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**VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY
REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Executive Committee Meeting
Monday, January 9, 2012
4:00 p.m.

Omni Richmond Hotel
Richmond, Virginia

1 **APPEARANCES**

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3 The Honorable Terry G. Kilgore, Chairman

4 The Honorable Frank M. Ruff, Vice Chairman

5 The Honorable Kathy J. Byron

6 The Honorable Deputy Secretary Mary Rae Carter

7 The Honorable Joseph P. Johnson, Jr.

8 The Honorable Daniel W. Marshall, III

9 The Honorable Edward Owens

10 The Honorable Philip P. Puckett

11 David S. Redwine, DVM

12 The Honorable William C. Wampler, Jr.

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, Budget Director

20 Ms. Sara Williams, Grants Coordinator, Southwest Virginia

21 Ms. Sarah Capps, Grants Coordinator, Southside Virginia

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1 January 9, 2012

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DELEGATE KILGORE: Good afternoon everyone, I'm going to call the Executive Committee meeting to order, thank you all for coming. Neal, would you call the roll.

MR. NOYES: Delegate Byron?

DELEGATE BYRON: Here.

MR. NOYES: Deputy Secretary Carter?

DEPUTY SECRETARY CARTER: Here.

MR. NOYES: Delegate Johnson?

DELEGATE JOHNSON: Here.

MR. NOYES: Delegate Kilgore?

DELEGATE KILGORE: Here.

MR. NOYES: Delegate Marshall?

DELEGATE MARSHALL: Here.

MR. NOYES: Ms. Nyholm?

MS. NYHOLM: (No response).

MR. NOYES: Mr. Owens?

MR. OWENS: Here.

MR. NOYES: Senator Puckett?

SENATOR PUCKETT: Here.

MR. NOYES: Dr. Redwine?

DR. REDWINE: Here.

MR. NOYES: Senator Reynolds?

1 SENATOR REYNOLDS: (No response).

2 MR. NOYES: Senator Ruff?

3 SENATOR RUFF: Here.

4 MR. NOYES: Senator Wampler?

5 SENATOR WAMPLER: Here.

6 MR. NOYES: Delegate Wright?

7 DELEGATE WRIGHT: Here.

8 MR. NOYES: You have a quorum Mr.

9 Chairman.

10 DELEGATE KILGORE: Do I have a motion
11 that we approve the minutes from December 14, 2011?

12 DELEGATE JOHNSON: So moved.

13 MR. OWENS: Second.

14 DELEGATE KILGORE: I have a motion and a
15 second that we approve the minutes of 12/14/11. All those in
16 favor say aye. (Ayes). Opposed. (No response). The first thing
17 we're going to hear about is some of our investments in
18 Southwest and that would be Brian Moore.

19 MR. MOORE: Good afternoon, Brian Moore
20 and I have Mr. Lee with me today and thank you for having
21 us. I will be brief but we thought we'd give you an overview of
22 your investment portfolio both the tax exempt and the taxable
23 side. Stephanie is handing out a sheet that will cover what we
24 want to review here briefly. I'm speaking about the TICR
25 investment portfolio. As a quick reminder, we represent the

1 office of Wells Fargo advisors and we are your investment
2 consultant to the portfolio. We help set investment policy and
3 we help set the allocation and we help and select and monitor
4 the investment managers. What you see in front of you, if you
5 look at the first part, we summarized briefly what the policy
6 and objective for this portfolio are.

7 At the top is the TICR tax exempt portfolio and
8 this was established in September of 2005. It was funded with
9 approximately \$400 million in tax exempt securities. First and
10 foremost from an objective standpoint is the safety of principal
11 and liquidity of this portfolio. One hundred percent invested
12 in short and intermediate term municipal securities, there's no
13 long term investments as far as stocks or longer maturity
14 bonds. The biggest objective is to seek the highest investment
15 return with sufficient security to meet annual cash flow
16 demands. There is cash flow drawn from this portfolio and
17 happens on an annual basis. The income from this portfolio is
18 distributed at least annually and up to 10 percent of the
19 corpus can be pulled from the portfolio on an annual basis.
20 The treasury board which we meet with monthly to review this
21 portfolio when asked as the trustee of the assets.

22 The other portfolio is entitled TICR taxable as
23 you see there on the bottom. The taxable has the exact same
24 guidelines and the only difference is that the taxable portfolio
25 invests 100 percent in taxable securities. So while municipals

1 are allowed, there's a little bit more total return sought
2 through that second bullet there; 100 percent high quality
3 taxable bonds, treasury, agency, corporate bonds, mortgage
4 backed securities. It's got a lot broader universe of securities
5 in which it can be invested.

6 If you look on the page, on the back it will
7 show you invested. The TICR tax exempt portfolio is up at the
8 end of the year and these values just came to us this morning;
9 the tax exempt portfolio is valued at over \$300 million. Above
10 that you can see the professional money managers who invest
11 the assets for you. My firm does not make the individual
12 security investments. We hire managers as I said at the
13 outset to invest this for you. Black Rock is a global outfit
14 based out of New York, actually the largest investment
15 managers in the world and their nearly \$4 trillion in assets
16 under management. They manage the portfolio. Then the
17 other two managers are Deutsch Asset Management and
18 Income Research Management and they're based out of New
19 York and Income Research Management is based out of
20 Boston. In total there's \$300 million and then on the right you
21 can see the allocation there.

22 Since the inception of this portfolio in
23 September 2005, the total return has been 4.5 percent per
24 year so there has been a nice consistent return for these
25 investments. A little over half of that is from the income from

1 the yield and the other half has been from appreciation that
2 the managers have been able to generate through security
3 selection and sector selection and so forth.

4 At the bottom of the sheet you'll see the
5 taxable portfolio and that was established in 2007 and at the
6 end of the year the value of the portfolio was right at \$467
7 million. There are group managers that manage that income
8 research and management is one such forum and they
9 manage the short duration portfolio. Dodge and Cox based
10 out of San Francisco manage a portion of the intermediate
11 duration portfolio and Denver Investments is another
12 manager. They manage the other portion as well. You might
13 ask why would different managers manage the same portfolio
14 and that's because managing municipal securities versus
15 taxable securities is different. No every firm does both. We
16 think we have identified three of the best tax exempt managers
17 in the top portfolio and on the taxable side which involves a
18 totally different research on securities and we think we've
19 identified three of the best taxable security managers for the
20 portfolio.

21 Since November, 2007 this portfolio has
22 generated a total return of about 5.5 percent per year on an
23 annual basis with about 3 percent of that coming from yield
24 and the balance coming from appreciation of the securities.

25 Now, I'm going to stop there because this is a

1 very broad overview of your investment and they're doing very
2 well and you can see with 4.5 percent and 5.5 percent per year
3 return from the entire portfolio, you've done very well. We
4 monitor these on a monthly basis and we report to the
5 treasury board on a monthly basis, if needed and to the
6 treasury staff on a very frequent basis and always when
7 necessary on anything related to the portfolio. I'll stop there
8 and any questions you have about the portfolio I'll turn it over
9 to Bryce Snead who will give you a brief outlook about our
10 firm, what we expect from the market in 2012.

11 MR. LEE: Good afternoon. We've handed out
12 a little document called the Outlook and this is where we pull
13 out the crystal ball. We look forward to 2012 and as
14 legislatures, I know you have plenty to read and if you're
15 having trouble sleeping at night, this might be a good piece to
16 pick up. In all seriousness, it's a very short piece and the
17 executive summary is only about 10 pages. We give a good
18 overview of what we expect in the market in 2012. Once
19 again, this specific portfolio is all having high quality
20 investment grade bonds and municipals and whether their
21 municipals or tax exempt or taxable. Much of this does not
22 apply to that specific portfolio but other portfolios you review
23 may have some good information.

