

1 **APPEARANCES:**

2 The Honorable Charles R. Hawkins, Chairman

3 The Honorable Terry G. Kilgore, Vice Chairman

4 Mr. Thomas W. Arthur

5 Mr. Stephen S. Banner

6 The Honorable Robert Bloxom, Secretary of the Department of Agriculture

7 And Consumer Service

8 Mr. Clarence D. Bryant, III

9 The Honorable Kathy J. Byron

10 Mr. Bernie K. Day

11 The Honorable Allen W. Dudley

12 Mr. Fred M. Fields

13 The Honorable David Smith, Deputy Secretary of the Department of

14 Commerce and Trade

15 Mr. Scott M. Harwood, Sr.

16 Mr. L. Jackson Hite

17 Mr. Jordan M. Jenkins, Jr.

18 The Honorable Joseph P. Johnson, Jr.

19 Mr. Buddy Mayhew

20 Mr. H. Ronnie Montgomery

21 The Honorable Harrison A. Moody

22 Ms. Connie G. Nyholm

23 The Honorable Edward Owens

24 The Honorable Phillip P. Puckett

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1 **APPEARANCES: (cont'd)**

2 Mr. John M. Stallard

3 Mr. Bryant L. Stith

4 The Honorable Jody Wagner, Secretary of Finance

5 The Honorable William C. Wampler, Jr.

6 The Honorable Thomas C. Wright, Jr.

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8 COMMISSION STAFF:

9 Mr. Neal Noyes, Executive Director

10 Mr. Ned Stephenson, Director of Investments

11 Mr. Timothy Pfohl, Grants Program Administration Manager

12 Ms. Stephanie Wass, Director of Finance

13 Ms. Britt Nelson - Grants Coordinator, Southside Virginia

14 Ms. Sara Williams - Grants Coordinator, Southwest Virginia

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16 OFFICE OF THE ATTORNEY GENERAL:

17 Mr. Francis N. Ferguson, Deputy Attorney General,

18 Counsel for the Commission

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1 SENATOR HAWKINS: Good morning,
2 everyone. I'd like to get started. Would everybody please take their seat?

3 Frank Ruff is doing well, and he won't be with us today.
4 Neal, would you call the roll?

5 MR. NOYES: Mr. Arthur?

6 MR. ARTHUR: Here.

7 MR. NOYES: Mr. Banner?

8 MR. BANNER: Here.

9 MR. NOYES: Secretary Bloxom?

10 SECRETARY BLOXOM: Here.

11 MR. NOYES: Mr. Bryant?

12 MR. BRYANT: Here.

13 MR. NOYES: Delegate Byron?

14 DELEGATE BYRON: Here.

15 MR. NOYES: Mr. Day?

16 MR. DAY: Here.

17 MR. NOYES: Delegate Dudley?

18 DELEGATE DUDLEY: Here.

19 MR. NOYES: Mr. Fields?

20 MR. FIELDS: Here.

21 MR. NOYES: Deputy Secretary David Smith for
22 Secretary Gottschalk?

23 DEPUTY SECRETARY SMITH: Here.

24 MR. NOYES: Mr. Harwood?

25 MR. HARWOOD: Here.

1 MR. NOYES: Mr. Hite?
2 MR. HITE: Here.
3 MR. NOYES: Delegate Hogan isn't here.
4 MR. NOYES: Mr. Jenkins?
5 MR. JENKINS: Here.
6 MR. NOYES: Delegate Johnson?
7 DELEGATE JOHNSON: Here.
8 MR. NOYES: Mr. Mayhew?
9 MR. MAYHEW: Here.
10 MR. NOYES: Mr. Moody?
11 MR. MOODY: Here.
12 MR. NOYES: Mr. Montgomery?
13 MR. MONTGOMERY: Here.
14 MR. NOYES: Ms. Nyholm?
15 MS. NYHOLM: Here.
16 MR. NOYES: Mr. Owens?
17 MR. OWENS: Here.
18 MR. NOYES: Senator Puckett?
19 SENATOR PUCKETT: Here.
20 MR. NOYES: Senator Ruff is not with us today.
21 MR. NOYES: Mr. Stallard?
22 MR. STALLARD: Here.
23 MR. NOYES: Mr. Stith?
24 MR. STITH: Here.
25 MR. NOYES: Mr. Thompson?

1 MR. THOMPSON: (No response.)

2 MR. NOYES: Secretary Wagner?

3 SECRETARY WAGNER: Here.

4 MR. NOYES: Senator Wampler?

5 SENATOR WAMPLER: Here.

6 MR. NOYES: Mr. West?

7 MR. WEST: (No response.)

8 MR. NOYES: Delegate Wright?

9 DELEGATE WRIGHT: Here.

10 MR. NOYES: Delegate Kilgore?

11 DELEGATE KILGORE: Here.

12 MR. NOYES: Senator Hawkins?

13 SENATOR HAWKINS: Here.

14 MR. NOYES: Mr. Chairman, we have a quorum.

15 SENATOR HAWKINS: Thank you. Last night at
16 the reception, I just wanted to tell everyone that this is certainly a beautiful
17 building and facility for us to be in. It just takes your breath away, this
18 facility, and when you walk through all this. I know you are all proud of it.
19 Speaking of this building, the Mayor of Wytheville is with us, and he'd like
20 to say a few words.

21 Welcome, Mr. Mayor.

22 MAYOR: Thank you, Senator. Mr. Chairman and
23 Members of the Commission, I know you have a full slate to consider today
24 and I'll just take a minute to welcome you here to tell you good morning.
25 This beautiful facility, we are extremely proud of it, and if you haven't taken

1 the time to walk through it, take your time and go through the entire
2 building. As Senator Hawkins has indicated, you'll be very impressed with
3 the way this facility has turned out. I'll note for the record, this is the third
4 time you've held functions here in this facility, for which we're also very
5 pleased. We hope you'll be back multiple times in the future and help us
6 utilize this facility. We assure you, you're putting your trust in this
7 wonderful new facility that we think will pay off in the long run for all of us.

8 I'd also be remiss if I didn't thank you for the grant funding that
9 you made possible that allowed us to have all this equipment and audio-
10 visual system that you're benefiting from during your meetings. As you
11 know, technology is extremely important in any kind of meeting, a large
12 meeting or small meeting. The Tobacco Commission funding that you gave
13 us and with the support of your staff made all of this possible for us to take
14 care of our business clients and meeting clients in the future, and we're very
15 thankful for that. We look forward to working with your staff and the
16 Commission on future projects as things unfold and opportunities present
17 themselves down the road.

18 As a small token of our appreciation you will find in front of
19 you two tokens of our appreciation you can take with you when you leave.
20 The first one is a commemorative key chain that we had made when we had
21 our grand opening of this facility, and we'd like you to have one of those,
22 and it tells a little bit about the meeting center, and it contains information
23 on how to contact us. The second thing is a commemorative mug that we
24 hope you will take with you so you'll remember our meeting location as you
25 go forward.

1 We hope you have a great day, and we're glad you're here.

2 Our town council was not able to attend last night's function,
3 and we appreciate you being here, and sorry we couldn't make it, because we
4 had some other obligations we had to attend to. On behalf of our town
5 council and all the citizens in the Town of Wytheville and this community,
6 we'd like to welcome you again and officially thank you for being here.
7 Hope you'll be back. Thank you, very much.

8 SENATOR HAWKINS: Thank you, it's been
9 delightful. On your table you'll also find a VIR envelope. Connie, do you
10 wish to speak to it?

11 MS. NYHOLM: The VIP passes for this year for
12 all of our events, and please come out and see the growth that we're
13 experiencing with the utilities expansion throughout VIR. This weekend is
14 our first big weekend, and it's our, the Grand AM and VIPER grand opening,
15 which is tomorrow at four o'clock. We'll be operating throughout the
16 weekend.

17 SENATOR HAWKINS: Fun, fast and world class.

18 MS. NYHOLM: Fun, fast and world class.

19 SENATOR HAWKINS: If you haven't been to
20 VIR, you need to go. It's a fabulous facility, and I know you'll enjoy it if
21 you go there. It's the type of facility that we need. Thank you, Connie.

22 We need a motion to approve the Minutes. It's been moved and
23 seconded that we approve the Minutes. All in favor say aye? (Ayes.)
24 Opposed? (No response.) All right.

25 Before we get into the Agenda itself, there are a couple of

1 things I probably need to say. When we reach the committee reports we'll
2 stop and take a recess for the Southside delegation to get together and talk
3 about the allocation formula. The reason that that is important, and I might
4 as well get into it now, so you can think about it before the discussion today.
5 Historically, we have been a Commission that has been driven by amounts
6 of money that has been available to us periodically from the Master
7 Settlement Agreement. We've been able to take those monies and put them
8 in the formulary to do the various things, like Special Projects and
9 Education, and Southside has a formula where the localities benefit with
10 certain amounts of monies going in. We're going through the securitization
11 process, and we've already securitized fifty percent of our money, and the
12 other fifty percent is scheduled to go to the market very soon, which will
13 give us all the securitization monies in a lump sum. Fifty percent of it is
14 taxable, and fifty percent is non-taxable. The revenues from that will be
15 driven by the interest, and that will be money that we will have at our
16 disposal, as well as we can, by law, invade the corpus up to fifteen percent
17 per year. It should not be done every year, of course, but that is the
18 maximum we can do.

