

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

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219

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9 **Executive Committee Meeting**

10 Monday, November 29, 2010

11 1:00 p.m.

12
13 5th Floor West Conference Room

14 General Assembly Building

15 Richmond, Virginia

1 **APPEARANCES:**

2 The Honorable Terry G. Kilgore, Chairman

3 The Honorable Frank M. Ruff, Vice Chairman

4 The Honorable Charles R. Hawkins, Chairman Emeritus

5 The Honorable Watkins M. Abbitt, Jr.

6 The Honorable Kathy J. Byron

7 The Honorable James S. Cheng, Secretary of the Department
8 of Commerce and Trade

9 The Honorable Joseph P. Johnson, Jr.

10 The Honorable Daniel W. Marshall, III

11 The Honorable Edward Owens

12 The Honorable Phillip P. Puckett

13 The Honorable W. Roscoe Reynolds

14 The Honorable William C. Wampler, Jr.

15 The Honorable Thomas C. Wright, Jr.

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17 COMMISSION STAFF:

18 Mr. Neal Noyes, Executive Director

19 Mr. Ned Stephenson, Deputy Director

20 Mr. Timothy J. Pfohl, Grants Program Administration Manager

21 Ms. Stephanie S. Kim, Director of Finance

22 Ms. Sarah Capps - Grants Coordinator, Southside Virginia

23 Ms. Stephanie Allman, Program Administrator

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1 DELEGATE KILGORE: I'll call our Executive
2 Committee meeting to order. What we're going to do with the
3 Agenda today is that we're going to have a discussion of the
4 EB-5 that we had on the 27th of October in our meeting in
5 South Hill. We'll receive an update on that, and you may ask
6 any questions you may have. Secretary Cheng will come
7 forward and answer those questions. After that we'll go into
8 Executive Session.

9 Let's go ahead and have the roll call.

10 MR. NOYES: Delegate Abbitt?

11 DELEGATE ABBITT: Here.

12 MR. NOYES: Delegate Byron?

13 DELEGATE BYRON: Here.

14 MR. NOYES: Secretary Cheng?

15 SECRETARY CHENG: Here.

16 MR. NOYES: Senator Hawkins?

17 SENATOR HAWKINS: Here.

18 MR. NOYES: Delegate Johnson?

19 DELEGATE JOHNSON: Here.

20 MR. NOYES: Delegate Kilgore?

21 DELEGATE KILGORE: Here.

22 MR. NOYES: Delegate Marshall?

23 DELEGATE MARSHALL: Here.

24 MR. NOYES: Mr. Owens?

25 MR. OWENS: Here.

1 MR. NOYES: Senator Puckett?

2 SENATOR PUCKETT: Here.

3 MR. NOYES: Senator Reynolds?

4 SENATOR REYNOLDS: Here.

5 MR. NOYES: Senator Ruff?

6 SENATOR RUFF: Here.

7 MR. NOYES: Senator Wampler?

8 SENATOR WAMPLER: Here.

9 MR. NOYES: Delegate Wright?

10 DELEGATE WRIGHT: Here.

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

12 DELEGATE KILGORE: Thank you, Neal. Do we
13 have a motion to approve the Minutes of October 27th?

14 DELEGATE MARSHALL: So moved.

15 MR. OWENS: Second.

16 DELEGATE KILGORE: It's been moved and
17 seconded. All in favor of approving the Minutes say aye?
18 (Ayes.) Opposed? (No response.)

19 All right, Secretary Cheng.

20 SECRETARY CHENG: Thank you, Mr. Chairman,
21 for giving us this opportunity to discuss the EB-5 program.
22 Thank everyone for coming from all over Southwest and
23 Southside. I know you had a little discussion about the EB-5
24 program, but we'd like to follow that up. The reason why we
25 thought we could do it today is because quotas have been

1 filling up, and it's sort of time sensitive. If you all want to do it
2 this is a good time to do it. I think there are still some slots
3 left, and it's a very interesting program. You've got a handout
4 in front of you, and I'm going to refer you to the second page.

5 This is the original EB-5 program. Some of you may be
6 familiar with the original program. Here individual investors
7 from overseas, non-citizens, get a visa by investing a half
8 million or a million dollars in the U.S. based on where they go.
9 If it's a distressed community, they can invest a half million
10 dollars, but they have to run the programs themselves. They
11 have to start and operate a company and manage it by
12 themselves. There was no regional center concept, including
13 pooled funds where the investments were not that much, a
14 half million or a million, so it wasn't a big impact.

