



1    **APPEARANCES:**

2    The Honorable Charles R. Hawkins, Chairman

3    The Honorable Terry G. Kilgore, Vice Chairman

4    Mr. Clarence D. Bryant, III

5    The Honorable Kathy J. Byron

6    Mr. Bernie K. Day

7    The Honorable 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 Edward Owens

12   The Honorable W. Roscoe Reynolds

13   The Honorable Frank M. Ruff

14   Mr. James C. Thompson

15   The Honorable William C. Wampler, Jr.

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1 **APPEARANCES** (cont'd)

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3 COMMISSION STAFF:

4 Mr. Neal Noyes, Executive Director

5 Mr. Ned Stephenson, Deputy Director

6 Mr. Timothy Pfohl, Grants Program Administration Manager

7 Ms. Stephanie Wass, Director of Finance

8 Ms. Britt Nelson, Manager of Program Assessments

9 Ms. Sara Williams, Grants Coordinator Southwest Virginia

10 Ms. Sarah Capps, Grants Coordinator Southside Virginia

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12 OFFICE OF THE ATTORNEY GENERAL:

13 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the  
14 Commission

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1 SENATOR HAWKINS: Let's get started. I'll call  
2 the meeting to order.

3 Neal, would you please call the roll?

4 MR. NOYES: Mr. Bryant?

5 MR. BRYANT: Here.

6 MR. NOYES: Delegate Byron?

7 DELEGATE BYRON: Here.

8 MR. NOYES: Mr. Day?

9 MR. DAY: Here.

10 MR. NOYES: Secretary Gottschalk?

11 SECRETARY GOTTSCHALK: Here.

12 MR. NOYES: Delegate Hogan?

13 DELEGATE HOGAN: Here.

14 MR. NOYES: Delegate Johnson?

15 DELEGATE JOHNSON: Here.

16 MR. NOYES: Senator Puckett?

17 SENATOR PUCKETT: (No response.)

18 MR. NOYES: Mr. Owens?

19 MR. OWENS: Here.

20 MR. NOYES: Senator Reynolds?

21 SENATOR REYNOLDS: Here.

22 MR. NOYES: Senator Ruff?

23 SENATOR RUFF: Here.

24 MR. NOYES: Mr. Thompson?

25 MR. THOMPSON: Here.

1 MR. NOYES: Senator Wampler?

2 SENATOR WAMPLER: Here.

3 MR. NOYES: Delegate Kilgore?

4 DELEGATE KILGORE: Here.

5 MR. NOYES: Senator Hawkins?

6 SENATOR HAWKINS: Here.

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

8 SENATOR HAWKINS: Thank you. Do I have a  
9 motion to approve the Minutes of April 17, 2008?

10 DELEGATE JOHNSON: So moved.

11 SENATOR HAWKINS: It's been moved and  
12 seconded. All in favor say aye? (Ayes.) Opposed? (No response.)

13 Next we have Sir Frank Ferguson.

14 MR. FERGUSON: Thank you, Mr. Chairman. I'll  
15 go into as much detail as the Commission wishes, but essentially, this is my  
16 request. A Virginia-based tobacco company, S&M Brands, I guess some of  
17 you are familiar with that company, it's called a non-participating  
18 manufacturer under the Master Settlement Agreement. As you all know, the  
19 Master Settlement agreement is the source of funds that this Commission  
20 operates on. It's the Attorney General Office's obligation to make sure that  
21 the MSA is maintained and serviced and that the statutes built up around it  
22 are also clear, including those that apply to non-MSA manufacturers. S&M  
23 has always been a law-abiding, good corporate citizen in this endeavor, and  
24 wants to fulfill their obligation. However, there are various tobacco  
25 companies, both participating and non-participating manufacturers, which do

1 not pay their MSA obligation or their escrow obligation on the NPM  
2 obligation. Those who don't do that obviously obtain a competitive  
3 advantage over a law-abiding tobacco company, because it's roughly a  
4 \$4-plus --

5 SENATOR HAWKINS: -- Members, go to tab six  
6 in your folder. That is the resolution that is before us, and that's in the  
7 exhibit book. Sorry to interrupt you, Frank.

