

COMMONWEALTH OF VIRGINIA

VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION

Thursday, April 11, 2002

10:00 A.M. at the Hotel Roanoke & Conference Center

Roanoke Ballrooms C & D

Members Present

The Honorable Charles R. Hawkins, Chairman

The Honorable Terry G. Kilgore, Vice Chairman

Don L. Anderson

Thomas L. Arthur

The Honorable John Bennett

Clarence D. Bryant, III

The Honorable Kathy J. Byron

J. Carlton Courter, III

The Honorable Allen W. Dudley

Fred M. Fields

Paul L. Grinstead

The Honorable Clarke N. Hogan

The Honorable Isiah G. Hopkins

John Lang Hurley

The Honorable Joseph P. Johnson, Jr.

Donald K. Lawson

Joe L. Leigh

H. Ronnie Montgomery

William E. Osborne

The Honorable Phillip P. Puckett

The Honorable Frank M. Ruff

The Honorable Michael J. Schewel

John M. Stallard

John Thomas Taylor

Cindy M. Thomas

The Honorable Gary D. Walker

The Honorable William C. Wampler, Jr.

Tucker C. Watkins

Thomas E. West

Joseph H. Williams

The Honorable Thomas C. Wright, Jr.

SENATOR HAWKINS: Good morning. If we could get started because we have a fairly long agenda. First of all, I'd like to introduce five new members of the Commission. Mr. Joe Leigh, Delegate Hogan, Delegate Wright and we have two secretaries for the first time back to back. Secretary Schewel and Secretary Bennett. Pleased to have you with us. I hope this will be informative for you as new members as well as for the rest of us.

MR. CURRIN: Mr. Anderson?

MR. ANDERSON: Here.

MR. CURRIN: Mr. Bryant?

MR. BRYANT: Here.

MR. CURRIN: Delegate Byron?

DELEGATE BYRON: Here.

MR. CURRIN: Commissioner Courter?

COMMISSIONER COURTER: Here.

MR. CURRIN: Delegate Dudley?

(He's here).

MR. CURRIN: Mr. Fields?

MR. FIELDS: Here.

MR. CURRIN: Mr. Grinstead?

MR. GRINSTEAD: Here.

MR. CURRIN: Mr. Hopkins?

MR. HOPKINS: Here.

MR. CURRIN: Mr. Hurley?

NO RESPONSE

MR. CURRIN: Delegate Johnson?

DELEGATE JOHNSON: Here.

MR. CURRIN: Delegate Kilgore?

DELEGATE KILGORE: Here.

MR. CURRIN: Mr. Lawson?

MR. LAWSON: Here.

MR. CURRIN: Mr. Leigh?

MR. LEIGH: Here.

MR. CURRIN: Mr. Montgomery?

MR. MONTGOMERY: Here.

MR. CURRIN: Delegate Hogan?

DELEGATE HOGAN: Here.

MR. CURRIN: Mr. Osborne?

MR. OSBORNE: Present.

MR. CURRIN: Senator Puckett?

SENATOR PUCKETT: Here.

MR. CURRIN: Senator Ruff?

SENATOR RUFF: Here.

MR. CURRIN: Secretary Schewel?

SECRETARY SCHEWEL: Here.

MR. CURRIN: Mr. Stallard?

MR. STALLARD: Present.

MR. CURRIN: Mr. Taylor?

MR. TAYLOR: Present.

MR. CURRIN: Mrs. Thomas?

MRS. THOMAS: Here.

MR. CURRIN: Mr. Walker?

MR. WALKER: Here.

MR. CURRIN: Senator Wampler?

SENATOR WAMPLER: Here.

MR. CURRIN: Mr. Watkins?

MR. WATKINS: Here.

MR. CURRIN: Mr. West?

MR. WEST: Here.

MR. CURRIN: Mr. Williams?

MR. WILLIAMS: Here.

MR. CURRIN: Delegate Wright?

DELEGATE WRIGHT: Here.

MR. CURRIN: Mr. Chairman?

SENATOR HAWKINS: Here.

SENATOR HAWKINS: To start off with we'll probably have to recess for about five minutes due to the fact that the Southside Economic Development Committee needs to finish up a few points of last night's discussion. When we adjourn and recess for five minutes I'd also recommend that everyone would have an opportunity to go check out of their rooms because 11:00 is checkout time and it'll give us time to get that done as well. So, I'll turn it over now to Mr. Arthur. Tom, do you want to call your committee to meet next door?

MR. ARTHUR: Yes, we'll meet next door.

SENATOR HAWKINS: Having done that we'll stand in recess for ten minutes.

NOTE: A RECESS IS HAD WHEREUPON THE PROCEEDINGS CONTINUE.

SENATOR HAWKINS: If we can get started again and I think what we'll do is change the format of the agenda and ask Mr. Clark Lewis to give us an update from Mays-Valentine. Clark. Is this how the e58 is supposed to work?

MR. CURRIN: That's under advisement Mr. Chairman. I'll refer you to the chairman of the task force, Mr. Ben Davenport. They're trying to update what happened next door.

MR. KILGORE: I make a motion that we approve the minutes.

SENATOR HAWKINS: Is there a second to approve the minutes?

MR. OSBORNE: Mr. Chairman, there's a spelling error in the minutes on CropTech and I don't have mine right here now.

SENATOR HAWKINS: You're motion is to correct the spelling of CropTech? Is there a second? It's been moved and seconded that the minutes be amended with the correct spelling of CropTech. All say aye? (ayes). Opposed (no response). Thank you.

MR. CARTHAN CURRIN: Good morning Mr. Chairman and members of the Commission. Mr. Chairman, for a financial update, we currently have a cash balance of \$18.3 million dollars, having received our January MSA revenues of 20.4 million dollars. We are expecting 52.2 million dollars by next week. The interest we have earned to date totals close to a quarter million dollars. The third quarter interest will be posted by the end of April. Your third quarter financial statements will be mailed to you by the end of April.

The Indemnification update, this is to give you an idea of where we stand on the Indemnification. Next month we'll be paying close to 36 million dollars to tobacco growers and quota holders. As you can see before you the slide that is presented to the commission where we stand on Indemnification payments for this fiscal year. More detailed information is in your packet, which has been sent to you.

Securitization update. The governor has signed legislation creating chapters 482, 488 and 2002 Acts of the Assembly. The governor will have to appoint a financial corporation board needed to carry out our securitization. A tentative working group will be organized to work with that financial corporation board. The commission through its finance subcommittee also will be working with a technical working group to ensure that the commission's priorities and needs are met. I'm recommending that we operate in the upcoming fiscal year, which begins July 1, that we would operate from our regular MSA revenue received in January and April for budgeting and cash flow purposes. We would securitize future revenues beginning in fiscal year 2004. Even if the actual transaction

was to take place this year, which we would hope that would happen it will take some time to procure interest earnings to operate with. Also depending on the timing of the sale it wouldn't make much sense to sell bonds in November or December for revenue that would be received in January. So, again, what I'm recommending is that we operate as we've been operating over the past previous two fiscal years, for this upcoming fiscal year we would operate as we get monies from January and April. Then the actual securitization proceeds would be in effect for fiscal year 2004. Primarily this is due to some timing issues primarily.

The next presentation is a review for each of you that you already know economic development grants. You see before you how many were received from this grant cycle from both southwest and southside. We are in the process of course, of giving updates and reports from the grants that have been awarded in fiscal year 2001. Staff will be reviewing with each applicant on site as to their status and progress of those grants. And I will be able Mr. Chairman and members of the commission to report to you in June where we stand in the 2001 grants.

The next is our deal closing update. This provides you how many grants have been awarded through that funding process. Jobs have been created once those grants are working, by the way I may say a close relationship with Secretary Schewel and the Virginia Economic Development Partnership we've been able to leverage our monies with the Commonwealth's monies through the governor's opportunity funds and it's been a great productive process I believe to date.

The staff has been looking and working with the Chairman on this and this is an ongoing process and we hope that before our June meeting some recommendations as to how our committee structure is currently represented. Staff for example is recommending that we combine our flue-cured and burley committees into one tobacco committee. The chairman would like to see and I don't mean to put him on the spot but Delegate Johnson to chair that committee.

SENATOR HAWKINS: We probably should ask him first, what do you think?

MR. CURRIN: I asked him Mr. Chairman and he didn't tell me no so, I think we're moving in the right direction there. Each of you are on committees but we also understand that there's a need possibly over a period of time since we've been in business for two years to rotate the chairmanships and also the committees.

Long term planning. I think with securitization before us and something that this committee is working extremely hard to obtain. The Chairman has directed me to create a long range task force, a planning task force. The Chairman has asked me to ask the two gentlemen before you to chair that task force Dr. Thomas Morris President of Emory & Henry College and Mr. Charles Majors who is President and C.E.O. of the American National Bank. This is a very important process in our view that this commission needs to embark on which is to develop in the long term a strategic plan that tells our communities what our needs are and what our goals and objectives should be. And the Chairman and the other members of the committee if he would like to cite who they are.

SENATOR HAWKINS: At the appropriate time we'll do that. What we had planned to do is put in place -

MR. CURRIN: Mr. Chairman, you need to tune up your mike.

SENATOR HAWKINS: To put in place with various members of this commission and citizen members that reflects the disciplines that we need in order to put in place an understanding and knowledge of the possibilities of securitizing monies for as long term use as possible. Delegate Allen Dudley, Senator Frank Ruff, Senator William Wampler, Secretary Schewel, Secretary Bennett, Ronnie Montgomery, Tom Arthur, Senator Puckett, C.D. Bryant. That will be the committee that will be charged with looking at what we can do to put in place some sort of long term planning to have stability for these areas that we represent. This is not a small task and will require a great deal of time and effort because what we are about to do to my knowledge has never been done before. We need to make sure that these monies are put into such a place that we do benefit from them for the longest periods of time as possible and to make sure that we do transition these economies to meet the challenges of this century, offer education opportunities that

would not take place without these monies. Probably the end result will be the most significant thing that this commission can offer to its areas.

MR. CURRIN: I could not agree more Mr. Chairman and I would say to other members of this commission that staff and this task force would be working with each of you and meeting with each of you to make sure that the total commission is engaged in this process and it's very critical that that take place. From a time perspective Mr. Chairman and members of the commission that we at least take a minimum of three months and possibly longer to put this plan into a working process.

