

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

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219
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9 Executive Committee Meeting
10 Thursday, July 29, 2010
11 8:30 a.m.
12

13 Hemlock Haven Conference Center
14 2854 Park Boulevard
15 Marion, Virginia 24354
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1 **APPEARANCES**

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3 The Honorable Terry G. Kilgore, Chairman

4 The Honorable Frank M. Ruff, Vice Chairman

5 The Honorable Charles R. Hawkins, Chairman, Emeritus

6 The Honorable Kathy J. Byron

7 The Honorable Joseph P. Johnson, Jr.

8 The Honorable James S. Cheng

9 Secretary of Commerce & Trade

10 The Honorable Daniel W. Marshall, III

11 The Honorable Philip P. Puckett

12 The Honorable Roscoe Reynolds

13 The Honorable Thomas C. Wright

14

15 **COMMISSION STAFF**

16 Mr. Neal Noyes, Executive Director

17 Mr. Ned Stephenson, Deputy Executive Director

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

19 Ms. Stephanie S. Kim, Director of Finance

20 Ms. Sara Williams, Grants Coordinator, Southwest Virginia

21 Ms. Sarah Capps, Grants Coordinator, Southside Virginia

22

23 **COUNSEL FOR THE COMMISSION**

24 Mr. Francis N. Ferguson, Esquire, Counsel for the Commission

25

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DELEGATE KILGORE: I call the Executive Committee meeting to order. Mr. Executive Director, if you would call the roll please.

7

MR. NOYES: Delegate Abbott?

8

DELEGATE ABBOTT: (No response)

9

MR. NOYES: Delegate Byron?

10

DELEGATE BYRON: Here.

11

MR. NOYES: Secretary Cheng?

12

SECRETARY CHENG: Here.

13

MR. NOYES: Senator Hawkins?

14

SENATOR HAWKINS: Here.

15

MR. DAY: Delegate Johnson?

16

DELEGATE JOHNSON: Here.

17

MR. NOYES: Delegate Kilgore?

18

DELEGATE KILGORE: Here.

19

MR. NOYES: Delegate Marshall?

20

DELEGATE MARSHALL: Here.

21

MR. NOYES: Mr. Owens?

22

MR. OWENS: (No response).

23

MR. NOYES: Senator Puckett?

24

SENATOR PUCKETT: Here.

25

MR. NOYES: Senator Reynolds?

1 SENATOR REYNOLDS: Here.

2 MR. NOYES: Senator Ruff?

3 SENATOR RUFF: Here.

4 MR. NOYES: Senator Wampler?

5 SENATOR WAMPLER: (No response).

6 MR. NOYES: Delegate Wright?

7 DELEGATE WRIGHT: Here.

8 MR. NOYES: Mr. Chairman, you have a
9 quorum.

10 DELEGATE KILGORE: Do I have a motion
11 that we approve the minutes of 4/28/2010; they're posted on
12 the website? I've got a motion and a second. All those in favor
13 say aye (ayes). Opposed (No response).

14 DELEGATE KILGORE: Ned, would you give us
15 your report?

16 MR. STEPHENSON: Members of the
17 Committee for about a year now we have operated a reserve
18 fund program and as you may remember, this program
19 operates on the vote of a panel of four people. A lot of things
20 have happened in that program and I thought I would just give
21 you a little run down of where you are and what we've done on
22 that program. I'm going to read this briefly and if you have
23 any questions, you can stop and ask me. I want to review how
24 this program works. There are four basic rules that apply to
25 this program. The first is that the other funding source must

1 require a match. This program is designed to fulfill the
2 matching money required by some other funding source. The
3 second rule, the other funding source has to be committed. In
4 other words, the Tobacco Commission has to have written
5 proof that the money has been committed by the other source.
6 We have a lot of applications that are aspirational or hoped
7 for. In this case, we have to have hard written proof. The
8 third rule is that our money is limited to half of the project
9 cost. The fourth rule is that it must be the unanimous vote of
10 these four persons. If a project can make these four hurdles,
11 we can get access to the reserve fund.

12 Very quickly, at July 1, I make that point July
13 1 because that captures the new years' money and we have
14 put a total of \$49 million in the reserve fund and we have
15 made commitments for \$44 million leaving a balance of \$5
16 million available and that's roughly a years' worth or 13
17 months worth. So that's what's going on at this point.

18 I'll give you a little synopsis of what has
19 happened, there are 39 applicants who have asked for \$53
20 million and gotten \$44 million. In addition to the 39
21 applicants, there are 36 other applicants who have asked you
22 for \$88 million and have been declined or haven't gotten any
23 money. There are another 10 applicants asking for \$23
24 million and they are still in our queue and have not yet been
25 processed and recommended and voted. You can see that in

1 the course of this year, you have had 85 applicants come
2 before you asking for \$164 million from the reserve fund. I
3 want to focus for a minute on the 39 people that have asked
4 for money and gotten it because the rest of them have been
5 turned down. Twenty-two of these 39 people were offered \$25
6 million from the Tobacco Commission but they are still
7 hunting for proof of their other funding source which they
8 haven't gotten yet. We made an offer and we say if you can get
9 proof of your other funding, you can have this money and
10 they're still hunting. A lot of them are hunting and won't get it
11 but we have made the commitment to them. There are 17 who
12 were offered \$19 million from you and they have raised proof
13 of \$52 million of money from elsewhere and those deals have
14 been committed and bound and they're going to happen.

15 In summary you had 85 entities before the
16 Committee asking for \$164 million and only 17 of those have
17 actually connected with matched money and gotten \$19
18 million out of the reserve fund.

19 DELEGATE KILGORE: Ned, there's \$22
20 million you talked about in the last slide there are people still
21 hunting and we offered \$25 million but we're not sure if that's
22 going to come to fruition.

23 MR. STEPHENSON: Correct. Some of them
24 will make it and some of them will fail and that commitment
25 you made will be rescinded and you will have no obligation.

1 DELEGATE KILGORE: How long is the
2 commitment for?

3 MR. STEPHENSON: The commitments are all
4 made for six months and the applicant at the end of six
5 months, if they believe this prospect is still alive and they can
6 get it, we tend to try to extend a little bit and give them time to
7 capture that money. Many of these were ARRA money that
8 was hoped for but very few people realized that.

9 I think if I could comment for a minute that
10 one of the positive elements of this way of doing business, you
11 don't end up a hundred percent the financier of these projects.
12 People have told us they are going to get money from
13 somewhere and then they don't. We don't let these monies go
14 until proof is in our hands.