24 We'd also like to state as investment
25 consultants we have this portfolio well diversified and it's

1 within the guideline. It is important to realize as you look
2 forward and see what we have for 2012. I would like to say
3 and also like the saying a broken clock is right twice a day,
4 that's what we often find in a common strategy, trying to
5 predict the future, their often right and their often wrong as
6 the saying goes. For what it's worth, our strategy, if you look
7 back in 2011 at the beginning of the year, we predicted that
8 the S&P on the low end will be 1250 and at the end of the year
9 it was 1257. Our strategist were right, maybe with that
10 broken clock and they won't be right again for a number of
11 years, but at least last year they were accurate.

12 I'd like to also point out that if anybody noticed
13 it, the S&P which is on the front page, that at the end of 2010
14 at 1257.64. We ended 2011 at 1257.62. It's kind of like an
15 analogy with my kids on a rollercoaster. They start the
16 rollercoaster and end up on the rollercoaster in the exact same
17 position and it's sure quite a ride throughout the year and
18 that's what 2011 felt like to us. You started the year at 1257
19 and ended the year at 1257 but it didn't feel like it stayed that
20 way the entire way. Most of you know the headwinds that
21 were with us throughout the year, we expect much of that to
22 continue in 2012. We do expect positive US economic growth
23 to be 2 percent GDP. That's slightly less than the long term
24 average for GDP but we still expect the US economy to trudge
25 along but to trudge along at not a great pace. We know most

1 of the issues out there. Europe continues to be a big concern
2 for us. I think you'll continue to see plenty of issues out there.
3 We do expect the U.S. economy to get ahead and not go into a
4 recession. We do think there will be plenty of volatility as you
5 continue to see news coming out of Europe and we think that
6 will drive a volatile market everyday and we need to have some
7 positive comments come out so the market will go up. When
8 negative comments come out from Europe, you see the market
9 pull back. We expect to see that volatility but we do expect the
10 economy to grow.

11 Corporations have improved. I know you see
12 different corporations around Virginia and their earnings are
13 strong, corporate profits are strong, their not hiring many
14 people or a figure that you would like or we would like. We see
15 the employment picture turning around a little bit and we
16 think housing has also improved though slightly.

17 So stronger earnings, employment and
18 housing opportunities to improve and we expect the economy
19 to move ahead.

20 As far as the markets are concerned, we expect
21 that U.S. markets will probably do better than the
22 international market. We will see some positive growth. On
23 the fixed income side, we don't expect inflation to be a big
24 concern next year and we expect long term rates to start to
25 pick up.

1 So, that's a quick overview of the market and
2 we need to stay diversified and we do expect some volatility.
3 Any questions?

4 DELEGATE KILGORE: Are there any
5 questions? All right, thank you for coming. Ned, I believe
6 you're up.

7 MR. STEPHENSON: Mr. Chairman, I want to
8 give you a brief update on the TROF programs and then I'll
9 have some decisions that I'll ask the Committee to consider.
10 Your TROF program is a very popular program throughout the
11 tobacco region and we've been doing this now since the
12 inception of it. To date you have made over 120 of these TROF
13 deals putting over \$68 million on the street and there's
14 another \$18 million poised that likely will be awarded this
15 year. You can see there's a lot of dollars involved. Access to
16 this TROF program is very easy and very quick. The
17 application process is online and the applicants typically get
18 an answer from this Commission within 48 hours. They get a
19 contract within a week. It's very quick and very responsive.

20 DELEGATE KILGORE: How many jobs are
21 involved, do you have that number?

22 MR. STEPHENSON: I don't have those
23 numbers with me but it's more than 100.

24 DELEGATE KILGORE: More than 100?

25 MR. STEPHENSON: Yes. Every one of these

1 projects, the applicants in exchange for money promise to
2 create jobs and put investment. It's a written promise to
3 create jobs and make investments. As I say, every one of these
4 TROF contracts give cash money to private companies in
5 exchange for a written promise to create jobs and investment.
6 That's in all of the contracts. We verify the performance 100
7 percent on the contracts we make. As you know for many of
8 our previous meetings, some of these contracts are in default
9 and by default I mean that the jobs promised were not
10 delivered or the investment that was promised was not
11 delivered and a refund was asked for but not repaid.

12 DELEGATE KILGORE: That list is on page 45?

13 MR. STEPHENSON: It is, yes. If you'd refer to
14 page 45, you'll note that I have over; I have 9 of these
15 defaulted contracts that I need to ask the Committee to get
16 some closure on today. You'll note some of these are very
17 stale, anywhere from 18 months to 2 years to get them to the
18 point that we can get closure on them. The staff has limited
19 powers to close them if the recipients are unresponsive.

20 I'd like to briefly take you through these 9
21 defaulted contracts and ask you to help us get some form of
22 closure on each one of them.

23 DELEGATE KILGORE: Are you counting the
24 TROF, the two in Saltville?

25 MR. STEPHENSON: There are three in

1 Saltville.

2 DELEGATE KILGORE: I've got 10 on my list.

3 MR. STEPHENSON: There's a long list of these
4 and it changes daily. This is the list du jour. First up Mr.
5 Chairman is Washington County, the Gates Corporation. You
6 may remember the Gates Corporation contract ended in June
7 of 2010 and you also may recall that there was a very savage
8 and unwelcomed tornado that came through that area and
9 damaged a lot of property. There's been a question of whether
10 they would rebuild or not, whether they'd repay the grant or
11 not. I believe we have a spokesperson from Washington
12 County here today. Kristy, could you address that?

13 MS. PARKER: I'm Kristy Parker.

14 DELEGATE KILGORE: Was that before the
15 storm or the tornado?

16 MR. STEPHENSON: Yes.

17 MS. PARKER: Good afternoon, Kristy Parker
18 here as the Economic Development Director for Washington
19 County. With me is Sally Morgan from Smyth County. The
20 Washington Regional Industrial Facility Authority was the
21 applicant. I'm here today to give you an update. As of Friday
22 of last week, Gates communicated to us their decision not to
23 rebuild this facility Glade Springs. There was complete
24 destruction of that facility on April 28th. When you met in
25 Abingdon at the end of September, you were gracious enough

1 to give an extension until today so just a week prior to your
2 meeting the State of Virginia has given Gates an incentive
3 proposal to rebuild and we felt we should give time to consider
4 that but we appreciate your patience very much. They have
5 decided not to rebuild and Sally would state the position
6 relative to the claw back.

7 MS. MORGAN: We've been working with the
8 company and we appreciate you all's patience but the
9 requirements at this point from the Tobacco Commission of
10 the repayment in the amount of \$84,000 based on portion of
11 the jobs met and a portion of the investment met. They're not
12 going to ask for any additional payment relief at this point.

13 DELEGATE KILGORE: Thank you. The claw
14 back amount is \$84,000?

15 MR. STEPHENSON: \$84,000 due 30 days
16 from today, that's acceptable.

17 DELEGATE KILGORE: Do we need a motion
18 on that?

19 MR. STEPHENSON: I don't think we need a
20 motion. I think there's a consensus here that that will come to
21 fruition.

22 The next one on the list is the Town of
23 Saltville. There were two grants made some years back and
24 both of those have matured and come due; one in April of '08
25 the other one in July of 2010. I just can't get anything

1 resolved on those two grants and they've been on your list for
2 a long time. According to your directives, we have frozen any
3 disbursements to those entities and they've been frozen for a
4 long time. I just can't get movement. I'm before the
5 Committee today asking for some mechanism by which we can
6 get closure on the grants either by writing it off or sending
7 them to the Attorney General's Office for collection.