15 Turning to the next page, in the past few years in the
16 pilot program called the EB-5 Regional Center, we sort of
17 abbreviated RC throughout the document. The EB-5 Regional
18 Center concept is very similar. They ask immigrants to invest
19 half a million or a million dollars per family based on where
20 the Regional Center is going to be or where the investment is
21 going to be. They can be located in what is called targeted
22 economic areas, or what I call economically distressed areas.
23 It still requires 10 full-time jobs to be created through each
24 individual investor. If an investor puts in a million dollars,
25 they'll expect 10 jobs to be created, but the difference is that

1 these could be direct or indirect jobs. That's a very good
2 distinction for people who want to do this.

3 The second thing is that funds can be pooled by the
4 Regional Center. In other words, instead of having a half
5 million dollars to start a business, you could pool ten investors
6 together, half a million dollars each, and you have five million
7 dollars to invest the funds into an enterprise that will create
8 jobs for Virginians. If you have five investors putting in a half
9 million dollars, five investors is 50 new jobs to be created
10 direct or indirect.

11 DELEGATE KILGORE: You still have to create 10
12 jobs for 500,000?

13 SECRETARY CHENG: Yes, those can be direct or
14 indirect jobs.

15 DELEGATE BYRON: You're saying for 500,000?

16 SECRETARY CHENG: It depends on where it is. An
17 investor is either a half million dollars or a million.

18 DELEGATE KILGORE: I'm assuming we're looking
19 at distressed areas.

20 SECRETARY CHENG: If it's a distressed area they
21 lower the threshold to a half a million dollars per investor.

22 DELEGATE MARSHALL: What is the indirect?

23 SECRETARY CHENG: Let me move on to the next
24 point, and I'll answer that question with the next slide. Let's
25 go ahead and move on to the next slide. People have asked

1 what are regional centers, and I'm moving fairly quickly
2 because we have a half an hour. A regional center could be a
3 public or private entity that can apply for the designation. You
4 can apply for a designation, and we've included a list of what
5 needs to be done to apply. It's a fairly long list. The important
6 thing is that the regional center is any public or private entity
7 that creates jobs and is involved in job creation or whatever.
8 We suggest this should be a local government or a local
9 authority type of operation.

10 DELEGATE KILGORE: Like an economic
11 development authority or Virginia Coalfields Economic
12 Development?

13 SECRETARY CHENG: I think it could be. It doesn't
14 have to be more than a person in the office or in a local
15 government or state government. Anybody can do it, but I
16 think that because Virginia is so big you want local
17 management and you want your local regional center. It could
18 be one guy at an office somewhere that's running the project
19 and collecting the money and coordinating the legal firms and
20 marketing and everything like that that is needed for that. It
21 doesn't have to be a big entity. Local management can figure
22 out where the funds should be going and to monitor the status
23 of these funds. The process for taking applications is done by
24 USCIS, Customs and Immigration. After you're approved as a
25 regional center, then it's run by the regional center and it's a

1 local operation. They do check back and make sure the jobs
2 are created.

3 So let me go on to the next page, and it talks about job
4 creation. The original EB-5, the investor only creates direct
5 jobs. We can now, through the regional centers, we can pull
6 money together and create indirect jobs. The 10 jobs could be
7 half direct and half indirect. Those indirect jobs are described
8 in the original business application. When you put your
9 business plan together and say I have this many going in
10 which will create X number of jobs, but I also have a supply
11 chain and they will create X number of jobs. This is how I
12 would document this. So the documentation is sent in, and
13 this process might take six months, so it takes some foresight
14 and some patience. It takes a little bit of time to put together.
15 That's one of the reasons why we want to get it in front of you
16 now. The quotas that I have, we only had a quota of 10,000
17 people a year, and Congress has set that. The program started
18 off slowly many years ago and a couple of thousand people
19 applied, then last year four thousand, and this year it's
20 estimated to be seven to eight thousand may apply, or slots
21 may be taken.

22 If you want to do this or sponsor some of this or work
23 with the local communities, this I think would be a good time
24 to do it, because there are still slots left this year. There still is
25 a lot of demand for the EB-5. People have money in China and

1 overseas, and it's not just China, it could be Europe or South
2 America, or it could be anywhere. These investors would
3 come, and the jobs created as indicated in the last line down
4 there, would have to be for a U.S. citizen or a permanent
5 resident. The 10 people does not include the investor or his
6 family.