8 MR. FERGUSON: That's all right. Those who  
9 don't abide by the requirement gain an unlawful \$4-plus per carton price  
10 advantage over those who follow the requirements of the MSA or NPM  
11 statute. Being supportive of both, the Attorney General's Office has already  
12 undertaken, in support of the legislation which we have sought in the past  
13 and will in the future, and has made an offer or gift of substantial sum of  
14 money to our office for purposes of enhancing our enforcement obligations  
15 and gives us additional resources to do that, and we can hire more bodies.  
16 Hopefully, their view of the kick-start money for legislation that may be  
17 passed in the future.

18 The Tobacco Commission does not have a specific dollar  
19 amount, but the number that we have talked about, or expect, is a half a  
20 million now for the execution documents and a half million in six months  
21 after they evaluate the process. Documents are done in a way that would  
22 allow the state to receive a gift. If someone wants to give a gift of a similar  
23 kind, they are able to, as well. Because the Attorney General's Office is not  
24 authorized to accept gifts, and in order to do that we'd have to look at the  
25 budget process and be authorized to spend the money. The Commission has

1 the authorization to accept gifts and make grants, and the fundamental  
2 purpose of the Commission is to make sure that the fund stream maintains  
3 itself so that you can continue to do good work in indemnification and  
4 revitalization projects. I've talked to the Staff and a number of you and to  
5 the various committees and to those who have a say in it, is to do it as a gift  
6 to the Commission, and the stipulation that the gift be used as a grant to the  
7 AG's Office. That's what we're proposing. The resolution you have in front  
8 of you basically accepts the gift, awards the grant, and directs the Staff to  
9 carry out that process.

10 SENATOR HAWKINS: It's my understanding  
11 we're receiving money to be used by the Attorney General to strengthen our  
12 position in the overall situation of enforcement of the MSA.

13 MR. FERGUSON: The MSA and the NPM statute  
14 that goes along with it.

15 SENATOR HAWKINS: Does anyone have any  
16 problem with that resolution?

17 DELEGATE JOHNSON: What kind of  
18 repercussions could we expect?

19 MR. FERGUSON: I think the only thing you can  
20 expect would be positive. Our office, in all modesty, industry tells us has  
21 probably been among the state leaders in actually going out and making sure  
22 and rooting out those who are not making payments. Those tobacco  
23 companies like S&M, Philip Morris, or any others that follow the MSA  
24 statutes, they will have none. In fact, it's a benefit to them, because it would  
25 make sure that they are not unfairly competed against by those that are not

1 following the rules. It also has implications for taxes, because that's one way  
2 to make sure that the companies are fulfilling their responsibilities and,  
3 again, as a tax consequence.

4 We've been pretty successful so far in rooting some of that out.  
5 Some of this money will probably be used by the State Police for  
6 investigations. I don't know how all the money will be spent within the  
7 AG's Office. Hopefully, what we'll do is increase ultimately our record of  
8 diligent enforcement and to give us a safe harbor from the NPM adjustment,  
9 which is the most prevalent threat to the income stream.

10 SENATOR HAWKINS: Any other questions?

11 SENATOR WAMPLER: Frank, in addition to the  
12 tax compliance efforts, which is one of the good results from this measure,  
13 then in theory you would strengthen the payments that would be made  
14 through the Agreement, which further would solidify or strengthen what  
15 would be made payable to the bond holders or the investors of our  
16 Agreement. Would it not?

17 MR. FERGUSON: Yes, it would.

18 SENATOR WAMPLER: I would just say that I  
19 think many of the folks who hold the paper from what has been sold and not  
20 just, like government entities, this is important, and I think that while it is  
21 not a direct fiduciary responsibility of ours, I think it's important to do  
22 everything that we can to make sure that Virginia can do its part so we're in  
23 compliance. I think it's an obligation worthy of bringing up.

24 DELEGATE KILGORE: Mr. Chairman, I'd make  
25 a motion that we go ahead and approve the Attorney General's resolution

1 and adopt it.

2 SENATOR HAWKINS: Does anyone object to  
3 this motion?

4 SENATOR WAMPLER: I'll second it.

5 SENATOR HAWKINS: It's been moved that we  
6 make this recommendation to the full Commission. Thank you, Frank, we  
7 appreciate it. When can we expect our check?