15 DELEGATE KILGORE: So they don't come
16 back to us?

17 MR. STEPHENSON: That's right.

18 MR. NOYES: Of those that have actually
19 received the commitment, there are two or three that the
20 Executive Committee considered and there was a discussion
21 and said to the panel we think you ought to go ahead and do
22 this which we voted on and one of them was in Halifax County
23 which was a \$5 million commitment. These were done.
24 Anything that was out of policy was considered by the
25 Executive Committee ahead of the vote by this reserve panel.

1 To give you an illustration on the technology program, there
2 have been three approved projects where I think we invested;
3 do you have any calculation on that Ned?

4 MR. STEPHENSON: About 14.

5 MR. NOYES: About \$14.3 million in
6 Commission funds, an investment of \$14.3. One of them
7 yielded \$16 million and the other one yielded \$22 million and
8 the third one was about \$18 million. That is some significant
9 leverage for a program valued by the Tobacco Commission.
10 None of them have been a ratio beyond 50/50. You have been
11 leveraging at least over the total program of at least 2 to 1 and
12 sometimes as much as 4 to 1.

13 DELEGATE KILGORE: In the past, I know in
14 Technology we were 100 percent and we were the only game in
15 town.

16 MR. STEPHENSON: Mr. Chairman, I think
17 this is important because for the Commission a significant
18 number of dollars are flowing through these programs with
19 none but the four members of the Commission. There are the
20 hurdles they have to make but this is an ongoing program and
21 we want to be sure that the Committee is satisfied with what's
22 happening in these programs.

23 DELEGATE KILGORE: I think the Executive
24 Director said earlier about anything that would appear that
25 might have been out of protocol before the Executive

1 Committee before we do anything.

2 MR. NOYES: That's correct. At least three
3 such projects. I don't remember the TROF rather than the
4 reserve program. There were at least three of them; there are
5 at least three of them that are redlined in the list. We can
6 provide that list of approvals and pending in your books.

7 DELEGATE KILGORE: I think before the next
8 meeting we can do it, send it out to the membership because I
9 think it would be good for them to have that knowledge of it.

10 MR. NOYES: The specific projects that have
11 been committed or they have been approved.

12 DELEGATE KILGORE: Any other questions of
13 Ned on the reserve funding report? Thank you Ned for your
14 hard work on that. You have the TROF report?

15 MR. STEPHENSON: Yes. I'm going to present
16 to you just a few facts that will help you know of the things in
17 the TROF program. During fiscal year 2010 just past, there
18 were 35 deals in which you made a TROF offer, during that
19 same year only 25 deals were accepted. Please keep in mind
20 that some of those deals that were offered this year accepted
21 next year, some of those accepted this year were offered last
22 year so that's a rolling process here but that will give you a
23 flavor of how many deals were offered and how many were
24 made. We offered up in the last 12 months \$12 million and
25 only about \$4.9 million were accepted. We bid for 3,000 jobs

1 with our offers but those that were accepted only resulted in
2 1,700 jobs for the \$4.9 million. We bid for \$243 million and
3 we will capture \$121 million. That's kind of a snapshot of a
4 years worth of work in the TROF program. It is not in your
5 book.

6 DELEGATE KILGORE: I would ask you Ned, if
7 you could in the next couple of weeks, send that information
8 out to the Commissioners. I think it's very important
9 especially about those numbers, the number of jobs created
10 and what we got through this investment. They may want to
11 get that word out to our constituents.

12 MR. STEPHENSON: We'll do that.

13 MR. NOYES: Do you want a list of those
14 accepted?

15 DELEGATE KILGORE: Yes, if it's not too
16 much trouble.

17 MR. NOYES: That's no trouble. There's
18 always a bunch that are pending and we don't disclose those
19 until a certain point in time.

20 DELEGATE KILGORE: They may be in a
21 negotiation stage?

22 MR. NOYES: Once they're accepted, they're
23 public. Usually VEDP announces them.

24 DELEGATE KILGORE: I understand.

25 MR. STEPHENSON: Mr. Chairman, the last

1 piece of this report is that during the course of the year, we
2 have recovered about \$500,000 from TROF recipients who fell
3 short of their promises.

4 DELEGATE KILGORE: Go through that if you
5 would.

6 MR. STEPHENSON: Briefly the Commission
7 offers cash in exchange for promises for job creation and
8 investment and the recipient has three years to perform under
9 that promise, after which the Commission checks up and finds
10 out if they did perform and finds out if they earned the money,
11 if not, they owe us back or a pro rata portion for the shortfall.
12 We're constantly looking at these and recovering those
13 amounts where the shortfall has occurred.

14 DELEGATE MARSHALL: Tell me the difference
15 between if somebody comes to you or comes to the
16 Commission, you're going to put them in the reserve fund or
17 the TROF fund?

18 MR. STEPHENSON: The fundamental
19 difference Delegate Marshall is that the TROF recipients are
20 typically beneficiaries of a private entity so we are able to grant
21 money to a private for profit entity in exchange for a promise
22 of investment in jobs that will produce and return back to the
23 county and the Commonwealth. The reserve fund typically
24 does not have a private entity beneficiary.

25 DELEGATE KILGORE: Does that answer your

1 question? Any other questions?

2 DELEGATE WRIGHT: On the reserve fund as
3 opposed to the TROF, is there any other funding like the
4 Governor's Opportunity Fund; is there any participation with
5 the Governor's Fund as far as the reserve fund?

6 MR. STEPHENSON: There is typically no
7 participation from the Governor's Opportunity Fund with our
8 reserve fund recipients. However, the reserve fund recipients
9 do have participation in a wide variety of other funding
10 sources which are required to be able to capture the reserve
11 fund.

12 DELEGATE KILGORE: ARC or EDA.

13 MR. STEPHENSON: USDA, there's a long list
14 of other monies. In other words, other monies have to come
15 from somewhere else to make the reserve dollar commitment.

16 MR. NOYES: It must be a requirement of that
17 program. It's not just a match, third party financing
18 requirement in the program in order for it to be eligible for the
19 reserve program.

20 DELEGATE KILGORE: I'll say one of the
21 projects I was supporting did not have that requirement and
22 fell by the wayside, correct?

23 MR. NOYES: Yes, it did Mr. Chairman.

24 SENATOR HAWKINS: One thing that's
25 important is the capital investment creates tax revenue for the

1 locality is a benefit in another way. So that's why job creation
2 is so important. We're making a real impact and sometimes
3 it's not noticed as much as we probably need to call attention
4 to.