19 We are changing, in my opinion, from a Commission to almost
20 a foundation, and the way we manage these monies now is pretty much
21 going to determine how the impact of these monies will be felt throughout
22 the tobacco regions of Southside and Southwest. What I think we need to
23 start looking at is some sort of phase-out in the current formula situation,
24 living up to the obligations that we have, of course. We need to make sure
25 that the monies that are carried over to the various communities that we have

1 obligations to is not affected. But we have to start looking at project-by-
2 project with the amount of money we have at our disposal to make sure that
3 we have enough money in-hand to do projects that will change the economy,
4 rather than nickel-and-dimeing things and hoping something will take place.
5 It is a discussion we started sometime back, but I think in Southside
6 particularly we need to start looking at how we invest all of our communities
7 for the benefit of the entire region. With the amount of monies we're dealing
8 with, the formulary, particularly from the small county viewpoint, will be so
9 little money that they will not be able to do much, if anything. We need to
10 have a larger pool of money that we can manage better and that we can look
11 at project-by-project. That means any project that has merit we can fund.
12 The way we're doing things today, with the changing of our financial
13 condition to a foundation status almost, and that we'll have to manage a
14 known amount of resources that we have, rather than anticipating a check
15 every year. The system is changing, and we need to make sure that we're
16 changing with it. If not, we'll be absolutely overwhelmed with an inability
17 to do what we're charged to do.

18 DELEGATE WRIGHT: I'd just like to say that I
19 think what you're describing, we've talked about this in this Tobacco
20 Commission several times, and each time we have not been in favor of it.
21 I'm not in favor of it this time.

22 SENATOR HAWKINS: I appreciate that, and
23 we'll have an opportunity to discuss it fully among ourselves and try to reach
24 some sort of understanding of what we can do and move on. It's a
25 discussion we'll have to enter into, because the situation is changing. We'll

1 save this and have a discussion on it later.

2 Having said that, we have an update from Steve Rosenthal.

3 MR. ROSENTHAL: Thank you, Mr. Chairman
4 and Members of the Commission. The 2007 Phase I program is pretty much
5 in full swing, verification of payment forms and applications for payments
6 are currently being mailed to over twenty-nine thousand claimants for over
7 fifty-three thousand eligible claims. I believe some of you have already
8 received those forms and sent them back to us. We expect the majority of
9 the claim forms to be received by the claimants by this Friday, April 27th.
10 Once the claimants receive their verification forms we will work with the
11 USDA and the local farm service agencies, and we'll hold work sessions for
12 the claimants and for any ownership changes or any other claim questions.

13 A quick listing of dates and times of work sessions. On
14 Monday, May 7th we'll be in Jonesville and Gate City in the afternoon. On
15 May 8th we'll be in Abingdon, and on May 9th we'll be in both Chatham and
16 Halifax, the former in the morning and the latter in the afternoon. Then on
17 May 10th, we'll be in Lawrenceville.

18 As you approved in January, the deadline for submission of
19 verification forms is May 16th. We're coordinating with the Department of
20 Agriculture and Department of Treasury to transmit payment data to VDAX
21 by Tuesday, May the 29th for payments to be mailed from the Treasury the
22 week of June 4th.

23 As in previous years, claims requiring a change of ownership or
24 claim information will be processed for second-round payments to be made
25 during the fall. This round will also include any late claims that may

1 become eligible for payment by that time.

2 Please do not hesitate for any of you to contact Mary Cabell or
3 me or Clark Lewis if we can be of any assistance to you or any grower or
4 producer. We look forward to providing you a further update on the
5 progress of this year's program during the July Commission meeting.

6 SENATOR HAWKINS: I want to thank you for
7 all the work you have done. I have had very few phone calls, and that's a
8 major accomplishment. You all have performed magic, and we thank you.

9 MR. ROSENTHAL: We try, and thank you, very
10 much.

11 SENATOR HAWKINS: Next up will be Special
12 Projects, Senator Wampler.

13 SENATOR WAMPLER: Good morning, Mr.
14 Chairman and Members of the Commission. I'll try to address Mr.
15 Ferguson, I hope you all can hear me.

16 Mr. Chairman, if everyone would turn to Tab 2 in their book.
17 Hopefully, you've had a chance to review the recommendations of the
18 Special Projects Committee. The Special Projects Committee met, and by
19 unanimous consent we recommended the following thirteen projects that are
20 in your booklet. As I speak, staff is sending one additional project that was
21 recommended by the Special Projects Committee this morning, with funding
22 attached thereto.

23 I would observe, Mr. Chairman, that we had a total of 26
24 million dollars in requests, and we had four million dollars to allocate. It
25 was a very difficult task to try to find what projects we would either accept,

1 reject or modify from staff's recommendations. What we bring to the Full
2 Commission for approval this morning is what we believe has as broad a
3 support from amongst the two regions as we can muster in the Special
4 Projects Committee. The total awards would be something that would
5 combine the fourteen projects you just took receipt of for architect,
6 engineering and design of a water project in Grayson County. The total
7 recommended approval would be roughly 4.2 million dollars.

8 Mr. Chairman, not knowing what the pleasure of the
9 Commission is, I would be glad to entertain any questions, and the staff
10 would be glad to go into any detail that is needed on any of these projects,
11 those that were considered.

12 At the appropriate time, Mr. Chairman, if it's the will of the
13 Commission, I would move that the thirteen projects that were
14 recommended from the Special Projects Committee that were in Tab 2, in
15 addition to the one project from Mount Rogers Planning District,
16 specifically, for Grayson County be awarded the \$200,000 for engineering
17 and design of the water project out of restricted dollars be approved.

18 SENATOR HAWKINS: Your recommendation is
19 you move them in a block?

20 SENATOR WAMPLER: Yes.

21 SENATOR HAWKINS: Is there a second?

22 MR. BANNER: Second.

23 SENATOR HAWKINS: It's been moved and
24 seconded. Any discussion, everyone have an opportunity to look at the
25 recommendations of the Special Projects Committee? Everyone comfortable

1 with the list? All in favor say aye? (Ayes.) Opposed? (No response.) The
2 motion carries.

3 SENATOR WAMPLER: Thanks, Mr. Chairman,
4 and thanks to the members of the Committee for their attendance at the two
5 meetings.

6 SENATOR HAWKINS: Thank you, sir. Next is
7 Southwest Economic Development, Delegate Kilgore.

8 DELEGATE KILGORE: Thank you, Mr.
9 Chairman. In front of you, you should have the list of the Southwest
10 Economic Development Committee recommendations. We met yesterday
11 and had a well-attended meeting. We had a request for 27 million dollars,
12 and we only had three million dollars to award. As you can tell from the
13 amount of requests and the amount of money we had, we weren't able to
14 award everyone everything they wanted. You do have the list before you,
15 two pages.

16 We awarded 2.5 million dollars restricted and close to
17 \$700,000, maybe not that much, about \$600,000 unrestricted. I would move
18 we adopt those as a block.

19 SENATOR HAWKINS: It's been moved and
20 seconded the Southwest Economic Development recommendations be
21 adopted in a block. Is there any discussion?

22 MR. DAY: Mr. Chairman, I've got a question on
23 the last one, the last project.

24 DELEGATE KILGORE: That was a job-retention
25 deal. The Governor's Office, Department of Economic Development .

1 That's an employer that employs approximately or has approximately a
2 thousand jobs in Bristol, and that was part of our share. The only place we
3 could get it from at the time was from Southwest Economic Development .

4 MR. DAY: Are we giving \$275,000 to a private
5 enterprise?

6 DELEGATE KILGORE: I believe we actually
7 gave that to the Washington County Industrial Development Authority.
8 That's who the check would go to. That's who would have made the
9 agreement with the Department of Economic Development, the Governor's
10 Opportunity Fund.

11 SENATOR HAWKINS: The motion has been
12 made --

13 DELEGATE KILGORE: -- The performance
14 agreement, they have to do certain things.

15 SENATOR HAWKINS: The Partnership is
16 involved.

17 DELEGATE KILGORE: Yes.

18 SENATOR HAWKINS: The motion has been
19 made that the Southwest Economic Development package be adopted as
20 recommended by the Committee. It's been moved and seconded, all those in
21 favor say aye? (Ayes.) Opposed? (No response.) Motion passes.

22 Next we have Delegate Byron with Technology.

23 DELEGATE BYRON: Thank you, Mr. Chairman.
24 Our Committee had an opportunity to come to this nice meeting center twice
25 recently. We came on April the 18th without a quorum and again this

1 morning with a quorum. We got a chance to look at these projects twice,
2 and we had five grants in front of us. I need to separate the sixth grant from
3 this. I don't know if you have the information in front of you or if you want
4 to go, if you want to trust us.

5 MR. NOYES: Do we have a list?

6 DELEGATE BYRON: We had two original
7 requests, and these are all Southwest. We need to come back and amend
8 them and revise three of the Bristol Virginia Utilities requests by additional
9 funds because of some challenges that occurred with the rock and other
10 matters and they couldn't get through that, and making it more difficult and
11 more costly for the fiber to be deployed. So we had five grants for a total of
12 four million dollars, which remains in the Technology budget. We
13 recommended approving all grants that are before you, those projects in a
14 block.

