No decision
9 was made at that time, and they're back before you again for a decision on
10 whether or not they'll be required to pay those sums. I'll go through very
11 quickly both of those who have appealed to kind of help you understand
12 what the facts are, and you can make a decision after that.

13 On Globaltex in Henry County the promise was for 155 jobs, a
14 \$5.2 million investment. The company made a self-report to us saying that
15 they had 97 jobs, and the Virginia Employment Commission's filing by the
16 company showed 64 jobs. The Tobacco Commission extended the time for
17 them to make that goal by 12 months, and they still hadn't made it. They
18 asked for another extension, which was declined. The Partnership chose to
19 grant that extension. We're in a position where the Tobacco Commission is
20 asking for a refund of \$30,000 at a time when the Partnership was extended
21 for 12 more months.

22 Mr. Chairman, I'm seeking guidance from the Committee as far
23 as what you'd like to do on the appeal of Globaltex for relief.

24 SENATOR RUFF: Which employment figures are
25 we using?

1 MR. STEPHENSON: Well, I use the Virginia
2 Employment Commission filings for everyone, trying to keep things even.
3 Sometimes we self-support our investment.

4 SENATOR HAWKINS: What do the counties
5 say? Have you talked to them?

6 MR. STEPHENSON: The county wishes for the
7 company to be relieved of the clawback.

8 SENATOR HAWKINS: What type of financial
9 pressure could be placed on the company if they were required to put back
10 the 30,000?

11 MR. STEPHENSON: We've asked the company
12 for some current financials, and they have not yet supplied that. The
13 company gave quite a good story about the business difficulties they are
14 having in that particular market.

15 DELEGATE KILGORE: Are they still trying to
16 grow?

17 MR. STEPHENSON: Yes, they are still trying.

18 SENATOR HAWKINS: They're in the textile
19 business, which is probably one of the most competitive businesses out there
20 right now.

21 MR. DAY: Mr. Chairman, I don't think that we
22 can take a step until we get the financials.

23 SENATOR HAWKINS: I think you're right, and
24 we have to know what we're doing. Have you requested the financials?

25 MR. STEPHENSON: Yes, they agreed to send

1 them, but I haven't seen them.

2 SENATOR HAWKINS: By what date, do you
3 have any idea when you made the request?

4 MR. STEPHENSON: I made that request the
5 morning after we met in October.

6 MR. OWENS: Did you give them a specific time?

7 MR. STEPHENSON: No.

8 SENATOR HAWKINS: Why don't you call them
9 back this afternoon? We're meeting tomorrow morning, and we need to
10 have some idea what we're dealing with. I suggest you call the Henry
11 County Administrator; we need to find out something, we can't sit here
12 forever. Does everyone agree with that? I don't think we have any more
13 choice. Any more questions?

14 MR. STEPHENSON: I understand. The other one
15 is Consolidated Glass in the City of Galax, 54 job requirement, and their
16 filings show that no jobs were achieved. The explanation from the company
17 was that the company established a new assembly line and hired 54 people
18 for that new assembly line; but those people came from the old assembly
19 line, so there were no changes. Once that came to light, I wrote a letter
20 requesting that the money be refunded.

21 DELEGATE HOGAN: So moved, Mr. Chairman.

22 SENATOR HAWKINS: You've already written
23 them, as I understand it?

24 MR. STEPHENSON: Yes, and they appealed to
25 you, asking for relief on that decision.

1 SENATOR HAWKINS: A motion is on the table;
2 it's been moved and seconded. The question has been called for, all in favor
3 say aye? (Ayes.) Opposed? (No response.) That takes care of that.

4 Is there any legitimate reason we should not ask for this?

5 MR. STEPHENSON: Mr. Chairman, we can get
6 all of these contractual relationships we need. With respect to Globaltex and
7 Consolidated Glass, for which appeals have not been made, I'm taking the
8 core of requesting refunds where indicated, and I want to be sure those are
9 the wishes of the Committee.

10 SENATOR HAWKINS: Any questions or
11 comments?

12 DELEGATE JOHNSON: Sir, you say, can we
13 collect this on a contingency basis, or are we throwing good money into
14 bad?