5 MR. STEPHENSON: Senator Hawkins, there's
6 two elements to these TROFs that's very important for us. The
7 capital investment produces taxes and assets on the county's
8 books and where they get revenue. The employment aside
9 from the more noble aspects of it produces employment
10 income which gives rise to personal income taxes which is
11 returned to the Commonwealth. Those are some of the things
12 we look at.

13 MR. NOYES: Michelle has given me the evil
14 eye and apparently the acoustics here are not too good and I
15 should have mentioned at the outset. Please everyone speak
16 up so Medford can get it and everyone else can hear.

17 DELEGATE KILGORE: All right, we'll try to
18 speak up.

19 MR. NOYES: I need to make an
20 announcement that the new Commissioner will find contact
21 information forms at their seats. Please fill those out and turn
22 them into Michelle and travel vouchers for this full
23 Commission meeting and please sign those. Thank you.

24 DELEGATE KILGORE: Now we have a few
25 presentations. First is Harry Rutherford. Clawback refund

1 request. Well Harry, you're up.

2 MR. RUTHERFORD: Welcome to Southwest
3 Virginia. Just to give you a little history of what I'm talking
4 about. We had a company called EWT, you all made a grant to
5 and that company did not perform and there was a clawback.
6 Ned was trying to collect it off of us and we were hedging
7 against paying it to be right honest. CGI came along with an
8 expansion program and in order to get money for the
9 expansion, CGI another \$150,000 in annual jobs we paid you
10 all \$10,000 and agreed to pay \$25,000 a year for four years
11 but in the meantime the company has filed bankruptcy. You
12 have relieved the clawback \$100,000 because of the
13 bankruptcy. Had we not paid the \$10,000, it would have been
14 relieved at the same time. Therefore, we feel like being good
15 stewards with Russell County's money, we need to ask for this
16 \$10,000 back because we used our county's money to pay this
17 and had we not paid it, of course, we wouldn't get CGI. In
18 order to comply with your rules, we had to pay it. It would
19 have been discarded and still been there when they declared
20 bankruptcy. We felt like being good stewards of Russell
21 County's money we needed to ask you to consider returning
22 that \$10,000.

23 DELEGATE KILGORE: Once it goes dead, we
24 don't have a mechanism to get it back out.

25 MR. NOYES: It's been spent.

1 MR. RUTHERFORD: All Mr. Chairman had to
2 do was write a check.

3 DELEGATE KILGORE: I'm just giving you a
4 hard time Harry.

5 MR. RUTHERFORD: I know it.

6 SENATOR REYNOLDS: We need to hold that
7 money in trust because of other applicants and you need to
8 put that money back to work and that money needs to work
9 for everyone.

10 MR. RUTHERFORD: We needed it to try to go
11 out here and market the area and get someone to come in. It's
12 your decision and there's merit to both sides of it. I'm not
13 going to get mad at you if you don't but I sure would
14 appreciate it if you would.

15 SENATOR PUCKETT: I live in Russell County
16 representing the county and I think I understand the process
17 but in all due respect to Harry, Russell County and the people
18 there, we have a process we have to go through. Russell
19 County is not the only county that has gone through it and is
20 still going through it in some ways. I don't think it behooves
21 the county as much as I'd like to see Russell County have it, I
22 don't think the county has really a case or an argument in
23 returning that money. Harry probably understands this but I
24 think the intent with the process that the Commission has
25 puts us in a position where we're not ready to release money

1 in a situation like this when you have a clawback situation. If
2 we do, then we don't have a clawback situation. I don't
3 support doing that and I'll take the grief at home when I get
4 there.

5 DELEGATE KILGORE: I'm sure Senator
6 Puckett will be funding some more projects in Russell County.

7 MR. RUTHERFORD: I hope so. I hope you
8 understand that I feel like in doing my duty as Chairman of
9 the IDA, I have to ask even though I think I know what you're
10 going to do.

11 DELEGATE KILGORE: Sounds like an
12 argument I made in court Harry.

13 MR. RUTHERFORD: I still had to ask and I
14 know I probably wouldn't get it but I still had to come and ask
15 and then I've done my duty and you've done yours.

16 SENATOR HAWKINS: You never know until
17 you ask.

18 MR. RUTHERFORD: That's right sometimes
19 you get 50 and sometimes you don't.

20 DELEGATE KILGORE: Chairman of the
21 Senate Finance Committee used to tell me do you have
22 anything else.

23 MR. RUTHERFORD: No. We thank you for all
24 you've done for us in the past and I'm glad you've already
25 committed to doing more for us in the future. Thank you.

1 DELEGATE KILGORE: All right. Next on the
2 list Claudia Tucker. Go ahead Claudia come up and make
3 your presentation.

4 MS. TUCKER: Good morning Mr. Chairman,
5 members of the Commission, my name is Claudia Tucker and
6 I'm senior director of State Government Affairs for Medco.
7 Medco is a pharmacy business manager for the
8 Commonwealth of Virginia for state employees. With me here I
9 have Mr. Scott McKibbin. Mr. McKibbin ran the state
10 employee health plan for the State of Illinois where we started
11 with our first project. Also here I'd like to recognize Ms. Holly
12 Hurley and members of the faculty from the College of
13 Pharmacy and other pharmacists here from the region and
14 they're here in support of this project and I wanted to make
15 sure they're recognized. They are also available to answer any
16 questions you might have.

17 We're here to ask you to support the
18 community pharmacy program. We started this project in
19 Illinois about two years ago and we began it because we
20 recognized that independent pharmacists are going to fall by
21 the wayside if they don't get some assistance. What the
22 Commonwealth of Virginia and other state health plans would
23 be left with is a very narrow network that would only have the
24 big players and it would not include the small businessmen
25 and your small localities and small towns. We looked at that

1 and thought what could we do to help them.

2 Working with the state health plan in Illinois
3 we developed a community pharmacy project there and it was
4 collaborative and working with the University of Illinois in
5 Chicago and the state health plan Medco and state
6 pharmacists. Medco has invested at this point a million
7 dollars of our own money and we did that as good corporate
8 citizens because we had a concept. We weren't sure that
9 concept was actually going to be accurate until we invested
10 our own money. We started the project in December after
11 about a year and a half of development. The preliminary
12 numbers are coming in and they far surpass what we ever
13 thought.