15 SENATOR HAWKINS: Has everyone had time to
16 look at the list? Is everyone comfortable with the list?

17 MR. OWENS: Does that include the application
18 from CIT?

19 DELEGATE BYRON: No.

20 SENATOR HAWKINS: What we have before us
21 is a motion from the Technology Subcommittee to approve the grants that
22 have been published, and there are five.

23 DELEGATE BYRON: We need to do CIT
24 separately. There are two original grants, 964 and 1294. Then we had to
25 amend three of them by \$400,000, \$450,000 and \$400,000 because of the

1 issues they ran into with the rock.

2 SENATOR HAWKINS: There are four
3 recommendations?

4 DELEGATE BYRON: Yes.

5 SENATOR HAWKINS: Is there a motion from
6 the Subcommittee to adopt this?

7 DELEGATE BYRON: Yes, in a block.

8 SENATOR HAWKINS: It's been moved and
9 seconded in a block.

10 MR. OWENS: Second.

11 SENATOR HAWKINS: Any discussion, are you
12 all comfortable? Any discussion on this? All in favor say aye? (Ayes.)
13 Opposed? (No response.)

14 DELEGATE BYRON: Mr. Chairman, we have
15 one more. Subject to a budget amendment that you will have before you the
16 Committee recommended, it's an unrestricted grant for the Center for
17 Innovative Technology and UVA Telenet Health Network, and that'll go to
18 the Southside and Southwest. This is a grant that came up late in the
19 program as far as the granting requests. It was submitted to us late for
20 matching funds, and this involves an FCC Commission grant requesting five
21 million dollars.

22 Their main topic is going to be stroke prevention, and it's a
23 network used for patient education and many other healthcare issues to
24 enable us to do advanced treatment throughout Southside and Southwest.
25 We recommend it, subject to budget approval. It's a grant of \$750,000 and

1 as I say, which is matching with the FCC.

2 SENATOR HAWKINS: Those of you who are
3 not familiar with this project, and working on trying to bring healthcare to
4 the rural parts of our areas, it's something I think will really tie us together
5 along with economic development, also increase our ability for healthcare.

6 Any discussion on this based on the documents? Is there a
7 motion? It's been moved and seconded that this be adopted. Any
8 discussion? All those in favor say aye? (Ayes.) Opposed? (No response.)
9 That motion is adopted.

10 Now, for our discussion, we probably will recess for maybe
11 thirty minutes, and we'll have a discussion on the formulary and how we can
12 best handle monies that we're charged with.

13 MR. NOYES: Mr. Chairman, there are indeed five
14 projects that need to be approved from Technology. The 1.5 million dollars
15 that caused the reduction in the original submission needs to be transferred
16 to the existing grant 964.

17 SENATOR HAWKINS: We have to adopt that
18 from the Technology Subcommittee report. It's been moved and seconded,
19 all those in favor say aye? (Ayes.) Opposed? (No response.)

20 We have before us the Technology report which adds one item,
21 and that's five altogether. We've discussed it.

22 DELEGATE BYRON: Yes, we discussed it.

23 SENATOR HAWKINS: Is there a motion? It's
24 been moved and seconded, any discussion? All those in favor say aye?
25 (Ayes.) Opposed? (No response.) Thank you.

1 Now we'll go into recess. Those from Southside need to stay;
2 Southwest, of course, can stay if you like. We need to have a discussion
3 about what we plan to do. I'll try to stay out of the discussion as much as
4 possible. You've heard enough from me on the subject. What concerns me,
5 without some sort of modification of what we're doing, we will not have
6 flexibility to fund major projects which we need to be able to do.
7 Particularly, in our rural counties, they'll have no opportunity because of the
8 amount of money we're dealing with to have any sort of opportunity to snag
9 a prospect. Our larger counties will not be able to come up with the most
10 innovative ideas that they can come up with, knowing that the allocation
11 formula is there, they can kind of roll their way through it without any type
12 of in-depth research that we need. A lot of counties have long-term plans,
13 and we'll still work with those long-term plans, but this will give us the
14 flexibility of looking at project-by-project, rather than trying to do an
15 allocation formulary.

16 Pittsylvania County is certainly one of the largest, and they do
17 not want the formulary to change. I can understand their position, but we
18 have to manage the monies the best we can. The subject is open for
19 discussion.

20 DELEGATE WRIGHT: I'd like to make an
21 observation. We've studied this issue before, and it has come before us in
22 the Economic Development Committee for Southside. We've discussed
23 different ideas on it, and it has always been decided we want to leave it like
24 it was. This time there was a committee, and I think I was on it, and we
25 asked the committee to see what their thoughts were.

1 SENATOR HAWKINS: The only comment I can
2 make on that, Tommy, and your point is well taken, and it's been discussed
3 before, of course. Once we complete this securitization the types of funding
4 we've been able to do in the past will no longer exist. So, we're looking at a
5 different financial makeup, and we have to be aware of what we're doing. In
6 the past we've always had a cushion of being able to have the flexibility of a
7 known amount of money coming in from the MSA. Now, we're going to
8 have a much smaller amount of money in-hand from the interest, while we
9 do have a large revenue source we can use for the projects, but your point is
10 well taken.

11 MR. OWENS: First of all, in our committee, our
12 committee was first to bring everyone even. That was a recommendation,
13 but we wanted to get everyone even and secondly, due to the next twelve to
14 fourteen months put the policy or procedures in place that would protect the
15 smaller counties, look at it from a fair and equitable position that would be
16 fair for all and equitable for all. We have not shown the discipline in this, or
17 as a committee and as a full Commission, that I feel could alleviate some of
18 the problems. Without having any policy or procedure in place right now,
19 any allocation would seem like the most probable way to go forward. Our
20 recommendation to the budget and the allocations is that we bring everybody
21 even and really strongly not worry about any spending forward. If the
22 money is there, but it would be up to the Commission to draw down or to not
23 spend the money. We have to show discipline.

24 SENATOR HAWKINS: If I understand, what you
25 want to do, then, is eliminate all the debt that we have?

1 MR. OWENS: Yes.

2 SENATOR HAWKINS: Put everything on a cash
3 basis?

4 MR. OWENS: Yes, sir.

5 SENATOR HAWKINS: Start looking at how we
6 can more justly make awards based on the merit of the project?

7 MR. OWENS: That's right.

8 SENATOR HAWKINS: Then, by doing that,
9 phase out the formulary?

10 MR. OWENS: That's not automatic or the only
11 way. Have something in place that everybody could agree upon that would
12 complete the formulary.

13 SENATOR HAWKINS: The only thing you
14 replace it with is a merit-based system that each project would be weighed
15 on its own merits, based on what it brought to the market, which is one way,
16 or you could have a modified piece where you still had some existing
17 formulary but most of the money would be held in reserve for allocation of
18 projects that would come up.

19 MR. OWENS: Right. The problem where you
20 vote or without doing anything about the allocation when you phase
21 something in or out without having recommendations, what are you going to
22 replace the allocation with?

23 MR. NOYES: Mr. Chairman, if I might make an
24 observation. The budget that is going to be considered by the Commission
25 later this morning contains a line item for southern Virginia but retains the

1 existing allocation formula. You're talking about '09 and not '08 as a point
2 when allocations might end in favor of a pool where staff's recommendations
3 would look specifically at employment impacts, capital investment, how
4 soon the project can go forward, and those sorts of issues.

5 In our discussion here today on the formulary, it is not
6 envisioned in the budget that they would end in the upcoming fiscal year.
7 The budget sets the stage for ending them beginning in '09.

8 SENATOR HAWKINS: The point needs to be
9 made that this year we're still going by the old system where the Master
10 Settlement Agreement brings in money and what we've securitized, and we
11 know that we're going to get a certain amount based on those assumptions.
12 Then next year when the allocation or the Master Settlement ceases we'll
13 have to deal with the money held in reserve. We could, and I know I said I
14 wasn't going to take part, and I have.

15 DELEGATE BYRON: I'm really confused.
16 We've been talking about several things. What we talked about in our
17 previous meeting that Delegate Hogan discussed and the available balance, I
18 have a problem with that ,after consideration and after the meeting. We are
19 basically penalizing some of these areas. As Mr. Owens said, people need to
20 see the figures we discussed. I know Mr. Owens is concerned about money
21 out there. Everyone knows the money is there, anyway.

22 SENATOR HAWKINS: There is one thing I want
23 to be clear about. Money that has been carried forward, and particularly the
24 counties that have not used the allocation, we still have obligations there.
25 Those monies would be held in trust until they're used, based on our

1 commitment to those localities. So this carryforward, counties like Charlotte
2 and Mecklenburg, those monies that they're holding so they can accumulate
3 a large amount, we still have to do that.

4 MR. ARTHUR: The numbers we have gotten in
5 front of us do not reflect that.

6 SENATOR HAWKINS: No.

7 MR. ARTHUR: But it says this is what you've
8 got. We've got to do something about the wording to protect the counties
9 that have this carryforward, that they don't lose that money or get penalized
10 because they didn't use it.

11 SENATOR HAWKINS: No one has any intention
12 to penalize people for not using the money that we're holding for them.

13 MR. ARTHUR: That's correct.

14 SENATOR HAWKINS: We want to make sure
15 we clarify that so there is no misunderstanding about that at all.

16 MR. ARTHUR: The numbers don't show that
17 here.

18 SENATOR HAWKINS: Then we need to correct
19 that.

20 MR. BRYANT: Mr. Chairman, Ed Owens has
21 touched on my sentiments. At this point I would be opposed to suspending
22 the allocation. I think the Commission has led our counties, not led, but I
23 think the Commission has encouraged our counties to come up with a long-
24 range plan. Much time and money has been spent. To take a vote today to
25 end the allocation would be kind of like pulling the rug out, to someone that

1 has developed that. What Neal has said to us is too open-ended. He said it
2 wouldn't end today, but if it comes in either '08 or '09 we don't have
3 anything in place. We're just assuming that protection, and I can't buy into
4 that.