SENATOR HAWKINS: Yes, I underscore the fact that everything is on the table and that there is no preconceived notion of anything at this point. The only charge we have is an understanding that an agriculture committee that we need to have some security put in place for and other than that the economic side, education side is open.

VICE-CHAIRMAN KILGORE: You envision this task force not just meeting in Richmond but that this task force come out to the southwest or southside?

MR. CURRIN: Yes, sir, Mr. Vice-Chairman absolutely. Mr. Chairman, I would suggest to you that if we don't adopt a long-range plan this could be our future. (Picture of sinking Titanic shown)_ I would like to hasten to say that I know that if the chairman were on the Titanic the two ladies on this commission would have been helped into the lifeboats. I wanted to make that clear Delegate Byron and Ms. Thomas.

And with this I am trying to indicate our next commission meeting be in Virginia Beach. This is only a suggestion that only a brighter future would be before us, if we take on this responsibility I think that the communities deserve no less.

Mr. Chairman, this concludes my presentation.

SENATOR HAWKINS: Any questions?

MR. CURRIN: Actually it does not include, I hasten to say, conclude my presentation. We have a couple other issues I want to bring before you. On the twelve guidelines I've had conversations this morning with legal counsel and they have requested that we delay action on that particular vote until our June commission meeting and I'm in

agreement with their wise counsel on that issue. The TROF guidelines for those of you that may not understand what that is, that's a deal closing item. The other two Mr. Chairman I would ask the commission to vote later on this morning on our grant disbursement policies and our grant exploration policies. Also there are some projects that the executive committee considered in our winter meeting and we'd like to have those ratified by the commission today.

For the June commission meeting Mr. Chairman we obviously have to adopt an '03 budget and we have to determine our distribution percentages for designated various funds and purchases. We've had discussions and structuring and finalizing and the revolving loan fund. It's been suggested by both southwest and southside economic committees that we give the education committee some additional guidelines and funding to have educational requests to go before that committee. And also Mr. Chairman with the staff working with the commission we would like to fine tune the process as it relates to special projects.

SENATOR HAWKINS: Let's go back to the educational component for a minute. It has been discussed and suggested that rather than doing what we're doing today instead of writing checks to community colleges to authorize the southwest and southside areas with the authorities to be able to review and to check up on programs being offered by the community colleges and grant funds to pay for parts of those programs to meet the criteria we have in place to make sure that indeed we're offering those things that we need to offer. So that's one thing we can discuss in the next meeting.

MR. CURRIN: Thank you for your attention.

MR. SHEPPARD: Mr. Chairman, in light of the recommendation to continue the draft of the new guidelines it would be appropriate for you to receive a motion to continue the current guidelines until the next meeting of the commission. I so move.

VICE-CHAIRMAN KILGORE: I so move that motion.

SENATOR HAWKINS: It's been moved that we continue the process. Do I have a second?

NOTE: A SECOND.

SENATOR HAWKINS: Any discussion? All those in favor say aye (aye) opposed (no response). Motion is carried, thanks Steve. All right, next Clark Lewis on the update.

MR. LEWIS: Mr. Chairman, Clark Lewis with the law firm of Troutman Sanders with my partner Stephen Rosenthal. We're beginning the third year of the Indemnification process and I have a brief update for the commission today. We will be mailing out the verification forms to those that are in the data base that are in the 1998 crop year. Those claimants who had quota as of July 1st, who owned quota as of July 1st, 1998 or produced tobacco in the 1998 crop year. Forms will go out April 25, 2002. You'll be pleased to see that on the majority of the forms there is no longer going to be the W-9 signed at the bottom of that because we received that in the past and we eliminated that from the form. The form will have one signature as it should to avoid quite a bit of confusion from the farmers and claimants. The forms have to be received by May 17th, 2002 and postmarked on that date. We expect that payments should go out by the end of May 2002.

We will have informational meetings beginning on Monday, May 6th in Lee County and then go to Scott County. We'll be in Washington County on May 7th, we'll be in Pittsylvania County on May 8th, we'll be in Halifax on May 8th. We're going to have an additional meeting this year in Brunswick County on May 9th. So unlike last year we're going to have three meetings in the southwest and three meetings in southside. I think that will fully cover the region where people have questions about the process.

We're looking forward to it and I think this year is going to be smoother than last year. I will be sending you out a detailed letter going through the program and giving you a progress report weekly on how many claims we receive and how much money we have verified for payment. Mr. Chairman, we look forward to another very successful 2002 tobacco season.

SENATOR HAWKINS: Thank you. I want to compliment you all on the work that you have done. I have received comments and praise on the way this work has been handled and I think that's something that you can take great pride in. For the new members, the first

charge of the commission was try to put in place some sort of stability for the farming community that has lost actual poundage which is assets during a set period of years. One-third of the assets or poundage disappeared through constant cuts. We felt it was very important to put as much money back into the farming communities to stabilize the family farms and in fact we have done that. I've had comments from farmers throughout the area that without many families would have had to take bankruptcy prior to this help coming to them this year. So we've done a great deal of work in order to stabilize the family farms and put this process in place. As the process continues you will find that more and more monies will now go to economic development and less and less to the farm side as we meet that commitment which we plan to do. So it should be understood by our new members that our major charge now is with the farmers as well as economic development for these areas and that is what we will be doing. Thank you. Any questions?

Delegate JOHNSON: Mr. Chairman?

SENATOR HAWKINS: Delegate Johnson, yes, sir.

Delegate JOHNSON: I would like to personally thank Mr. Lewis and his law firm. I think a lot of comments about how helpful they have been with the farming problems of the individual farmers and with the state and maybe missing people. They've been most helpful in that and I want to thank you for that good work that you've done.

SENATOR HAWKINS: I want to echo that again. Once again for new members. The target that we chose was loss of poundage and data base and it's a fluctuating scale as pounds were added and pounds were subtracted and still try to meet that goal of \$12 per pound - 84 and we're pretty much on that track. I believe if you look at all the monies that have been sent to the farming communities in the last two years a total of well over a million dollars if I'm not mistaken.

MR. ROSENTHAL: Mr. Chairman I thank you for your comment and Delegate Johnson's. For the new members, if you ever have a problem don't hesitate to call me or Clark to try to get the problem resolved. Usually we can solve it. Thank you.

Delegate JOHNSON: Do we have a projection when the farmers will be made whole?

SENATOR HAWKINS: Well no, we're working on that and we should have that information in hand I hope by the next meeting but it's a sliding scale to a degree but we'll have a handle on it pretty quickly I hope.

MR. LEWIS: Thank you Mr. Chairman.

SENATOR HAWKINS: Thank you. All right, any other questions before we continue. Let's go to the southwest economic development committee report Senator William Wampler. Please give your attention to Senator Wampler. You will find in your book southwest economic development grant 2002. Senator Wampler.

SENATOR WAMPLER: Thank you Mr. Chairman and members of the commission. If you search through your folder you should find a two page document on the top left hand side it says 2002 southwest economic development grants as Senator Hawkins pointed out, with the green and yellow shaded boxes. Mr. Chairman and members of the commission my report will be as brief as the commission would like me to be. I'll make a couple of observations before I get into the projects that we recommend to the committee for funding. I would say to the new members of the commission where this might be their first meeting that the southwest economic development committee looks at projects rather than a complex formula that the southside has. That's the kindest and gentlest way I know to explain that Mr. Chairman. I would say that our needs in the southwest are not any different than the southside. Our region is probably more compact than it is in the southside. Anyway, that's the one difference you'll see between the two reports.

I would make a general observation Mr. Chairman and members of the commission that we had nine projects or proposals that were presented to us that dealt with higher education as you heard our executive director say earlier that we simply did not have the capital in terms of dollars to try and address those needs and that's why we made a very strong recommendation to the full commission to try to establish guidelines. Many of them had merit but we simply didn't have an unlimited checkbook in which to grant so that's why we referred it and hopefully could find consistent policies for southside and southwest.

There were two projects that we referred with a very high recommendation to e58 for their consideration and we talked about them yesterday.

I would also say as compared to previous processes that we've gone through examining potential grants. We had over 50 applications this year totaling some \$13.5 million with a limited resource of about three and a half million dollars from which to grant. So it was a very difficult project paring down as to what we thought made as much sense. I'll make a general observation that the recommendation that we will bring with the 20 some projects that we are going to recommend we will retain a balance somewhere between \$950,000.00 to something just over one million for contingencies for projects that may come before us as they have in the past. We believe very strongly we should have the flexibility to address those whether it's in the form of deal closing or other applications or requests that may come before us so that we can take action in the interim, obviously after consultation with the executive committee and the balance of the commission at the appropriate time.

Having said that Mr. Chairman there was only one application that remained intact. The other 20 were modified, revised, amended, deleted, added to and that was the Appalachian Sustainable Development and that goes to the heart of our agricultural community in as much as we're doing organically grown produce. We believe that's a great success story for another day and I won't bore the commission with the balance of it. That's the only application that will receive full funding and that remains intact where we didn't revise a couple.

I would say Mr. Chairman and I want to make this very clear for the minutes, that there is a group called Clinch Mountain Farmers that we recommend and I believe the amount to be \$100,000.00. They are a wholesale marketer of produce and not to sound so bureaucratic as to say it's a regional farmers market in Scott County. And they are again a potential recipient should the commission decide to concur with our recommendation. They are a for-profit entity and we made it very clear as a subcommittee that they would have to find a host not for profit entity to receive the dollars. It meets every public

interest threshold that I can think of in terms of needing a market for our farmers. The Scott County Industrial Development Authority has agreed to be the recipient for that. That would be a modification. We wanted to the extent that we can't every time make sure that the grantees are not for profit entities. So that is the relationship that would exist there.

I also say and make it very clear in the minutes on two more points that we recommend funding the development of a new industrial park called Glade Highlands Park shared by Washington and Smyth County. We had recommended an amount up to \$239,000.00. There is part of an access road that would be built for this industrial park. Since our meeting we have found out that the department of transportation is willing to participate on that and probably in the amount of \$90,000.00 is what we estimate the cost of that to be. Mr. Chairman, what I'm trying to say is that I still would like if the subcommittee and commission agrees that we would still allocate an amount up to \$239,000.00 but should the department of transportation be able to apply that we would reduce it by a like amount. We simply don't want to be the bank of last resort and we want to try to leverage some dollars from other sources as best we can.