8 SENATOR PUCKETT: Ned, do you have a
9 recommendation? Did you say either or?

10 MR. STEPHENSON: Senator Puckett, you
11 know my background. I believe in contract so my
12 recommendation is along those lines. That may not be what
13 the Committee wishes to do.

14 DELEGATE KILGORE: You want to send them
15 to the Attorney General for collection?

16 MR. STEPHENSON: Yes, swiftly. I will defer to
17 the Committee whatever your wishes are or any other
18 consideration beyond that.

19 DELEGATE KILGORE: Do we have to put that
20 in a motion? Do you need a motion to send it to the Attorney
21 General?

22 MR. STEPHENSON: I think that would be in
23 order Mr. Chairman so we're clear that's what the Committee
24 wants to do.

25 MR. OWENS: So moved.

1 DELEGATE JOHNSON: Second.

2 DELEGATE KILGORE: Any more discussion?
3 All those in favor of sending these two to the Attorney General
4 say aye. (Ayes). Opposed. (No response).

5 DELEGATE MARSHALL: Have we done this
6 before?

7 MR. STEPHENSON: No, sir. The staff has
8 used every device that's available to us short of suing them.
9 It's important to note Mr. Chairman that when we send the file
10 to the Attorney General's Office that in many of these cases
11 the obligor contract is the company and also the locality and
12 you know what that means.

13 DELEGATE KILGORE: We have done this
14 before on education. We haven't sent it to the Attorney
15 General's Office since then.

16 MR. STEPHENSON: Quite a few have
17 defaulted through the student scholarships and they've gone
18 to the Attorney General. They go routinely for collection.

19 DELEGATE MARSHALL: The Attorney General
20 will go after Saltville or the company or both?

21 MR. STEPHENSON: The contracts are not all
22 the same Delegate Marshall. Many of the earlier contracts did
23 not obligate the locality and in that case the Attorney General
24 would not pursue the locality. There was a point in time when
25 you added that clause that the locality would be liable and if

1 the locality is liable, then the suit for judgment would mean
2 the locality has the obligation in the suit.

3 DELEGATE MARSHALL: What is the Attorney
4 General's charge to do?

5 MS. KIM: They tack on usually a fee of 30
6 percent of the amount due that is paid by the debtor.

7 DELEGATE MARSHALL: They tack on 30
8 percent to the figure we send?

9 MS. KIM: Yes.

10 MR. STEPHENSON: The next one on your list
11 is also stale and it is a grant made to the Town of Lebanon and
12 the beneficiary company was Clint Mountain Finishing and
13 the date is December of '08 and went into default. The
14 company filed bankruptcy and was discharged. There are 7
15 private individuals who signed a broad guarantee agreement
16 guaranteeing the performance of that obligation. Those
17 individuals are here and among those 7 people, one of them
18 has filed for bankruptcy. The Town has sued the other six for
19 performance. Those other 6 have challenged the guarantee
20 agreement in court and they lost that battle. They have now
21 requested depositions be taken in discovery making some 350
22 requests for information on this file. The point I'm making is
23 that the guarantors are resisting mightily the payment of the
24 obligation.

25 DELEGATE KILGORE: Is the Attorney

1 General's Office involved in this since we have money or –

2 MR. STEPHENSON: This particular case the
3 Attorney General's Office, the guarantee agreement was signed
4 by the 7 private individuals who guarantee performance to the
5 Town and not to the Commission. According to the policy, we
6 would defer to the Town of Lebanon until such time as this is
7 resolved. The Town of Lebanon has been very diligent in filing
8 suit against the guarantors but it's been dragging out for a
9 very long time.

10 DELEGATE KILGORE: So the Town's filed a
11 suit and part of my district but that's, they've done what
12 they're supposed to do and they're trying to collect it, am I
13 correct on that?

14 MR. STEPHENSON: They have been diligent in
15 a collecting effort.

16 MR. OWENS: Ned, do you know the financial
17 standing of any of these people or other persons?

18 DELEGATE KILGORE: They can afford to pay
19 that.

20 MR. STEPHENSON: No, I'm not privy to any of
21 that information.

22 DELEGATE KILGORE: I don't know that but
23 we've had a problem collecting.

24 MR. NOYES: I think the situation here, the
25 Town having undertaken every effort to satisfy the terms of

1 their agreement with the Commission and to continue to hold
2 them in a position where they're unable to receive funds is no
3 longer a tenable position in my judgment.

4 DELEGATE KILGORE: Do we need a motion?

5 MR. STEPHENSON: Mr. Chairman, I'm not
6 necessarily seeking a motion here. I want to be clear in saying
7 that the Town has been very diligent. They have a capable
8 attorney and he is trying to prosecute this and he keeps me
9 informed every 90 days what's going on. I want to make the
10 Commission aware that this is out there and it's taken a very
11 long time. I agree with the director, I don't think any action
12 against the Town is appropriate given that they have been
13 doing everything they could and been very diligent about it by
14 way of information.

15 SENATOR WAMPLER: Mr. Chairman, my
16 inclination is that of those that Ned talked about, there's even
17 a dispute among those as to who owes what. The point that
18 the Town's doing everything they can is completely accurate.
19 Whether it can be resolved and who is guaranteeing what to
20 whom is still quite amiss. It may take some time to get that
21 resolved. I don't think we should penalize the Town or the
22 County as a result of being in protractile litigation. I shouldn't
23 say litigation but in this proceeding.

24 DELEGATE KILGORE: I think we all agree
25 with that and let's move on.

1 MR. STEPHENSON: Next on the list Mr.
2 Chairman is a Patrick County company known as Results
3 Stuart. That was due in July of 2010. After quite a bit of
4 correspondence back and forth, we gave them a brief
5 extension to work things out and that's not happened. These
6 were frozen in August of 2011 and I can't get any movement of
7 any kind from Patrick County since August, 2011. I haven't
8 done anything beyond that. The issue is whether we want to
9 do something more than disbursement which is the only thing
10 we can do or send it to the Attorney General.

11 DELEGATE KILGORE: How much do they
12 owe?

13 MR. STEPHENSON: There's a \$57,000 refund
14 due to the shortfall in jobs and investment.

15 DELEGATE KILGORE: What do you want to
16 do?

17 MR. NOYES: The options are to send it for
18 collection to the Attorney General's Office or leave them to
19 proceed.

20 SENATOR RUFF: Mr. Chairman, if we're going
21 to do what we talked about and be consistent, I think it should
22 go to the Attorney General's Office and I so move.

23 MR. OWENS: Second.

24 DELEGATE KILGORE: I have a motion and a
25 second to send it to the Attorney General; all in favor say aye

1 (Ayes). Opposed no. (No response).

2 MR. STEPHENSON: Next Mr. Chairman,
3 Saltville for Virginia Cobia Farms. You may remember we
4 made a grant to these people. It matured in April of 2009.
5 They were in default at that time. You extended them until
6 February of 2010. They were in default on that date as well.
7 You extended them again until April of 2011 and they
8 remained in default. I sent a demand letter and asked for a
9 refund not later than November of 2011 and that letter has not
10 been responded to. I don't know what else to do but send that
11 for collection or write it off as you might wish.

12 DELEGATE KILGORE: How much is that?

13 MR. STEPHENSON: That particular one, I'll
14 tell you in just a second.

15 DELEGATE MARSHALL: While he's looking, if
16 we send three from Saltville for collection to the Attorney
17 General's Office that mean they're back in the game to apply
18 for money?

19 MR. STEPHENSON: No.

20 DELEGATE KILGORE: No.

21 MR. NOYES: The agreement has to be
22 resolved. The documents indicate it has to be or the
23 agreement has to be resolved.