15 MR. STEPHENSON: That is a question, Delegate
16 Johnson, for which I would like guidance from the Commission. When
17 there is a contract and the other party fails to perform and we ask for a
18 refund to be made and it is not promptly made, how hard does the
19 Commission want Staff to pursue the collection of the debt?

20 SENATOR HAWKINS: I think it's almost case-
21 by-case, and some things we may have to look at a little differently than
22 others, based on the circumstances surrounding the discussion.

23 DELEGATE HOGAN: Ned asked how hard
24 should the Staff pursue it. I think to the maximum extent possible, and if
25 there is a problem with that, they are certainly free to appeal to the

1 Commission, but I think Staff is obligated to enforce these contracts, period.
2 If they've got something, or extenuating circumstances they want to bring to
3 our attention, they can bring it to the Executive Committee, but other than
4 that, you have to move to collect.

5 SENATOR HAWKINS: Does that help you?

6 MR. STEPHENSON: That's what I needed.

7 The second item I have for you, gentlemen, is with respect to
8 Bristol Compressors. Bristol Compressors is a long-standing key employer
9 in Washington County and employs from all over that region. At issue
10 today is the \$600,000 incentive offer. I stress the word offer, because it has
11 not yet been accepted. The story has been going on for almost a year now,
12 and I'm seeking guidance from this Committee. I've placed in front of you a
13 piece of paper, and it is labeled Bristol Compressors, a timeline. It gives you
14 a series of events that have occurred with the Bristol Compressor grant. I can
15 let you read it, or tell the story and summarize.

16 SENATOR HAWKINS: I always like people to
17 tell me a good story.

18 MR. STEPHENSON: I'll do my best. In
19 September of '01 a \$250,000 grant was offered and accepted and paid to
20 Bristol Compressors for 350 new jobs at the plant. Much later, in January of
21 last year, Bristol Compressors was sold to a group out of New York called
22 KPS Capital Partners. At the time Bristol Compressors was sold,
23 Washington County requested from the Commission and received an offer of
24 \$600,000 to be added to Washington County's \$400,000 to make a \$1
25 million dollar incentive grant to Bristol Compressors. The promise that was

1 suggested by Washington County be given in exchange for a million dollar
2 grant was no new jobs, no new investment, but they would sustain the
3 thousand jobs they have at that plant for a period of time. That offer was
4 made to Bristol Compressors.

5 Shortly thereafter, before the grant was agreed to or disbursed,
6 the new owner, KPS, challenged the county tax assessment of the assets of
7 Bristol Compressors, seeking to reduce the county tax assessment \$100
8 million. Whereupon, the county withdrew its offer of \$400,000 and asked
9 the Commission to sustain its \$600,000 piece, which the Commission did.
10 Subsequent to that, your offer expired, and we put an expire date on all these
11 offers. Shortly after the expiration, this Committee met in Farmville in July,
12 and we talked about what we called the county liability question and whether
13 or not the county in extending Commission money to a company should be
14 liable for repayment of that money to the Commission in the event that the
15 company defaults. You made it very clear in Farmville in July it's always
16 been your intent that the county be liable for the grant in the event the
17 company defaults. When that information got to Washington County, the
18 county declined to sign any agreement wherein our \$600,000 that went to
19 Bristol Compressors the county would be liable for that. The county now
20 comes today with a letter, they have a written a letter to us, Washington
21 County, which you have on the table for you, asking that you waive the
22 county liability requirement and grant the \$600,000 to Bristol Compressors
23 as originally stated.

24 MR. DAY: What is their employment to date?

25 MR. STEPHENSON: The last time I looked,

1 several months ago, it was on or about 1100 people.

2 DELEGATE KILGORE: Ned, have the other
3 counties signed, other counties that we participate with in these types of
4 agreements, have they signed these types of agreements?

5 MR. STEPHENSON: As you know, Delegate
6 Kilgore, we've done many TROF agreements, and other counties have
7 signed routinely. In July in Farmville, when you made it clear that the
8 counties are liable upon default, I'm getting considerable pushback from a
9 number of counties on that particular clause. That clause appears on the
10 back side of the timeline, if you want to see the language of it. It basically
11 says if the company fails on its promise and cannot or does not repay, the
12 county must make arrangements to repay the Commission.