You'll also find in the e58 preliminary engineering proposals a series of segments for the preliminary engineering on e58. Two applicants, two groups and two potential grantees. That is Bristol Virginia Utilities and Lenowisco. There's not a challenge with the Lenowisco grant at all. The Bristol Virginia Utilities they're already screened and they're in the business. They don't have to retain consultants and they have engineers in house who can do the preliminary engineering. It was the sense of the subcommittee Mr. Chairman and I want to make it very clear to have it be part of the minutes today Mr. Chairman, assuming it is approved Bristol Virginia Utilities could be reimbursed for the actual costs of the preliminary engineering and they could do that by the form of an invoice that they would prepare and send to the commission for reimbursement. There's some question as to whether or not we pay for the operating expenses of any entities but these are direct hard costs for reimbursement for the preliminary engineering along e58.

Mr. Chairman, I can go over these and I'll be glad to answer any questions that any members have. I'll simply say in closing that it's getting harder to find the true agricultural oriented grantees that really move us forward. We try very hard at every meeting to bring in as many folks interested in agriculture to try to help. We've done that probably with nine projects out of 20 some that were asking for approval. I'm saying it makes it more difficult every year to find new applicants so we try to ride the horses that we believe will provide a return to the family farm.

Under the category of tourism we've modified three requests. I'll also say it was the will of the subcommittee that under the category of tourism that we not get into a long-term commitment of providing grants to folks for tourism. Here we're talking about our two regional marketing entities Coalfield Tourism Authority and Southwest Blue Ridge Highlands and William King Regional Arts Center. We felt we needed the flexibility in these very tough times to keep the doors open at all three of those facilities and that's why we took the action that we did.

Mr. Chairman, I believe that concludes my report in general, I would be glad to answer any questions specifically. There would be one amendment that I believe Delegate Kilgore was going to offer that had to do with a farmer's market in Tazewell County in the amount of \$2,500.00. The sponsor of that was the Tazewell County Farm Bureau. Perhaps a little light can be shed on that. I'm in concurrence that we should recommend the \$2,500.00 for that farmer's market in Tazewell County and the application that's before us and it's complete.

VICE-CHAIRMAN KILGORE: I haven't spoken to Sheriff Osborne about that or that particular application. That involves the farmer's market there in Tazewell and need \$2,500.00 just to keep it open for this year. It's a good place for the farmers to sell their produce and it's working well. I think it's something we should invest in to help our farmers in Tazewell County and Russell County so they'll have a place to sell their produce. I would make that motion that we include it for \$2,500.00 for the Farm Bureau of Tazewell County.

SENATOR HAWKINS: It's been moved that the report be amended to include \$2,500.00 is there a second? (second) The chairman concurs with that motion.

SENATOR WAMPLER: Mr. Chairman, I would then subject to any questions I would make a motion on behalf of the committee that projects that are listed on the report that every member has.

SENATOR PUCKETT: Mr. Chairman

SENATOR HAWKINS: Senator Puckett.

SENATOR PUCKETT: I hope I'm not out of line here I have been advised that there's agreement on adding some funding to item #22 Abingdon Feeder Cattle Association. I just ask the southwesteres is everyone aware of what I'm going to propose here? I'm kind of the last guy on board here.

SENATOR WAMPLER: Mr. Chairman, that would be the addition of \$28,800.00 full funding for that particular application and I would be in support of that.

SENATOR HAWKINS: So the amendment would be on line 22 on page one of the report to increase it by \$28,800.00?

SENATOR PUCKETT: Making a total of \$78,800.00.

SENATOR HAWKINS: Which is the full amount, is there a second? It's been moved and seconded. The chairman concurs with that, all in favor of that say aye? (ayes) opposed (no response) It's moved and been accepted that amendment is adopted.

MR. C.D. BRYANT: Mr. Chairman, I have two questions, you answered the first one about tourism. Line #28. The Jettie Baker Center. What is it?

SENATOR WAMPLER: That's a good question and I was there on Good Friday. It is a distance-learning center and it truly is state of the art. I doubt if you'll find many facilities that have as much fiber optics that have been deployed at the Jettie Baker Learning Center. In as much as our charge is to revitalize the communities. This is used for one of the new Internet based companies and you'll recognize the name Travelocity. It's hard to think that someone anywhere in the world can log on and log on with them and plan a trip anywhere but they're doing it in southwest Virginia and Jettie Baker Learning

Center is what is being used to help with the work force training. I think we funded it out of the tobacco commission previously. If we can ever get you to Dickenson County you'd be very proud of the dollars we've invested there.

SENATOR HAWKINS: Do you have a motion Senator Wampler?

SENATOR WAMPLER: With the two amendments that have been offered and the explanation given on the projects that the commission has before them and understanding and whatever the math works out to now there'll be a balance of roughly a million dollars that the committee will have to use in its endeavors through the balance of this year for other grants that may be requested. So I would respectfully move the commission adopt the report.

SENATOR HAWKINS: It's been moved and seconded that the report be accepted as amended and a \$2,500.00 addition for the Farmers Market and on line 22 an additional \$28,800.00 to bring that up to a total of \$78,800.00. It's been moved and seconded, any questions? All in favor say aye (ayes) opposed (no response). Thank you, you did an outstanding job. For the benefit of the new members and I'll give you a brief history. When we first got into the debate of the allocations of monies we tried to figure out how we would fairly approach these problems. It was understood that southwest Virginia was a much more defined block of real estate with a greater common interest than southside Virginia. They chose to use their monies throughout the entire Burley area. Whereas southside being much larger and being a more diverse block of real estate they decided to use an allocation formula based on tobacco poundage and production and manufacturing jobs throughout the area so, that's the difference between the two allocations. As we are getting more and more involved in the process I would also say to the new members that you will find more and more monies allocated toward special projects or regional projects that do not necessarily affect local allocations. Things like e58 and some educational initiatives and other things that regional applications come out of special project funds, which is becoming a larger percentage of our charge.

SENATOR WAMPLER: I couldn't have said it better and that's exactly right.

SENATOR HAWKINS: Thank you, thank you for your work. Now, back to the southside economic development committee report. Tom Arthur, are you ready? Does everyone have a copy? Mr. Arthur.

MR. ARTHUR: Thank you very much. The southside economic development committee had to meet twice and submitted to us nearly a hundred applications requesting a total of \$19 million. The staff honed that down to 54 separate requests from the counties. We tried diligently to look at each of these applications and the ones that were truly revitalization and job oriented we tried to fund. We actually funded 14 million out of a total available 16 six which would leave us a million and a half or so still to proceed with. The total request out of the 54 was 19 million and there's no way everyone would leave here happy and we did the best we could.

Recently handed to you was the latest as we approached them and how we funded them. You'll find the ones with the dashes were not funded, some of them were cut and some of them have contingencies. Some of them in particular were referred to the executive committee for disposition and handling because we really didn't think that they really were economic development type items not worthy of looking at.

So I submit to you the committee's report. Since there are 54 of them I won't go over each one of them but if there's any questions about any particular one I'll try to field those otherwise this is the committee's report and I'd like you to accept it as a motion.

SENATOR HAWKINS: Is there a second to the motion? (Second) It's been moved and seconded, any questions?

MR. C.D. BRYANT: Item #51 on page four. Patrick County Memorial Hospital. A request for a sprinkler system for fire protection and safety.

MR. ARTHUR: Yes, sir.

MR. C.D. BRYANT: I do have a problem seeing where this is part of economic development and revitalization.

MR. ARTHUR: Mr. Bryant, we looked at that one and could not fund it as a grant. A

hospital is important to the economic development in the area because people won't come if there isn't sufficient medical facility. We looked to approve it from the standpoint that necessary loan conditions be made available, that we might fund it through I.D.A. not as a grant but as a loan. Does that answer your question?

MR. C.D. BRYANT: Yes, sir.

SENATOR HAWKINS: If you look on the side it says contingent on staff working out loan guidelines. Any other questions to the chairman of the subcommittee? Secretary Schewel?

SECRETARY SCHEWEL: Mr. Chairman, the projects on that project list, in terms of some projects and some projects are funded. What is your general approach you took towards these projects? What makes one an economic development project and another one not?

MR. ARTHUR: Basically our approach was are they job related and are they going to create jobs and that was our basic guideline. The staff actually screens those that made recommendations and perhaps the people that did the actual staff recommendations could address that. I find that what we addressed mostly was jobs.

SENATOR HAWKINS: Yes sir, Mr. Lawson.

MR. LAWSON: For a little input I'd like to add to the discussion. It's my understanding that the hospital is in a very dire need for its credentials to be certified to continue operation. We were the last resort to save the hospital and that's the part that I think brought this awareness to the forefront. Their needs had been exhausted.

SENATOR HAWKINS: It seems that there's been a great deal of effort to try to work out some sort of relationship and I'm sure that will proceed and there has to be certain guidelines in place and we established those guidelines early on. There's certain criteria that has to be met in order for us to meet the standards that we set for ourselves and if not these monies would quickly dissipate and we'd have very little to account for. Are there any other questions? All in favor say aye (ayes) opposed (no

response) Motion carries. Tom, thank you for a good report. I would like to point out something for the new members. You'll notice in the applications particularly on the southside that even communities that do not have a great deal of tobacco poundage such as Henry County and Martinsville that we have tried to work with by expanding certain allocations based on needs particularly with deal closing efforts. We're very aware of our responsibility to all the communities we represent and we try to do our best to make sure that everyone has a chance to have their argument heard. Having said that.

MR. SHEPPARD: Mr. Chairman both committees have now made their reports and the reports have been adopted by the commission. It would be appropriate to receive a motion for clarification as to the contingency problems, who authority is delegated to take out the actions, to evaluate contingencies and to make payments. I understand that authority is granted to the executive director but I think for the record it would be helpful if there was such a motion to delegate that to the executive committee.

SENATOR HAWKINS: Is there a motion?

SENATOR PUCKETT: I so move.

SENATOR HAWKINS: Is there a second? It's been moved and seconded as to how the checks are handled and payments made as stated by Mr. Sheppard. Any questions? All those in favor say aye (ayes) opposed? (no response).

MR. FRANK FERGUSON: I just wanted to take a moment to introduce our chief deputy Ms. McClannan who's with us today. I know Ms. McClannan needs to go onto other business but I wanted to introduce her. I believe you all know her and she's from the great southwest as she reminds me and she's been a partner with the law firm of Penn Stuart nationally recognized expert in coal and mineral law for example, we're very happy to have her as our chief deputy and she's here to make sure that we don't mess up today.