24 DELEGATE KILGORE: But Patrick.

25 MR. STEPHENSON: The refund on that is

1 \$31,000.

2 DELEGATE WRIGHT: Mr. Chairman, do you
3 need a motion?

4 DELEGATE KILGORE: Yes.

5 DELEGATE WRIGHT: I so move that we send
6 it to the Attorney General's Office.

7 MR. OWENS: Second.

8 DELEGATE KILGORE: All in favor say aye.
9 (Ayes). Opposed no. (No response).

10 MR. STEPHENSON: Next on the list Mr.
11 Chairman is Buchanan County concerning Sykes,
12 Incorporated. This is a different situation than we have. We
13 have Craig Horn here from the County, Buchanan County to
14 speak to you all. In the meantime, let me give you some
15 background so you'll know how we got to where we are. In the
16 beginning when Buchanan County applied for the \$1.1 million
17 grant the company Sykes was to benefit from the use of the
18 grant but Sykes declined to sign any agreement promising the
19 jobs. The County asked them to do it anyway and that the
20 County would be liable and then entered into the deal without
21 the corporate signature. When Sykes did not perform on the
22 jobs or the investment, the County was the only obligor on the
23 agreement. You may remember two or three meetings ago
24 Craig Horn came and spoke with you and the investment
25 shortfall was negotiated and the County made a refund and

1 satisfied you on the investment shortfall although it was a
2 negotiated amount, it was acceptable to the Commission so
3 that piece was cured.

4 The rub comes with the job creation. The
5 contract documents with the County were clear that creating
6 jobs in one community in Virginia when they are concurrent
7 with another county in Virginia will not count and that's what
8 happened in this case of Sykes. They grew Buchanan County
9 and they shrunk in Wise County. According to the
10 documents, that does not count as job creation in Virginia.
11 The deadline for this job creation is December 31st just past.
12 We don't have all the data in but there was a net job gain of 46
13 against the promise of 400 and that being because the Wise
14 County numbers shrunk.

15 DELEGATE KILGORE: How many people work
16 there in Buchanan?

17 MR. STEPHENSON: The last count I believe
18 was something like 245 and that was a couple of quarters ago.
19 They had significant growth in Buchanan County but it was
20 the simultaneous shrinkage in Wise that has created the
21 problem.

22 Craig Horn is here today and I know he'd like
23 to speak to you.

24 DELEGATE KILGORE: What's the total you're
25 asking back from them?

1 MR. STEPHENSON: The County in a
2 negotiation with you reached an agreement to pay back
3 \$150,000 for the investment side which you accepted as being
4 satisfactory and from the employment side the refund would
5 be approximately \$480,000 or about half of the grant that's
6 out due to employment. Craig can give you that information.

7 MR. HORN: It's pretty clear we went into this
8 project knowing that we, the persons to control that. We're
9 short on the investment and job creation. The thing we didn't
10 realize was that there was a net loss in the county. When the
11 jobs fell in Wise County, Wise County had a completely
12 different project that had nothing to do with what we were
13 doing. But in this project, we don't get the full credit for the
14 number of people at Wise. Right now it's around 300. We go
15 between 300 and 330 possibly because they have a high
16 turnover. I just wanted you to remember that this project was
17 a little different and maybe we applied this wrong.

18 DELEGATE KILGORE: Let me interrupt you,
19 can we direct staff to work with you on, is it 300 jobs created
20 or did you create 300 instead of 400, Wise County, push that
21 aside for the moment because that was a different project.
22 What does the county think about that?

23 MR. HORN: We would appreciate that. We
24 put in at least \$25 million in this property. Your money went
25 into the sewer lines and it didn't go to any person or company.

1 DELEGATE KILGORE: Ned, if you take the
2 300 instead of the 400 and then basically come up with a
3 figure for the county to pay back.

4 MR. STEPHENSON: Mr. Chairman, we
5 harvested employment data from the Virginia Employment
6 Commission, whatever that number is, if it's 300 that would
7 be 75 percent of the promise and that would be a refund of 25
8 percent, \$550,000 if that's the way the numbers work out.

9 DELEGATE KILGORE: That's better than the
10 other number.

11 MR. HORN: We would certainly appreciate
12 that and pay in a lump sum and maybe get a little discount if
13 we do that in a lump sum.

14 DELEGATE KILGORE: Does everybody
15 understand that? In Southwest Wise County and Buchanan
16 County the same people from Wise County would be going to
17 Buchanan County and you just can't get there to go over the
18 mountain, of course all these jobs are important. I don't think
19 we need a motion; we'll just direct staff to do that.

20 MR. STEPHENSON: It's understood. Mr.
21 Chairman next is a company in Scott County and that name is
22 Rogers Foam. We have a gentleman here today that wishes to
23 speak about that but let me give you some information very
24 quickly. You see the numbers before you that matured in
25 June of 2010. We were delivered 80 percent of the

1 employment promise and 70 percent of the investment
2 promise. Of particular concern in this contract is that's the
3 clause that's in all of these contracts that says if the
4 investment amount promised is not or if it's not delivered and
5 not reached at least \$1 million then the entire grant is to be
6 refunded. In the particular case, the promise was \$1.4 and
7 they delivered some 700 odd thousand dollars in investments
8 being less than one million and that triggers that contract to
9 be a complete refund due. We have Mr. Scott Lee here who
10 wants to talk to you.

11 MR. KILGORE: Before Mr. Lee gets up here
12 I'm John Kilgore and I'm with Scott County. I'd just say Mr.
13 Lee has been very cooperative with the County and has
14 supplied all the information that he's been required to supply,
15 and answered all the phone calls. He's here today to address
16 the issues. They're still employing people in Scott County. I
17 know that we're talking about a three year lease or they just
18 signed that new three years lease. One thing we did send in to
19 Ned was some of these figures and they're what they're paying
20 out annually. I'd ask you to consider that. They're also going
21 to invest in some new equipment here in the next few months.
22 He can talk about that. Mr. Scott Lee is the Chief Financial
23 Officer for Rogers Foam.

24 MR. LEE: As John mentioned, we just
25 renewed our lease for another three years making a six year

1 commitment and the lease payments will total approximately
2 \$950,000 over this past six year period of time. In the last
3 couple of months, we entered into a new contract with a major
4 customer which will help allow us in the next two years or
5 even longer to continue on. John mentioned we've done
6 business with a firm out of Singapore. That's valued at about
7 \$150,000. We have some sewing machines and other
8 equipment on order and that should be in Duffield in the next
9 couple of months. I can't guarantee we'll get to the \$1.4 but if
10 you factor in that, all of the lease payments and things like
11 that, certainly we're very close to meeting our commitment.

12 MR. OWENS: Will this new equipment get you
13 over the million dollars?

14 MR. LEE: Very close.

15 DR. REDWINE: Could I say something, just
16 clarify one thing for myself because I've been involved with
17 this. Mr. Stephenson said the total promise was \$1.4 and
18 what was delivered was about \$700,000 and it says here
19 deliverable 70 percent. I was thinking the investment was
20 more like 8; it was way up further than 700.

21 MR. STEPHENSON: You're correct Dr.
22 Redwine. Seventy percent of \$1.4, it's close but not right
23 there.

24 DELEGATE KILGORE: What if we do this,
25 we're going to invest more capital, you said and if we give you

1 until our next meeting to report back what you've invested on
2 the capital side, that will get you over, especially with what
3 you're talking about, that should get you over the million
4 dollars?

5 MR. LEE: Yes, sir.

6 DELEGATE KILGORE: Would that be
7 agreeable with you on the job side? Let's talk about that. How
8 many jobs do we have?