7 SENATOR WAMPLER: I just want to follow up, Mr.
8 Chairman. I'd like to follow up on Delegate Marshall's
9 question, and that was the question concerning the indirect
10 jobs. For example, the Tobacco Commission thinks a lot about
11 alternative energy sources, whether it's switchgrass or
12 biomass or whatever source we try to produce in the tobacco
13 growing region. Say there's a \$20 million cap X requirement
14 to start one of these new ventures. In theory you could have
15 \$20 million of EB-5 investors or 15 from a local company, and
16 maybe EB-5 could buy down \$5 million. You would look at
17 the direct and indirect jobs as a result of that \$5 million
18 investment to support the build-out of say a co-op model for
19 the bio-mass. Would that be a fair statement?

20 SECRETARY CHENG: I believe that would work,
21 and I know there is a lot of flexibility in this program and the
22 program really cares about job creation in the United States,
23 not necessarily direct jobs, but any indirect job to the U.S.
24 economy or the Virginia economy. I think anything that would
25 make reasonable sense and it would be pre-approved anyway,

1 so you would have assurance from CIS that would happen.

2 SENATOR WAMPLER: Thank you, Mr. Chairman.

3 DELEGATE KILGORE: Does anyone else have a
4 question?

5 SECRETARY CHENG: Also in the audience I have
6 Peter Su and Jimmy Rhee, Assistant Secretaries, and they
7 came back from Asia, and they got a lot of feedback, and there
8 is big demand for this, but there are a lot of other states and
9 localities within those states that are doing this already. I
10 think the last count was something like 85 regional centers
11 throughout 35 states.

12 DELEGATE KILGORE: What's in it for them, and
13 what's in it for us?

14 SECRETARY CHENG: The next page talks about
15 investors. I think we looked at some of them here. What's in
16 it for them? If you look down at the page, the EB-5 investors,
17 a lot of people want to come to the United States, and no
18 problem with that. Increased demand for EB-5, and we saw
19 that when we visited Asia, there is a lot of call for that.
20 Investors shop EB-5 programs based on the following order of
21 priority. One, they want the green card, and this provides
22 them one of few paths that are clearly outlined to getting a
23 green card and citizenship. Number two, they want a very safe
24 investment, and they want to have some sort of assurance
25 they'll get the bulk of their principal back. The last thing they

1 look at is the upside. Most of them understand most of what
2 they're going to get, and I am sort of conjecturing. They want
3 very little risk, and almost like a loan/debt type of risk. They
4 don't need a lot of upside, but they don't want to lose their
5 visa. They'll come into the country on the traditional visas; if
6 the program doesn't work, they don't meet the jobs, they get
7 kicked out, and they don't want that to happen. These jobs
8 will be demonstrated within three to five years, and that the
9 actual number of jobs and investment happens like it should,
10 that's very important. All of the EB-5 applicants will be
11 trained personally and vetted that they're not associated with
12 the wrong people or people of that nature and the money
13 comes from a clean source. They have to show tax returns
14 from their home country and things of that nature. So, there's
15 a lot of vetting that has to be done.

16 MR. NOYES: Who does that vetting?

17 SECRETARY CHENG: CIS.

18 MR. NOYES: I wanted the Committee to hear that.
19 This is not the Commission nor the center's obligation.

20 SECRETARY CHENG: You have to put a down
21 payment down held by the regional center while CIS does the
22 investigation.

23 DELEGATE BYRON: How long is the green card
24 for?

25 MR. SU: There is no limit on the length. There is a

1 minimum requirement as a U.S. green card holder, and you
2 could be here for the rest of your life. You could be the green
3 card holder for the rest of your life.

4 SECRETARY CHENG: If you don't show up in the
5 United States over X number of years --

6 MR. SU: -- I believe there is a minimum of five
7 months stay.

8 SECRETARY CHENG: They don't have to stay in
9 Virginia, they can go anywhere. They don't have a data
10 operation in the region.

11 DELEGATE KILGORE: In what states, where would
12 we look for an example to see how this is working?

13 SECRETARY CHENG: Thirty-five states have done
14 it. California probably has the most. Vermont has, and so
15 has Maryland. Vermont, what they did was, I don't know the
16 specifics of it, but they actually collected millions of dollars to
17 build a resort. It wasn't a brand new project, and you can put
18 it into projects that are not actually new, but it was a project
19 or it was an investment to rehab a ski resort.

20 DELEGATE KILGORE: Was that in Killington,
21 Vermont?

22 SECRETARY CHENG: It was very successful, and
23 people got their money back, and some made money. The
24 resort is up and running and making a lot of money.