8 MR. FERGUSON: As soon as the paperwork is  
9 done, we'd expect it right after that.

10 SENATOR HAWKINS: All right, thank you.  
11 Tobacco Region Opportunity Fund update. Ned.

12 MR. STEPHENSON: Thank you, Mr. Chairman.  
13 Members of the Committee, the Commission has been running this TROF  
14 program for almost ten years now, and we have about a hundred of these  
15 deals in our files. There is a memorandum I wrote to you in your book  
16 behind tab six, which basically tells you that we have been conducting, for  
17 lack of a better term, a compliance program to see if the promises made  
18 under those agreements were fulfilled by these companies. We've had  
19 considerable difficulty in getting the data that is needed to make these  
20 determinations. The companies are obligated to provide this to us by  
21 agreement, and it's been very difficult to get that data. The memorandum  
22 shows you that there are about two dozen TROF deals from whom I either  
23 cannot get the data or I have the data and a refund is indicated and I can't get  
24 the refund. I will tell you that upon hearing that this matter would be before  
25 your Committee today, a number of the counties have scrambled; some of

1    them have begun to supply some of this data.

2                               MR. NOYES: We have a summary of the TROF  
3    refunds, grantee organizations, I'd like each member of the Executive  
4    Committee to have a copy of. In providing this I'd ask the Committee  
5    members to look at the payment date column here so that you can be aware  
6    of that and that your recent discussions are being heard very widely.

7                               MR. STEPHENSON: You will notice in the  
8    memo in your book that some of the data requests have been made two,  
9    three or four times and as many as six, nine months or a year ago, and I  
10   cannot stimulate some of these parties to provide the data.

11                              I'm before you today asking if you would consider making a  
12   possible directive in your TROF program to put some enforcement teeth into  
13   the existing promises that you have. I've put some suggested language  
14   before you on the board. The black ink is what's already in your TROF  
15   Guidelines. I'm suggesting you add the red ink, which calls for a future  
16   TROF award not be disbursed until first that entity has come clean with the  
17   old existing TROF awards. I certainly hope to, I have some variation that  
18   you might wish. I simply want to say that, absent any enforcement arm,  
19   Staff efforts have not been entirely productive, because beyond asking three  
20   or four times, we don't know what else to do. This is before you for your  
21   consideration.

22                              DELEGATE KILGORE: Ned, when we receive  
23   these payments back, where have the payments come from? Who wrote the  
24   check?

25                              MR. STEPHENSON: If you will remember, on

1 several occasions this Committee has debated what we call the county  
2 liability issue, and that is whether the county is liable to pay and whether the  
3 company can or not. In some cases the counties have chosen to write the  
4 check to the Tobacco Commission from its fund irrespective of its ability to  
5 collect from the company. And in other cases the company has stepped up  
6 and paid the money. In other cases, the companies are bankrupt or shuttered  
7 and not available, so the counties are in a quandary about whether they  
8 should pay the money or not. That goes back to the county liability  
9 question. You may want to consider that today, also.

10 DELEGATE KILGORE: How long have we had,  
11 how long have we had the county liability, or that clause in our contract?

12 MR. STEPHENSON: The original TROF  
13 contracts were very unclear on this point. In July a year ago in Farmville we  
14 brought this to your attention and made it known it was very unclear, and  
15 you adopted new language to make it very clear that the counties are liable.  
16 The new language has been in place for about a year. It has been the general  
17 perception of the Commission the counties have always been liable. A close  
18 reading of the contract would not reveal that clearly.

19 DELEGATE KILGORE: Are we saying that's a  
20 gray area on those? We adopted this last year. Before that, is that the gray  
21 area?

22 MR. STEPHENSON: If the older contracts were  
23 put to the test, that's a gray area, yes.

24 SENATOR HAWKINS: Any other discussion?  
25 Then we have before us a proposal --

1 MR. NOYES: -- Mr. Chairman, this is only going  
2 forward. This is not a rear view thing. These are for the new TROF grant  
3 requests, and the TROF Panel will consider them as we do right now. We  
4 would make a recommendation, or Ned would make a recommendation, and  
5 if it's approved, that funds would not be disbursed from the new contract  
6 until such time as the old ones are satisfied.

7 DELEGATE KILGORE: You should have it in  
8 your book.

9 SENATOR HAWKINS: Mr. Secretary, with the  
10 Governor's Opportunity Fund, what do you all do in this situation?

11 SECRETARY GOTTSCHALK: I'm not aware of  
12 a similar clause. Is there anyone here from VED? Liz, do we have a similar  
13 clause?