13 So, I bring two questions before you on this matter. The first is,
14 does the Committee want to waive the county liability requirement in the
15 case of Bristol Compressors in Washington County? Secondly, do you want
16 to renew or reaffirm the original \$600,000 offer, because technically it has
17 expired, you're off the hook. I will tell you that grants like this often expire
18 and we keep the money in place and continue to try to work it out to see if it
19 is going to work. So, the money is in place.

20 DELEGATE KILGORE: I think the second
21 question is easier to answer than the first question. I hope we'll keep it in
22 place, because they have maintained their employment level as to what they
23 agreed to. We'd be in a worse situation if that Bristol Compressors closed
24 down. We'd have to pay unemployment and things like that. It was very
25 imminent, as Delegate Johnson knows and Senator Puckett and Senator

1 Wampler know. That would be a very bad situation for us. I hope the
2 Committee agrees to renew the original offer.

3 As far as the first question, I don't know.

4 SENATOR WAMPLER: Mr. Chairman, as far as
5 the clawback provision, the company would be the signature for that
6 provision, rather than the county.

7 MR. STEPHENSON: Correct.

8 SENATOR WAMPLER: Then our protection
9 would be there, we'd have to believe that as far as reimbursement for the
10 Commission should they not meet the requirements. I think the Secretary
11 looked at that at one point in time and noted his reservations, but I think
12 we're still trying to keep people at work.

13 SENATOR HAWKINS: Have they signed the
14 agreement?

15 MR. STEPHENSON: They have not yet signed.
16 These are the issues that are in the way of completing the agreement.

17 SENATOR HAWKINS: They will sign?

18 MR. STEPHENSON: They want to, but the
19 company is eager to sign and receive the money, but the county does not
20 want to sign if the county is to be liable.

21 DELEGATE HOGAN: Why did the county
22 rescind their \$400,000 offer?

23 MR. STEPHENSON: My understanding, Delegate
24 Hogan, this is secondhand, but my understanding is that they rescinded their
25 offer upon hearing Bristol Compressors' challenge to the tax base. They

1 would lose 100 million off of their books in tax revenue, tax value. That
2 caused them to pull back their piece.

3 DELEGATE HOGAN: It's my understanding that
4 we don't actually give the grants to the businesses but we give them to the
5 county. If we're actually going to give a grant to the county, they're not
6 going to accept any responsibility for it, is that correct?

7 MR. STEPHENSON: That's correct.

8 DELEGATE HOGAN: In spite of the fact that we
9 adopted a policy earlier this year and said we weren't going to do that any
10 more, is that what we're being asked to do?

11 MR. STEPHENSON: Yes.

12 DELEGATE HOGAN: I'm not missing anything?

13 MR. STEPHENSON: No, sir.

14 SENATOR WAMPLER: To take it a step further,
15 the county feels like they have already given, so to speak, inasmuch as they
16 have a reduced tax revenue stream and reduced assessments. They went
17 through this process. I think Washington County might be 57 cents on the
18 dollar, and that's probably not that far off in what they feel like they've
19 already done and contributed to try to keep the business open. I think the
20 conduit would still be to grant the county, but the clawback provision would
21 be directly attributable to the corporation rather than the county.

22 MR. DAY: Mr. Chairman, I move we reaffirm our
23 insistence on the county liability, renew the offer of \$600,000 for a period of
24 six months.

25 SENATOR HAWKINS: It's been moved and

1 seconded.

2 SENATOR RUFF: How long did the, the 1100
3 jobs that are there, how long are they committed to keep the thousand jobs
4 for that 600,000? Five years?

5 SECRETARY GOTTSCHALK: Five years.

6 SENATOR HAWKINS: In a six-month time
7 frame, I guess negotiations would be on-going between the parties?

8 MR. DAY: What I think, Mr. Chairman, is they
9 don't really need this money. They're not acting like they need it.

10 SENATOR WAMPLER: If there is a motion on
11 the table, I'd offer a substitute motion, and that is that we direct the Staff to
12 re-negotiate the offer on the part of the Commission directly to the county in
13 the amount of \$600,000, and that the clawback provision be directly tied to
14 the level previously negotiated. That would be my motion.