14 To give you a little background on the project,
15 community pharmacists are identified and then they're put
16 through some training that was developed by UIC. The
17 training allows them to hone their skills for personal
18 interactions with patients, also communication with doctors.
19 A gap in care was developed and we looked at certain of these
20 states and we know that in Illinois those were pulmonary,
21 cardiovascular, diabetes and neuroscience. So we worked
22 with the protocol and worked with the pharmacist who are
23 trained and as the program evolved what was noticed was this.
24 For example, that Terry Kilgore went to his doctor and he was
25 a diabetic and he got his insulin but the doctor did not

1 prescribed a statin for him. The pharmacists are then called
2 in to the patient, Mr. Kilgore and says you're diabetic, are you
3 taking your insulin. I see your doctor did not prescribe statin.
4 The clinical guideline suggested that you do that, is it okay if I
5 call your doctor and get that done? Then Mr. Kilgore says
6 sure, the pharmacist calls the doctor and he says yes, I wish I
7 had done that. Mr. Kilgore goes back to the doctor and gets
8 that prescription and then in 30 days comes back for another
9 consultation and then the pharmacist works with him. What's
10 really different in this is the fact that the pharmacist is going
11 to do that anyway and the pharmacist does do it sometimes,
12 however, we don't have that full picture, they don't know the
13 full scope of what that patient takes. With this program
14 Medco has access to every prescription that the patient has.
15 An alert can be sent out to the pharmacist and then the
16 pharmacist has the full picture.

17 Also different is the fact that these
18 pharmacists are paid to close those gaps. It's usually about
19 \$50 per gap, the first consultation about \$30, the second is
20 about 15 and the third is also 15. There's been a number of
21 studies that have been done nationwide that only looked at
22 one of these states primarily. So far the ROI says anywhere
23 from 4 to 1. The one we reported presently was Minnesota
24 where the ROI was 12 to 1. For every dollar you spent there's
25 \$12 in savings to the state health plan or to the payor. What

1 has not been done with any state health plan is a study that
2 looks at all of these diseases that we just talked about.
3 Working in conjunction with the Tobacco Commission with the
4 state health plan here in Virginia, what we would like to do is
5 do an ROI on all these diseases and the big picture is the
6 savings for the state health plan. If this is approved, not only
7 would you be looking at the various diseases but you would
8 have the ability to look at all of these disease states and see
9 what the ROI is on that state health plan and it could be 4 to 1
10 or it could be 12 to 1.

11 The other thing that is very exciting to us is
12 the fact that there's no state that has done this. If we do this
13 successfully, then you will be a landmark and we will be front
14 and center and a model for other states to follow.

15 Looking at the mission of the Tobacco
16 Commission and why should you care, you should care
17 because this money goes to the pharmacist in your area. It's
18 going to improve health outcomes. I would be remiss if I didn't
19 mention Buchanan County is 132 and they're at the absolute
20 bottom in the state. This gives us an opportunity for health
21 outcomes and to save taxpayer money and actually do an ROI
22 in Virginia could be anywhere from 4 to 1 or 12 to 1 will save
23 the state money on the state health plan. It will lead to better
24 health outcomes and it keeps the community pharmacies
25 viable in your district.

1 SCOTT MCKIBBIN: The only thing I would say
2 Mr. Chairman is that if you look at the studies nationally, over
3 half the American public has at least one or more conditions
4 and things like diabetes, asthma and things like that. Those
5 chronic conditions account for over 90 percent of the drug
6 costs and 77 percent of all the medical costs. So if we can
7 bend the curve to use a term that has been kicked around
8 here, then here in Virginia we can and as Claudia said,
9 improve the health outcome of Virginians and do something
10 that I believe will be a national model.

11 CLAUDIA TUCKER: What we envision if
12 approved would be the Virginia Pharmacy Association and
13 Pharmacy School, the state employee plan, the Tobacco
14 Commission and Medco. We've already invested \$2 million
15 and we built the model and we got the training modules that
16 were developed at UIC that way we could easily transport to
17 Virginia and that's the Appalachia School of Pharmacy. We've
18 already gotten the numbers and we know a 100 pharmacists
19 that could participate, about 2,000.

20 DELEGATE KILGORE: This is Southside and
21 Southwest?

22 CLAUDIA TUCKER: We ran the numbers Mr.
23 Chairman and that would be Southside and Southwest, 100
24 pharmacists participating and approximately 2,000 state
25 employees would be involved. There's probably 3,827 current

1 gaps in care.

2 DELEGATE KILGORE: Thank you. What I'd
3 like for you to do Claudia is two individuals I'd like you all to
4 talk to and work with; Sara Williams sitting there behind you
5 and Sarah Capps. You could work with them Claudia, they
6 can direct you and help you and start working something up
7 for the Commission to take a look at.

8 CLAUDIA TUCKER: Talk to them and what
9 would be the next step after that.

10 DELEGATE KILGORE: They'd get back to us
11 before the next meeting. All right.

12 CLAUDIA TUCKER: Thank you.

13 DELEGATE KILGORE: Now we have CIT, Peter
14 Jobse.

15 PETER JOBSE: Thank you Mr. Chairman and
16 members of the Commission. I appreciate your time this
17 morning. I have with me this morning Tom Whiteman from
18 CIT who is the managing director of our gap fund. We're here
19 this morning because we submitted a proposal to the
20 Economic Development Administration on July 16th of this
21 summer. The proposal was to get a million dollars from them
22 to do cluster formation, new technology company formation to
23 stimulate research commercialization. The proposal was
24 specific to economically challenged areas which we have
25 defined in the Tobacco Commission footprint. In conjunction

1 with that proposal, CIT pledged \$250,000 of it's own funding
2 to support this initiative. We approached the Commission for
3 a million dollar match which is a requirement of this EDA
4 proposal. Our view of how we can stimulate economic
5 development in the area specifically for technology company
6 formation and research stimulation is based on a successful
7 program that we run right now called the Gap Fund. The Gap
8 Fund is a seed stage investment stimulation program. In
9 proposing this program, we were turned down by the panel in
10 a conversation to Ned and Neal about why we were turned
11 down. It's my feeling maybe we didn't do as good a job as we
12 could have in expressing ourselves and the value we would be
13 providing here.

14 Essentially we would be replicating in
15 Southside and Southwest Virginia a program that has
16 leverage, private sector investment at a rate of \$14 for every
17 dollar that would be placed in a seed stage company. We have
18 created now 30 new companies that will generate thousands of
19 jobs in a 3 to 5 year period of time. We absolutely believe that
20 same type of opportunity exists within your footprint but the
21 constraints for capital to start these companies are very, very
22 severe. These constraints are just not related to the footprint
23 of the Commission, it's everywhere in the Commonwealth of
24 Virginia. It's a national problem now. The reason why this
25 program is important to us is that EDA has indicated this is a

1 pilot project and successful implementations of their grant of a
2 million dollars in regional areas will lead to subsequent
3 investment by the EDA and federal government to expand
4 these funds. We really see this as a stepping stone to do more
5 in the region and in the footprint.