14 LIZ: We do not have a clause like this, but we  
15 have had good success in the clawback, but we don't have a clause like that,  
16 non-performing.

17 SENATOR WAMPLER: I think the challenge is  
18 the Tobacco Commission challenge versus the Partnership, and it's big news  
19 for the Partnership to help one locality, and that might be a stopgap for a  
20 couple of years, but we hopefully, if we're doing our job right, we should be  
21 doing this at least once a cycle. Frequency is greater, and I think that's why  
22 we have to make sure it's there. Under any circumstances the clawback  
23 provision remains, whether it's the Partnership or the Governor's  
24 Opportunity Fund, or any other grant. There is no inconsistent information  
25 coming from this table. We do vote on each application and hold the

1 grantees accountable.

2 DELEGATE JOHNSON: I'd like to see each  
3 applicant's data requested, I mean the employment data requested. What  
4 does that violate?

5 MR. STEPHENSON: Delegate Johnson, the  
6 contracts the company signed when they received the money state that they  
7 are obligated to provide to us employment data evidencing their fulfillment  
8 of their promise. We've asked on two occasions for that data to be supplied  
9 and haven't gotten it yet. The Staff has no enforcement arm beyond coming  
10 to this Committee for a tool to use to induce them to come forward with the  
11 data. We've asked for it, and we just can't get it.

12 I want to say, Mr. Chairman, in all candor and fairness to all of  
13 our constituents, that in the early days of the TROF program there was little  
14 or no effort to follow behind these contracts and seek performance, so they  
15 naturally have perhaps been a little lax in tending to these contracts. This is  
16 a shift, and we're coming behind and following up and pinning them down  
17 and getting the facts and determining whether these promises were met.  
18 This is a change for a lot of these folks.

19 SENATOR HAWKINS: Does anyone have any  
20 other questions?

21 SECRETARY GOTTSCHALK: Ned, I guess my  
22 question is, and I'm quite frankly very surprised, and I noticed this plant here  
23 in Danville and a number of requests, and I have to be honest with you, I'm  
24 real surprised by that. I've personally visited that plant, and they've got  
25 some pretty vigorous employment. I guess my question is, are we asking the

1 plant or the company directly, or are we going through the city, or are we  
2 doing both, or how are we getting the information?

3 MR. STEPHENSON: The Tobacco Commission  
4 grant is made to a county or an IDA. We ask the county or the IDA, and  
5 that's the party to whom my check was made payable.

6 SECRETARY GOTTSCHALK: The IDA is not  
7 giving you the information?

8 MR. STEPHENSON: It's all of the above,  
9 Secretary Gottschalk. Some of the counties are very diligent about pursuing  
10 these companies, and the companies will not produce it, they won't produce  
11 the data. A few counties just lay this aside, and they're busy, and they don't  
12 push on it because we haven't always asked them for it. In the case of  
13 Yorktowne, in particular, there was an extension granted in this case, but  
14 nevertheless we need to see the data, because absent the data we don't know  
15 where they are.

16 SENATOR HAWKINS: This is a new program,  
17 or new enforcement tool for us, and something we need to look at. The only  
18 question that comes to mind, we have some counties that may not be able to  
19 repay, because they simply don't have the money. Do we have any sort of  
20 hop-out to apply equally to everyone?

21 MR. STEPHENSON: Mr. Chairman, there are two  
22 hurdles that we're trying to get over here. The first is to obtain the data,  
23 simply get the facts of what has happened. The second hurdle, after we have  
24 the facts, is to make a decision about whether a refund is due or not. We  
25 typically place the refund matter in front of the county, and if they elect to

1 repay it, then we're finished. Certainly, the county is always provided an  
2 opportunity to appear before this body to plead their case to be relieved of  
3 that obligation, but absent that appeal, the county has to pay it.

4 SECRETARY GOTTSCHALK: Would it be more  
5 forceful if the inquiry letter did not come from the Commission the first  
6 time? Any follow-up letter might come from Frank Ferguson, from the  
7 Attorney General's office. Just a suggestion.

8 MR. STEPHENSON: Mr. Chairman and Secretary  
9 Gottschalk, we have tried every way possible to avoid having this be in any  
10 way what would be called an adversarial relationship with our counties, and  
11 it has been not adversarial. This is simply a matter of us getting what we  
12 paid for.