SENATOR WAMPLER: Welcome. I'd simply point out that the chief deputy is probably one of the few chief deputies that almost lost her finger working in tobacco.

MS. McCLANNAN: That's a true story.

SENATOR HAWKINS: Any other statements from counsel? Thank you. One of our signature

pieces which is the e58 project we're working on and Mr. Ben Davenport is chair of that task force and I'll ask Mr. Davenport to give us his report at this time.

MR. DAVENPORT: Mr. Chairman and members of the commission I somewhat really enjoyed this assignment it's a rather jaunting task. I'll say that one of the times there's been a great deal of frustration about understanding how quickly we moved on this. I was reminded by one of the people that I have a great deal of respect for I'm working with on this that as we're moving forward that where we are today is on the Normandy beach and not on the Dunkirk beach. So that kind of gave me some levity there to lighten up a little bit.

You all agreed that we would have a panel of people that would in fact review the applications and we received 13 applications. At this time I think it's appropriate for you to hear brief comments about their view of what was received and just general guidance from them. So at this time I'd like to bring Bob Hedrick forward and he'll be followed by Gary Augustine and just briefly give a couple comments about their findings.

SENATOR HAWKINS: Mr. Hedrick I look forward to your comments sir.

MR. HEDRICK: Thank you Mr. Chairman I'm going to let Gary Augustine lead off.

MR. GARY AUGUSTINE: Good morning, my name is Gary Augustine and I'm the Vice Provost for Information Technology at Pennsylvania State University. Coming from a Commonwealth that has significant rural challenges of its own from the University that has the overwhelming majority of 24 state wide campuses located in rural areas. It's really been a pleasure to work with a project that's approaching solving rural issues in such a visionary way. As a technologist obviously I'm biased in the sense that investment in technology infrastructure is one of the best investments that you can make when you think of doing it from the source of funds that you have. I really wish other Commonwealths would consider it. As Dr. Hedrick will reflect to you our reaction to the proposals that are presented has taken us to suggest a slight twist in a way that you might want to consider spending these funds. It's driven more by the idea of the need to reach a further vision and understand that the underlying importance is that a region

wide infrastructure that will have a long lasting impact and leverage the local infrastructure investments that are also coming about due to this. At this point I'll turn it over to Bob.

MR. HEDRICK: Thank you. As several of your other subcommittees have noted we received a number of requests for funding some of which were relatively responsive to the invitation and some which were not particularly responsive. Some of the requests that we reviewed asked for funds well in excess of what was available. The bulk of the requests that we reviewed led us to believe that it was important for the e58 task force to develop a comprehensive architectural design for the e58 corridor. So in the future proposers would have a base line against which to make their proposal or understand whether or not it fit the grander scheme and the context for the entire e58 corridor. So our first recommendation to the e58 task force was that they create a body which could provide this detailed architectural plan. In their wisdom the task force didn't do it quite exactly as we suggested but in reflection we think maybe their approach was even better than what we had suggested originally.

The second piece of our report to the task force was to observe that there were several proposals that had been submitted that even without the greater context in which to evaluate them clearly provided infrastructure developments that had a long term future in the e58 corridor and we recommended to Ben Davenport's task force they go ahead and fund those proposals. Mr. Chairman, thank you very much.

SENATOR HAWKINS: Yes, sir.

MR. DAVENPORT: I really want to thank these folks and Jeff White was also part of this group. He's in California and unable to attend the meetings today but they worked long and hard to look at this and I think in their wisdom came back with what probably was the best advice. That is that we develop this overall architecture that deals with this format and that we restate this as part and parcel of what you must do in order to be able to apply for future loans.

You all have in front of you a report, which kind of summarizes some of the pieces

of this.

SENATOR HAWKINS: The report?

MR. DAVENPORT: I think it's been passed around, yes. There are several motions that I would like to have you consider at this point. The tobacco commission asked Virginia Tech and let me explain this before we go through this motion. In order to be able to work forward as quickly as possible one government entity can deal with another government entity on a relationship basis where one entity covers the cost of the other entity while assistance is being asked for. There's precedent for what we ask and that is that Virginia Tech has acted on several occasions to act in an advisory capacity where they would pay their overhead costs while they were doing that. I can tell you that on an ongoing basis I've been so impressed with the intelligence of Virginia Tech's eCorridors group and we are indeed blessed in this region and particularly this project to have them so willing to work with us. So it is with that in mind that I hope a motion could be placed on the floor that would say that the Tobacco Commission ask Virginia Tech's eCorridors program to submit a detailed proposal for the development of a comprehensive plan and technical architecture encompassing the e58 corridor in all communities in the tobacco growing regions. The proposal would be submitted to the Commission by April the 29th 2002 for what we would think the executive committee would act upon. That the executive committee of the tobacco commission be authorized to permit up to and I'm using the number of \$750,000.00 because we think it's considerably less than that but we'd like for you to agree that the executive committee would have that much money potentially to deal with this to compensate for the expenditures related to the development of the plan, the staff and faculty and technical personnel and the contractual services and travel and office supplies and technical material. That Virginia Tech be asked to cost share on all expenses over and whatever you negotiate, for the negotiated amount. That would be a motion that I would like to see entered.

SENATOR HAWKINS: The chair will entertain such a motion.

MR. SHEPPARD: Mr. Chairman, the funding of up to \$750,000.00 which fund would that

come out of, current allocation -

SENATOR HAWKINS: - it's my understanding that we have some money set aside, the e58 fund sometime back to be used for these purposes. The chair will entertain such a motion. It's been moved and seconded, any questions? All in favor say aye (ayes) opposed (no response) That motion is carried. That motion is carried Mr. Davenport.

MR. DAVENPORT: The idea here is that you would negotiate a timetable with them not to exceed six months for this project to be completed.

The second piece that I would allude to is that in the proposals that were submitted there was one proposal that we felt or the committee felt that should be funded and it was one that dealt with a piece of infrastructure that would be needed regardless of the final architecture. So it was the panel's recommendation and then the e58 task force would recommend that the project that was in fact sent to the economic development committee, am I right Senator Wampler? That was for \$445,000.00 which involved the deployment of conduit over a final last mile piece and that that be funded. We feel like that would be an excellent demonstration project for us as we go forward to better understand the deployment of the system.

So I'd ask that a motion be put on the floor to fund that particular project.

SENATOR HAWKINS: The chairman would entertain such a motion.

SENATOR PUCKETT: So moved.

SENATOR HAWKINS: It's been moved and seconded that the motion be accepted. Any discussion?

SENATOR WAMPLER: Mr. Chairman?

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: Mr. Chairman, I don't know if we discussed the elements in terms of the loan.

MR. DAVENPORT: We'll cover that in a minute.

SENATOR HAWKINS: In principal then you want to hear the terms of the loan before we vote on the measure? All right.

MR. DAVENPORT: All this is about making loans for things that wouldn't make sense normally so we've always said that we would act in the role of a world bank. But I would say that we would propose to you that we would want you to set a repayment schedule which would be based on 10% of the gross revenues produced by the sale of services over the system for which the monies had been loaned. That interest would accrue at LIBOR as exists and that the rate would be set each year for the effective rate of December 31st of each year. The security for the loan would be a lien against the equipment, infrastructure or intellectual properties for which the monies were loaned.

SENATOR HAWKINS: You drew up the conditions of the loan. I mean does everyone understand the purpose of the loan? The motion has been made and seconded.

MR. SHEPPARD: In addition a motion that the legal costs and other costs with the loan processing finalized documents all would come out of the loan proceeds.

SENATOR HAWKINS: Can that be incorporated in the original motion.

MR. SHEPHARD: Yes, sir.

MR. DAVENPORT: All right.

SENATOR HAWKINS: All right. The modified motion includes fees that were mentioned by counsel. Any discussion? Is there a motion on the amendment? It's been moved and seconded that the amendment be adopted to the resolution that's being offered. Questions?

DELEGATE DUDLEY: Clarification. They were discussing putting a conduit on the southwest, I guess this is called preliminary engineering study. What is that?

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: We're putting a water system in and the earth will be disturbed and we have the ability to put the pipes in and put the conduit in the ground without having to go back and dig it up again. The preliminary engineering is for a larger system and this makes sense and we felt like we ought to go ahead while we had an opportunity to save probably three quarters of the cost of digging the ground back up again and putting the conduit in 12 to 18 months down the road. So that's why we thought this would be a good thing to do. I don't know if that answers your question.

SENATOR HAWKINS: Delegate Dudley?

DELEGATE DUDLEY: Yes.

SENATOR HAWKINS: Any other discussion? It's been moved and seconded that the motion as amended be adopted. All those in favor say aye (ayes) opposed (no response) Thank you.

MR. DAVENPORT: There's one last piece and that would be on your document and part of this is a little overlapping but I think it's fine. The task force recommends that the commission have Virginia Tech create an overall architectural design for the project and that those proposals to include infrastructure in their submission be allowed to work with Virginia Tech to see if pieces of their proposal would fit into the main system. Those proposers would then be asked to resubmit to the task force. The idea here is to keep going on the deployment of this first five million dollars that you have allowed to be considered for the deployment of the e58 system. The idea here is that there are pieces and for instance in Halifax County or Mecklenburg County there are pieces that have been represented or projects which in total, there needs to be much better defined ways that they would in fact be deployed. So what we're saying though is if there are elements that we know in the end fit into the total designed infrastructure of the architecture just as we have recommended to you by Lewowisco which happened to be a specific project that dealt with a piece of infrastructure that we know would be part and parcel of what the ultimate architectural plan would include. What we're saying is that we would like to invite these companies and people that are listed on the left side during this period of time between now and your next meeting to include Bristol Utilities. Bristol Utilities has also put forward a plan to the economic development of southwest and they should be included as one of the companies. So this list to include Bristol Utilities. That they would be allowed during this period of time to negotiate with Virginia Tech to see if in fact pieces of this would than be recommended back to this full commission for funding as of your June meeting.

SENATOR JOHNSON: Mr. Chairman.

SENATOR HAWKINS: Yes, sir.

SENATOR JOHNSON: I'd make a motion that the City of Bristol be included in any discussion.