15 SENATOR PUCKETT: Second.

16 SENATOR HAWKINS: Everybody comfortable
17 with that motion?

18 DELEGATE HOGAN: Mr. Chairman, I want to
19 make sure I understand this. Barnie is over there shaking his head saying
20 that would accomplish the same thing as his motion, or not?

21 MR. DAY: I think it does.

22 DELEGATE HOGAN: If the county is under,
23 under Senator Wampler's motion is the county liable or not liable?

24 MR. DAY: The county will be liable.

25 SENATOR HAWKINS: To negotiate the liability

1 back to the county or the company.

2 MR. DAY: I stand corrected.

3 SENATOR HAWKINS: Someone assumes the
4 liability, that's what I understand the motion to be. It would be the county or
5 the company itself, is that your motion?

6 SENATOR WAMPLER: It could be the county,
7 but I suspect --

8 SENATOR HAWKINS: -- As long as someone
9 signs a letter of obligation.

10 DELEGATE HOGAN: Mr. Chairman, if we're
11 going to do that, then I suspect we ought to structure the county liability
12 clause. I can't understand the difference between this particular case and
13 every other case before it. If you're not going to hold the county liable in
14 one case, why would you hold them liable, or if you're going to hold them
15 liable in one case, you ought to do it in every case or not at all. If the county
16 isn't a partner or the localities aren't partners or not willing to accept some
17 liability, then I guess we're going to have to be more diligent in what we're
18 doing.

19 SENATOR HAWKINS: Point well taken.

20 SENATOR WAMPLER: Mr. Chairman, without
21 going over it again, the county already reduced the tax liability, the
22 corporation's liability has been reduced, and the county's revenue stream has
23 been reduced, and they feel like they have participated in what their share
24 would have been in the aggregated package. If the Delegate wants to have
25 all these people go down that path, that's one thing, but I would hope the

1 Commission would not do that.

2 DELEGATE HOGAN: Mr. Chairman, I don't
3 want people to be unemployed; in fact, I resent that.

4 SENATOR HAWKINS: Let's get back on the
5 discussion before we get off here.

6 DELEGATE JOHNSON: What Senator Wampler
7 said is true. If Bristol Compressor was sold, they were going to move from
8 Washington County until the county worked with them on the taxes, and that
9 was part of this. If they hadn't done that, Bristol Compressors, the new
10 owners would have left, and we would have lost around 1200 jobs, and this
11 was worked out with the county and kept them there.

12 MR. STEPHENSON: Mr. Chairman, the letter
13 from Washington County is long, and there is an important point in it that I
14 need to make on the county's behalf. The county is asserting that it entered
15 into the negotiations for this grant at a time when the county liability clause
16 was unclear or absent. Since that time their grant has expired and you
17 affirmed the county liability clause. They have used the term "grandfather"
18 to suggest that they be permitted to close this grant on the same terms as the
19 negotiations originally started. That's the position that the county has taken.

20 SENATOR HAWKINS: Does that give anybody
21 any problem?

22 MR. DAY: Is that a true position? Were you soft
23 with them on that?

24 MR. STEPHENSON: The county liability
25 language in the earlier agreement was very unclear, and it's very reasonable

1 for the county to read it and not believe that they are liable. That is the
2 position they took, and that is reasonable.

3 MR. DAY: That adds new light to it.

4 SENATOR HAWKINS: What I understand the
5 motion to be that Senator Wampler offered is that negotiations continue for
6 the 600,000 but the final signature for the agreement, be it whoever, would
7 guarantee our money, someone not held in harm's way.

8 DELEGATE HOGAN: Mr. Chairman, before we
9 act on the motion, I would suggest to you that this is not the only case it's
10 going to happen, and there are going to be some big problems for a lot of
11 folks. We went through a lot of talk about this with the county liability
12 clause. I suspect every county would not like to be held liable for these
13 obligations, and if that's the route we want to go, the Staff will have to find
14 somebody to sign for the liability. I suspect the easiest way to do this,
15 withdraw the motion that Senator Wampler and Mr. Day made, simply strike
16 the liability clause in the future and adopt a clause that looks more like the
17 clause Senator Wampler made to start with.