25 MR. NOYES: Oregon and Pennsylvania.

1 SECRETARY CHENG: Maybe I can ask Peter to talk
2 about that.

3 MR. SU: I'm Peter Su, Assistant Secretary of
4 Commerce, DBA. Your point, Delegate Kilgore, what's in it for
5 them and what's in it for us. I think what's in it for Virginia is
6 that these are locally driven projects. The risks are managed,
7 and they're perceived as low risk. A lot of these, like in
8 California, are projects, as Secretary Cheng said, they don't
9 want to lose their \$500,000 investment five years from now. If
10 they're in the program for five years and the project goes down
11 at the end of the four years, they're still kicked out of the
12 country. That's one point I hope you take back, that these are
13 locally driven projects and locally enterprised, and you know
14 your projects better than anyone else. This could be an
15 industrial park you're trying to develop. Let's say it's a \$10
16 million project and you may carve out 2 million from foreign
17 investors or all 10 million. It's been mentioned building
18 private schools and that's another option. A lot of foreign
19 investors are interested in sending their kids overseas to
20 school. So, if we were to build a private school somewhere in
21 the Tobacco Commission region, a private school model, as
22 long as the project gets repaid, or the investment, they would
23 be interested in something like that. If you take that \$10
24 million example, you may be dedicating 5 million of that
25 project from foreign investors. We'd work with the marketing

1 folks that are associated with this regional center.

2 DELEGATE MARSHALL: The marketing people,
3 how do we find them, or do they find us, once we move in that
4 direction? How do we know that those folks are out there, and
5 why do they want to come to the tobacco area?

6 MR. SU: Let me take a step back. There are
7 different people involved. There is a legal function of
8 submitting the application, and those are delegated to the legal
9 professionals. The Department of Homeland Security,
10 Citizenship, Immigration and Service, CIS for short, they do
11 the vetting and the approval for the applications for the
12 regional center as well as approval for the immigrant investors
13 on a case-by-case basis. The marketing people is what the
14 regional center management would have to designate. These
15 marketing folks, and there is a whole industry out there, and
16 that involves lawyers and consultants based overseas.

17 DELEGATE MARSHALL: Private enterprise?

18 MR. SU: Yes. What's in it for them? Obviously
19 there's a finder's fee, and they collect the finder's fee from the
20 investor and it doesn't come out of our money. It doesn't come
21 out of the \$500,000 investment. There is something in it for
22 everyone. They get the finder's fee once the Department of
23 Homeland Security clears that application.

24 DELEGATE MARSHALL: What regions or states are
25 doing this, and how long have they been doing it? The next

1 question is how many jobs does it create?

2 MR. SU: The Department of Homeland Security
3 does not release actual statistics as to which project comes to
4 how many jobs are directly created. We do have some good
5 anecdotal data of successful projects, and I know you spoke of
6 California. The investor community picks up on these failed
7 projects. I know there are a lot of failed projects. There are
8 fewer successful projects. California has a lot of failed
9 projects, and these projects are more private entity driven than
10 local government driven, so that's the difference.

11 I don't know if I've answered your question.

12 DELEGATE MARSHALL: Thank you.

13 DELEGATE BYRON: I understand what Homeland
14 Security does, but you just contradicted something about
15 motive-driven that you said regional centers are handled
16 locally. So the local folks are involved in these centers?

17 MR. SU: Yes, local folks are involved in the center.
18 Let's say the local government or City of Danville, for instance,
19 determined what the project would be, and they would file an
20 application to the Department of Homeland Security, and they
21 would approve whether that project meets the criteria or not of
22 being a regional center.

23 DELEGATE BYRON: Once the local projects or the
24 local folks know about that, the Tobacco Commission cannot
25 fund that today. If we've got a lot of money, what are we not

1 doing today that this can do?

2 SENATOR WAMPLER: If I may, Mr. Secretary,
3 correct me if I'm wrong. I think that in today's lending
4 environment what you find is another tool of capital. If a
5 traditional lender, because of very tight underwriting
6 standards we have today, might not fit. If it were a \$20 million
7 project it may not cash flow but 15 million in the tightest
8 regulatory underwriting standards, but here you have another
9 source of what I would call private capital that would come to
10 the table that would now make that venture bankable. I'd say
11 you run the traps of whatever grants or other subsidized
12 incentives might be there. If I have misspoken, put me on the
13 straight track. I think that's an accurate description, and
14 that's why it's so important to buy down the cost of this.

15 DELEGATE KILGORE: To use that to leverage it up.

16 MR. STEPHENSON: Mr. Chairman, historically this
17 Commission has been neither a lender nor an equity investor
18 in any of these grants.

19 MR. NOYES: The EB-5 program does not call for
20 the Tobacco Commission to have any active role in it beyond
21 assisting in setting up the center.