6 I did come here today because I wanted to just
7 ask for additional consideration. I know it's not fair to try to
8 hit you over a five minute window presentation with a voter
9 reconsideration but I do think that the proposal which may be
10 just a piece of paper that's describing what we have
11 traditionally done doesn't really express the value that it
12 provides for the region. So Mr. Chairman, I again thank you
13 for the opportunity to have additional consideration.

14 DELEGATE KILGORE: As a member of the
15 Reserve Committee, I think one of the questions that some of
16 us had was expenditures outside the footprint and what that
17 would mean inside the footprint and that was one of the big
18 issues.

19 MR. JOBSE: In terms of a fund expenditure
20 and how that would work out?

21 DELEGATE KILGORE: Yes.

22 MR. JOBSE: One hundred percent of the
23 Tobacco Commission funds would be spent within the Tobacco
24 Commission footprint. No companies would be formed or
25 invested in that were not within the Commission's footprint.

1 There's no design or use of any of these funds for anything
2 outside the Commission's footprint. The only thing that the
3 EDA funds would be used for would be to pay and support
4 folks that might be working in conjunction with meeting the
5 matrix and supporting the research stimulation that would
6 have to travel to other areas. What we're essentially trying to
7 do is to attract new research into the footprint area. All the
8 money that the Commission put in would be spent inside the
9 Commission's footprint, 100 percent of it. I am at risk here
10 but I firmly believe that I can make those investments and
11 create those companies inside the Commission's footprint
12 because if I can't, I'm not going to do it and then I'm obligated
13 to pay the federal government back that match from other
14 funds. There is a level of risk associated with doing this. We
15 have seen through previous pilot programs we did three years
16 ago, you do have the assets and the creativity and the talent
17 and knowledge of companies that fit this profile and that we
18 could be accelerating and generating within the footprint.

19 SENATOR HAWKINS: We've already invested
20 in five research projects within the footprint dealing with
21 various aspects. Have you contemplated working with those
22 and seeing what they're doing and taking those ideas and
23 making levels of investment and creating projects that bring
24 jobs along with research?

25 MR. JOBSE: They're partners in this proposal.

1 The goal is to help them attract additional private sector
2 related research and then have a mechanism in place that
3 takes the results of those projects and helps them move into
4 companies.

5 SENATOR HAWKINS: My understanding of
6 what you're talking about enhancing them with regard to
7 investing and bringing extra expertise to put together and
8 make it easier for those companies to come to full production?

9 MR. JOBSE: That's right. We see a lot of
10 emphasis in the areas of research at those centers and we're
11 focused on, specially in the energy area, we'd like to do more
12 to be able to reach into private sector funding resources and
13 bring projects to the areas.

14 DELEGATE KILGORE: Any questions? I
15 would suggest that you work with Neal and Ned and answer
16 their questions that Ned and Neal have.

17 MR. JOBSE: I'll be happy to do that. We
18 firmly believe this is a stepping stone, a significant opportunity
19 that we can take advantage of here. Nationally seed stage
20 funding for the kind of companies that your strategic plan
21 calls for is at a historical low. If we can solve this problem,
22 you become magnetic by bringing in other entrepreneurs into
23 the region to take advantage of this kind of mechanism that
24 we hope to do. Thank you Mr. Chairman.

25 MR. NOYES: If I may, in your experience

1 about how many of the 10 companies you invest in, how many
2 failed?

3 MR. JOBSE: You can expect in seed stage
4 investment in the scratch starting with signs or intellectual
5 property projects between 50 and 60 percent of them fail.

6 MR. NOYES: Five hundred or 600 or a million,
7 you're requesting from the Commission would be expected to
8 not work out?

9 MR. JOBSE: That's true.

10 MR. WHITEMAN: Sir, if I could jump in here,
11 we have a much lower mortality rate as opposed to being
12 capitalized.

13 MR. NOYES: That is one concern. The other
14 is the proposal we saw and in our discussion, I believe you
15 and I talked the other day, I pointed out that the Board had
16 turned down several other requests and someone else to
17 decide what companies, how much to invest and things like
18 that. Back when the proposal was not agreed to by the panel,
19 I sent an email. You're welcome to resubmit. We talked the
20 other day that there was nothing really different in what you
21 submitted before.

22 MR. JOBSE: Let me take the two questions
23 you raised and answer them separately. In terms of equity
24 investment, we use a convertible debt storyline. There is no
25 requirement for it to be equity. I'll tell you that you take a

1 significant segment of the private sector out of the funding
2 equation, you don't do equity investment. Basically what you
3 wind up doing is moving it into the banking sector. Most of
4 these companies don't have the ability to secure bank related
5 debt because they don't have assets and they're not
6 drycleaners or retailers. So yes, you can do that and you can
7 choose not to do equity and only do debt but you block a lot of
8 people from coming in and facilitating. What we would hope
9 to do is get a 15 to 20 percent return on your investment from
10 the private sector.

11 MR. NOYES: How would that be used, that
12 wasn't explained in the proposal, 15 to 20 percent return on
13 our investment, the Commission's investment?

14 MR. JOBSE: One of the reasons why you
15 would ask CIT to make this investment for the relationships
16 we have with the private sector and institutional investors and
17 the process we use to vet these companies. By going through
18 that process and having an independent review board, private
19 sector investors join our investors investment structure so
20 that the initial round for the company gross from \$100,000 to
21 sometimes up to a million dollars. That leverage is used to get
22 the company off the ground. The public sector funds the
23 process and does a little bit of seed and private sector
24 recognizes the quality of that company and then comes in.
25 That's where you get your leverage.

1 MR. NOYES: After the pilot and the federal
2 government puts up more money, you're successful with
3 future applications, where do those funds fit?

4 MR. JOBSE: You actually build a process
5 that's self sustaining. Because you have shown that there is a
6 mechanism, a quality of company and an investment
7 community that's interested in this, you will be developing a
8 private sector investment community that will do it on its own.
9 There are proven models on the west coast that work very well
10 in this manner. Our goal is to get in and get this set up, give
11 that culture and give that environment and stimulate with a
12 small amount of seed stage money and let it run on its own.
13 It's not the role of government to do this forever but it's the
14 road to start the process in this case. We think we can do that
15 very well.

16 SECRETARY CHENG: This Gap Fund, would
17 you have a separate board or would the same board be used
18 for the gap?

19 MR. JOBSE: The answer is both. I think it's
20 very important that throughout the process members of the
21 community and of the region are learning how to make this
22 process be self sustaining. We would ask for participation of
23 qualified investors and entrepreneurs from the region to
24 augment an existing board structure. We would have a
25 learning mechanism as well as regional input. Also the

1 emphasis you get from communities that want to be involved
2 in doing these things. You have experience and a learning
3 opportunity at the same time.