13 DELEGATE KILGORE: This isn't a question, but  
14 just a comment, that in this tobacco region we set this up to close deals, and  
15 we're working with the Partnership, and we want to get back the money. If  
16 the body wants to go ahead and adopt that, that's fine, but I'm just saying we  
17 don't want to come down the road to close some deal, and if we need 27 or  
18 37 thousand from that and we've got 2,000 jobs on the line, we don't want, or  
19 something that would knock us out.

20 SENATOR HAWKINS: If we take a vote, we can  
21 give it.

22 DELEGATE KILGORE: We can also waive it.

23 DELEGATE HOGAN: I think this is very simple.  
24 You believe in living by the rules of the contract. You either do or you  
25 don't. If we're going to enforce that, that's one thing; if we're not, then we

1 don't do it, and we know the consequence. If somebody walks in here with a  
2 \$5 million request for a business, and they let 27,000 for a two-year old  
3 plant get in the way of losing \$5 million and 500 jobs, I'd say that's probably  
4 their problem. If we don't carry out the enforcement of the contract, let's just  
5 adopt a policy and say we're going to give this money out in good faith and  
6 we hope good things happen. If we don't enforce the contract, otherwise,  
7 this is silly.

8 MR. OWENS: Is a motion in order?

9 SENATOR HAWKINS: Yes.

10 MR. OWENS: If that's a motion, so moved.

11 SENATOR HAWKINS: Is there a second?

12 There's a second. It's been moved and seconded. Any discussion? All those  
13 in favor say aye? (Ayes.) Opposed? (No response.) The motion carries.

14 MS. WASS: You can see the proposed budget  
15 amendment, transfer from the Special Projects fund. The first one is, after  
16 the Special Projects Committee met and made recommendations, and the  
17 remaining available balance is \$4.3 million. Out of this amount we're  
18 proposing to transfer \$1.625 million to Southside.

19 SENATOR HAWKINS: Let's do it in a block.

20 MS. WASS: The next one is to transfer one  
21 million to Agribusiness, and the final one is to transfer, for a transfer that  
22 was actually approved back in October of '07 and that has come back, which  
23 is 300,000 to the Virginia Tourism for the production of a film, Big Stone  
24 Gap. That leaves a remaining balance of one and one-half million.

25 SENATOR WAMPLER: Mr. Chairman, there are

1 some remaining obligations that were, I use the term obligation because I  
2 believe that with the consensus of the Committee, to fund some other  
3 projects. This will take the balance down to a skinny 1.4 million for the  
4 remainder of this budget year. Mr. Mayhew was at the Special Projects  
5 Committee meeting, and Mr. Hite was there, I think. I think the pinch point  
6 on this slide is that there was a pretty strong feeling from Special Projects  
7 that Agribusiness needed \$2 million, and I think this would be a million one,  
8 this was toward, or there wasn't a vote, it was just, it was not a binding  
9 commitment, but there was a pretty strong feeling from Special Projects that  
10 \$2 million be transferred to Agribusiness, and that's why my  
11 recommendation was to bring it to the Executive Committee to try to address  
12 it.

13           The second issue, Mr. Chairman, and this is not on the slide,  
14 and that is there was a very strong feeling to continue to reserve an amount  
15 up to a million dollars for Virginia Commonwealth University's cancer  
16 research. There were some very minor points that needed to be resolved in  
17 the application. We thought the application was strong. That was where  
18 those dollars would go.

19           So those are two observations that I make. It's the Committee's  
20 will, and I say that respectfully, whatever the balance Special Projects needs  
21 be, it will be. We will operate within that budget accordingly. Those were  
22 the two pinch points, as I said. I thought we'd be able to recommend \$2  
23 million for Agribusiness, but we only made the proposal simply because  
24 that's really all that we have at this point, and we remain committed to  
25 VCU's million dollars for the cancer research.

1 DELEGATE KILGORE: The 1.625, Special  
2 Projects already would have 1.625.

3 SENATOR WAMPLER: The answer is yes. The  
4 application was, Staff recommendation as I recall it, was to have the  
5 Southside Committee address 100 percent of the funding, and it was the will  
6 of the Special Projects Committee to recommend that half of the dollars be  
7 out of Special Projects and the other half would come from the Southside  
8 region. I understand there were some further deliberations at that meeting  
9 and where we find ourselves today.