22 DELEGATE KILGORE: What we're being asked to
23 do is not invest in the project but asked more to look at trying
24 to assist in setting up some regional centers and helping with
25 some of the costs up-front, I believe, if I'm correct.

1 SECRETARY CHENG: I see 35 other states taking
2 advantage of that and capital coming into the United States,
3 and there's a need for capital in many forms, including loans,
4 equities and everything. But this is just another thing we can
5 do. However the Tobacco Commission and its members would
6 like to look at it, this is a region that could benefit from
7 additional capital, it could probably be best done through a
8 regional organization.

9 DELEGATE KILGORE: Maybe we could get
10 classified as the targeted economic area, TEA.

11 SECRETARY CHENG: They have a specific
12 calculation for that.

13 SENATOR HAWKINS: One of the major problems
14 we have faced is not necessarily loss of jobs but loss of
15 ownership, and we lost many board rooms. If you look at the
16 history of our area of rural Virginia, people that have
17 ownership involved in that area were the people who are
18 principals in these corporations who live there and invest
19 there. Schools benefit and everything benefits, and the
20 stability that brought the people who are invested in these
21 companies, they have a stake in the community itself. Does
22 this encourage board rooms and growth and that sort of thing
23 in the community that would bring ownership in the confines,
24 or is this going to be another flowchart where money flows
25 from a community into another receptacle, be it a foreign

1 country or whatever? I'm saying that the more money you can
2 keep locally the better off you're going to be. What I'm seeing
3 take place is a continuation of outflow of capital from areas
4 rather than stabilization of that capital.

5 SECRETARY CHENG: There are two answers to
6 that. If it's equity, I think there are people who want to come
7 in from overseas and invest locally and stay with the
8 community. This allows the regional center flexibility. It can
9 accept money and loan it out and invest in equities. If you
10 loan it out, the investors don't take a board seat or anything
11 like that. It helps you attract more capital when there is more
12 money involved.

13 SENATOR HAWKINS: The capital is very important
14 for the stability, but ownership is equally as important. If you
15 look at the history of areas and localities that are able to have
16 stability in the upper echelon of management, the whole area
17 will benefit. What I've seen take place in my area of the world
18 is that people were brought in to manage things were in a
19 transition period because they're going to a different job, and
20 they know that. There are no roots formed in the community,
21 and they're constantly in motion for a promotion and going to
22 a different environment. They never spend enough time within
23 the community to be able to put roots down and also
24 contribute to the educational level that they bring or the
25 expertise that they bring, because it's always in flux. I'm

1 looking for something that's more stable that would create a
2 harder core that I think this may be approaching.

3 Am I expressing that correctly?

4 SECRETARY CHENG: This is one way to do it,
5 because who you put in the regional center will help decide
6 how the money gets distributed. If you want to keep it in the
7 community, you distribute it to people who will keep it in the
8 community.

9 DELEGATE BYRON: If we did this, how many
10 regional centers are we talking about? Number two, you
11 mentioned there were quite a few failures that can happen
12 along the way, too. Is that a reflection on the Tobacco
13 Commission, the failures? Or is it a reflection on the program
14 itself, or where does that lie?

15 SECRETARY CHENG: Other EB-5 programs, some
16 of them people just invested in ventures and made promises
17 and they actually kept the money. There is no project and
18 there is nothing, and they sort of scammed. Others have been
19 very well meaning projects but invested in the wrong place or
20 the wrong thing. We believe people here want to see their
21 capital or a return on it in five years. We need to find very low
22 risk and a little debt. This money is brought in as long-term
23 loans to be paid back with some interest, that is the most
24 stable of projects. Other projects haven't generated the
25 amount of jobs necessary for the people, and if they don't do

1 that they lose their visa and they have to leave the country,
2 and that regional center would have a very bad reputation.
3 We're trying to find good projects that are stable. We want to
4 find projects where people can pretty much rely on the money
5 coming back, the greater part of their principal, and enough
6 jobs are created where they can keep their visa and the
7 regional center has a very good reputation and able to attract
8 more capital.

9 SENATOR WAMPLER: I'd have to agree with what
10 Secretary Cheng said. Promoting I think is to legitimize the
11 process of applying. The Commonwealth would say these are
12 the steps that you must take. I challenge any one of you to
13 Google tonight EB-5 and look at the hits that come up, and
14 they're in it for a fee. What we would do is, and I'd ask
15 everybody to keep in mind, we're going to target from the
16 regional perspective, the local perspective, where we want to
17 drive that investment. I suppose we will have an opportunity
18 locally from the state perspective to leverage up that
19 investment if we choose to do so. I think targeted markets is
20 what this is all about, and we will be a beacon that will have
21 the Commonwealth's seal of approval on it, I think, and that's
22 pretty strong.