5 SENATOR HAWKINS: My response would be
6 that if, in fact, commitments to counties are made on the quality of project
7 they bring before us, it would be funded on the merits in a given situation.
8 Projects would be rated on the merits of the project and the quality of the
9 project. As for the discussion, I think what we're trying to accomplish, in
10 my mind, is to make sure that we have something in place, and we're looking
11 at a different financial model we have to deal with in the next year. Unless
12 we have some sort of signal as to how we start managing these monies based
13 on a known source of revenue, how we start filling the out years, we need to
14 start paying off our debt, and we need to do some other things. So the
15 discussion, I think, today is built around not just cutting off the formulary
16 this morning, but by next year we'll be able to have a budget in place that
17 will reflect a new approach to financing the Economic Development projects
18 throughout our area. If it doesn't work, we can always go back. This is
19 something where we need flexibility next year.

20 DELEGATE BYRON: I understand what you're
21 saying, if you want to go forward in a couple of years, we've got to take care
22 of certain obligations now, and all those small counties want to be able to
23 protect their allocation until we get to that point so they'll know that they
24 have some amount of money that they can still count on for their long-range,
25 and they'll have that amount of money. Then working on a more regional

1 basis to provide for the bigger and better projects going forward with a
2 mission across a broader scale. The larger projects and better projects
3 hopefully can create jobs, and hopefully we can create better projects and
4 not have to need to create jobs just using the formula today. I think what
5 we're talking about is the bigger picture.

6 SENATOR HAWKINS: If you look at our
7 makeup, we have some very large counties, and we have very small counties
8 that get a small allocation, like Charlotte and Cumberland and Appomattox,
9 and so forth. With a new source of revenue coming in, unless they qualify
10 for Special Projects, they're going to be left out in the cold, because the
11 money is going to be so small, the smaller counties' allocation is going to be
12 so low. Even the larger counties' money is going to be cut, because we won't
13 have the revenue. If somebody comes to us with a project within the
14 county's borders and they aren't qualified for Special Projects, they'll be out,
15 because we can't spend forward. We need to come up with something to
16 make sure that we can meet the demand. If someone comes up with an
17 automobile plant and needs 25 or 30 million, we've got a problem, a big
18 problem, and we won't be able to fund it. On this Commission we're sworn
19 to uphold what we think is the right responsibility to make sure the monies
20 that are entrusted to us are spent the best way possible for economic growth
21 and economic welfare. The allocation formula, the way it's set up, is all well
22 and good under the old way we've been doing business, but ultimately we've
23 got to make a decision on how the monies are invested. If you allow the
24 Commission itself to start looking at projects and the merits of those projects
25 regardless and funding those projects that can stand on their own for the

1 long term, I think we're all better off, at least in my opinion. We need to
2 start a discussion now, because if we stay on the same track and our money
3 changes, we're going to have a problem

4 MR. MAYHEW: Mr. Chairman, whichever way
5 this money is set aside, we need to look at a fixed amount of money, and
6 with the securitization finalized, how many years are we trying to make this
7 money last? How much interest, or what is the interest rate projected for?
8 Or is there some kind of annual figure where we don't front load too much
9 and have X-number of dollars for fifteen or twenty years? Then, I think if
10 we tried to relatively stay within our budget, we expect it to last to the end,
11 rather than seeing huge amounts of money going out every year, fifteen
12 percent of the corpus, or whatever, unless it's extremely worthwhile project.
13 We're going to have to do that if we expect to maintain the viability of our
14 system. It just seems like to me that we need to figure out what we're
15 dealing with here and what that reduced amount is. We've seen a reduced
16 amount for several years now. If we've been getting like 60 million a year
17 and then come back to 40, that's going to be a problem. Whatever way we
18 go, I think that would have an impact on our discussions. I think we all need
19 to realize what the change is going to be. You said to take into account that
20 we're going to have less money to spend unless we want to continue to
21 invade the corpus.

22 SENATOR HAWKINS: We cannot invade the
23 corpus every year, we just can't do it. We can do fifteen percent, by a
24 majority, but we can't do that all the time. We also need to have a reserve
25 account which would have enough money in it to be able to address projects

1 when they come on-line. Remember that you can only invade the principal
2 one time in the course of a year.

3 MS. WAGNER: I think you can invade it up to,
4 you don't have to do it all at one time.

5 SENATOR HAWKINS: The thing that concerns
6 me, we know we have a known amount of money in the bank. It's going to
7 be a great temptation to start spending that money in a way that will not do
8 what we need to do. I think we have to have an understanding that projects
9 have to meet a threshold before we invest in them. To do that, the quality of
10 the projects and merits of the projects is what we have to base our decision
11 on. To go through the allocation formula and the counties know that they
12 are guaranteed X amount of money and projects may not meet that standard
13 any more, because we've got to raise our standards and make sure that we're
14 doing what we've been entrusted to do.

15 MR. MAYHEW: Mr. Chairman, how does this fit
16 in with Southwest, the way they're doing it? It seems to me that's kind of, or
17 we have two parts here and still coming up with the Commission's goals.

18 SENATOR HAWKINS: The Commission is
19 divided, Southside and Southwest, as you already know. They get their
20 money and they look at the projects based on the merits, they have from the
21 beginning.

22 MR. MAYHEW: From the amount of money
23 available each year, that brings them into play also?

24 SENATOR HAWKINS: that would be a different
25 discussion; it's based on percentage we agreed to early on.

1 MR. DAY: If we go this route, what's to keep us
2 from outvoting our Southwest friends on every issue and spending all of the
3 money in Southside?

4 SENATOR HAWKINS: Right now we have a
5 split between two areas --

6 MR. DAY: -- I understand that, we're going to do
7 away with that?

8 SENATOR HAWKINS: No, we're not going to do
9 away with this; we're just talking about Southside now. We're trying to
10 determine how Southside is going to handle the allocations. To answer your
11 question, Bernie, over the last several years we have gone out of our way to
12 make sure that people understand we are a Commission, and we have not
13 tried to undermine anyone, regardless of location.

14 MR. DAY: Are we still going to restrict ourselves
15 to spending money within the existing tobacco region footprint?

16 SENATOR HAWKINS: That's the Code of
17 Virginia, the counties are spelled out, those are the counties we have an
18 obligation to, and they're listed, all the counties are spelled out.

19 MR. DAY: Then my last question, are we going to
20 change the allocation process?

21 SENATOR HAWKINS: We have to.

22 MR. DAY: It would seem to me that if we set this
23 up on first-come, first-serve basis, what looks like a brilliant idea today
24 we've spent all the money on, and something better might come along
25 tomorrow. If we don't have the money, what do we do then?

1 SENATOR HAWKINS: For one thing, I think we
2 need to look at the projects and make sure they meet the threshold and make
3 sure that it justifies the investment. I don't think we need to spend all of our
4 money on one project, and we need to make sure we hold something in
5 reserve in case something comes up that we need money for. I think it
6 would be foolhardy for us to put all of our money in one project without
7 having an idea of what's going to be brought forth. We have an obligation to
8 meet the needs of our localities.

9 MR. DAY: It would seem to me, Mr. Chairman,
10 we've got to be careful when we use that word "merit", because it's much
11 like beauty; it's in the eye of the beholder, it seems to me.

12 SENATOR HAWKINS: I will not go there.
13 Remember that we have a thirty-one member Commission divided
14 Southwest and Southside. We have the expertise, and we can look at
15 projects, and we have an opportunity to look at the projects, as well. If we
16 make any sort of adjustment based on the impact of our investment long-
17 term, it will be up to us, and part of our charge is to make sure those projects
18 are what we want to invest in. We need to make sure those meet certain
19 benchmarks that we're going to have to set for ourselves. We've been given
20 probably the greatest flexibility of any Commission that I know of, and we
21 need to fulfill that.

22 MR. DAY: If I might ask one follow-up question.
23 How does that differ from what we're doing now?

24 SENATOR HAWKINS: What we're doing now is
25 that the counties have an allocation of monies that they know is coming in

1 every year. Some counties get a large sum of money, and some counties get
2 a small sum of money, some counties get very little. The allocation
3 formulary tends to tilt itself toward the large counties because of the tobacco
4 poundage they had at the time. Indemnification of the farmers, I think, has
5 been pretty much solved in terms of our obligation to the tobacco
6 community. We've put untold millions of dollars to our farmers to meet
7 those obligations. That's one reason Special Projects was created, to try to
8 come up with some way to meet the needs of the communities that didn't
9 have the money to do otherwise. If you look at Cumberland --

10 MR. DAY: -- Have we awarded monies in any
11 single instance to a project that we didn't think had merit?

12 SENATOR HAWKINS: I hope not. In seven
13 years of investing in various projects, I can't think of any right now that
14 didn't have merit when we did them. What I think we need to do, Barnie, in
15 my opinion, rather than investing in small projects that really don't have a
16 significant impact on our economies, we need to look at making larger
17 investments that can really make a difference, such as Broadband that has
18 been put in place, things of that type, and we need to be more creative.