10 SENATOR HAWKINS: That's a discussion that  
11 will be ongoing, I'm sure, in the remainder of the day and tomorrow. Let me  
12 add one thing dealing with Agribusiness, the million dollars. C. D., is this  
13 acceptable? Does that give us, down the road, what we need to figure out  
14 where we're going?

15 MR. BRYANT: We need to find another million  
16 dollars at some point in time.

17 SENATOR HAWKINS: What point in time?

18 MR. WYDNER: Good afternoon, Mr. Chairman  
19 and members of the Committee. I am Freddie Wydner from Pittsylvania  
20 County. The Commission's request, as far as a million dollars, we have the  
21 support of a very significant contributor who is offering to purchase another  
22 50 acres for us, and that will give us a total of 75 acres for the entire project.  
23 With that land we'll have the land reserved, and we'll need to have a  
24 building to finish that. We'd like to be able to obtain the funds so we can  
25 start our building project before the end of the year.

1 SENATOR HAWKINS: Any other comments?  
2 The time frame by the end of this year.

3 MR. WYDNER: January 1.

4 SENATOR HAWKINS: The calendar year?

5 MR. WYDNER: Yes.

6 MR. NOYES: When you say you want to start  
7 your building, what is it you want to do?

8 MR. WYDNER: Currently, what we're planning  
9 on doing is get the engineering plan up and running, and we're intending on  
10 getting everything ready, and we can have the footing put in, and then from  
11 that point on we'll start laying the plates, and the building will be coming up.

12 MR. NOYES: What about the balance of your  
13 funding?

14 MR. WYDNER: Yes, sir.

15 MR. NOYES: From what sources?

16 MR. WYDNER: The balance of the funding will  
17 be from sources such as additional foundations, additional grants, which we  
18 already have our applications out to, and we're soliciting individual  
19 contributions, individual contributors and businesses to help us with this  
20 project.

21 MR. NOYES: Your application received by the  
22 Commission says that you intend to purchase steel and lay it on the ground,  
23 all funding for the project is available and you can build the project.

24 MR. WYDNER: If the Old Dominion Agriculture  
25 Foundation needs to amend the verbiage, we can do that. If it's necessary we

1 would be glad to take any suggestions the Commission might have.

2 SENATOR HAWKINS: We need to find out,  
3 dealing with the project of a million dollars, can we set it aside with an  
4 understanding that we will try to find another million dollars. Does that  
5 meet the obligations?

6 MR. WYDNER: Yes, sir.

7 SENATOR HAWKINS: C. D.?

8 MR. BRYANT: Yes.

9 SENATOR WAMPLER: Mr. Chairman, I would  
10 observe that the balance the Staff recommends is the smallest balance we  
11 will carry forward to the remainder of this year. That takes away a lot of  
12 flexibility for the other committees. We're spending it down. We're  
13 spending a lot of money on big projects.

14 SENATOR HAWKINS: It's critical we do that.

15 SENATOR WAMPLER: I'm not comfortable  
16 going much below a million dollars.

17 SENATOR HAWKINS: I would hate to see you  
18 go below that number. Any other discussion on the recommendation to  
19 transfer funds from Special Projects?

20 SENATOR WAMPLER: There is one other point  
21 to make. If Project Mainstream comes to fruition, it will be a great day for  
22 Virginia. If it does not, for whatever set of reasons, economic reasons, or  
23 doesn't come to fruition, then those dollars would come under our control,  
24 come back, then we could reuse them.

25 SENATOR HAWKINS: Is there a motion on the

1 distribution of these monies as recommended?

2 SENATOR WAMPLER: I'd make a motion we  
3 adopt the Staff recommendation.

4 SENATOR HAWKINS: Is there a second?  
5 There's a second. All in favor say aye? (Ayes.) Opposed? (No response.)  
6 We'll make a recommendation that these transfers take place. The Southside  
7 piece we'll have further discussion on, I'm sure.