9 MR. LEE: We've got 5 full time originally. We
10 use a temp agency for the majority of our workforce, not just
11 in Duffield but out in the county. Currently we probably have
12 20 people on a daily basis through a temp agency. That
13 number should go up to 30 or 40 per day, two shifts and that
14 would be 15 or 20 people per day for a contract with a
15 customer in the next few months.

16 DELEGATE KILGORE: What does that do on
17 the claw back side?

18 MR. STEPHENSON: We get our employment
19 numbers from the Virginia Employment Commission. If
20 they're temporary contract employees, if the company can
21 have the temp agency send us a letter certifying the number of
22 man hours that the company used during that period and we
23 convert it to full time equivalence and give them credit for that.

24 DELEGATE KILGORE: Can you do that, that
25 will get you to 30 out of 50 or 40 out of 50. There still would

1 be some due back. We'll defer this until the May meeting; you
2 may still be off something like \$100,000.

3 MR. STEPHENSON: The performance period
4 deadline is moved to May of 2012?

5 DELEGATE KILGORE: Yes, at our next board
6 meeting.

7 MR. STEPHENSON: I might suggest before
8 that.

9 DELEGATE KILGORE: Go ahead, would you
10 say April?

11 MR. STEPHENSON: We're able to harvest
12 employment data on the quarter basis which will be March or
13 June.

14 DELEGATE KILGORE: March 30th. Then get
15 the information from the temp agency, March 31st. Go ahead
16 and get the temp agency to do that, can you do that?

17 MR. LEE: Yes.

18 MR. STEPHENSON: Next on the list Mr.
19 Chairman is a company in Scott County known as Benjamin
20 Case. I know little about Benjamin Case except that efforts to
21 contact them have been not successful. I was hoping John
22 would speak to Benjamin Case today.

23 MR. KILGORE: John Kilgore with Scott
24 County and I see nobody from Benjamin Case here. They
25 opened in 2008 and they did sign a performance agreement.

1 They used the Tobacco Commission's money to invest in the
2 property that they were leasing from the owner. So they don't
3 have any appreciable assets that we can go after there. We've
4 tried numerous times to contact them as early as last week I
5 tried to contact them. All the mail comes back return to
6 sender. We also send emails and they're not responding to.
7 They did respond once in 2010. They may be working for
8 somebody else from Louisiana and we tried to call that
9 company and couldn't get in contact. We tried a lot of
10 different avenues trying to get in contact with them and we will
11 sue them if we can't find them.

12 DELEGATE KILGORE: Sounds like a job for
13 the Attorney General's Office. I have a motion and a second
14 that we send this to the Attorney General's Office for
15 collection. All in favor say aye. (Ayes). Opposed. (No
16 response).

17 MR. STEPHENSON: Next on the list is
18 Dinwiddie County Moss Motors. When these folks found out
19 they had to pay up or face you folks here today, they paid up
20 on Friday.

21 DELEGATE KILGORE: \$150,000 pro rated?

22 MR. STEPHENSON: That's correct. Mr.
23 Chairman, that's the end of the list today. I must tell you that
24 there's a lot more of these. By the time they reach this forum,
25 they are very stale and the file is very thick with

1 communications and we can't get resolution on these and it
2 takes a very long time. So I'm asking for guidance from the
3 Committee.

4 DELEGATE KILGORE: What I'd like to see and
5 I don't know about the rest of the people, I'd like to see them
6 brought here faster and maybe that will get things moving a
7 lot faster and we can either decide to refer them to the
8 Attorney General. I'd just like to get this done faster.

9 MR. STEPHENSON: I would support that.
10 We've been working 18 months or two years trying to get them
11 to respond. I have a recommendation for you Mr. Chairman
12 and it's very aggressive.

13 DELEGATE KILGORE: Let's hear it. I'm in an
14 aggressive mood.

15 MR. STEPHENSON: My thought is that when
16 a contract is found to be in default, there should be a proper
17 demand letter and given 30 days to cure, after which it will be
18 sent to the Attorney General which we should do and we
19 should advise the obligor that it has been sent to the Attorney
20 General and if they want to cure it, they better hurry up and
21 do it because otherwise it's going to be collected. That will give
22 them time to respond to the Attorney General's Office. The
23 point is, they should understand that we're going to take
24 action to get these collected and if they don't get it cured,
25 they're going to be stopped and that might be a little drastic

1 but it depends on what you want to do.

2 DELEGATE MARSHALL: Ned, when do you
3 think we start this process; 30 days after the people, after they
4 become delinquent or 60 days or 90 days?

5 MR. STEPHENSON: We have a system
6 internally that as soon as the contract deadline arrives and we
7 get the Virginia Employment Commission information at the
8 end of the next calendar quarter, there could be as much as a
9 three month delay waiting for the data. Once we have that
10 information, we'd like to move inside of 30 days. The facts are
11 known and the obligation is clear, it's just that companies
12 sometimes are very slow to respond.

13 DELEGATE MARSHALL: That could be up to
14 120 days.

15 MR. STEPHENSON: Yes. Mr. Chairman and
16 Delegate Marshall, I want for us to give abundant opportunity
17 for the facts to be established. It's complicated with a lot of
18 stuff and if we miss something from the temp agency or if
19 something is missing that needs to come out but that won't
20 come out until there is a threat of action that something's
21 going to happen.

22 MR. NOYES: Ned is correct Mr. Chairman and
23 I am correct, am I not Ned?

24 MR. STEPHENSON: The correspondence goes
25 out to folks that have signed these contracts at some point six

1 months in advance or three months in advance of the contract
2 period letting them know where we are. The newer contracts
3 have a provision that they have or if they have not made
4 material progress at the midpoint that constitutes a default. It
5 doesn't mean we have to move on that but we don't want to
6 wait three years to go after a company that's already gone
7 down. After three years we probably can't find them.

8 MR. NOYES: It's not that there's no
9 communications with the political subdivision and the
10 business in advance of the end of the contract.

11 MR. STEPHENSON: I think that with all these
12 files and if it's reviewed there shows that there's an abundance
13 of communications for each one.

14 DELEGATE KILGORE: I'm okay with the route
15 that you have outlined.

16 DELEGATE WRIGHT: I so move.

17 MR. OWENS: Second.

18 DELEGATE KILGORE: We have a motion and
19 a second to go with the plan that Ned has outlined, all in favor
20 say aye. (Ayes). Opposed no. (No response). I hope that
21 takes more stress off of you. Is that all you have Ned?

22 MR. STEPHENSON: Yes.

23 DELEGATE KILGORE: Next we need to talk
24 about, we had a funding process we helped Mary Rae Carter's,
25 for Southside and Southwest. I think we've been asked to do

1 that again.

2 MR. NOYES: I think Stephanie actually has
3 the language. This is the program for Mary Rae Carter
4 through Secretary Cheng.

5 MS. KIM: To continue funding the salary,
6 fringe benefits and expenses for the Deputy Secretary of
7 Commerce and Trade for rural development from January 10,
8 2012 through January 10, 2014, not to exceed a total of
9 \$300,000.

10 DELEGATE BYRON: So moved.

11 MR. OWENS: Second.

12 DELEGATE KILGORE: We have a motion and
13 a second to continue that funding, all in favor say aye. (Ayes).
14 Opposed no. (No response). Now we'll go to the budget.