SENATOR HAWKINS: It's been moved and seconded that the City of Bristol be included, any discussion, Bristol Utilities. All those in favor say aye (ayes) opposed (no response). Motion carries.

MR. DAVENPORT: Also did that include a basic motion that the task force recommendations on the side which would allow. I think a motion needs to be made to that effect.

SENATOR HAWKINS: It's my understanding it's all inclusive.

MR. DAVENPORT: All right. That concludes my report Mr. Chairman and members of the commission unless you have questions.

SENATOR HAWKINS: Mr. Davenport, I want to personally thank you for the work you put into this. This is a monumental task that has never been attempted before. It's the one piece that we can see real progress taking place with Danville and Pittsylvania County being the backbone and Alta Vista. And with Senator Wampler's initiatives for the western part of the state and bring them into play as quickly as possible and the town of Alberta. We're beginning to see some real movement and I think by the time we finish we're going to help redesign these economies by this effort. Mr. Davenport, you played no small part in this and I really appreciate that. Thank you sir.

MR. DAVENPORT: Thank you. I understand it'd probably be a good idea to take a break at this time. Let's take a five minute break.

SENATOR HAWKINS: All right, the next item on the agenda is another marquee piece dealing with the Literary Foundation. We believe and I think rightfully so, that one of the major charges we have is to offer the best educational opportunities to the greater population we possibly can throughout our area. In order to do that we have formed one partnership the Literary Foundation to be able to leverage monies on scholarships on a broader scale than we would be able to do without this leveraging. This is one of the

initiatives that will be put into play and offer scholarships and be able to bring into play the educational opportunities to the population that wouldn't be there without the use of these monies. Having said that a former member of this body and a friend of everyone here will be our next presenter the Honorable John Forbes.

MR. FORBES: Thank you Mr. Chairman, I appreciate you allowing me to spend some time on your agenda today and bring you up to speed and update you on what we've done so far. I think it's also extremely important that we follow the presentation on e58, which is certainly a promising initiative.

SENATOR HAWKINS: The only question I have John is that am I supposed to be able to read those boards?

MR. FORBES: Actually no, copies of the material on the board is contained in your folder, in the blue folder. The e58 project and I remember as a commission member I know you were working hard on it and you're still working hard on it and that does address the question of how do we bring computer technology infrastructure out to the tobacco region. As we said before it doesn't help a great deal to have all the technology unless you have a trained and literate workforce that can take advantage of it and can run the computers. That can also be an attraction to companies that are looking in your area. You have invested in that as well with your partnership with the Literary Foundation.

I think we all can recognize that in terms of economic development that educating the workforce is a basic building block and one that is important and it is one that we are now directly addressing.

The key problem that we see and we'll try to address first is the generational illiteracy. This is where illiteracy is being passed from one generation to the next and the next and something that's something that just simply has to be stopped. We have done a great deal in terms of addressing the G.E.D. program. In too many counties throughout rural Virginia we have almost 49% of those people over 25 years of age without a high school diploma. If you compare that to Fairfax that number is 90%. Certainly anything we do with regard to training the work force has to address literacy. Reading and writing

are basic skills that employers expect their employees to have. So this is something we are having to address directly and will continue to address directly.

Too many people have quit school to work on family farms, to work in factories that have since closed and take their business across the border. Moms have stayed out of schools to spend 20 years raising their children and are now returning back into the work force. These are all hardworking people that deserve a second chance and that is what the Literary Foundation is all about giving people a second chance to become trained and go back and get their G.E.D.'s, to get a professional certification and something that will make them more competitive in the job market.

We're not trying to just give money away and that's not what we're all about. What we're trying to do is form a strategy that is targeted to help people help themselves. The person that wants to go back and get a G.E.D., that is no small task and it's a very major undertaking. A person whose job has been eliminated and finds himself 45 years old and going into the job market without any definable job skills may want to go back and get a special certification of some sort and that's the type of thing we're focusing on. We recognize that not everyone is interested in becoming a computer website developer, not everyone is starting out with getting a G.E.D. Some people are looking forward to go out and become welders, electricians and learn a trade. Those are the kind of people that we're trying to help also. It's a very combined effort that we're trying to do.

We are starting some scholarship programs. Some of these are in your blue folder and you should have that. There are two folders today one is yellow and one is blue. The first one is a continuing education scholarship and that's being addressed with the G.E.D. Let me tell you a little bit about what we're doing with the G.E.D. preparation and testing and how this fits into our overall strategy. First, we've created an alliance or a partnership with a regional adult education program in Lee County, Scott, Wise and Norton. We've also formed a partnership and given a grant to the Blue Ridge Public Broadcasting Television program for their broadcasting and support of a program called G.E.D. connection. I have Ginger Tomlinson with us today and she is an expert and she'll

give you more information on that if you'll allow that Mr. Chairman. I don't want to steal her thunder but this a broadcast for G.E.D. preparation classes and this can go into 700,000 households throughout southwest and southside Virginia and that reaches over 2 million people. Not everyone can drive to a classroom and take a class, not everyone has schedules to do that. We're talking about adults and a lot of these people have an incredible schedule that doesn't allow them to go to school and take classes. This brings it into their living room. A market for an entirely different group of people to take advantage of these services.

We've also through this grant sponsored 100 G.E.D. scholarships. I was frankly surprised to hear and you may be as well that many people were being turned away and many people that were motivated to get their G.E.D.'s were simply told we don't have the funds to do it that's something we have to try to do. It's hard enough for an adult to recognize that they have a problem reading and writing to become motivated to go to school and go to classes and do something about it without having been told I'm sorry, we don't have any money for you to take a class. So we sponsored 100 scholarships to get people into the G.E.D. program. Once they're in the G.E.D. program they certainly can take advantage of the G.E.D. connection broadcast but they also can complete the programs. What we want to do is to give an incentive to stay in the education system and that's the first goal of this program and that's a continuing education scholarship. Once someone completes their G.E.D. test we offer them a scholarship to go on and take further education and that can be either in a community college or a four year university. The issue is stay in school and advance your education and give as much incentive as possible. As in all of our scholarship programs the requirement is you have to be a resident of southside or southwest Virginia and you have to have a demonstrated financial need.

As I mentioned earlier, not everyone wants to go to college and not everyone is in need of going back and getting a G.E.D. Some people are looking for licensure and looking to become electricians and plumbers which is a trade. And that's our second scholarship

program. That's the Jean E. Clary Vocational Scholarships program. Many of you know Jean E. Clary. Over two years ago she brought this to my attention and told me this is an area where we need to help people. There's not a lot of money available for people that want to go back and try to learn a trade and is there any way we can help these people. This is trying to target people who need a second chance in life and help them. If you're unfamiliar with some of the test requirements that are required to get licensure in the State of Virginia they're very complex and very technical. If you want to be an electrician or a plumber and you want to get a contract and license to do that it's no longer enough to say my dad was a carpenter and I was a helper and my grandfather was so I know what to do. Now you have to be able to take a test in order to get a contractor's license and it's not an easy test. It's also one that requires significant reading. It all ties back to literacy. It's not enough to have good faith but you have to demonstrate that by the fact that you are licensed in the Virginia after taking a test.

Beyond that is the technology certification scholarships. This program is for people who are interested in becoming Microsoft Systems or Cisco Systems or people looking to get a professional certification in the area of computer. This obviously goes hand in hand with this commission's e58 project trying to have people who are computer literate, well trained and ready to go to work. These programs should include that.

We're so proud of all of these and certainly our work is just beginning and we look forward to a great deal more.

SENATOR HAWKINS: Question from Vice-Chairman Kilgore.

VICE-CHAIRMAN KILGORE: John, how do we intend to get the word out about these scholarships and a lot of people may be interested. We have a duty I believe to get the word out and advertise. How are we going to do that?

MR. FORBES: A couple of different ways. Certainly I'm hoping that I'll have 30 some ambassadors here in this room that's number one. Number two, I've spoken to Mr. Bryant and Mr. Anderson and I'd certainly like to go to their organization or have some of our people go to their organization and make a presentation. We're also going to be doing

some marketing programs sending out fliers and brochures and that will be information that will be provided. The community colleges will have information and packages so that when someone goes into the financial aid office they'll be aware or have this information and pass it out. Does that answer your question?

VICE-CHAIRMAN KILGORE: Yes.

MR. FORBES: I should mention that on the vocational scholarships staff has identified 100 programs and we're continuing to research. We're talking about a very broad and comprehensive program.

VICE-CHAIRMAN KILGORE: Would the Literary Foundation be providing these tobacco monies or these scholarships, would they be announced in like a weekly paper giving this information say in the Tobacco region?

MR. FORBES: We'd be delighted to.

SENATOR HAWKINS: Maybe some joint releases would be helpful as well.

MR. ANDERSON: Mr. Chairman?

SENATOR HAWKINS: Mr. Anderson.

MR. ANDERSON: Mr. Forbes a lot of us have received calls relative to this program as well as other potential education programs. I'm wondering what would be the possibility of the criteria within the Literary Foundation being expanded to cover four year institutions and more traditional four year programs leading to a bachelor's degree. We have a significant population of tobacco farmers and other people in our communities who are middle income and seem to fall into the gap for financial aid and there's a tremendous need there. I'm wondering if that could be addressed through the Literary Foundation. What would be the Foundation's thinking on that?

MR. FORBES: Let me just say this that I am obviously one person that would vote on this board. Let me give you our philosophy and our approach and that may answer your question as best I can. What the foundation is about is giving people second chances which means to us trying to target people who are trying to prepare themselves for a new career in the future and changing their life. Maybe a certification program for

technology or trying to go back to school and learn a trade of some sort or continue with the G.E.D. program. What we're not about is providing scholarships for a four year university to people who want to study history. While it's one of my favorite subjects it's not what the foundation focuses on. We generally like to look closer to something that's job related and something that we can identify as leading into a job development.

SENATOR HAWKINS: How would you approach a scholarship leading towards medical education with doctors and nurses or that sort of vocations as well as teachers that can be brought back to our community giving help to our community?

MR. FORBES: I certainly would bring that to the board and I think that's something we could identify as being specific and that's something I'd be happy to take to the board. I'll let you know what the response is.

SENATOR HAWKINS: Yes, sir.

DELEGATE HOGAN: How would you separate someone going to engineering school and someone going to a vocational school, on what basis would you say one is different than the other?