8 All right. Our next Committee meeting will be October 23rd.

9 Does anyone from the public wish to make any comments?

10 MS. GUNN: I'm Virginia Gunn. I work with a  
11 regional care organization, medical organization. We work with the Health  
12 Wagon. I think it's interesting, and I know newspapers don't get everything  
13 right; however, many millions are being proposed, more coal and research,  
14 energy technology research. Those of us who live in the Bristol area have  
15 been inundated from the rest of the state about what's been happening in  
16 Southwest Virginia as far as coal and energy. I hope you are aware since the  
17 numbers from the Rand Clinic, the rural area medical center clinics, all the  
18 clinics in Southwest Virginia, there are thousands of people who need  
19 healthcare so bad they come and wait all night long to see a doctor, that visit  
20 them. Recently over a thousand people were turned away. Our clinics and  
21 others all over the state are in the same predicament. We're seeing people  
22 who have health issues because of tobacco use.

23 We have applied for grants in the past, and we and others whom  
24 I know of in the health community. The cancer research center sounds  
25 wonderful, but there other areas of health issues that need to be addressed.



1 on top of that, therefore strengthening our communities and creating a new  
2 wealth stream to our rural communities that has been lacking for the last  
3 several years.

4           The energy sources we're looking at are multi-faceted. I don't  
5 think anyone can say that there is one silver bullet. What I'm saying is that  
6 we need to look at all of our options that we can look at. When we start  
7 investing in these research facilities, it's nuclear, it's agricultural, it is coal, to  
8 make sure the coal meets the environmental requirement of this century and  
9 to make sure that our fossil fuel tendency lessens to such a degree that we  
10 can start looking at things in a much cleaner environment. The monies that  
11 we are investing for long-term, we've got to wean ourselves from that  
12 foreign threat of cutting off our oil supply. To do that requires us to invest  
13 in technologies that can be partnered with our research universities to create  
14 not only a known source of renewable fuel for this nation but also a new  
15 source of revenue for our family farmers so they can produce a cash crop to  
16 offset the loss of tobacco.

17           Your point is well made. Let me assure you that we're trying to  
18 do everything to protect the health and welfare of Southwest Virginia.  
19 Thank you for coming.

20           MS. GUNN: The primary situation, the energy  
21 and the fuel technology, we're all pretty intelligent people, and we all  
22 understand that. My concern is, and I know you're doing things through the  
23 universities, and that's wonderful, but you have people who are living day-  
24 to-day in our area who need, I'm not talking about political jurisdictions, but  
25 I'm talking about an issue, and unless you see these people face-to-face you

1 know that they can't get help anywhere else other than free health clinics.  
2 I'm saying some of this money, and I don't know how you get on that Special  
3 Projects area, but I know that we have put forth a grant in our area  
4 concerning medical concerns and have not been met. We haven't gotten a  
5 grant.

6 SENATOR HAWKINS: Hopefully, as the  
7 meeting progresses in the next several days, you may see things that you  
8 may find you like, hopefully. Your point is well taken, and I appreciate your  
9 being here.

10 Having said that, any more comments?

11 MR. TAYLOR: Good afternoon, I'm with the  
12 Board of Supervisors for Washington County, and we want to welcome you  
13 to Bristol and this part of Virginia. We appreciate the work you all have  
14 done in the past and are doing now. One of the things you have done that  
15 speaks positively for the Commission is that you've hired an excellent  
16 Executive Director, Mr. Neal Noyes. I worked with him for a lot of years  
17 before I retired. At Board meetings I've listened to him and supported him,  
18 so I think you all have hired a good man.

19 SENATOR HAWKINS: You can fool some of the  
20 people all the time, all the people some of the time.

21 MR. TAYLOR: The energy projects you have  
22 discussed, and I appreciate the Commission's willing to do what it can to  
23 invest for long-range goals. We want to thank you for that.

24 I understand it's also indicated as a policy of the Commission  
25 that you will be entertaining projects that are addressed short-term in

1 reaction to our energy crisis.

2                                   SENATOR HAWKINS: Short-term, I'm not sure  
3 how we can deal with that, because I'm not sure what's before us. I can  
4 assure you in my mind that we need to look at all the avenues that are out  
5 there to bring as much independence so we can get off foreign oil  
6 dependency and deal with it as quickly as possible.