15 MR. NOYES: There's two matters to bring
16 before the Executive Committee. This group talked in a
17 previous meeting enabling people to apply for special projects
18 to the Special Projects Committee for access to healthcare
19 projects. This Committee agreed to it and subsequently would
20 bring that before the full Commission. Subsequent to that
21 meeting applications have arrived in other committees seeking
22 Commission funds for access to healthcare initiative. What I
23 would ask the Committee to do is make a decision today and
24 my recommendation is that the Special Projects Committee be
25 the sole committee eligible to receive access to healthcare

1 applications. One is pending at the Economic Development or
2 Southside Economic Development Committee where that
3 Committee said the chairman was to refer it over, if you agree.
4 The reason for this is that if we or the outcome measures for
5 Economic Development Committee are entirely different than
6 the outcome measures for access to healthcare. It's not jobs
7 and not private sector capital investment. That gives one
8 place and provides uniformity and reporting mechanisms for
9 how we're doing in enabling more of our citizens to have
10 access to healthcare. What I'm asking the Committee to do is
11 to designate the Special Projects Committee as that Committee
12 which shall receive applications for access to healthcare.

13 SENATOR PUCKETT: So moved.

14 DELEGATE JOHNSON: Second.

15 DELEGATE KILGORE: We have a motion and
16 a second.

17 DELEGATE BYRON: Mr. Chairman, I'm in
18 agreement with what you're trying to do and if we can come up
19 with some type of outcome measures.

20 MR. NOYES: We have not specifically written
21 or enumerated how we're going to evaluate the application to
22 measure the outcomes. That's something that's a work in
23 progress and we're dealing with strategic planning process.

24 DELEGATE MARSHALL: Should we not do
25 that first before we take applications?

1 MR. NOYES: One application has arrived so
2 far and the discussions with folks that are interested are
3 ongoing. We'll be doing that and we should have the revised
4 strategic plan ready for adoption at the May meeting.
5 Applications won't be due until sometime after July 1st.

6 DELEGATE KILGORE: Who's working on the
7 strategic plan?

8 MR. NOYES: I am and the Executive
9 Committee.

10 DELEGATE KILGORE: Are we going to have a
11 meeting?

12 MR. NOYES: Yes, we are. That will be after
13 session.

14 DELEGATE KILGORE: Between now and May.

15 MR. NOYES: I'm going to wait to announce
16 that.

17 MR. OWENS: Before we vote on this one, you
18 say there's one application with Southside right now? There's
19 700,000 I believe that's committed already from and if that's
20 not gotten by March 15th so what –

21 DELEGATE KILGORE: Right now table it for
22 Southside.

23 MR. OWENS: You might have to bring it off
24 the table.

25 DELEGATE KILGORE: Take it off the table

1 and you make your report.

2 MR. NOYES: We want to be flexible. We don't
3 want it going to one committee and that sort of thing.

4 SENATOR WAMPLER: I would observe that if
5 the full Commission follows the staff's recommendation,
6 Special Projects will begin with a zero balance and Southside
7 would be the appropriate place should they try to fund that.

8 DELEGATE KILGORE: We can do that
9 tomorrow.

10 DELEGATE KILGORE: Do we need a motion?
11 I think we already have it, all in favor say aye. (Ayes).
12 Opposed. (No response).

13 MR. NOYES: Some members are aware that
14 there has been discussions with Rolls Royce and a Boston
15 Consulting Group concerning amending the existing award
16 that we have for the University of Virginia, the CCAM award so
17 that we could fund the study and get some recommendations
18 on developing and delivering the advanced manufacturing
19 curriculum. I've had some additional information and I know
20 Delegate Marshall and Delegate Byron and Senator Ruff and
21 our chairman are aware of the progress about that. The first
22 thing I want to say is I was very, very taken back by the initial
23 proposal which came to about \$1.2 million for what was at
24 that point going to be about an 8 or 9 to provide this.
25 Subsequent to that, I've had conversations with Rolls Royce

1 and Boston Consulting Group and the figure is less now but
2 this is still very, very significant amount of money. The figure
3 is about \$983,000 to get this done over a 10 week period. The
4 Boston Consulting Group is a global firm. It's the type of
5 consulting firm that businesses that are locating that CCAM
6 listen to concerning their advice on workforce and other
7 things. Going with this type of company is very expensive.

8 What they have proposed is three phases. A
9 fact based phase, option development phase and
10 implementation plan phase. Combining that comes to the
11 \$983,250 figure. Four weeks for the fact phase; three weeks
12 for the option development and three weeks for –

13 DELEGATE KILGORE: Very expensive –

14 MR. NOYES: Yes, very expensive. My
15 suggestion is that this particular company gets the attention
16 of advance manufacturing businesses that CCAM will be
17 bringing as part of their contract. Rolls Royce, we've talked
18 seriously about this proposal and they're not an advocate for
19 this particular firm but they have been engaged in discussions
20 going back to when we were talking with them a couple of
21 years ago. Finding perspective employer requirements and
22 current training programs including the existing infrastructure
23 equipment in our footprint, identifying options and resources
24 and requiring gaps and developing an implementation plan to
25 develop 250 to 1,000 trade workers a year.

1 DELEGATE KILGORE: Creating a bunch of
2 jobs.

3 MR. NOYES: Not a bad investment if we get 4
4 or 5 hundred manufacturing jobs.

5 DELEGATE BYRON: I'm all in support of this
6 for the workers. The thing that concerns me a little bit here is
7 something that as a charter member of the workforce council,
8 Danny's on that and there's some other people here. Some
9 people might not be aware that in 2008 the workforce council
10 manufacturing association did a staff analysis and one of the
11 first of its kind, \$200,000 on that. There were different groups
12 involved and counties and different institutions. I'm just
13 saying I think we should look at that and take some of the
14 information. It was good information they produced for a
15 period of time. I'm just saying I'd rather see the money go
16 toward training and not doing another report. We got a lot of
17 information available right now and so many different councils
18 and advisory boards. There's just so much data and other
19 information out there now.

20 DELEGATE KILGORE: Can we get information
21 on how successful this has been?

22 DELEGATE BYRON: There are major
23 manufacturers.

24 SECRETARY CHENG: I was at one of those
25 workforce meetings and trying to do more workforce

1 integration and you're talking about something maybe we
2 should be looking at. We should be looking at some of these
3 initiatives that would kind of tighten up where we're going.
4 Maybe BCG taking some of that data and coming up with an
5 RFP or something that tightens this up, what we're looking for
6 and send it out to some other groups who might give us a
7 better deal. The same prestige that someone else might have
8 like Rolls Royce. Certainly we might save some money and it
9 might be worthwhile but tighten this up.

10 MR. NOYES: What do you mean when you say
11 we, who is we?

12 SECRETARY CHENG: Everybody in this room.

13 DELEGATE KILGORE: What I'm trying to find
14 out is is there a timeframe where we'll have to take it down the
15 road until May.

16 MR. NOYES: If we're going to do anything
17 around this in the next 18 months, it's not something we can
18 spend a lot of time getting refreshed data. One of the
19 advantages of going forward with this is that in 10 weeks or 12
20 weeks we could have a roadmap and that may not be
21 persuasive but I need to get back to the Boston Consulting
22 firm and seek their guidance. I'm not making a
23 recommendation we do it. I'm just letting you know what's out
24 there.

25 SENATOR RUFF: It is a lot of money but keep

1 in mind we're spending a lot of money on mega sites and if
2 we're going to fill those mega sites, we've got to have national
3 companies that have some sense of credibility. There may be
4 10 other companies, I don't know but we can't sit here and
5 twiddle our thumbs. I would ask this question and talked to
6 Rolls Royce last week and talked about breaking it down and
7 maybe do it in small chunks. If we commit to the first
8 300,000 and are not satisfied with that result, can we walk
9 away?

10 MR. NOYES: Yes. The first component of this,
11 if you would bear with me, is to define employer requirements,
12 skill clusters required by CCAM members, baseline
13 employment fee five years. That's about a 360 or 70 thousand
14 fee and that takes four weeks and then there's a period where
15 we can decline to go forward with the second phase, another
16 300 and then after the second phase if we decline to go
17 forward the third phase. The 983 total would be the total of all
18 three phases.