18 SENATOR HAWKINS: Even when we talked
19 about this formula and adopting this clause, there was discussion that we'd
20 have to look at this on a case-by-case basis, everything would have different
21 sorts of involvement. We'd have to have some flexibility.

22 DELEGATE HOGAN: Isn't that what Senator
23 Wampler's motion is?

24 SENATOR WAMPLER: No, it's very focused.

25 DELEGATE HOGAN: In general, negotiate a

1 deal where someone signed and adopt it as a bylaw.

2 SENATOR HAWKINS: We need to have a
3 signature in place, and the policy now is one that we agreed on in Farmville.
4 We also said then, or at least it's my understanding, we would still look at
5 each one on a case-by-case basis, and if the situation was such that we could
6 make some exceptions, we would look at that.

7 MR. DAY: It seems to me that the Commission is
8 complicit in this misunderstanding because we were unclear on the front end
9 what the conditions were. Is that true?

10 MR. STEPHENSON: I believe that is, yes, sir.

11 MR. DAY: I don't think we've been unclear on all
12 of them.

13 SENATOR HAWKINS: A motion has been made
14 and seconded and a substitute motion made and seconded. We have before
15 us the substitute motion made by Senator Wampler that provides some
16 guarantees for repayment in case there is a default on this 600,000. Any
17 more discussion?

18 MR. OWENS: This just is this one deal we're
19 talking about? This is where the county signs off or the company?

20 MR. STEPHENSON: Both of them.

21 SENATOR HAWKINS: This only affects this one
22 deal with Bristol Compressors, and that's it.

23 DELEGATE KILGORE: Mr. Chairman, I think
24 we're pretty clear on that. We are clear on that right now, aren't we?

25 MR. STEPHENSON: I believe the language

1 appearing before you on the back of this sheet is abundantly clear, because
2 the county attorneys are all calling it that.

3 SENATOR HAWKINS: Please call the roll, Neal.

4 MR. NOYES: Mr. Bryant?

5 MR. BRYANT: Yes.

6 MR. NOYES: Delegate Byron?

7 DELEGATE BYRON: Yes.

8 MR. NOYES: Mr. Day?

9 MR. DAY: Yes.

10 MR. NOYES: Secretary Gottschalk?

11 SECRETARY GOTTSCHALK: Yes.

12 MR. NOYES: Delegate Hogan?

13 DELEGATE HOGAN: Abstain.

14 MR. NOYES: Delegate Johnson?

15 DELEGATE JOHNSON: Yes.

16 MR. NOYES: Senator Puckett?

17 SENATOR PUCKETT: Yes.

18 MR. NOYES: Senator Ruff?

19 SENATOR RUFF: Yes.

20 MR. NOYES: Mr. Thompson isn't here.

21 MR. NOYES: Senator Wampler?

22 SENATOR WAMPLER: Aye.

23 MR. NOYES: Delegate Kilgore?

24 DELEGATE KILGORE: Aye.

25 MR. NOYES: Senator Hawkins?

1 SENATOR HAWKINS: Yes.

2 MR. NOYES: Mr. Owens?

3 MR. OWENS: Yes.

4 SENATOR HAWKINS: The motion carries, and
5 we'll make a recommendation before the full Commission. Mr. Reynolds
6 will be with us tomorrow, and we'll have more in-depth discussion.
7 Basically, it is that somebody has got to sign off.

8 MR. STEPHENSON: One more item, Mr.
9 Chairman, of a budget nature. And, if I might ask Stephanie, if I might
10 impose on my colleague Stephanie. When you began this fiscal year,
11 gentlemen, you budgeted \$5 million for TROF deals. After that you added
12 2.9 more. We've spent all of that 7.9, and we have two and a half million
13 dollars worth of deals already approved, subject to future funding. In other
14 words, we're short two and a half million.

15 I present this to you, asking if you would like to make budget
16 amendments to further fund the TROF program and keep it going, or
17 whether we should stop until July 1 when there is a new budget year.

18 SENATOR HAWKINS: No need to transfer
19 money, in my opinion.

20 DELEGATE KILGORE: How much do we need?

21 MR. STEPHENSON: If you'll look in your book
22 behind the Executive Committee tab, I think it's the second page. There is a
23 brief synopsis of where we are. If you were to transfer an additional two and
24 a half million to the TROF Fund today, that would enable us to approve all
25 the deals that are in the pipeline now, but we'll have six more months to go

1 with no more money. My suggestion to you is that you consider something
2 in excess of two and a half million dollars to keep you going for another
3 several months.