MR. FORBES: I'm not entirely sure I would long term. Short term however the Foundation has been fairly clear that they want to have a fast impact meaning that there's a lot of opportunity for those who go to a four year university or college or law schools where there's a lot of financial services already available to those people. We're trying to target people who have less opportunity and more specific identifiable needs and not just going to a four year university.

SENATOR HAWKINS: I hope that answered your question.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: As I understand the focus of the mission of your foundation is that if you have anything other than a high school diploma you may push them forward to some type of skill set or training that will make them employable such as a certification course in technology or a Microsoft course at a community college. Does that clearly meet

your mission?

MR. FORBES: Yes.

SENATOR WAMPLER: Mr. Chairman.

SENATOR HAWKINS: Senator Wampler.

SENATOR WAMPLER: I sense what the commission is talking about is maybe it's not the true combat mission of the Literary Foundation but the question about what this commission does with the scholarship for all other folks in the tobacco growing regions I can say that the \$250,000.00 that the southwest spent last year was a homerun over the center field with the bases loaded. The appetite for those funds are so great and I think that's what everybody is hitting on the edges right now. I don't know that that's entirely fair to hang that around Mr. Forbes right now with the mission of his foundation. I'm a supporter of that. I think that any type of scholarship we can get out on the street certainly would help the overall economy. I think we need to bring that up at a later time for further investigation.

SENATOR HAWKINS: Thank you Senator Wampler. When we get into a discussion of long term plans that the commission has put into place I think one of the things we need to look at is how we deal with the educational component. The Literary Foundation is one part of the overall thrust that we've got to put in place to offer scholarship opportunities. I think the main charge we have right now is to finish out what the Literary Foundation brings to the table with other additional scholarships be they for nursing school, doctors, lawyers or whoever primarily, no lawyers. But I think the point is particularly when you come to the underserved areas concerning the medical profession. Anything we can do to encourage nursing careers and doctors to come back to the areas to serve those communities we need to do that. We'll have to deal with that with another type of scholarship that we can do. This is one component of the overall scholarship program that we want to work with Mr. Anderson.

MR. ANDERSON: Mr. Chairman, I appreciate your remarks and look forward to working toward those new and improved programs. I would however encourage Mr. Forbes to go back

to the Foundation and investigate these particular fields that the chairman mentioned and perhaps more technical in nature such as nursing programs and medical programs. I have had two I know of and maybe three calls from individuals about a medical care type of curriculum not in schools that are on your approved list right now. I would encourage you to go back to the Foundation and get some answer to those questions. In addition trying to get information on these additional scholarship monies for four year institutions and I think that's very important. There's certainly a lot of need and a lot of demand for that type of thing.

SENATOR HAWKINS: Probably the best place we could spend these monies when it comes to picking out long term investments. But building on your suggestion Mr. Forbes I would suggest if it's possible to report back at the next meeting in June about how the foundation feels about expanding that charge. Is that acceptable?

MR. ANDERSON: Yes, sir.

MR. FORBES: Mr. Chairman, I don't want to trespass on your time and I understand lunch is here but if you'd allow me I'd like for Ginger Tomlinson to make a few remarks to the commission regarding this program.

SENATOR HAWKINS: I think it's important that we spend the time hearing what's going on as far as this education program because this is a major component Ms. Tomlinson.

MR. FORBES: Thank you Mr. Chairman.

SENATOR HAWKINS: Welcome.

MS. TOMLINSON: Thank you very much.

SENATOR HAWKINS: Would you identify yourself?

MS. TOMLINSON: My name is Ginger Tomlinson with the Blue Ridge Public Television and I'm a specialist there. And I work with infants all the way up through folks 99 years old and we deal with literacy issues. Blue Ridge Public Television was founded with 39 school districts covering 14,000 square miles of Virginia. We are dedicated to continuing education for all people within our viewing area. In the last few years adult education has been among one of the more pressing educational issues in the state of Virginia. The

reason being is that the funding has been cut at different levels since 1988. All these people that we want to get up to the bar and try to get them their G.E.D. and be prepared for the work place are being impacted because there's not enough training dollars and classes to train teachers that are actually providing these services. So I bring you Blue Ridge Public Television to this effort. The Literary Foundation gives us the best of both worlds. The ability to do current telecommunications technology to reach the adult world and at the same time enabling educational providers specifically teachers and adult education.

SENATOR HAWKINS: There are people around the table that may not understand you're service area and how large it actually is and what areas do you serve and what channels you broadcast because it's a pretty broad. Where is your service area?

MS. TOMLINSON: We have from Bath County down to Pittsylvania County all the way to Lee County. Some parts of West Virginia, Kentucky and Tennessee and North Carolina. So we have a very large area. We cover all of southwest, southside and central Virginia. That would be planning districts one, two, three, four, five, six, seven, eight, no, one, two, three, four, five, six, eleven and twelve for those of you in education.

SENATOR HAWKINS: Thank you.

MS. TOMLINSON: I think it's also important to know that three towers. One in Norton, one in Marion and one here in Roanoke. We provide services and let me go back to what we actually do in the service area. Blue Ridge Public Television has an education service department which I'm part of. We are governed by a board that's based by representatives that come from the different school districts. During the block of hours from 9:00 till 3:00 we fill the airwaves with instructional television for K-12 schools. We are currently going to increase that to provide coverage for the community colleges as well as four year institutions. Since there's only 24 hours in a day and with additional conversion we now have up to five channels.

SENATOR HAWKINS: Is there any plan to build a new tower to service those counties east of your service area to make sure that all the areas are included with a strong

signal including the city of Danville.

MS. TOMLINSON: We're upgrading all of our towers to include the digital signal. I'm not an engineer so I want to be careful what information I give you but we will be updating. As far as the strength of the signal I'd have to refer you to our engineer Ron Smith. That's something we know is a problem. I'm out of the office more time than I am in. The one thing that I hear from the people that we work with in the different communities. I was just in Tazewell County, Lebanon the day before that and there are people in the shadow. Are you familiar with that term.

SENATOR HAWKINS: Yes.

MS. TOMLINSON: Those people in the shadow don't receive a public television signal so we have to provide alternative ways for them to receive that. One of those is currently being debated as far as the satellite access to local public television as well as local t.v. That's something we're definitely involved in.

SENATOR HAWKINS: I hate to keep on this point but when you all go to digital will the signals be able to be improved to the point that could be picked up in say Mecklenburg County?

MS. TOMLINSON: Mecklenburg County is not our area technically. I believe that's covered through the Richmond area.

SENATOR HAWKINS: That's part of our service area. We go down past Brunswick but we need to make sure that there's some way to service that area with the same opportunities that you're offering in the southwestern counties.

MS. TOMLINSON: Our sister station in Richmond WCVE is also providing the same service as we are with regard to the G.E.D. information.

SENATOR HAWKINS: Thank you Ma'am.

SENATOR RUFF: Mr. Chairman, the North Carolina Broadcasting System.

MS. TOMLINSON: Which they have a G.E.D. connection, thank you very much. What we found in southwest Virginia is that we need to fill the needs of those that fall through the cracks. Last year in Virginia alone 11,300 adults in Virginia earned their G.E.D. At

the same time 14,000 students dropped out of school. We have a lot of people that keep filling up the G.E.D. and hopefully will come back to school. There is a need there that we can help meet. The number one barrier I'm told that we have in educational services with adult education is technology. If you don't have technology access in the school system for adults across the board but it's not as much what they should. This is where we can come into play to help them access that technology with our contacts with the school system.

Going back and letting us know what they want. In our region in southside and southwest our board members said that we have to make a number one priority for adult education. That's why the Literary Foundation contacted us. With the funding from the Literary Foundation we can help show teachers how to teach students to use the G.E.D. connection at home and at work, in the library and local adult education center.

You have a yellow packet this morning in front of you. This packet gives information about two programs that PBS produces and that we support wholeheartedly. G.E.D. connection and workplace essential skills. Workplace essential skills is a program that not only provides information for workers to learn how to be better at writing and reading on the job but it also concentrates on social skills so they can keep their jobs. That's a pre G.E.D. reading level. In other words, this works with the G.E.D. program to help those people who do not read at the 10th grade level get prepared to take the G.E.D. test. We also have the G.E.D. connection program which you have a flier of. That will provide not only access to books and videos but an online system that the state of Virginia has purchased for five years free of charge to anyone who has access to the Internet. So what we can do is provide training to teachers so that they can go out and use the system in their classroom and they can teach their students to have access to the technology such as the Internet. Microsoft Word and Microsoft Excel those are things that are being used at the present time. Then at the same time learn to pass the G.E.D. test.

It would be possible to give G.E.D. connection programs on Blue Ridge Public T.V. as well as other public television stations in Virginia. With these videos their self-

contained so that even if the student did not come into the class they can review the videos and then if they have access to the Internet they can take practice tests for the G.E.D. That gives you the quizzes and the automatic scoring and lets you know what your progress is with regard to learning in the particular module. They have extended models for the five G.E.D. subject areas. All of these are made to make the G.E.D. test easier to pass.

The reason I say that is that for many years in education we have dealt with one way of learning and that's pretty much auditory. For those of you that have to see something to learn, how many do that? You have to look at something and read something to learn it and there's a lot of people out there. There's also people that must write it or have some way to do it where they have to see it. So there's three learning components. This is the difference in this and this is why it's very critical other than the fact that it's going to be an introduction into technology for people that have never really sat in front of a computer before. It gives them an opportunity to learn it so that they can pass the test. That's critical. It's probably one of the most exciting things we've seen in a long time in education.

For the first phase of the G.E.D. connection effort we will be providing five G.E.D. connection master teacher seminars to 50 adult educators throughout our region. That will take place in Danville, Franklin County, Wise, Wythe and in Roanoke. We're going to try to do Montgomery County in there also. We're going to provide teacher guides and classroom workbooks to all the participants that are able to come. Then we're going to air the G.E.D. connection series hopefully year round so that if you miss something you can pick it up later on. We're going to create a password bulletin board and a chat room to help increase the professional development of the G.E.D. teachers. We're going to provide 100 G.E.D. test scholarships. So people going through the program will have access to the G.E.D. test. The test only costs \$35 but this is really a big area for people. If they don't have the \$35 to take the test they don't take it. 100 scholarships is a very, very small amount. What we want to do in the first phase is make sure that the

program is really having results.