19 MR. OWENS: Where would the funds come
20 from?

21 MR. NOYES: These funds would come from
22 part of the budget in the process and out of the general
23 account. There's a balance to cover the full amount. I'm
24 talking about budgeting for implementation beginning next
25 year.

1 MR. OWENS: If we cut them off at the 300,
2 who would complete it?

3 DELEGATE KILGORE: I think Secretary
4 Cheng said we might do it.

5 MR. OWENS: Whose the we? I think if we're
6 going to do it, we ought to do it all the way or not do it.

7 DELEGATE BYRON: It's nice to hire a
8 company that has some credibility and answer reports and all
9 that but why don't we look at what's already out there. No one
10 knows what's out there now.

11 MR. NOYES: We've had GAP analysis done
12 before that we've seen but I haven't seen some of the VMA
13 studies you're referring to. My sense is that's probably toward
14 manufacturers. This particular effort is for advanced
15 manufacturing and only in our footprint. I don't know if we
16 could extrapolate from previous studies. One political
17 subdivision versus another, I don't know.

18 DELEGATE MARSHALL: Are we under a
19 timeframe, maybe BCG might be better. Maybe we should
20 gather more information.

21 DELEGATE KILGORE: Frank, you've been in
22 contact, what is the timeframe here?

23 SENATOR RUFF: I don't know that we have a
24 set timeframe but a number of companies are actually looking
25 now and it depends on whether they understand that we have

1 a plan, if we have what they need, if they don't see any action
2 for us on workforce training. Most of them say that they can't
3 –

4 DELEGATE KILGORE: But if we use the RFP
5 and show them that at least we are interested, I would think
6 the RFP would be the way to go. Don't we have to do an RFP?

7 Mr. NOYES: We can amend the existing grant
8 we have for CAM and the University of Virginia. CCAM put this
9 out, the contract. If we put it out or the Commission, then
10 yes, we have to have an RFP and go through that process.
11 That would be 6 weeks or 8 weeks or so.

12 DELEGATE KILGORE: Would we rather do
13 that and get that information and have CCAM or do we want
14 the Tobacco Commission to have that information or that
15 report?

16 MR. NOYES: You mean deliverables?

17 DELEGATE KILGORE: Yes.

18 MR. NOYES: That's where the businesses are.

19 SENATOR RUFF: Mr. Chairman, at this point
20 is it possible that we could set aside dollars and then have
21 Neal get back with these people and the Manufacturers
22 Association that we deal with and see if there is any
23 opportunity there and use the best judgment of the staff to
24 move forward on a plan that will work?

25 DELEGATE KILGORE: I'm fine with that.

1 What I'd like to do is move and don't sit here but let's move
2 forward with something. We've got a lot invested in this
3 program. We don't want to miss an opportunity. We ought to
4 be doing something.

5 DELEGATE MARSHALL: I'd make a motion to.

6 MR. NOYES: The motion would be move that
7 grant number 2275 in favor of the Commonwealth Center
8 Advanced Manufacturing CCAM to increase from \$4,052,113
9 to \$5,035,363 an increase of 98,032.50 to provide funds
10 anticipated by CCAM for workforce analysis, provide funding
11 for consultant services anticipated by CCAM for workforce
12 analysis with a proviso that any contractual rights to
13 terminate such services be vested with the Commission's
14 executive director.

15 MR. OWENS: The question again is whose
16 going to own it and whose going to make the recommendation
17 or –

18 DELEGATE KILGORE: Is it all CCAM? If we
19 put out an RFP. I think that's the way.

20 DELEGATE MARSHALL: If we own it, do we
21 put out an RFP?

22 DELEGATE KILGORE: I think we have to do
23 that.

24 SENATOR RUFF: Mr. Chairman, if we pass
25 that, would we do the RFP?

1 MR. NOYES: They would act, CCAM would act
2 consistently with the procurement policies.

3 SENATOR RUFF: But they would not be
4 obligated to, they couldn't negotiate with other companies, is
5 that correct?

6 DELEGATE BYRON: I think since we're the
7 ones spending the money and if you put out the RFP and other
8 groups know the difference when it comes to some other
9 things that are going out.

10 MR. NOYES: My sense is you might get a
11 preference on the Executive Committee to defer at this point
12 and talk to the Manufacturing Association and others with the
13 idea being that we would issue an RFP.

14 DELEGATE KILGORE: I don't want to see us
15 offer the money, I think we're losing time.

16 SECRETARY CHENG: Can we put something
17 in there that we have the workers here or what the
18 requirements should be no matter, we're going to have written
19 specs.

20 MR. NOYES: BCG, some specs will be
21 provided, we can put any strings we want to.

22 SECRETARY CHENG: Maybe that's a good
23 idea.

24 MR. STEPHENSON: Two thoughts Mr.
25 Chairman. Secretary Cheng's idea I think is that CCAM does

1 the bidding and wins the contract and gets the work done the
2 Commission could have veto rights over that award I think.
3 The second thought is that if the Commission seeks to put out
4 its own RFP then I'm thinking that the deliverables that we
5 describe in the RFP will be something like this. Evaluate the
6 workforce in Southside Virginia, can you just imagine what
7 you're going to get and that's undecideable. So I think that
8 you should be careful about issuing an RFP because you'll get
9 foggy deliverables. That's part of the process of asking CCAM
10 to be involved in this and the steer the process according to
11 what they need and that you give the Commission veto rights
12 and you could stop it before it's awarded if you didn't like it.

13 DELEGATE KILGORE: I like that.

14 SENATOR RUFF: If you can get Ned to do that
15 in a motion.

16 MR. STEPHENSON: I'll do it.

17 DELEGATE KILGORE: I think we need to have
18 a few on the Executive Committee meet with CCAM and get
19 with Ned about what he thinks and maybe you'd get a better
20 feel for what's happening. I know Frank and Kathy are very
21 interested.

22 MR. NOYES: Let's try to keep the group to a
23 limited number of Commissioners from here. Once we open it
24 up to the university community, the community college
25 community and different associations, you'll have something

1 that no consultant in their right mind would want to work
2 with.

3 DELEGATE KILGORE: Yes, Frank and Kathy
4 and Mary Carter.

5 MR. NOYES: Are you trying to revise
6 something Ned.

7 MR. STEPHENSON: I've tried to Mr.
8 Chairman. I move that grant number 2275 in favor of CCAM
9 from \$4,052,113 to \$5,035,363 an increase of 983,000 to
10 provide funding for consulting services anticipated by CCAM
11 for workforce analysis with the proviso that the final contract
12 award is subject to approval by the Commission with your
13 work group or by the executive director as you may wish.

14 SENATOR RUFF: I would change it to
15 Executive Director and I'd make that motion with the three of
16 us working with the director.

17 DELEGATE BYRON: I'm still concerned about,
18 we're talking close to a million dollars for a fact finding
19 mission and that's still a lot of money. Once you put the
20 money out there, I think maybe a smaller amount would be
21 appropriate.

22 DELEGATE KILGORE: We have you, Frank,
23 Mary Rae with Neal and Ned to see that the money is well
24 spent. I'm not against investing that kind of money if we get
25 great results and create a bunch of jobs in Southside and

1 Southwest Virginia. If the Boston Group says you have the
2 workforce or if you have them or you don't have it right now
3 but you're going to have it because we've got these things in
4 place we'll leave that to you all to work on.

5 DELEGATE MARSHALL: We heard earlier
6 there's three steps that we can, we don't have to spend the
7 whole amount. We've talked about that.