4 DELEGATE KILGORE: Thank you, speak with
5 Ned and Neal.

6 MR. JOBSE: Thank you very much.

7 DELEGATE KILGORE: Now we have a few
8 things to hear from our executive director.

9 MR. NOYES: I have five matters to bring to
10 before the Executive Committee. Three of those five require
11 motions. We renegotiated the rent in the existing office space
12 in Richmond that was reduced by \$1.80 or something and
13 that's the good news. The bad news is that our IT costs are
14 going up dramatically and it's going to be posted and that's
15 because the Commission has approved so many projects that
16 the current IT structure is no longer able to accomplish and
17 particularly the field staff and we had to go through a different
18 approach. The five year contract is \$80,000 and that's for the
19 net after we've reduce the amount we're paying rent and all
20 that sort of thing. The executive director is limited to \$50,000
21 so I need a motion from the Board to allow the executive
22 director to go to the new IT structure.

23 DELEGATE KILGORE: Next year the new IT
24 information will be in the budget?

25 MR. NOYES: We're going to take it out of the

1 budget this year so authorizing the executive director to
2 execute the new IT services.

3 DELEGATE MARSHALL: So this will serve the
4 people in Richmond?

5 MR. NOYES: It will allow the field staff to not
6 have to unload or download the entire database in order to
7 make one change in one project.

8 MS. KIM: Posted by database software
9 company rather than using our server and web base software
10 that they actually offer online.

11 MR. NOYES: Stephanie has actually written a
12 suggested motion here to authorize the executive director to
13 enter into a five year contract with Micro Edge, LLC for an
14 additional contract not to exceed \$100,000 for online services
15 to host and serve the Commission's grant database.

16 SENATOR RUFF: So moved.

17 DELEGATE KILGORE: I have a motion and a
18 second, anymore discussion? All in favor say aye (Ayes).
19 Opposed (No response).

20 MR. NOYES: The second matter that would
21 require a motion, in 2006 the Commission approved \$1.2
22 million in favor of a Virginia Tech sponsored program. A
23 portion of that was used to purchase equipment known as the
24 Hazen Unit and directly based in Blacksburg. A letter of
25 agreement under which the funds were granted provides that

1 all assets acquired or approved as part of the project shall be
2 held in trust by the grantee for the benefit of the Commission.
3 The agreement further provides that the sale or disposal of
4 these assets is not permitted without Commission approval
5 and has not been given as of today. Accordingly, VPI should
6 now hold legal title to the Hazen Unit while the Commission
7 holds equitable title. What I need is a resolution from the
8 Executive Committee. Resolved, that the Commission, as
9 beneficial owner of the Hazen Unit, hereby requests and
10 directs VPI sponsored program to transfer legal title to the
11 Hazen Unit to the Institute for Advanced Learning and
12 Research in Danville, Virginia and physical possession of the
13 Hazen Unit to Windy Acres Nursery, Incorporated in Gretna,
14 Virginia, not later than September 30, 2010. For new
15 members who have not gone through the saga of this, certain
16 research was being done at Virginia Tech to benefit and
17 further the Commission's objective of developing the bio fuels
18 capacity within the footprint. Some of that work was not done
19 and the contract that governed that had already expired. The
20 folks at Gretna at Windy Acres have urgent need to have
21 certain tests done so that they can continue to work on behalf
22 of the Commission on this bio fuels initiative. I met with the
23 Virginia Tech folks and they are aware that this was coming
24 up in the meeting. It didn't work out in Blacksburg but this
25 means we'll back the truck up and take the unit to Gretna and

1 eventually on to Danville to the Institute.

2 DELEGATE KILGORE: Did you meet with
3 those folks?

4 MR. NOYES: I met with the Dean and talked
5 with several other people and talked to senior management at
6 Virginia Tech.

7 SENATOR HAWKINS: I so move.

8 DELEGATE KILGORE: Is there a second?

9 MR. NOYES: Transfer legal title of the Unit to
10 the Institute of Advanced Learning and Research. Physical
11 possession of the Hazen Unit to Windy Acres Nursery in
12 Gretna, Virginia no later than September 30th.

13 SENATOR HAWKINS: I so move.

14 DELEGATE MARSHALL: Second.

15 DELEGATE WRIGHT: Neal, you mentioned a
16 contract?

17 MR. NOYES: Yes, there was a contract
18 between the researcher at Virginia Tech, Piedmont Bio
19 Products, Incorporated. We were not party to that and it had
20 to do with the point at which the IP could be acquired going
21 forward. As it is right now, there's no contract and the unit
22 sits in Blacksburg and is not being used in the advance of the
23 Commission's interest. That's the reason for this action.

24 DELEGATE KILGORE: There's a motion and a
25 second, anymore discussion? All those in favor say aye (Ayes).

1 Opposed (No response).

2 MR. NOYES: Number three, we have talked
3 before about shifting from quarterly board meetings to having
4 three meetings a year. To do this, this would delay the
5 approval cycle by 30 days. It would not impede any of the
6 structure when the different committees meet and when the
7 approval takes place. For example, the Education Committee
8 would still meet in advance and set the dollar amounts for the
9 financial aid programs for the year. Meetings costs \$14 to \$16
10 thousand and there's no need in the judgment of staff to meet
11 on a quarterly basis, we think three meetings a year in
12 January, May and September are entirely adequate to meet
13 the requirements of our constituents saving the Commission
14 money and affording the staff additional time to review
15 applications and work with applicants so we can get better
16 applications for the Committees. I'd ask for that motion and
17 this would begin next year. We'll still have our January
18 meeting and go to May and then September beginning in
19 calendar year 2011.

20 DELEGATE KILGORE: Personally I think it's a
21 good idea. Any comments?

22 SENATOR RUFF: Mr. Chairman, I would move
23 that we do that, go to three a year.

24 SENATOR HAWKINS: I think it's very
25 important for the staff to understand we're a 31 member

1 Commission. It's easy for some of these Commissioners to fall
2 through the cracks as far as understanding what's going on
3 and all the work we're trying to do. It would be awfully
4 important in my mind if we go to three meetings a year to
5 make sure that there's more flow of information from staff, to
6 make sure that all 31 people understand what's happened so
7 they feel like they're part of the overall discussion. One of the
8 things we ran into a couple of years ago, we had some
9 Commission members who felt they were left out in the entire
10 discussion and we rely on Committees that are very active.