So thank you very much for the time you've given us to let you know what's going on.

SENATOR HAWKINS: Thank you. For those who are new to the commission and not familiar with the areas that we represent, this is a very vital part of our overall program due to the fact that the populations we represent probably have a higher percentage of high school dropouts than any other areas of the state. We're also having to transition the economies because the population we're talking about by and large has grown up on family farms and going back to family farms or going to textile mills or going to a furniture factory or finding a job with a basic standard of living that was understood and they're no longer there. If we plan to change the economy we have to start with the basic problem to elevate the level of education of the population that we're talking about. This is a very important part to that and without this nothing else will work. Thank you. Any questions, I'm sorry. Yes sir, Mr. Bryant.

MR. C.D. BRYANT: I'd like to go back to some of the comments that Mr. Forbes made. I thoroughly understood him to say that the Foundation does not look at funding or having scholarships for someone that comes out of high school and wants to go to a four year college. That's not the criteria you're looking at, is that correct?

MR. FORBES: It's not so much that it's not supported by someone doing that but rather if that four year university or if the attendance there is leading to a certification program then this commission could consider that. I think the staff has or is preparing to send all four year universities a letter asking them do they offer any programs that are covered. So correct me if I'm wrong Carthan but I understand that you're staff is already searching and soliciting input from the universities to see whether there are matches.

MR. C.D. BRYANT: I'd like to say to the commission that I'm getting more phone calls about this particular issue than anything at this point. It's families that have students that are coming out of high schools and every one of them seems to want to go to

Virginia Tech and they would like to have a little bit of help from this commission. They all grew up on tobacco farms and worked on the farms and I think this is becoming an important issue to us to help them.

SENATOR HAWKINS: I understand from the discussion going on that that is not out of the realm of possibility even with the Foundation. Based on or my understanding on the types of criteria, the type of educational opportunities that we're looking for to engage this type of scholarship. We're going to try to put in place other means of scholarships to go along and fill the voids that you're speaking of as well. But it's my understanding and I stand to be corrected Mr. Forbes, that you all are looking to fund from these funds at this level for those career jobs that have standing long term for employment as opposed to courses in philosophies and histories and those types of courses.

MR. FORBES: Yes, sir. That's correct. I'd also like to add a footnote to what I said earlier. You asked about nursing programs specifically. Nursing programs are specifically covered under the vocational scholarship program.

SENATOR HAWKINS: Any other questions of Mr. Forbes?

MR. WATKINS: One of the things you were talking about early on and one of the things that we export most of is our talented youth. We don't have anything in this to try to stem that. I think we ought to be looking at some kind of program that says that if you're going to move back in these areas that we will make this a grant. If you're going to move somewhere else this should be a loan and you pay it back. Then we've got those funds to reinvest back to those people that stay in these affected areas. I know my father went to V.M.I. under a similar program and I think that it worked for him and made him move back to southside.

SENATOR HAWKINS: I believe that's one of the things that's being discussed trying to get into other educational components and offering some method to make sure that we give an initiative and incentive for these children to come back home and practice medicine or whatever.

MR. WATKINS: Can that be put in this program Mr. Forbes?

MR. FORBES: No, sir. Not this program but that was raised some time ago. The attorneys said that the way the foundation is structured and it's set up as an educational charity it couldn't step across the line and be an economic development activity and still maintain its tax free status. We could not engage in what's considered to be economic development. Apparently according the interpretation of the code making a student loan or giving a scholarship to someone is not an economic development activity. However paying off someone's student loan so they'll move to your location is. So the Foundation concluded it couldn't take that step. However, that doesn't mean this commission couldn't do it. Other organizations do it and many focus on physicians and that's been going on for a long time. On the Literary side it focuses on reading specialists, people who will agree to pay off student loans to move to your area.

SENATOR HAWKINS: When we got into this that was one of the tradeoffs we made dealing with the Foundation to leverage these monies. That was one of the restrictions and we could not place that on these particular monies. But we planned to work with that differently getting into other aspects of it. This was such a basic foundation approach to get in place those basic learning materials we had to have in order to elevate this level of education and that was one of the tradeoffs.

MR. WATKINS: I agree with that, but one concern I had is whether these funds are in addition to funds that are currently coming to southside and southwest or replacement?

SENATOR HAWKINS: These are in addition to.

MR. WATKINS: Mr. Forbes is going to get me some information to show that these were in fact in addition to revenue replacement, right?

MR. FORBES: Yes.

SENATOR HAWKINS: I think at the June meeting we can report the thrust of these things. This is a very important subject matter for this commission because basically our future's are depending on it. Having an educational workforce and the level that's needed to be reached for the transition to these new economies. Any other questions? All right, thank you all for a very enlightened presentation. Lunch is being served. We have a

couple issues still left and I'll leave this up to the commission. We can break now for lunch and finish up probably by 2:00 at the latest or we can continue through this and eat lunch afterwards, it's up to you all. All right, you want to break for lunch. We'll recess for lunch for 30 minutes.

NOTE: LUNCH AND RECESS IS HAD.

SENATOR HAWKINS: Back on the record. This is policy issues and guidelines.

MS. WASS: We're handing out the revised grant and policy guidelines incorporating some of the comments from the Attorney General's office. There's still some details that need to be ironed out. While that's being handed out let's go the guideline grant contingency policy. Basically there were two grants that were awarded in March of 2001 and have not been disbursed to date due to that contingency. Southside Buckingham County that was awarded a \$25,000.00 grant contingent on securing additional funds to complete the project. Buckingham County in this case is asking to extend the deadline for use of the funds to combine it with their FY02 award. Southside University of Virginia College at Wise was awarded \$50,000.00 contingent on receiving matching funds to study the feasibility of - matching funds I believe were covered in the General Assembly. At some point these awards need to expire to release the funds for use for other economic development projects. The southside economic development committee recommended to review any undisbursed grants after one year to consider on a case by case basis whether to extend the award beyond one year. We just wanted some guidance from the full commission as to whether you wanted to follow that policy.

SENATOR HAWKINS: I think at some point we need to discuss that. At this juncture we have not made a decision on reviewing the applications at that point in time. The feeling of the commission that after a year we should review these applications and make sure they're still applicable to the request and that's the staff recommendation. Any comment on that?

MR. LAWSON: Mr. Chairman.

SENATOR HAWKINS: Yes, sir, Mr. Lawson.

MR. LAWSON: Mr. Chairman, would not the rollover to the next fiscal year if this request is not completed?

SENATOR HAWKINS: If the money is not taken from it, it stays there for the allocation, yes.

MR. LAWSON: And then - for lack of completion would be my suggestion.

MS. WASS: In the case of Buckingham County they will need additional funds to complete the project and their one year allocation was not sufficient. They were going to combine their FY02 award with FY01. Their FY01 fund alone with some other matching funds.

SENATOR HAWKINS: Which I think well, I think the question that's being asked of us is not on these particular ones but at some juncture do we have some guidelines to be able to review that which is not taken place to make sure it still meets that criteria.

SENATOR RUFF: Mr. Chairman.

SENATOR HAWKINS: Senator Ruff.

SENATOR RUFF: The southside committee, I suggested that we review them after one year. Occasionally there'll be a particular circumstance that needs to be looked at.

SENATOR HAWKINS: I think that's the point, it's something that we need a guideline on and we certainly need guidelines and set forth these learning curves that we're looking to and looking into an opportunity to further consider it and instructions. Is there a motion or discussion to that proposal?

SECRETARY SCHEWEL: Now the motion is that contingencies having been satisfied in a year the project needs review again.

MS. WASS: By the executive committee.

SECRETARY SCHEWEL: Then we reapprove it to keep the grant alive.

SENATOR HAWKINS: If we reapprove it if it meets the same criteria as the original grant that's offered than it's automatically approved but if for some reason circumstances change and the dynamics of that particular issue is not the same we'll probably look for another application. Any other questions? Is there a motion?

SENATOR RUFF: Mr. Chairman, I so move.

SENATOR HAWKINS: It's been so moved, is there a second?

DELEGATE DUDLEY: Second.

SENATOR HAWKINS: It's been moved and seconded all those in favor say aye (ayes) opposed (no response) Motion carries. Stephanie.

MS. WASS: What's being handed out to you are the revised proposed grant disbursement guidelines. If you recall last year when the grants were awarded in March and June I think the goal of the commission was to get this out to the communities as quickly as possible. I think you're all aware of some localities who sat on the money for a number of months and some are still sitting on it. That still have not used their funds and to prevent that from happening this year we're proposing some type of reimbursement policy for disbursing the grant funds for the grants that you approve today. We're recommending that they be disbursed on a reimbursement basis rather than advancing the full funds 100% up front. This will allow us to actually control the time and the cash level a little bit better.

SENATOR HAWKINS: To keep the interest.

MS. WASS: To keep the interest which by my calculations for that first year grant could have saved at least a half a million dollars in interest earnings if we had kept the funds in our bank rather than disbursing them immediately.

SENATOR HAWKINS: Why did it take two years to think about it?

MS. WASS: It helps to better monitor the projects and audit the properties of the funds and just be able to retain better control of these funds. The guidelines before you set out some of the policy items that need to be decided upon by the full commission.

MR. HOGAN: Mr. Chairman, looking at this thing from the other side, as localities look at this and other grants that may or may not be awarded one of the nicest things about the tobacco commission is that it actually gives you the money and you can actually do what you want with it and you don't have to have all these reporting requirements. If you look at some other programs like the C.B.G. and other programs like that that started out the way this started out and look at what they've become over time. At some point you

ask yourself the question when you administer these grants and the reporting requirements that are required. I guess what I'm saying to the extent that it makes these localities do what they're supposed to do with their money we should do it and that's one thing. If you're going to put in place a bunch of these requirements and make this reporting that you have to do this and, I think we have to be awful careful about it is what I'm saying.

SENATOR HAWKINS: Obviously the intent, I don't believe that is the intent. I think we want to keep this as unencumbered and free of redtape as possible and we want make sure that they have access to the money when the money is needed. What we're simply saying is that if you're not going to spend it within sixty days we should be able to have that money until it's disbursed by need and by request. I don't think that presents any undue hardship. As a matter of fact it may help in the long run.

MR. ARTHUR: Mr. Chairman.

SENATOR HAWKINS: Yes sir.