4 DELEGATE KILGORE: How much are you
5 suggesting?

6 MR. STEPHENSON: With six months to go,
7 Delegate Kilgore, I think if you were to transfer five million dollars, two and
8 a half to catch us up and two and a half to last for the next six months, you'd
9 probably run out of money again before July.

10 MR. NOYES: Mr. Chairman, this is a lot of
11 money, and everybody recognizes that. It's also important to recognize that
12 this is the good news, because we are seeing some fine companies come to
13 the region, and because of the way the formula is established. This is not a
14 bad new moment, that's the point I wanted to make.

15 DELEGATE KILGORE: I would agree, and I
16 think this is a good thing that this Commission has participated in, creating
17 jobs and closing deals. If you think five million is enough, I'll make that
18 motion.

19 SENATOR HAWKINS: The motion has been
20 made and seconded that five million be transferred.

21 MR. STEPHENSON: We should identify the
22 source of the money where it is to be transferred, and that's detailed in your
23 book, that tab. In particular, the Staff is suggesting that the undesignated
24 reserve, a million one odd, be used for this purpose. In addition, the balance
25 of Delegate Kilgore's request will come from the reserve account.

1 SENATOR HAWKINS: Does everyone
2 understand the recommendation and the transfer? The motion is before us,
3 and it's been moved and seconded. Any further discussion? All those in
4 favor say aye? (Ayes.) Opposed? (No response.) Motion carries.

5 MS. WASS: There are several budget
6 amendments on the next page. These are of a housekeeping nature. From
7 the October meeting, and it has to do with budget amendments made at the
8 last meeting or approvals that were made for grants that were taken out of
9 unrestricted or restricted. We need to have balances in the correct category.
10 The first budget amendment is to move from unrestricted
11 Technology to unrestricted monies to the Technology.

12 SENATOR HAWKINS: Basically, swapping back
13 and forth? Just housekeeping.

14 MS. WASS: I don't know if you want to do these
15 in a block, but the next one is also for Southwest Economic Development
16 moving restricted money into unrestricted Southwest Economic
17 Development.

18 SENATOR RUFF: I'll move that, Mr. Chairman.

19 SENATOR HAWKINS: It's been moved and
20 seconded, any discussion? All in favor say aye? (Ayes.) Opposed? (No
21 response.)

22 MS. WASS: One budget amendment is not listed,
23 and it's about a housekeeping nature. In the October meeting you approved
24 2.35 million for the Virginia Strategies out of reserves, but for administrative
25 purposes we need to move that into --- funds, so we're recommending that

1 we transfer that 2.35 million out of reserve, unrestricted reserve into
2 Education with the rest of the funds that are there.

3 SENATOR HAWKINS: Money already
4 allocated?

5 MS. WASS: Yes.

6 MR. DAY: I move that.

7 SENATOR HAWKINS: It's been moved and
8 seconded, any discussion on the transfer? Does everyone understand it? All
9 those in favor say aye? (Ayes.) Opposed? (No response.) Motion carries.
10 Stephanie, you do good work.

11 MR. STEPHENSON: Members of the Committee,
12 your Staff is coming in front of you today asking for some latitude in how
13 we allocate restricted money versus unrestricted money. Most of you know
14 at this point in time we have both types of money, and many of the
15 committees approving grants will, for one reason or another, wind up with
16 some unrestricted and some restricted money, and it becomes difficult at the
17 time you're considering grants to figure out which grant should be approved
18 and what kind of money should be used for that grant. It's really
19 unnecessary. What the Staff is asking you to do is to give your attention to
20 the approval or denial of the grant and allow Staff the latitude to come home
21 the next day and swap the money around between restricted and not, based
22 on bond counsel's advice as to whether it's eligible for restricted. Sometimes
23 we have related parties that slip into the mix, and we can't do it. We would
24 like to be able to assign the type of money with Staff level authority, and
25 keep in mind, this does not change the amount of money that any committee

1 has, it does not change the amount of money any grantee is awarded. It
2 simply means Staff can move these things around so as to burn the restricted
3 dollars first where they can be used, preserving the unrestricted dollars for
4 your use later when you need it for flexibility.