11 DELEGATE KILGORE: Let me just say that
12 we're going to try to get more information out to the
13 Commissioners and for those of you new Commissioners, we
14 want you to be involved as much as you'd want to be, to find
15 out more information about all aspects of what's going on in
16 the Commission. You can always call and talk to Neal or Ned
17 or Tim or call the staff anytime. I encourage you to do that.
18 Everybody needs to be involved. You can always contact our
19 Southwest office and our Southside office.

20 DELEGATE BYRON: I'm concerned about the
21 change. I think it's important to keep what's going on. I agree
22 with what Charles said. I also feel that there are other ways
23 that we can; I respect the staff's hard work. We know that
24 there's a lot of hard work going on but by eliminating a
25 meeting and trying to conserve the financial situation and by

1 having the meetings in Richmond, I know the January meeting
2 people are in Richmond when the session starts. I am
3 concerned that some of the progress we've made will be
4 hindered by that and we need to be very careful about that.
5 I'd prefer that we not cut back to three meetings.

6 SENATOR HAWKINS: It's also very important
7 for the staff to understand the delegacy of some of these
8 discussions. There are discussions at times that people feel
9 that this gets to be a staff driven Commission instead of a
10 member driven Commission and we need to avoid that and
11 make sure that people understand that the Commission is still
12 driving this Commission itself rather than being staff driven so
13 I think that's something we need to make sure that this is a
14 Commission driven Commission and not a staff driven
15 Commission. We all have to be aware of these discussions.

16 DELEGATE KILGORE: I don't think the staff
17 believes that they're running the train in my discussions with
18 them.

19 SENATOR HAWKINS: As much as we're
20 having a discussion here, we have to avoid that perception.

21 DELEGATE MARSHALL: Mr. Chairman, I
22 think you're on top of the food chain and by the time you get
23 down here, a lot of people on the bottom.

24 DELEGATE KILGORE: I understand that,
25 there is nothing to keep anyone from picking up the phone,

1 there's nothing stopping any member and I mean anyone from
2 picking up the phone, anybody from the public for that matter,
3 to call the staff and talk to them about a project or talk to
4 them about what's going on. I encourage you all to do that
5 because I think everyone needs to be informed and keep up to
6 date with what's happening. I think going to three meetings a
7 year, as I said, we'll save some money and some staff time.
8 This one is where we have a lot of applicants, the middle of the
9 summer.

10 SENATOR HAWKINS: The reality of it is –

11 MR. NOYES: We can always call a special
12 Commission meeting if something comes up that the need
13 dictates that.

14 DELEGATE JOHNSON: It's an extra meeting
15 per year and that means more personnel would be needed.

16 DELEGATE KILGORE: I think it would help
17 our staff a lot because a lot of times or the year before that,
18 with four meetings a year, I know they're very busy getting
19 ready for meetings. I think they can use that time. Senator
20 Ruff made the motion. Is there a second?

21 SENATOR PUCKETT: Second.

22 DELEGATE KILGORE: I have a motion and a
23 second. All those in favor of recommending to the full
24 Commission later on today to go to three meetings instead of
25 four which would be in January, May and September say aye.

1 (Ayes). Opposed (Nos).

2 DELEGATE KILGORE: Neal, let's have a roll
3 call.

4 MR. NOYES: Delegate Byron?

5 DELEGATE BYRON: No.

6 MR. NOYES: Secretary Cheng?

7 SECRETARY CHENG: Yes.

8 MR. NOYES: Senator Hawkins?

9 SENATOR HAWKINS: Abstain.

10 MR. NOYES: Delegate Johnson?

11 DELEGATE JOHNSON: Yes.

12 MR. NOYES: Delegate Kilgore?

13 DELEGATE KILGORE: Yes.

14 MR. NOYES: Delegate Marshall?

15 DELEGATE MARSHALL: No.

16 MR. NOYES: Senator Puckett?

17 SENATOR PUCKETT: Yes.

18 MR. NOYES: Senator Reynolds?

19 SENATOR REYNOLDS: Yes.

20 MR. NOYES: Senator Ruff?

21 SENATOR RUFF: Aye.

22 MR. NOYES: Delegate Wright?

23 DELEGATE WRIGHT: No.

24 MR. NOYES: The motion passes 6 to 3 with 1
25 abstention, the motion carries.

1 DELEGATE KILGORE: I'm sure we'll have a
2 bigger discussion about this in front of the full Commission.

3 SENATOR RUFF: Mr. Chairman, I'd like to
4 offer another motion. In the months that we do not have
5 scheduled meetings, could the staff prepare a recap, sort of
6 what's going on?

7 DELEGATE KILGORE: What's going on like a
8 report?

9 MR. NOYES: Monthly report from staff to the
10 Commissioners.

11 DELEGATE KILGORE: I think we can do that
12 without a motion. I'll give the instruction to the staff to do
13 that; a monthly report to the Commission members. I think
14 Neal will tell you like any of the Commission staff, they're
15 always available, 24/7.

16 MR. NOYES: Two more things not requiring a
17 motion. JLARC is in the building and everybody, and just to
18 notify you that the process is underway and JLARC will make
19 appointments or may already have done so to meet with
20 VEDP, the Virginia Department of Housing and Community
21 Development are some of the folks that they contract with.

22 DELEGATE KILGORE: They should also be
23 contacting Commission members. Yes.

24 MR. NOYES: The final thing is that the
25 chairman and vice chairman and I went to England last week

1 and the purpose of the visit was to meet with the Rolls Royce
2 Supply Chain Company. You're all aware that Rolls Royce is
3 building a factory in Prince George County. We actually did
4 not meet with the supply chain company. We spent the entire
5 time in discussions with Rolls Royce and visited their facility.
6 Rolls Royce has their university partners here in Virginia at
7 UVA and Virginia Tech. They would like the Commission to
8 consider investing in a project called C-CAM which is an
9 advanced manufacturing research facility. They have one in
10 Sheffield England that Delegate Kilgore, Senator Ruff and I
11 visited. Sixty companies to bring in their own equipment and
12 there's collaboration and involved with UVA and Virginia Tech,
13 principal partners. I think there were 60 or 66 companies that
14 had paid some amount of money to be a participant in what
15 they're hoping to bring. There are other needs that Rolls
16 Royce has in terms of workforce development, their factory
17 and their future plan. The way we left the framework for
18 discussion if there's investment in the C-CAM facility, advance
19 manufacturing research facility. That would be out of the
20 footprint for capital investment which is something the Board
21 has been reluctant to do. Senator Ruff, do you want to talk a
22 little bit about where we were in terms of jobs and investment?