19 MR. DAY: A last and final question. How do we
20 measure success when it comes to changing this economy?

21 SENATOR HAWKINS: Well, there are several
22 things you can use, the amount of money that has been created by the
23 investment, jobs created by the investment, tax revenue for the locality, the
24 stability of the population based on the investments. There are all kinds of
25 things that can be used as a benchmark.

1 MR. NOYES: The Strategic Plan adopted by the
2 Commission sets out what we expect to achieve on an annual basis, and they
3 are required to report back how successful we were in reaching those
4 benchmarks.

5 MR. DAY: How are we doing?

6 MR. NOYES: We're going to be evaluating
7 projects, going back three years in some instances, to determine, for
8 example, Broadband, are we expanding coverage five percent per year,
9 which is the standard, are we, in fact, seeing 100 million dollars per year
10 private sector capital investment in relation to our economic development
11 goals? What percentage of students entering the GED programs are actually
12 graduating? Those are the things that have already been decided upon by the
13 Commission.

14 MR. DAY: I've never voiced this opinion, but I
15 will now. It seems to me we set ourselves up a little bit to fail from the
16 beginning, because when we say we're going to change the economy of the
17 tobacco region, that economy is affected largely by events and
18 circumstances outside the region.

19 SENATOR HAWKINS: Well, that's all well and
20 good, Barnie. When you look at some of the things we've been able to
21 accomplish and the jobs we have created in working in partnership and with
22 other agencies, we have offset a lot of job losses. Without this type of
23 investment that we've been able to make, the unemployment rate would be
24 significantly higher than it is today. I think we've done pretty well with
25 what we've invested in. You're absolutely correct, if we do anything

1 different in the way of looking at projects, we need to make sure that our
2 investments are doing what they say they plan to do and then have a look
3 back to make sure that they've been held to that standard, and if not, then
4 maybe we should get our money back. Those are the types of things we
5 need to take a look at.

6 DELEGATE BYRON: I think you're right on
7 track. We need to try to get a different vision. With these monies now and
8 the securitization taking place, that's the reason to make sure we have a
9 vision, visionary safeguards. That money is not going to be around forever,
10 and it's a continual temptation. I think we need to start allowing people to
11 have a bigger vision of what they can do with the funds, not just limit it by
12 locality.

13 SENATOR HAWKINS: I was asked last night by
14 a Commission member, did not securitization protect our money? I want to
15 make sure everyone understands that it does not. It only takes one vote in
16 the General Assembly for the money to go back to the General Fund. There
17 are people looking at our actions on a daily basis, and we need to make sure
18 that we hold ourselves to the highest possible standard; if not, then this
19 wonderful opportunity we've been given will disappear.

20 DELEGATE WRIGHT: I'll be brief. I think that
21 what has been proposed will lead to the unraveling of the Tobacco
22 Commission and will do away with the intent of the legislation which says,
23 assist the tobacco-dependent communities in an equitable manner. This is
24 getting away from that. I think this will enhance the opportunity or change,
25 and the General Assembly will step in and say, what formula do you all have

1 for spending the money, what goals do you have? If it's not based on
2 tobacco dependence, then what goals are you using? If you're going to use
3 no goal whatsoever and help areas that have no dependence on tobacco get
4 unlimited amounts of money, why not let all of Virginia have it? Also, the
5 way we did it originally by telling communities don't come forward with bad
6 projects, wait until you have a good project, then your money will be
7 protected. In some areas, like some of the counties I represent, we might not
8 have a real good project this year, knowing that our money will be there for
9 us to do something the next year. We'll be able to come forward with good
10 projects over the term of the Tobacco Commission. We've created some
11 good jobs. I think we're getting away from the idea that tobacco dependency
12 has nothing to do with it, and the amount of tobacco produced in those
13 regions will not be considered for at least economic development. I think
14 we're making a tremendous mistake if that's so. I think we're making a
15 tremendous mistake by not having tobacco dependency tied somewhat to
16 Education, to Agri-business, to Technology, and all the other committees as
17 well. We're taking one of the remaining committees in which the money is
18 divided in a sensible manner, based on tobacco dependency, and saying
19 we're not going to go there. I think it will lead to the demise of the Tobacco
20 Commission. I think it will bring tremendous criticism to it. We have voted
21 time and time again in the Southside Economic Development Committee not
22 to do this. I would like for the chairman of the committee that's appointed to
23 do like most of the other committees do, have an opportunity to bring forth
24 our motion and let us vote. That's what committees do, bring forth the
25 motion. It seems to me that opportunity has not been observed.

1 SENATOR HAWKINS: We're discussing it now,
2 and that's why. The General Assembly, back when they granted this, named
3 the counties that were affected by tobacco. Equitable, the word you used,
4 that does not apply today. We have small counties that have been very
5 dependent on tobacco that have small populations, like Charlotte,
6 Cumberland, Appomattox, and they have not benefited from a large infusion
7 of money using the tobacco formulary. Equitable distribution, in my mind,
8 is to make sure that we treat everyone based on the projects presented to us.
9 As for the tobacco piece itself, if you look at the Commission's history, we
10 have taken the poundage that the farmers have lost and have indemnified
11 them from the loss of their poundage, so that the communities that had the
12 largest poundage received the greatest amount of money. You're talking
13 about millions and millions of dollars that have been put into some of these
14 communities because of the poundage that they've lost. We have treated
15 tobacco as a regional impact, monies that we invested in the poundage. In
16 Economic Development we need to make sure that we look at it regionally
17 rather broadly. We'll have to disagree on that point, but I think we need the
18 flexibility to address these monies we're charged with, the best we can with
19 the knowledge and understanding we have of the economy. Large counties
20 need to be able to fully develop themselves, but small counties do, likewise.

21 DELEGATE WRIGHT: Mr. Chairman, I would
22 agree on the way that the tobacco indemnification of the farmers has been
23 done. I think it's just a logical thing to use the same reasoning for the
24 communities in the same way as the indemnification of the farmers has been
25 handled. I think that makes a good argument for why we should keep what

1 we have.

2 SENATOR HAWKINS: Your point is well taken,
3 and I would agree with you, and when we looked at the poundage we didn't
4 look at the counties, we looked at the individual farmers and paid them
5 across the region, rather than by the county. We didn't go to Pittsylvania
6 County or Charlotte County or any other county. We looked at each
7 individual farmer; and every farmer, regardless of the allocation, was treated
8 the same. The only thing, and I think you're absolutely correct, every
9 county, regardless of location, needs to have the ability to present projects to
10 us, and we either approve or disapprove, based on the merits of that
11 individual project.

12 DELEGATE WRIGHT: When we first started, the
13 Tobacco Commission set up a pot of money for each location, and that was
14 our allocation system since the Tobacco Commission first started, and I
15 think that's very important to keep that.

16 SENATOR HAWKINS: When the Commission
17 first started we created this allocation formula in Southside, and Southwest
18 did not. We do have the flexibility to do what we want to do. It was the
19 intent of the legislature to make sure that we invested in the economies to
20 offset the declining economies that we were dealing with at the time
21 statewide to give our population an opportunity for people to be staying at
22 home and getting jobs and create a new tax base for the localities.

23 MS. NYHOLM: Your community has the same
24 opportunity that every other one does, based on the merits of the projects or
25 the companies that are coming to the region. Each and every year we've got

1 to look at the money that is available and take only X-number of dollars that
2 year, and all of the projects can vie for that certain amount of money for a
3 project. We do have to make sure we don't overspend, because that will
4 affect the next year. Then the next year we go after that same pot of money.

5 That way we all have a responsibility each year to select the best projects,
6 and it gives everybody an opportunity, regardless of the location.

7 SENATOR HAWKINS: We do need to make sure
8 we have the flexibility to deal with problems that may come before us.
9 Whatever we have to address, we need to be able to do that. I don't think we
10 need to limit it to one project a year or two projects a year, but we need
11 flexibility to handle this.

12 MR. HARWOOD: Mr. Chairman, I think the key
13 words mentioned here have been merit and entitlement. I personally think
14 merit precedes entitlement. Having said that, I'm a little confused. I've
15 heard a comment that there is a reluctance to vote today because there is no
16 alternative plan. On the other hand, what I'm hearing is, I understand
17 Southwest is already using a merit-based system. It doesn't seem to have
18 any built-in problems we're talking about here. So if what we're looking at
19 is doing away with the allocation formula and adopting something similar to
20 Southwest, is that what we're saying?

21 SENATOR HAWKINS: Basically, that's what
22 we're having our discussion about now. Southwest Virginia has been doing
23 this from the beginning, and they look at it as a region, a regional
24 investment. They look at each project based on the merits of the project and
25 the monies that we have. Basically, that's what we're talking about. The fact

1 is, when we first started the Commission several years ago the allocation
2 formulary was based on the poundage of tobacco that was being raised in the
3 counties. We indemnified the farmers to offset some of that, and we felt at
4 the time we needed some sort of regimen to be able to have a focus on what
5 we were doing, as we used our money for investments in the larger counties
6 and larger populations, and that made sense then. They've had several years
7 to deal with a lot of things and put them in place. The infrastructure for
8 many of these counties has been improved to the point now that they do
9 other things as well. Since we've made all these investments, maybe it's time
10 to step back and look at what we can do at the next level, because the next
11 level is coming, whether you like it or not, and we need to restructure our
12 finances. But I think you're right, Southwest and Southside.