MR. ARTHUR: I was somewhat responsible for asking for this type of disbursement procedure because we had rushed through a grant for a particular community and they sat on that money for a year and then came back and asked us to let us change it over to something else and we later did. They had the money and they had the interest for a year. Then we ended up granting them the opportunity to use it for something else. As she stated that was a half a million dollars and not that one project but we're talking about in total. That could have stayed in our bank account and I think with securitization that the funds be limited, that we certainly ought to look at this and we should do it. I know it's going increase a terrible amount of overhead on staff but I submit it's not a half a million dollars worth. And I'd like to see that we put this program into action.

SENATOR HAWKINS: Any other comments?

MR. OSBORNE: I think the staff should be able to determine like we did this grant this morning of \$2,500.00, if you start breaking that down into 10% or 25% that's a lot on the staff for \$2,500. Maybe the staff could sort of oversee some of these grants, on how much to keep out.

SENATOR HAWKINS: Any comments? Mr. Sheppard.

MR. SHEPPARD: Mr. Chairman, I can't tell you legally what I'm going to get into and what the commission can do but I'll tell you from a policy perspective it gives me some pause, I'd ask you all to discuss what the policy is to be. This second paragraph here opens up a different animal. Talking at this point in the conversation about reimbursement based grants and I applaud that concept. Then the second paragraph gets into certain undefined circumstances localities may ask for an advance of up to 25% of their grant. The problem is that we're drafting this now as an overall general policy ad hoc after the fact and everybody will have this opportunity. It seems to me that determination or there needs to be some type of need base or justification base criteria whether to advance versus reimbursement based should be done. I'm just raising the red flag. If you adopt this document as currently drafted you're opening up a total avenue that I'm sure that anyone who knows anything about economics would jump on board and say I want this advanced method rather than the reimbursement method.

SENATOR HAWKINS: Point well taken and I'm sure it's something we need to discuss. Stephanie, would you like to address it?

MS. WASS: That's basically a compromise. From my perspective it would be easier if you have the reimbursement base. For them to receipt for any invoices for us to pay them. Some localities may not be able to front the money and they don't have the cashflow to start the project. So I wanted to get some options to allow some of the smaller organizations and localities to at least to be able to start the project with a 25% advance. 25% is just a number that we decided upon but that could be changed as well. I agree with Steve Sheppard that some criteria needs to be set as to who is eligible to take advantage of that advance versus the majority who should be able to do the reimbursement base.

SENATOR HAWKINS: Any questions?

SECRETARY SCHEWEL: Mr. Chairman.

SENATOR HAWKINS: Secretary Schewel.

SECRETARY SCHEWEL: Based on the needs of the southwest project committee and I don't know if this applies to all of these. There were some people at that meeting who I would be surprised if they could in fact front the cost and then seek reimbursement. Effectively what you're doing is perhaps knocking out of the whole program some of the people you may want to serve the most. The inability to obtain the advance of funds for a very thinly capitalized organization whatever it happens to be might be an important aspect of some organization.

SENATOR HAWKINS: I think you're right Mr. Secretary. I'd make the suggestion Stephanie that that we would postpone action on this until our June meeting and direct Carlton to work with Secretary Schewel and the Attorney General's office to come up with a criteria that would give some flexibility to localities but establish some standards so everyone knows what the rules are.

MS. WASS: Another option would be to allow all grant awards under a certain dollar threshold to be advanced versus under a reimbursement base. The problem with the June meeting is that - would not go out until -

SENATOR HAWKINS: Yes, sir.

SECRETARY SCHEWEL: The timing or language for this particular for the time being, I wonder if the language that's in there now would say if sufficient funds are not available to start the project I don't believe that language is in there. It's okay to cover the time being. It seems that if the organization doesn't have the money -

MS. WASS: How do you qualify that, how do you approve that?

SECRETARY SCHEWEL: By writing, the request, if they request it and they say that I've got a grant of \$100,000.00 and we need to start now and it costs \$12,000.00 and we are a new organization and don't have the money, I don't know how complicated it has to be but that's basically what it says.

SENATOR HAWKINS: My understanding Stephanie is that you're concerned about the allocations that we've authorized today. Is it possible for us to adopt this today with an understanding that it will be modified by the June meeting. Would that give you the

flexibility that you would need to honor those obligations?

MS. WASS: I would need guidance from the full commission as to whether you want any grants that were awarded today still awarded.

SENATOR HAWKINS: Yes, that's one of the reasons - Ms. Wass - so you just want to use the guidelines until -

SENATOR HAWKINS: Follow the guidelines until we have further clarification language. What does that do?

MR. SHEPPARD: That would perhaps be better a sunset clause in this I'd say perhaps July 31st or something like that concerning the policy.

SENATOR HAWKINS: What's the pleasure of the commission, any comments? That's an option to have a sunset clause on this which would expire and then we'd have to look at a new regulation based on discussions between the Secretary the Attorney General's office and staff. Is that amenable?

SENATOR RUFF: Mr. Chairman, that might solve our problem.

SENATOR HAWKINS: Stephanie, does that solve your problems?

MS. WASS: Yes.

SENATOR HAWKINS: So is there a motion?, This isn't adopted but you want to put a sunset provision of July 31?

MR. SHEPPARD: July 31st or August 1st or -

SENATOR HAWKINS: Our next meeting's in June so July 31st would give you a 30 day window you'd be able to make sure it's okay. I'll entertain that as a motion if someone wants to make it. It's been moved and seconded that a sunset provision of July be put into the Commission's report for distribution guidelines. All in favor of that say aye (ayes) opposed (no response) So in fact what we have before us is a set of standards proposed for distribution guidelines that will expire in July and by that time June's meeting will be in hand and we'll be able to revisit this. Is that my understanding?

MS. WASS: Yes. July 1st.

SENATOR HAWKINS: Does that lead to any discussion. Is there a motion to adopt the

guidelines as amended? It's been moved. Is there a second? It's been seconded. It's been moved and seconded the guidelines as amended be adopted. Any discussion? All those in favor say aye (ayes) opposed (no response). Stephanie, does that give you what you need?

MS. WASS: Yes.

SENATOR HAWKINS: Thank you ma'am. During the session in Richmond we had an opportunity to deal with projects that were ongoing that needed quick action and the executive committee at Richmond authorized unanimously to adopt certain guidelines, certain money allocations to the city of Martinsville, the town of Gretna and the city of Bristol. Under advice of counsel it was recommended that the full commission should be authorized to authorize those payments. If not your chairman would probably go to jail. So that's entirely up to your discretion. I'd hope we'd authorize that and if not. It's been moved. Is there a second? It's been moved and seconded that the allocations made the executive committee will be approved and that's the city of Martinsville, the town of Gretna and the city of Bristol. Any questions all in favor say aye (ayes) opposed (no response). Thank you.

Now, new business Carthan?

MR. CURRIN: The staff has prepared some information to give you before you leave today and general information on the commission and an update on various policies and procedures and so forth. That's being presented to you now.

SENATOR HAWKINS: Let's go ahead and deal with the last piece of business on the agenda, which deals with CropTech and Tobio. We'll have to work out some way to bring some closure. The comments I'd like to make to the commission first deals with Tobio. I still feel like Tobio is an active part of our overall relationship with the pharmaceutical use in the farming community. That anything that takes place with genetic altering of tobacco plants and pharmaceutical use that the Tobio should be what we deal with. I do not see anything that would harm our relationship with or ongoing understanding of the Tobio and they're still part of the overall commission. Plus on the other hand we have an outstanding obligation that is been secured by 100,000 shares of

stock from CropTech and we need to have an understanding that although the best of intentions were in place when we made the agreement with CropTech on certain pharmaceutical uses of the tobacco plant and all the monies to secure those efforts in Virginia and it's not come to fruition. The possibilities of that seem to be slim at best at this point.

We have previously written off the debt so to speak according to my understanding. We need to have some motion from the body as to how we close the business on this particular venture and somehow to disburse 100,000 shares of stock, which I understand we do not hold. Steve, am I correct in that?

MR. SHEPPARD: Mr. Chairman, I didn't know this was coming up today but the write off on your annual report was just an accounting function. A little write off. But the debt does not give in any way, shape or form, all legal remedies is in and the exercise will stay in place.

SENATOR HAWKINS: What I need to find out from counsel then is, as far as our legal position dealing with Tobio and CropTech. If we leave everything stagnate the way it is today does it create any problem for us in the future?

MR. SHEPPARD: Mr. Chairman, what I would suggest to you now is to give us till June to get with staff and outside counsel with the project initially and come forward with you in June with some options and we can evaluate this at the June meeting.

SENATOR HAWKINS: And also some recommendations on the disbursement of the stock and who we would transfer the stock to and who it would be held by in the liability of this.

MR. SHEPPARD: We have the security interest in that stock because the way the statute is written you cannot be entitled to that stock. To move that stock you would have to exercise the rights as a secured creditor as a fire sale of that stock. Getting back to your question there's no need to do it today as opposed to June in that regard.

SENATOR HAWKINS: With that there's an understanding then and I would certainly move that we put that on the agenda for business at the June meeting to be able to have an understanding as to how that is brought to a conclusion.

MR. FERGUSON: We'll see if there's anything else on the disposition of the stock other than what Steve has just talked about.

SENATOR HAWKINS: Anything pertaining to this particular subject matter we need to have some understanding of where we stand with that because it's been an ongoing discussion today. My understanding is there's been overtures made to the Tobio by CropTech for a dollar or some such matter and we need to be aware of everything going on and where we are. I think we also need to understand that the people in Tobio and the farming community need to have the assurance that this commission still recognizes them as a functional part of the overall thrust of what we're trying to do, the Tobio and CropTech. The farming community needs to be informed of this. Any questions about it? Then we'll carry that over to the June meeting. Any public comments? It looks like the public has deserted us by and large. Is there anyone in the audience that wishes to say anything? So then that concludes today's business. I understand our next meeting will be in Danville, Virginia at the Community College. I also understand there'll be an opportunity for us to visit the - track and be updated on the facilities being offered down there to the - public and the racing public and it should be very interesting. Does anyone know the date of the meeting in June. If staff would come up with a date and arrangements for that we certainly would appreciate it. I want to thank again our new members for attending and hopefully it's been informative. Any questions you might have ask Allen Dudley and he can certainly tell you. Having said that the chair will entertain a motion to adjourn. It's been moved and seconded.

Thank you all.

PROCEEDINGS CONCLUDED