23 MR. NOYES: Targeted in two senses. One,
24 geographically, and two, focus of the investments and
25 reliability. The responsibility of the Tobacco Commission

1 Board is to make those decisions. To Delegate Byron's
2 question, how many. At the last meeting the Board moved
3 300,000 as an administrative line item that would be used
4 after an RFP to contract for the legal work that would move an
5 EB-5 program forward. You haven't made the decision to go
6 forward, where or what to invest in, but the priorities for that
7 regional center is targeted in two ways, geographically and
8 targeted in terms of economic objectives.

9 DELEGATE WRIGHT: What would it cost for a
10 regional center to be established?

11 MR. NOYES: Two hundred and fifty to three
12 hundred thousand is the amount, or the Board would put a
13 cap on it not to exceed three hundred thousand.

14 SECRETARY CHENG: If I can interrupt for a
15 moment, we have a surprise. The Governor would like to
16 express his appreciation for you all meeting.

17 DELEGATE WRIGHT: I have a follow-up question.
18 Currently could a local IDA apply to become a regional center?
19 I had this presented to me a couple of years ago from a local
20 business person; it's kind of coming back to light now. Other
21 than the Tobacco Commission to attract more capital to this
22 region, what would be the reason the Tobacco Commission
23 would become involved? That's a good reason, but why would
24 the Tobacco Commission itself be the entity that would do
25 that?

1 SECRETARY CHENG: My suggestion is that the
2 Tobacco Commission, that is an entity that as a region, I
3 think, would want this. This would be in the Tobacco
4 Commission footprint, and there are several where it would be
5 in the region, and maybe the IDA would work with that. I
6 think the Staff might be already working on that. Within the
7 tobacco footprint it would be a very good way to attract more
8 capital. We've talked about capital needs in the region.

9 Here's our surprise. (Applause)

10 GOVERNOR MCDONNELL: May I have the floor for
11 a minute?

12 DELEGATE KILGORE: Certainly, you've got it.

13 GOVERNOR MCDONNELL: I know you've got a lot
14 of important work to do here. I know you've called this special
15 meeting to look at a couple of important proposals, one of
16 which is the proposal that you're going to here from today,
17 which is Kleiner Perkins. I had requested when I was out in
18 the Silicon Valley a couple of weeks ago, and I called Delegate
19 Kilgore immediately after I met with the folks at Kleiner
20 Perkins. I was telling him about this opportunity to ask if you
21 would evaluate this. I think this is a very exciting opportunity
22 for Virginia. I'm going to keep this general and not specific,
23 and this is an opportunity I'd like for you to consider.

24 So, here's the issue. You've approved a lot of important
25 economic development and job creation tools which you gave

1 me last year, about \$50 million or so, and that's been very
2 helpful. During my travels, and I found out who we were
3 competing against and that's the state of Mississippi, they are
4 extremely aggressive in putting opportunities before various
5 companies, particularly in places like California. They've got a
6 pretty uncompetitive business plan, and they're trying to
7 recruit business.

8 Secondly, they've decided to get into the bio-technology
9 and bio-fuel research and development field because they
10 bring high technology and high paying jobs to their respective
11 areas. This is an area where I think Virginia has an
12 extraordinary opportunity. We're going to ask you to do a
13 couple more things during the General Assembly Session of
14 this year in this area.

15 When I traveled to California I found some opportunities
16 in the Silicon Valley, one of which you're going to hear about
17 today, and it's in the bio-tech field, and I think it's critically
18 important to Virginia. This one of those areas you've either got
19 to be in full-time with both feet or you can't compete. We're
20 getting beat by Maryland, Massachusetts, California and
21 several others. Like I said, Mississippi is our main competitor
22 in the deal you're going to hear about in some more detail
23 today. They're being very aggressive. This is a particular
24 opportunity that uses some very interesting technology. It will
25 be very helpful across the scale in the tobacco region to