13 MR. ARTHUR: Mr. Chairman, may I suggest that
14 we let Southside call a special meeting to discuss the issues related to a
15 smaller location where there is not the disconnect in this huge room, and we
16 talk about this and then address the budget today about the carryforward
17 zeroing out. Let us have a Southside committee meeting and discuss the
18 alternatives, perhaps putting some of these heartburn items in place between
19 now and July.

20 SENATOR HAWKINS: Well, I think that's one
21 approach, and I think it's one that has merit; I think it makes sense.

22 MR. ARTHUR: I don't know that we need to do it
23 immediately; we can decide it at the July meeting.

24 SENATOR HAWKINS: We do need to get the
25 budget done.

1 MR. ARTHUR: The budget itself is going to take
2 care of the part that we're talking about, then the next logical step is to talk
3 about how we're going to handle that in the future. Of course, all of
4 Southside will be invited, not just the committee.

5 SENATOR HAWKINS: That makes sense. We'll
6 have a public hearing, then. I think the public hearing will be helpful.

7 MR. ARTHUR: Rather than a huge room, a total
8 disconnect, and I could hardly hear Connie.

9 SENATOR HAWKINS: I think we can start the
10 process today by looking at and adopting the budget and then have a public
11 hearing to make sure that everyone understands what we're trying to
12 accomplish.

13 MR. ARTHUR: I'll make a motion to that effect.

14 SENATOR HAWKINS: I don't think we need a
15 motion, I think we can just do it.

16 Does anyone else have any comments before we move on?

17 MR. DAY: I'd like to make one comment. I think
18 you've got to be careful about comparing Southside and Southwest; it's a
19 different fit. Southside has two eight hundred pound gorillas in Pittsylvania
20 and Halifax; Southwest does not have that.

21 SENATOR HAWKINS: That point is well taken,
22 but when you look at the population concentration they have a head start.
23 Hopefully, it's made a difference with Pittsylvania and Halifax and given
24 them an opportunity now to really start developing opportunities. We need
25 to make sure that we answer the needs of Halifax and Pittsylvania Counties.

1 We also need to make sure that we meet the needs of Cumberland County,
2 Charlotte County, Appomattox County and Patrick County.

3 I'll tell you what we'll do, let's take a ten-minute, brief recess.
4

5 NOTE: A recess is had, whereupon the
6 Commission is called back in session, viz:
7

8 SENATOR HAWKINS: We're back in session.
9 Executive Committee report, Delegate Kilgore.

10 DELEGATE KILGORE: Thank you, Mr.
11 Chairman. The Executive Committee met last week. That will be Tab 5 in
12 your book. I'll try to go through these.

13 The first motion, or first discussion, the Executive Committee
14 this year recommended a fifteen percent corpus invasion, as described in the
15 Resolution in Tab 5, which is the Resolution of the Virginia Tobacco
16 Commission, and Ned will give a copy to our reporter.
17

18 **Resolution of the Virginia Tobacco Commission**
19

20 **Whereas**, Section 3.1-1109.1 of the Code of Virginia provides for up to
21 fifteen percent of the corpus of the Tobacco Indemnification and Community
22 Revitalization Endowment (the "Endowment") to be paid annually to the
23 Tobacco Indemnification and Community Revitalization Fund (the "Fund")
24 upon request of the Tobacco Indemnification and Community Revitalization
25 Commission (the "Commission"), and

1

2 **Whereas**, the Endowment was funded with \$389,776,674.47 on
3 May 16, 2005, from the proceeds of the Tobacco Settlement Asset-Backed
4 Bonds, Series 2005, issued by the Tobacco Settlement Financing
5 Corporation (the “Corporation”) and designated under an indenture
6 dated May 1, 2005 as tax-exempt bonds, the use of such proceeds being
7 subject to certain restrictions (“Restrictions”), and

8

9 **Whereas**, the Treasurer of Virginia determined that, for the purpose of this
10 resolution, on February 28, 2007 the value of the corpus of the Endowment
11 was \$324,678,165.33 and that 15% of the corpus was \$48,701,724.80, and

12

13 **Whereas**, the Corporation now contemplates the restructuring of the
14 Tobacco Settlement Asset-Backed Bonds, Series 2005 as taxable bonds,
15 such that the net proceeds therefrom will be NOT subject to Restrictions,
16 and will be added to the Endowment, and

17

18 **Whereas**, the Corporation now further contemplates the sale of additional
19 Tobacco Settlement Asset-Backed Bonds as taxable bonds such that the net
20 proceeds therefrom will also be NOT subject to Restrictions, and will be
21 added to the Endowment,

22

23 **Now, therefore**, it is resolved that the Commission hereby requests that on
24 the earlier of (1) June 29, 2007 or (2) the date on which the Endowment
25 receives additional proceeds from the sale and/or restructuring of

1 Tobacco Settlement Asset-Backed Bonds, the Treasury Board of Virginia
2 pay from the Endowment to the Fund a sum sufficient to equal 15.0%
3 of the Endowment as of the date so paid and for the fiscal year ending
4 June 30, 2007.

5
6 It is further resolved that the Commission hereby acknowledges that the
7 portion of the amount so transferred that is subject to Restrictions will be
8 \$48,701,724.80, and that this sum is, and remains, subject to the terms of a
9 certain *Tax Certificate and Agreement* dated May 16, 2005 by and among
10 the Commission, et als, and will be invested in accordance with the
11 provisions of said *Tax Certificate and Agreement*, and will be kept separate
12 and apart from other monies credited to the fund, and that the Treasury
13 Board may establish separate accounts within the Fund for this purpose.

14
15 Adopted April 26, 2007 by the Tobacco Indemnification and Community
16 Revitalization Commission in Wytheville, Virginia. Yeas_____ Nays_____

17
18 DELEGATE KILGORE: I'll read the last
19 paragraph. "Now, therefore, it is resolved that the Commission hereby
20 requests that on the earlier of (1) June 29, 2007 or (2) the date on which the
21 Endowment receives additional proceeds from the sale and/or restructuring
22 of Tobacco Settlement Asset-backed Bonds, the Treasury Board of Virginia
23 pay from the Endowment to the Fund a sum sufficient to equal 15.0% of the
24 Endowment as of the date so paid and for the fiscal year ending June 30,
25 2007." And the remainder of the Resolution is there in your folder.

1 Ned or the Executive Director may want to comment on that.
2 We're not suggesting we do this every year.

3 MR. NOYES: Delegate Kilgore, I'll only observe
4 that this will require a roll call vote of the Commission, and a minimum of
5 twenty serving members have to vote in the affirmative for this motion to
6 carry.

7 MR. MAYHEW: Mr. Chairman, does this mean
8 that this fifteen percent already has a place to go and may be spent or may
9 not be spent?

10 SENATOR HAWKINS: It is a reserve account
11 that has been placed in the budget for an ongoing major investment in the
12 region. There is some privacy involved with this. It all depends on the
13 discussion, and many of you are aware of it. We could go into Executive
14 Session if you would like to discuss it.

15 MR. MAYHEW: Beyond that, are there additional
16 funds that will or will not be spent beyond the point that you've made?

17 SENATOR HAWKINS: To my knowledge, at this
18 point this is the only obligation that we have to be able to meet our
19 requirements and responsibilities dealing with this. In other years there may
20 be other requirements, but we're not obligated on that. This is a line item in
21 the budget for an Economic Development package that has huge significance
22 to this area, and that's all I can say.

23 MR. MAYHEW: Does this amount to forty-eight
24 million?

25 DELEGATE KILGORE: You'll find that under

1 Reserve Account there in the budget, and that's right before the Resolution.

2 SENATOR HAWKINS: The monies that are not
3 expended we have full control over. We're not writing checks, but this gives
4 us the money we need for this investment. That way we're capable to meet
5 the Partnership; it's our part of the agreement.

6 Any discussion on that piece? Does everyone understand? I'm
7 sorry I can't get into more details, but it's a privacy issue that we pretty much
8 have to adhere to.

9 Jody.

10 SECRETARY WAGNER: Mr. Chairman, if that
11 opportunity does not arise, then those monies would still be, they wouldn't
12 be spent.

13 SENATOR HAWKINS: That's correct, it's in
14 reserve. It's a reserve account, and we would have it.

15 Any discussion of this money? It requires twenty votes. It's a
16 roll call vote. Is there a motion?

17 DELEGATE KILGORE: I'll make the motion.

18 SENATOR HAWKINS: It's been moved and
19 seconded by Senator Puckett that we invade the corpus fifteen percent this
20 year for an ongoing obligation.

21 MR. NOYES: Mr. Arthur?

22 MR. ARTHUR: Yes.

23 MR. NOYES: Mr. Banner?

24 MR. BANNER: Yes.

25 MR. NOYES: Secretary Bloxom?

1 SECRETARY BLOXOM: Aye.
2 MR. NOYES: Mr. Bryant?
3 MR. BRYANT: Aye.
4 MR. NOYES: Delegate Byron?
5 DELEGATE BYRON: Aye.
6 MR. NOYES: Mr. Day?
7 MR. DAY: Yes.
8 MR. NOYES: Delegate Dudley?
9 DELEGATE DUDLEY: Aye.
10 MR. NOYES: Mr. Fields?
11 MR. FIELDS: Yes.
12 MR. NOYES: Mr. Smith for Secretary
13 Gottschalk?
14 DEPUTY SECRETARY SMITH: Aye.
15 MR. NOYES: Mr. Harwood?
16 MR. HARWOOD: Aye.
17 MR. NOYES: Mr. Hite?
18 MR. HITE: Yes.
19 MR. NOYES: Mr. Jenkins?
20 MR. JENKINS: Aye.
21 MR. NOYES: Delegate Johnson?
22 DELEGATE JOHNSON: Aye.
23 MR. NOYES: Mr. Mayhew?
24 MR. MAYHEW: Aye.
25 MR. NOYES: Mr. Moody?