7                                   SENATOR WAMPLER: I appreciate Mr. Taylor's  
8 comments. I think Neal must have paid him to come today, and if there's a  
9 motion to strike, I'll join in it. In all seriousness, Tom, you've followed this  
10 region for a long time without trespassing on the sub-committee's time. It's  
11 taken us about two years to get to the point where we can send out a request  
12 for proposals, for lack of a better word, and say how can we research various  
13 industries that we have and how can we address the energy concerns. I  
14 would hope we could address and help both short-term and long-term goals.  
15 The fact of the matter is, we have a fiduciary responsibility and a statutory  
16 charge to make sure that we not only create jobs but we spend our money  
17 wisely. Hopefully, what will be adopted by the full Commission tomorrow  
18 is to move more into research and the education component and particularly  
19 look at the two applications from the University of Virginia and Virginia  
20 Commonwealth University cancer research within Southside and Southwest  
21 Virginia. That's a pretty major shift for this Commission, but we think it's an  
22 important one, but more importantly we want to get it right. The only reason  
23 I say that, Tom, is that I would like to say we could do something for the  
24 short-term, but maybe we can initiate some kind of or look for gap  
25 financing, or whatever we can do. Hopefully we can make a difference.

1                   That may have been somewhat out of order, Mr. Chairman, but  
2 I thought it was important to say that.

3                   MR. NOYES: Members of the Executive  
4 Committee, Sarah Capps, would you please stand up. I would like to  
5 introduce Ms. Sarah Capps. She will be the new Southside Tobacco  
6 Commission Coordinator, and she'll replace Britt Nelson. She came with the  
7 highest recommendations from some of the smartest people on the Staff,  
8 Tim, Ned, Stephanie and Britt. I'm pleased to introduce her and ask that  
9 each of you take a few minutes this evening at the reception and introduce  
10 yourselves and talk to her and welcome her to the staff.

11                   SENATOR HAWKINS: Welcome, and welcome  
12 to Southside, because we are afforded many opportunities to improve  
13 ourselves, and we need to take advantage of some of them. Look forward to  
14 working with you.

15                   MR. BRYANT: Mr. Chairman, I've got some  
16 additional comments I'd like to bring forth to the Committee, if I may.

17                   SENATOR HAWKINS: Yes, sir.

18                   MR. BRYANT: The issues I'm concerned about  
19 and some comments that have been made, or that were directed to Ned.  
20 When I look at the portfolio of the Endowment, it seems to me we have a  
21 substantial investment with Lehman Brothers. My concern is, and I caution  
22 the Committee that Lehman Brothers, and I think probably some people  
23 would know, is under investigation by the SEC for market manipulation. If  
24 you look at their track record for the last three or four months, they're  
25 following the record of Bear Stearns. They're following into a sector that

1 has been hit hard, but caution is there because it merits it, because when you  
2 look at what they're doing, there's a little bit of concern. I would like to  
3 know, Ned, have we addressed this with some of our financial advisors or  
4 not?

5 MR. NOYES: The Staff has not, but we would  
6 expect the Treasury and the Board will have the latest financials about return  
7 on investments. I'll be happy to ask Ned or Stephanie, Stephanie has direct  
8 contact with our friends at Treasury.

9 MR. BRYANT: I bring this issue up because  
10 when the train wrecks, it's too late.

11 SENATOR HAWKINS: Your point is well taken.  
12 When Ned started working on this, he didn't have any gray hair.

13 MR. STEPHENSON: Mr. Chairman, I think it's  
14 worth noting that Staff is not without an opinion on these matters; however,  
15 fiduciary duty to manage this portfolio is definitely with the Treasury by  
16 Code. They call the shots as to where the money goes.

17 SENATOR HAWKINS: We're all in the same  
18 boat. Now, is there a motion to adjourn?

19 DELEGATE HOGAN: Mr. Chairman, we still  
20 haven't resolved the issue of Mainstream.

21 SENATOR HAWKINS: We did, as far as this  
22 Committee's discussions. We have resolved it, unless you want to open it up  
23 for further discussion.

24 DELEGATE HOGAN: I don't think we, how  
25 much money have you got right now?



1 Reporter and Notary Public for the State of Virginia at large, do hereby  
2 certify that I was the court reporter who took down and transcribed the  
3 proceedings of the **Virginia Tobacco Indemnification and Community**  
4 **Revitalization Commission Executive Committee Meeting when held on**  
5 **Wednesday, July 30, 2008 at 2:00 p.m. at the Holiday Inn, Bristol,**  
6 **Virginia.**

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

9 Given under my hand this 11th day of  
10 August, 2008.

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21 My Commission Expires: October 31, 2010.