1 provide jobs and also to provide some very significant high-
2 paying jobs in the bio-tech area. We have an opportunity to
3 compete against one other state to land this opportunity in
4 Virginia. They're looking at a couple of business sites in the
5 tobacco region. We've got some money that I've made available
6 through stimulus funds and through some other funding
7 opportunities to help make this deal happen. From what we
8 understand that may also be on the table, there are some
9 significant monies being offered by some other states. I'd like
10 you to take a look at this, and I know you've done a great job
11 setting up energy centers around the Tobacco Commission
12 area and the footprint, and that's been great to be able to help
13 transition Southside and Southwest Virginia economies. This
14 fits exactly into the model that you're going to hear about. I
15 know in discussions we've had earlier with Senator Ruff and
16 Delegate Kilgore we thought it would be good, even though
17 you're an independent Commission and you make
18 independent decisions. However, I think we're going to be a lot
19 stronger from an economic development standpoint if we can
20 land some of these big opportunities that create significant
21 marketing opportunity and job creation opportunities for
22 Virginia if we can combine our resources. I'm asking you to
23 look at the opportunity, and we can tell you a little bit more
24 through Secretary Cheng what we've done and what we've got
25 on the table and the kinds of things that you're going to hear

1 about from my friends from the Silicon Valley about what's
2 going to be necessary to make this happen.

3 So I'm asking you to look at it carefully, and I think
4 you've got to look beyond just what the job creates today, but
5 looking at the technology that they're going to describe to you
6 and what are the significant growth potential and the
7 worldwide market for these technologies over the next five or
8 ten years. I just think it will be a wonderful opportunity. So,
9 I'll trust that to your good judgment, but I just want to make
10 sure we're doing more of this with some things you're doing
11 can be matched up with significant resources you've got to be
12 able to create a lot of new jobs in the tobacco footprint.

13 Thanks for letting me come in. I'm sorry to interrupt
14 your meeting.

15 DELEGATE KILGORE: We appreciate all that you're
16 doing as far as the creation of jobs, and we're glad to be a
17 partner with you in projects like this in moving forward. Does
18 anyone else have a comment? This isn't opening up for
19 questions, but does anybody have a comment?

20 GOVERNOR MCDONNELL: That's all I wanted to
21 say, and again, thank you very much.

22 DELEGATE MARSHALL: Getting back to this, if we
23 do this, will this be an ongoing cost to the Tobacco
24 Commission?

25 SECRETARY CHENG: I don't see the official cost.

1 It's an area that needs it, and if somebody wants to be a
2 regional center and we support it, they need to have some
3 startup costs. The web site they have, CIS has, says a
4 hundred thousand to start up or something. It needs to be
5 something that could use regional support. Right now there
6 are a lot of folks looking to apply to the regional center
7 throughout Virginia. It's a good time right now, and other
8 people are thinking about it.

9 DELEGATE WRIGHT: The regional centers under
10 this process, what control would the Tobacco Commission
11 have who is going to be running that regional center and
12 staffing?

13 SECRETARY CHENG: There are people applying
14 right now, and there could be other public or private interested
15 in doing that right now in Virginia. Some have applied and
16 haven't gotten status yet. We have no control over that. I'm
17 just thinking that my prospects, and if you approach some
18 localities that you're willing to support, we may have a say in
19 that more than just the guidance, and that's a great idea to
20 make a pitch and try to sell it.

21 DELEGATE WRIGHT: The reason I say that is that
22 it seems to me that if we put money in these regional centers
23 we ought to have some say-so.

24 SECRETARY CHENG: I'm sure we would.

25 DELEGATE KILGORE: I think we need to wrap this

1 up.

2 DELEGATE WRIGHT: How long has this been the
3 law?

4 MR. SU: Since 1975.

5 SECRETARY CHENG: The regional centers have
6 been in existence maybe since 1993.

7 SENATOR REYNOLDS: I'm assuming Virginia is not
8 one of the 35 states.

9 MR. SU: No. There are no regional centers in
10 Virginia right now, but people are applying.

11 SENATOR REYNOLDS: Would someone help me
12 understand why there would be regional centers in some
13 states and there is not one in Virginia?

14 SECRETARY CHENG: Someone has to actually
15 apply.

16 SENATOR REYNOLDS: How did it happen in the
17 other 35 states? Who turned out to be the ones?

18 SECRETARY CHENG: A lot of individuals and local
19 authorities, but I've also seen some states get involved in
20 actually supporting the regional centers in their states.

21 SENATOR REYNOLDS: Why has no one applied in
22 Virginia?

23 SECRETARY CHENG: It takes someone to push it, I
24 guess.

25 DELEGATE WRIGHT: As I said earlier, I had a

1 person in my district, I don't know where he got the
2 information from originally, but he brought it to me, and I was
3 unaware of how it worked or anything about it. He's very
4 much interested in it, and he's in a sawmill business.

5 SECRETARY CHENG: VEDP has been looking at
6 this for several years. Because of manpower they haven't done
7 it. I think it would be better for the regions or the localities to
8 run this instead of a single statewide entity.