1 MR. MOODY: Aye.
2 MR. NOYES: Mr. Montgomery?
3 MR. MONTGOMERY: Aye.
4 MR. NOYES: Ms. Nyholm?
5 MS. NYHOLM: Aye.
6 MR. NOYES: Mr. Owens?
7 MR. OWENS: Aye.
8 MR. NOYES: Senator Puckett?
9 SENATOR PUCKETT: Aye.
10 MR. NOYES: Mr. Stallard?
11 MR. STALLARD: Yes.
12 MR. NOYES: Mr. Stith?
13 MR. STITH: Yes.
14 MR. NOYES: Secretary Wagner?
15 SECRETARY WAGNER: Aye.
16 MR. NOYES: Senator Wampler?
17 SENATOR WAMPLER: Aye.
18 MR. NOYES: Delegate Wright?
19 DELEGATE WRIGHT: No.
20 MR. NOYES: Delegate Kilgore?
21 DELEGATE KILGORE: Aye.
22 MR. NOYES: Senator Hawkins?
23 SENATOR HAWKINS: Aye.
24 MR. NOYES: The motion carries.
25 SENATOR HAWKINS: Delegate Kilgore.

1 DELEGATE KILGORE: The next item, Mr.
2 Chairman, is that the Executive Committee adopted a budget and the budget
3 is the second page over, and it's the FY 2008 Budget, the Proposed Budget.
4 We discussed it, and I would recommend, and I will make a motion that we
5 approve the proposed budget.

6 SENATOR HAWKINS: It's been moved, and is
7 there a second? It's been seconded. Any discussion on the budget? Has
8 everybody had an opportunity to look at it and understand the budget? Does
9 anyone have any questions?

10 Yes, sir.

11 MR. JENKINS: I think we just voted to transfer,
12 that's not in the budget?

13 DELEGATE KILGORE: It's in the reserve
14 account at the bottom, Mr. Jenkins. It says, Reserve Account, that line
15 across there, a portion of it goes into reserve.

16 MR. JENKINS: A portion goes into reserve and --

17 SENATOR HAWKINS: -- So we can meet our
18 obligations when it comes about. Any other discussion?

19 MR. MAYHEW: So we're looking at about one
20 fifty million dollars where we've been doing sixty some million?

21 SENATOR HAWKINS: Yes, this cuts it up.

22 MR. MAYHEW: We can't stand too many more
23 of those.

24 SENATOR HAWKINS: This might be a once-in-
25 a-lifetime.

1 MR. OWENS: We receive a check or payment;
2 have we received it already?

3 SENATOR HAWKINS: Yes, sir.

4 MR. OWENS: We didn't draw down one hundred
5 fifty million.

6 DELEGATE KILGORE: Did we receive
7 payment? Is there some payment included in this?

8 MS. WASS: No. The payment we just received a
9 couple of weeks ago is due to fund the FY07 budget, the current year that we
10 are in. Those payments will go for the indemnification payments that are
11 going out next month. The amount for the FY08 budget is also the
12 Endowment, including the yet or almost securitized unrestricted portion. All
13 of this funding for the FY08 budget comes from the corpus invasion.

14 DELEGATE KILGORE: And some interest
15 earned?

16 MS. WASS: That's right.

17 SENATOR HAWKINS: Does everyone
18 understand that this starts us in the new world which we're living in, based
19 on the securitization?

20 DELEGATE KILGORE: I agree with Buddy, the
21 difference, say fifteen percent and --

22 MR. MAYHEW: -- We come up with less than
23 nine hundred million. We take a hundred fifty of that in '08, right? That
24 means less than seven hundred fifty million interest, maybe seven fifty left
25 to go for how many years?

1 DELEGATE KILGORE: About fifteen.

2 SENATOR HAWKINS: Fifteen or sixteen.

3 MR. MAYHEW: So that can go quickly --

4 SENATOR HAWKINS: -- That underscores what
5 we've talked about earlier. Our world is changing.

6 SECRETARY WAGNER: But we're not sure that
7 the MSA payments will continue forever, and then it might not be, it could
8 be even longer. No one can say exactly what's going to happen.

9 SENATOR HAWKINS: If you look at the world
10 we live in, all the monies that we collect, and I have to underscore this again,
11 all that's driven by domestic sales of cigarettes by participating members of
12 the Master Settlement Agreement. How many think this is a growing
13 industry? Raise your hands.

14 MR. MAYHEW: -- Mr. Chairman, --

15 SENATOR HAWKINS: -- Even the Virginia
16 Legislature passed a bill --

17 MR. MAYHEW: -- Assuming everything stays on
18 track even if you go downhill, and assuming that, how many years before the
19 bonds are paid out and we're back to receiving funds from the MSA?

20 SENATOR HAWKINS: I believe it's fifteen.

21 SECRETARY WAGNER: You're securitizing
22 forty years of the MSA in anticipation that the MSA will continue strong and
23 be paid off. If the MSA payments are not strong, it would take longer to pay
24 off the bonds.

25 MR. MAYHEW: The worst case scenario would

1 be what?

2 SECRETARY WAGNER: The worst case
3 scenario, it all depends on how quickly the MSA is paid.

4 MR. MAYHEW: What is the projection?

5 SECRETARY WAGNER: The projection is
6 fifteen years. That's assuming the people that are buying the MSA bonds are
7 correct and that Senator Hawkins is not right. If he is right, it could be
8 longer. You have to keep in mind, though, you're allocating these funds.

9 SENATOR HAWKINS: Any more discussion?

10 MR. ARTHUR: I don't know exactly how to get to
11 the place that I want to. In the budget item Southside Economic
12 Development, these numbers you list here for restricted and unrestricted, are
13 they numbers that reflect no deduction for anything, that's just what's
14 allocated for Southside?

15 MR. NOYES: The unrestricted amount is what is
16 necessary to pay off the spendforward amounts. The restricted number is
17 what's necessary to true up all Southside jurisdictions so there is no financial
18 advantage for any single jurisdiction.

19 MR. ARTHUR: What I'm getting to is that there's
20 an error in some of these discussions a while ago. In the Executive
21 Committee, Delegate Hogan made a proposal, and if these are the numbers
22 that are being approved on the budget, these numbers that you're approving
23 on the budget have nothing to do with any of that.

24 SENATOR HAWKINS: Stephanie, would you
25 explain that?

1 MS. WASS: Delegate Hogan mentioned at the
2 Executive Committee meeting that there is a Southside Economic
3 Development reserve line on your budget, and it's right under the Southside
4 Economic Development. So in relation to what he mentioned in the
5 Executive Committee, make half available, that reserve line is the other half.

6 MR. ARTHUR: The problem here is that we're
7 penalizing the counties that have not spent their money, and we're saving it
8 for bigger projects. They're taking half of the reserve, as well as half of the
9 allocation in the final estimated available line. I talked to Stephanie and
10 several other people, and if we're going to do that half reserve deal, we
11 shouldn't take half of what's being carried forward. We should take half of
12 the allocation and add the carryforward, and then they're not penalized for
13 having saved their money.

14 SENATOR HAWKINS: You stated it very well.

15 MR. ARTHUR: I'm sure it wasn't intentional.

16 SENATOR HAWKINS: Stephanie, can you
17 explain that? Can you speak to that comment?

18 MS. WASS: I think what we can do is have, I
19 don't have the number offhand, but what we can do is amend it to where the
20 FY08 allocation for any county that has not spent forward, half of their
21 FY08 budget allocation would be taken, and all of the carryover would be
22 made available. But those that have spent forward, we would only make
23 available half of what's remaining out of their budget. That remaining
24 amount would be put in the Southside Economic Development reserve line.

25 SENATOR HAWKINS: The reserve in that

1 account, they can still use the Southside.

2 MS. WASS: Yes, it can still be used for
3 Southside.

4 MR. MAYHEW: Mr. Chairman, where does the
5 proposed rapid payoff, where does it fall in this budget?

6 MS. WASS: In this budget the remaining 20.2
7 million for indemnification, which leaves a remaining obligation of 60.6
8 million, the remaining 60.6 million can be paid off as quickly or as long as
9 the Commission decides in future budgets.

10 MR. MAYHEW: There is no provision in this
11 extra money this year.

12 SENATOR HAWKINS: No, we're on a ten-year
13 payout adopted several years ago.

14 MR. MAYHEW: If part of the funds that we're
15 setting aside in this budget for the special project that may or may not be
16 needed, if it comes through that it is not needed it's a pretty considerable
17 amount, will that go back in our pot of money? It won't be put up for the
18 next year to be spent?

19 SENATOR HAWKINS: No, it will be put back.
20 We'll have the flexibility to put it back, we just need to be able to have our
21 hands on it.