8 MR. NOYES: That's in the proposal that we
9 can back up. The proposal says that 48 hours after receiving
10 deliverables from the first phase, which I don't agree to, it will
11 be longer than that.

12 MR. OWENS: Legally we don't have legal
13 counsel here. Are we making sure this is legal or are we going
14 to make sure we're legal?

15 DELEGATE KILGORE: We're going to make
16 sure, we're in the process of getting legal counsel on board and
17 we should have that soon.

18 MR. OWENS: I'm a little concerned that we
19 can't agree and that we're spending this type of money
20 without, it might be totally legal but is it good for us?

21 SENATOR RUFF: I would respond and say
22 something like this, that none of us are really qualified to
23 make that kind of judgment.

24 MR. OWENS: I would say that what we will do
25 is work with CCAM and work with them directly in developing

1 an RFP and with the RFP and based on some of the guidelines
2 they would require.

3 DELEGATE KILGORE: We can work with
4 CCAM and develop something like that but as Ned said, an
5 RFP like that can be all kinds of things.

6 MR. STEPHENSON: Mr. Chairman, I think the
7 essence of the motion that I read was that the Commission is
8 saying to CCAM we're going to increase your grant amount to
9 provide for this study and use your standards and the best
10 tender and negotiate the contract and when it's ready to go,
11 it's got to pass by the Executive Director first and satisfy him
12 before you turn lose. It is CCAM's responsibility to find and
13 engage and negotiate the proper consultant.

14 DELEGATE KILGORE: They need to
15 understand upfront that even though we budget it, I think
16 they would agree to X amount of dollars.

17 MR. STEPHENSON: Not until we sign off on
18 the funding request.

19 DELEGATE KILGORE: I'm fine with that.

20 SENATOR RUFF: Then that's the motion.

21 DELEGATE KILGORE: Was there a second to
22 that motion, did anyone second that motion?

23 SECRETARY CHENG: I'll second it.

24 DELEGATE KILGORE: Any more discussion?

25 DELEGATE JOHNSON: Mr. Chairman, we

1 want to create jobs. What area is the study confined to?
2 Expanded to?

3 MR. NOYES: 41 political subdivision that
4 constitute the whole footprint.

5 DELEGATE KILGORE: You've heard the
6 motion and a second. All in favor say aye. (Ayes). Opposed.

7 DELEGATE BYRON: No.

8 DELEGATE WRIGHT: No.

9 MR. OWENS: No.

10 DELEGATE KILGORE: All right, what's next?

11 MS. KIM: The first budget amendment would
12 be to transfer \$983,250 from the general account to special
13 projects for the CCAM grant. That's the budget amendment.

14 SENATOR RUFF: So moved.

15 SENATOR PUCKETT: Second.

16 DELEGATE KILGORE: All those in favor of
17 that budget amendment say aye. (Ayes).

18 MR. OWENS: Moving from the general fund to
19 special projects?

20 MR. NOYES: Moving it from the general
21 account, \$983,250.

22 DELEGATE KILGORE: All those in favor say
23 aye. (Ayes). Opposed. (No response).

24 MS. KIM: The next one is to transfer \$500,000
25 from Southside Economic Development's balance to the

1 Halifax County delegation to the TROF to cover a portion of
2 grant 2484 already made in favor of Dominion Virginia Power
3 at Riverstone.

4 MR. OWENS: So moved.

5 SENATOR RUFF: Second.

6 DELEGATE KILGORE: All in favor say aye.
7 (Ayes). Opposed no. (No response).

8 MS. KIM: Transfer the unobligated balance of
9 merely \$10,223,900 from the reserve account to the TROF
10 Program, this program has ended, to TROF.

11 DELEGATE KILGORE: We have a motion and
12 a second, all those in favor say aye. (Ayes). Opposed. (No
13 response).

14 MS. KIM: The last one is to transfer
15 \$3,393,560 from special projects to the mega park account.

16 DELEGATE MARSHALL: So moved.

17 DELEGATE KILGORE: It's been moved and
18 seconded.

19 MR. NOYES: The unobligated balance after
20 discussions with Senator Wampler, the staff's
21 recommendation for the meeting tomorrow is to reflect the
22 inclusion of that balance.

23 DELEGATE KILGORE: All those in favor say
24 aye. (Ayes). Opposed no. (No response). \$3,393,560. We're
25 now going to go into executive session.

1 SENATOR RUFF: Mr. Chairman, I move that
2 we go into executive session in accordance with the provisions
3 of the Virginia Freedom of Information Act for the purpose of
4 discussing an investment of public funds where competition is
5 involved.

6 DELEGATE KILGORE: There's a motion to go
7 into executive session, is there a second, all right. We're in
8 executive session.

9
10 NOTE: Whereupon the executive session is
11 conducted. Thereupon, the meeting reconvenes viz:

12
13 SENATOR RUFF: Mr. Chairman, whereas the
14 Executive Committee of the Tobacco Commission has
15 convened a closed meeting in accordance with the Virginia
16 Freedom of Information Act; and whereas the act requires a
17 certification by the Committee that such a meeting was
18 conducted in conformity with Virginia law and whereas the
19 Committee hereby certifies that, to the best of each member's
20 knowledge, only public business lawfully exempt from the
21 open meeting requirements under the act, and only such
22 public business matters as were identified in the motion by
23 which the closed meeting was convened, were heard,
24 discussed or considered by the Committee in that meeting.

25 DELEGATE KILGORE: Neal would you call the

1 roll?

2 MR. NOYES: Delegate Byron?

3 DELEGATE BYRON: Yes.

4 MR. NOYES: Deputy Secretary Carter?

5 DEPUTY SECRETARY CARTER: Yes.

6 MR. NOYES: Delegate Johnson?

7 DELEGATE JOHNSON: Yes.

8 MR. NOYES: Delegate Kilgore?

9 DELEGATE KILGORE: Yes.

10 MR. NOYES: Delegate Marshall?

11 DELEGATE MARSHALL: Yes.

12 MR. NOYES: Mr. Owens?

13 MR. OWENS: Yes.

14 MR. NOYES: Senator Puckett?

15 SENATOR PUCKETT: Yes.

16 MR. NOYES: Dr. Redwine?

17 DR. REDWINE: Yes.

18 MR. NOYES: Senator Ruff?

19 SENATOR RUFF: Yes.

20 MR. NOYES: Senator Wampler?

21 SENATOR WAMPLER: Yes.

22 MR. NOYES: Secretary Cheng:

23 SECRETARY CHENG: (No response).

24 MR. NOYES: Delegate Wright?

25 DELEGATE WRIGHT: Yes.

1 DELEGATE KILGORE: It's so certified.

2 MS. KIM: The budget for FY13 and 14 and
3 FY15, each including an allocation of \$10 million to be used
4 for the purpose of inducing a major utility company to select
5 Southern Virginia as its preferred location for significant
6 capital investment, subject to approval by the Commission at
7 the time of application.

8 MR. OWENS: So moved.

9 DELEGATE KILGORE: I have a motion and a
10 second. Any discussion? All in favor say aye. (Ayes).
11 Opposed. (No response).

12 DELEGATE KILGORE: Does anyone have any
13 public comments? All right.

14 MR. NOYES: The next Committee meeting is
15 scheduled for May 23rd and as previously discussed we need to
16 meet before the May 23rd meeting.

17 DELEGATE KILGORE: The first meeting in the
18 morning for R&D is at 9:30 and 11:00 o'clock special projects.
19 Then the full Commission meeting will be at 1:00 o'clock. All
20 right, all those in favor of adjourning, we're adjourned.

21

22 PROCEEDINGS CONCLUDED

23

24

25