23 SENATOR RUFF: I think certainly Rolls Royce
24 has reason to help bring suppliers and they had impressed
25 upon the Governor the need for this event to work. We wanted

1 to put the ball in their court rather than our court. So one
2 proposal was that any supplier that was willing to make a
3 commitment anywhere in the Tobacco region. Part of the
4 incentive money they would normally get would be spent at C-
5 CAM for their research as part of their incentive. An
6 additional incentive rather than get it in the footprint.

7 SENATOR HAWKINS: Another advantage of
8 something like Rolls Royce and they can identify what they
9 bring to an area if only through research and development but
10 companies coming in bringing other sorts of investment and
11 this opens up a whole new dynamic we wouldn't have access
12 to in a nutshell.

13 DELEGATE KILGORE: You were part of the
14 governor's, as far as the suppliers. I think the Governor was
15 interested in the supply chain being in the footprint.

16 SENATOR RUFF: I think Rolls Royce has a
17 great idea and they want to really turn the supply chain for
18 what they want, it is really a world class training facility,
19 research facility very close to their center point facility. I think
20 the Governor understands that we really need to have or
21 attract all of the supply chain not just currently in England
22 but Rolls Royce has a supply chain all over Europe right now.
23 We'd like to bring them all closer to manufacturing the
24 engines, really a center point. The C-CAM is a joint venture
25 with UVA and Virginia Tech and they're trying to bring as

1 many suppliers and other companies to Rolls Royce into that
2 facility. Rolls Royce would like the Tobacco Commission to
3 put in some money into that facility. The Governor wants the
4 Tobacco Commission to get as much business and the supply
5 chain as possible in the footprint. On this trip, I think the
6 representatives of the Tobacco Commission made that clear to
7 Rolls Royce in order to get funding from the Tobacco
8 Commission, we will have to get the supply chain to put people
9 in the facility and jobs in the footprint. I believe they
10 understand that. Maybe there's a creative way that you all
11 can come up with so we can work a deal and build support for
12 C-CAM and Rolls Royce is looking for monetary support and
13 this involves jobs.

14 DELEGATE KILGORE: When I was talking to
15 them, they were talking about, they were talking about a
16 supply chain and they're very aware of Danville and
17 Martinsville and Southwest. There's a Boeing plant going in in
18 South Carolina and a lot of these projects need to be close to
19 Rolls Royce and driving distance to the one in South Carolina.
20 The Governor has stated he's committed to being a supply
21 chain with opportunities in Southside and Southwest.

22 SENATOR RUFF: Mr. Chairman, part of the
23 package that Rolls Royce got is up to a \$5 million credit that
24 they would receive if they help bring suppliers to Virginia. Not
25 only the Boeing plant in South Carolina but GE which also

1 makes jet engines in North Carolina. Any suppliers would be
2 able to supply both of those companies so we believe they're
3 being located between the two would be a reason that the
4 supplier would say the Tobacco Commission is a good
5 location. Rolls Royce has a strong incentive to get those
6 suppliers here and they might as well do it here because they
7 might not get that incentive elsewhere.

8 MR. NOYES: There's no real action necessary,
9 this is just information to let you know, let the Executive
10 Committee know that there is a, to let you know of the
11 situation. My expectation and Delegate Kilgore and Senator
12 Ruff is that the TROF process where any Commission funding
13 would be linked to it and a promise of employment and capital
14 investment, that's how we would approach a formal request
15 relative to C-CAM. That's where we are right now. The
16 difference that the current TROF program has is a three year
17 time limitation after which the company achieve or fail to
18 achieve a promise. In this instance, Rolls Royce supply chain
19 is longer and that's their plan. There might need to be an
20 adjustment in terms of, you might say in three years you have
21 to have done this, five years you have to have done that which
22 is new to the TROF program. The basic TROF approach which
23 you're all familiar with that's been used as a promise of
24 employment in the footprint and capital invested in the
25 footprint return for funding that could be used in relation to

1 C-CAM. That's sort of where we are now and we'll have to
2 report back.

3 SENATOR RUFF: Mr. Chairman, I would point
4 out the International Air Show at Farnsworth in the first three
5 days, they wrote \$56 billion worth of sales and that won't
6 occur in one year and it will probably occur in over a period of
7 time. When you're talking about this, we're talking about a
8 major sector of the economy. Since Rolls Royce is one of the
9 three jet engine makers, they are going to get a big chunk of
10 the business and we're talking about serious dollars here.

11 MR. NOYES: This was just to inform the
12 Executive Committee of something that is new and involves
13 policy but the process is the same process that the
14 Commission has been using for years and years.

15 SENATOR REYNOLDS: I've heard just a little
16 bit of the discussion. In other words, what would be the
17 consequences if they didn't do this?

18 MR. NOYES: The clawback would apply.
19 They'd have to create jobs within the footprint.

20 SENATOR REYNOLDS: Are you talking about
21 a time period?

22 MR. NOYES: That's strictly something that
23 Rolls Royce is interested in because their supply chain
24 planning is decades or longer and ours is limited. There are
25 current guidelines to 36 months.

1 SENATOR REYNOLDS: So you're talking
2 about conditions in the footprint over a longer period of time?

3 MR. NOYES: Yes. At this time Rolls Royce
4 doesn't know who those companies would be. When we do
5 TROF now, we've got to know who the private sector
6 beneficiary is. Let's say for point of argument there's 500 jobs
7 over 10 years and a billion dollars of capital investment.
8 Whatever the numbers turn out to be. Instead of three years it
9 might be three years or six years for the clawback. It is
10 different in that sense, the same basic approach we use for
11 TROF.

12 DELEGATE MARSHALL: What do you think
13 the timeframe is here? What's Rolls Royce progress right now?

14 SENATOR RUFF: One year.

15 DELEGATE MARSHALL: So the supply chain
16 would be a year from now?

17 MR. NOYES: Or three years or five years, they
18 have a whole sequence over a long period of time, they're not
19 all going to get right away.

20 SENATOR RUFF: I think the timeframe is
21 based on Boeing in South Carolina.

22 DELEGATE MARSHALL: The Boeing plant is a
23 major consideration?

24 MR. NOYES: I think that's the 787.

25 SENATOR RUFF: That will be one of the newer

1 plants in the country.

2 DELEGATE KILGORE: Anymore discussion.

3 All right. Our next scheduled meeting is Wednesday, October
4 27th. We may have to meet between now and then but we'll let
5 you know if that's the case. All right, any public comment? If
6 not then we'll adjourn.

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9 PROCEEDINGS CONCLUDED

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