5 SENATOR HAWKINS: Is there any down side to
6 it?

7 DELEGATE HOGAN: Are you looking for a
8 request or looking for a motion?

9 MR. STEPHENSON: I'm seeking a motion, as
10 printed in your book behind your Executive Committee tab. I can read it, or
11 you can read it yourself.

12 MR. DAY: Is bond counsel sought in every
13 instance, number one and number two, advice in writing?

14 MR. STEPHENSON: A hundred percent in
15 writing with respect to restricted funds. If we use unrestricted, they're not
16 involved.

17 SENATOR RUFF: I move we make the change,
18 Mr. Chairman.

19 SENATOR HAWKINS: Any down side?

20 MR. STEPHENSON: I do not believe there is any
21 down side, Mr. Chairman. If there is anything I can possibly think of, it
22 would be this. At each budget time this Committee chooses how much
23 restricted money it will invade and how much unrestricted money it will
24 invade, and Staff will have to work with that which you have invaded and
25 make that work. There is potentially a point where we would raise our hand

1 and say, we're all out of unrestricted.

2 DELEGATE HOGAN: I'd like to make a motion
3 in the way that it does us the most good. That we direct Staff to use
4 restricted money when at all possible and unrestricted money when it is not.
5 Sooner or later you're going to get to a point that Ned described that you're
6 not going to like. We may say we'd like to do that, but we can't, because we
7 don't have unrestricted money, and that grant needs unrestricted money, and
8 we've already spent that. I think there has to be some awareness on our part
9 of the hole we're putting ourselves into.

10 SENATOR HAWKINS: Are you making that as
11 an amendment?

12 DELEGATE HOGAN: To make the amendment
13 to accomplish what Ned wants without putting us in a hole, without us being
14 unaware that we limited our options.

15 MR. STEPHENSON: Whatever you want to
16 know, Delegate Hogan, appears in the financials every month. If you
17 approach a danger zone, I'm sure the Staff would alert you to that. I bring
18 this up simply for full disclosure. I do not believe there will ever be a
19 problem. The Staff's objective is to attempt to use restricted money first
20 where it can be used, and then at some point we'll be done with restricted
21 money and it will all be unrestricted, and this bond counsel business will be
22 gone, and we're trying to get there as rapidly as we can.

23 SENATOR WAMPLER: Mr. Chairman, what
24 Senator Ruff moved and what Delegate Hogan suggested, I believe, is
25 outlined in the writing, "Such authority includes the making of budget

1 amendments to the extent necessary to maximize the use of restricted funds,
2 thereby preserving unrestricted funds for later use by the Commission." I
3 think that's consistent with what Delegate Hogan says.

4 DELEGATE HOGAN: Based on the withdrawal
5 we have to do, worst-case scenario is we get a chance to look at it every
6 year.

7 MR. STEPHENSON: Yes, at budget time.

8 DELEGATE HOGAN: We might have a problem
9 one year.

10 MR. STEPHENSON: Then you can fix it. In the
11 housekeeping amendment that Stephanie just brought to you, we're bringing
12 them to you all the time.

13 SENATOR HAWKINS: The motion before us has
14 been moved and seconded, any further discussion or questions? Does
15 everyone understand what we're trying to do? All those in favor say aye?
16 (Ayes.) Opposed? (No response.) The motion carries.

17 Next, our Blue Ribbon Committee is looking into these matters,
18 and they'll have some recommendations for us to reflect upon, maybe by the
19 April meeting. We'll go over some of their recommendations and have some
20 sort of understanding of what they think the problems may be and what they
21 recommend to solve some of the things that they see.

22 MR. DAY: Mr. Chairman, I think in all fairness
23 you need to describe that process like you described it to me on the plane.

24 SENATOR WAMPLER: Let's wait until after the
25 meeting the end of April.

1 SENATOR HAWKINS: It looks like, from what I
2 understand, they'll make some recommendations and discuss some
3 fundamentals. We need to have time with that, and I'd like to have one
4 whole session dealing with nothing but recommendations of what we can do
5 to improve ourselves.