9 SENATOR WAMPLER: Senator Reynolds' point, we
10 have a prospect in Southwest that asked about this, had a
11 foreign investor from Europe who wanted to invest money
12 under EB-5 and there was no structure, and the best they
13 could do was to be referred to, with all due respect, a
14 Richmond law firm. It's a very complicated, bureaucratic
15 process to establish. It happened overnight, and somebody
16 has to put a lot of time and money into it to create it.

17 DELEGATE KILGORE: We've got to move into our
18 Executive Session, so we can continue discussing this at a
19 later time.

20 SENATOR WAMPLER: The next step is the
21 December 14th Special Projects Committee meeting to take
22 this up and discuss it. I think the only other question there
23 Secretary Cheng presents at that time at the subcommittee
24 meeting would be the 300,000 that was allocated with the
25 recommendation that it be transferred to Special Projects

1 should we decide to move forward with it as a grant to the
2 entity who creates it. We'll have another chance to discuss it
3 at a later time.

4 DELEGATE KILGORE: When does that meet?

5 SENATOR WAMPLER: December 14th at one
6 o'clock in the afternoon at the Hotel Roanoke.

7 DELEGATE KILGORE: I move that we go into
8 Executive Session.

9 SENATOR WAMPLER: I move that we go into
10 Executive Session in accordance with the provisions of the
11 Freedom of Information Act, Section 2.2-3711(A) Subsection 5
12 of the Code of Virginia for the purpose of discussing a
13 prospective business or industry expansion, and that is my
14 motion.

15 MR. OWENS: Second.

16 DELEGATE KILGORE: All those in favor say aye?
17 (Ayes.) All right. We're in Executive Session.

18

19 NOTE: At 1:40 p.m. the Committee goes into
20 Executive Session.

21 Thereupon, at 3:45 p.m. the Committee comes out
22 of Executive Session, viz:

23

24 SENATOR WAMPLER: Whereas, the Executive
25 Committee of the Virginia Tobacco Commission has convened

1 a closed meeting on this date pursuant to an affirmative
2 recorded vote and in accordance with the provisions of the
3 Freedom of Information Act; and Whereas, Section 2.2-3712(D)
4 of the Code of Virginia requires a certification by the
5 Committee that such a meeting was conducted in conformity
6 with Virginia law.

7 Now, therefore, be it resolved that the Committee hereby
8 certifies that to the best of each member's knowledge, that
9 only public business matters lawfully exempt from open
10 meeting requirements under the Act and only such public
11 business matters as were identified in the motion by which the
12 closed meeting was convened were heard, discussed or
13 considered by the Committee in that meeting.

14 SENATOR PUCKETT: Second.

15 MR. NOYES: Delegate Abbitt?

16 DELEGATE ABBITT: Aye.

17 MR. NOYES: Delegate Byron?

18 DELEGATE BYRON: (No response.)

19 MR. NOYES: Secretary Cheng?

20 SECRETARY CHENG: Aye.

21 MR. NOYES: Senator Hawkins?

22 SENATOR HAWKINS: Aye.

23 MR. NOYES: Delegate Johnson?

24 DELEGATE JOHNSON: Aye.

25 MR. NOYES: Delegate Kilgore?

1 DELEGATE KILGORE: Aye.
2 MR. NOYES: Delegate Marshall?
3 DELEGATE MARSHALL: Aye.
4 MR. NOYES: Mr. Owens?
5 MR. OWENS: (No response.)
6 MR. NOYES: Senator Puckett?
7 SENATOR PUCKETT: Aye.
8 MR. NOYES: Senator Reynolds?
9 SENATOR REYNOLDS: Aye.
10 MR. NOYES: Senator Ruff?
11 SENATOR RUFF: Aye.
12 MR. NOYES: Senator Wampler?
13 SENATOR WAMPLER: Aye.
14 MR. NOYES: Delegate Wright?
15 DELEGATE WRIGHT: Aye.
16 MR. NOYES: So certified, Mr. Chairman.
17 DELEGATE KILGORE: I don't think there are any
18 more motions to be made at this time. Our next Executive
19 Committee meeting is January 10th, 2011 on Monday. We'll
20 let you know the exact time and put that out.

21 Any public comment at this time? Seeing none, any
22 objection to adjournment? (No response.) We're adjourned.

23 PROCEEDINGS CONCLUDED.

24 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 Community Revitalization Commission Executive Committee Meeting when held on Monday, November 29, 2010 at 1:00 p.m. at the 5th Floor West Conference Room, General Assembly 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 day of December, 2010.

Medford W. Howard

Registered Professional Reporter

Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2014.

Notary Registration Number: 224566