6 SENATOR WAMPLER: I don't know if the Chair
7 intends to take up any other business. I've thought a lot about this, Mr.
8 Chairman. Delegate Hogan and I have been on the telephone a couple of
9 times and as far as where we should go from here.

10 This past summer the Staff came to Southwest, and we talked
11 about whether we're going to do grants or loans or a combination. What I'd
12 ask, and I'm not sure Southside is there, and I don't know what Southside
13 wants to do with their next round, or how the approach technology. Rural
14 Development offered a program that the Tobacco Commission or an entity
15 would put up 20 percent of the dollars and Rural Development would loan
16 the other 80 percent. There was quite a bit of interest from Lenowisco and
17 Cumberland Plateau and Bristol Utilities Authority and Grayson, Galax,
18 Carroll, maybe some other folks, and it's pretty widespread.

19 I cannot tell the Executive Committee how much subscription
20 would be asked for, and I'm not sure the Staff is completely comfortable
21 with the terms of what Rural Development has offered. I'll say we believe
22 this would be a way to do the last mile.

23 DELEGATE KILGORE: I'd be curious, without
24 being specific, are we talking about a few million dollars or fifty million?

25 SENATOR WAMPLER: Mr. Chairman, I don't

1 know right now. I was going to ask the Staff to work with providers to see
2 what subscription there might be.

3 MR. NOYES: That's underway at this time,
4 Senator Wampler. We're talking to counties and all the economic
5 development organizations, and we'll be prepared in advance of the April
6 meeting to address that.

7 SENATOR WAMPLER: The point is, that is a
8 priority, we think, when we're trying to close the last mile effort. A hundred
9 percent loan probably won't do it, and you'll still need some grants, and
10 they're going to have to be made, and these are important points that I
11 wanted to bring up to the Executive Committee.

12 SENATOR HAWKINS: Thank you. Any other
13 comments?

14 SENATOR PUCKETT: If you recall, at the last
15 Commission meeting we had drought relief program in Southwest. Senator
16 Wampler's motion was made to work with the Farm Service Agency, and we
17 have not received a reply from the Farm Service Agency whether they are
18 willing to do this or not. A bigger problem has developed, and the Farm
19 Services does not fit what we think is in the best interest of the situation in
20 Southwest, because of the way the money is given out. I don't know that the
21 Executive Committee needs to take a position on it, but I'm going to ask
22 tomorrow at the full Commission meeting that we make a slight change.
23 Instead of using the FSA program, we're going to use the Southwest Virginia
24 Agriculture Commission, and that will be the service agency. They are a
25 501. It's all Southwest dollars; that doesn't involve anyone else. We have a

1 proposal, and we did a survey. There is a significant need for at least 13,000
2 tons of hay, 530 producers. Many of these 50-acre or less farms are
3 responding they would be willing to participate. It's not a handout, it's a cost
4 sharing. It will work like the other farm cost-sharing programs. We'd ask
5 the farmer to go out on his own, purchase the hay and make his own deal
6 and bring the receipt to the county agent, and they would deliver those to the
7 Farm Service Agency, Southwest Ag, and from that point they would ask the
8 Commission to reimburse them.

9 SENATOR HAWKINS: You're going to make
10 this suggestion tomorrow morning. Joe, are you having an Ag Committee
11 meeting?

12 DELEGATE HOGAN: If it's coming out of
13 Southwest money, I don't see why we can't do it with just an amendment.

14 DELEGATE KILGORE: I don't think we'll have a
15 problem.

16 SENATOR PUCKETT: I don't think there is an
17 issue, I just wanted to keep everybody informed.

18 SENATOR HAWKINS: All right. Any public
19 comment, or anything to come before the Executive Committee?

20 Meeting adjourned.

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22 PROCEEDINGS CONCLUDED.

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25 CERTIFICATE OF THE COURT REPORTER

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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 **Virginia Tobacco Indemnification and Revitalization Commission Executive Committee Meeting when held on Monday, January 7, 2008 at 2:00 p.m. in Conference Room 3, Patrick Henry Building, 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 7th day of February, 2008.

Medford W. Howard

Registered Professional Reporter

Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2010.