22 Stephanie, it's my understanding that you can write an
23 amendment to the proposed budget that holds harmless everyone that has a
24 carryover?

25 MS. WASS: Yes.

1 SENATOR HAWKINS: To make sure that the
2 counties that have not spent their allocations have access to the monies that
3 we're obligated to pay them?

4 MS. WASS: Yes.

5 SENATOR HAWKINS: Does everyone
6 understand that?

7 MR. HITE: I can make a motion --

8 SENATOR HAWKINS: -- We need to amend the
9 budget.

10 DELEGATE KILGORE: I'll make the motion we
11 amend the budget and then adopt it.

12 SENATOR HAWKINS: We need to amend the
13 budget first and then adopt it. Is there a motion for the amendment?

14 MR. HITE: I make a motion we amend the
15 budget.

16 SENATOR HAWKINS: There's a motion and a
17 second, does everyone understand the motion?

18 Yes, sir.

19 MR. DAY: There are forty-eight million dollars
20 we're getting from the corpus invasion. Is that subject to the current
21 allocation formula?

22 SENATOR HAWKINS: No, that's held in reserve
23 for an obligation that we may be looking at. Does everyone understand the
24 motion, amend the budget and hold harmless the counties? All in favor say
25 aye? (Ayes.) Opposed? (No response.)

1 And now we have to adopt the budget.

2 MR. HITE: I move that we adopt the budget as
3 amended.

4 SENATOR HAWKINS: It's been moved that the
5 budget be adopted as amended. Is there a second? All right. It's been
6 moved and seconded that the budget as amended be adopted. Any
7 discussion? All those in favor say aye? (Ayes.) Opposed?

8 DELEGATE WRIGHT: No.

9 SENATOR HAWKINS: The next item.

10 DELEGATE KILGORE: Going on with the
11 Executive Committee report. Neal met with Governor Kaine, and Governor
12 Kaine sent a letter out, which is a letter urging us to consider the following
13 action, which is in your notebook. The Governor has some great ideas, and
14 our Chairman, Senator Hawkins, wrote him back and basically agreed that
15 we would adopt these additions by the Governor that are outlined in his
16 letter. A few of those are to collaborate more closely with other funding
17 sources, limit the invasion of the corpus, fund investment objectives, require
18 us to participate in the Commonwealth's Performance Management
19 Initiative, ensure that outcome measures for future grantees are easily
20 accessible to the public on the Commission's Web site, appointing a deputy
21 director, and requiring applicants for Commission funds to describe
22 anticipated measurable outcomes in the application process. The Governor
23 has been very supportive of securitization.

24 With that, I would recommend approval of the Governor's
25 request outlined in the letter to the Chairman. Do we need a motion?

1 SENATOR HAWKINS: Actually, it's a
2 management tool, most of these things we're doing, so that's really already in
3 place.

4 MR. MAYHEW: I think it would be nice to read
5 that to the Commission.

6 DELEGATE KILGORE: This is a letter to
7 Senator Hawkins, and I'll read it.

8 "I am encouraged to learn that the Tobacco Commission
9 recently moved to adopt additional safeguards and measures for performance
10 and accountability. As you know, the funds disbursed by the Commission
11 belong to the citizens of the Commonwealth, and it is our responsibility to
12 ensure that grants are administered and dollars are spent in the best possible
13 way.

14 As we move forward with the securitization of the remaining
15 revenue stream for the Commission, there are additional steps that I believe
16 the Commission can and should take to build upon the successes you have
17 already achieved. Specifically, I urge you and your colleagues to consider
18 the following actions:

- 19 • require applicants for Commission funds to describe anticipated
20 measurable outcomes in the application process, and hold applicants
21 accountable for their performance;
- 22 • appoint a Deputy Director designated to lead your efforts in
23 monitoring grant activity and outcome measures;
- 24 • ensure that outcome measures for future grantees are easily
25 accessible to the public on the Commission Web site;

- 1 • require that the Commission participate in the Commonwealth's
2 performance management initiative;
- 3 • limit invasion of the corpus to those amounts necessary to fund
4 investment objectives specifically identified as priorities in the
5 Commission's Strategic Plan, including indemnification, technology,
6 education, economic development, and innovation;
- 7 • collaborate closely with other local, state, federal, and private
8 funding sources to leverage Commission funds and maximize positive
9 impact;
- 10 • and enforce the clawback provisions, in consultation with the
11 Virginia Economic Development Partnership, as outlined in Tobacco
12 Region Opportunity Fund (TROF) contractual agreements.

13

14 By focusing on these key issues and moving forward with your
15 existing plans, I am confident the Commission will continue to succeed in its
16 mission to revitalize the economy of Southside and Southwest Virginia. I
17 look forward to partnering with you on projects of importance to these two
18 regions and to the entire Commonwealth. Sincerely, Timothy M. Kaine,
19 Governor.

20

21 SENATOR HAWKINS: Also, I think we need to
22 congratulate Ned on the promotion as Deputy Director.

23 MR. STEPHENSON: Thank you.

24 SENATOR HAWKINS: Yes, sir.

25 DELEGATE DUDLEY: I would like to have it

1 noted in the Minutes that in the letter it says the Committee agreed to
2 recommend to the Commission that it adopt the additional steps which you
3 outlined in your letter; the Committee took no action.

4 SENATOR HAWKINS: The Minutes should
5 reflect that it was not committee action. Let's vote on it. There is a motion
6 to adopt the Governor's letter. It's been moved and seconded, any
7 discussion? All in favor say aye? (Ayes.) Opposed? (No response.)

8 DELEGATE KILGORE: The Executive
9 Committee recommended that the fiscal 07 budget be amended by
10 transferring seven hundred fifty thousand from the Technology restricted to
11 provide funds for the tele-medicine project that the Technology Committee
12 recommended already today, or in the past.

13 SENATOR HAWKINS: that was a motion made
14 by Delegate Byron, based on adoption of the budget. Does everyone
15 understand the motion?

16 DELEGATE KILGORE: Tele-medicine, I move.

17 SENATOR HAWKINS: It's been moved and
18 seconded, any discussion? All those in favor signify by saying aye? (Ayes.)
19 Opposed? (No response.)

20 DELEGATE KILGORE: Finally, Mr. Chairman, I
21 recommend that the 2007 budget be amended by transferring two hundred
22 thousand from Southwest Economic Development restricted to Special
23 Projects to provide funds for a water project that the Special Project
24 Committee recommended today fro Grayson County. We've transferred
25 that, we've spent the money in Special Projects . We feel that project would

1 create jobs.

2 SENATOR HAWKINS: It's been moved and
3 seconded, any discussion? Does everyone understand the motion? All in
4 favor say aye? (Ayes.) Opposed? (No response.)

5 MR. ARTHUR: Mr. Chairman, we voted to
6 approve the budget, and we discussed the allocations for Southside to do
7 away with the carryforward. I'll make a motion and move that the
8 Commission award the City of Danville and the County of Pittsylvania the
9 sum of two million dollars to partially fulfill the Commission's October 26,
10 2001 obligation to retire the debt of the Institute for Advanced Learning and
11 Research. This award shall be charged in an equal amount to the City and
12 County's unrestricted allocation created by the Commission's fiscal year
13 2007 and shall be distributed to the grantees in fiscal year 2008.

14 SENATOR HAWKINS: This is an obligation we
15 have, and we have to support. Is there a motion?

16 DELEGATE DUDLEY: Mr. Chairman,
17 clarification on it, it says our obligation is to retire the debt, and that's not
18 entirely true.

19 SENATOR HAWKINS: Tobacco Commission
20 monies, and it's the localities obligation to use for their portion of the
21 allocation. I suppose, in effect, it is our obligation.

22 DELEGATE DUDLEY: It's the localities'
23 obligation; our obligation is long before you allocate funds for that. It's not
24 our obligation to follow through.

25 SENATOR HAWKINS: That's correct. Any

1 discussion? Is there a motion? There's a motion and a second. It's been
2 moved and seconded, any discussion? Call the roll.

3 MR. NOYES: Mr. Arthur?
4 MR. ARTHUR: Aye.
5 MR. NOYES: Mr. Banner?
6 MR. BANNER: Aye.
7 MR. NOYES: Secretary Bloxom?
8 SECRETARY BLOXOM: Aye.
9 MR. NOYES: Mr. Bryant?
10 MR. BRYANT: Aye.
11 MR. NOYES: Delegate Byron?
12 DELEGATE BYRON: Aye.
13 MR. NOYES: Mr. Day?
14 MR. DAY: Aye.
15 MR. NOYES: Delegate Dudley?
16 DELEGATE DUDLEY: It is not the obligation of
17 the Commission.

18 MR. NOYES: Mr. Fields?
19 MR. FIELDS: Aye.
20 MR. NOYES: Deputy Secretary Smith?
21 DEPUTY SECRETARY SMITH: Aye.
22 MR. NOYES: Mr. Harwood?
23 MR. HARWOOD: (No response.)
24 MR. NOYES: Mr. Hite?
25 MR. HITE: (No response.)

1 MR. NOYES: Mr. Jenkins?
2 MR. JENKINS: Aye.
3 MR. NOYES: Delegate Johnson?
4 DELEGATE JOHNSON: Aye.
5 MR. NOYES: Mr. Mayhew?
6 MR. MAYHEW: Aye.
7 MR. NOYES: Mr. Moody?
8 MR. MOODY: Aye.
9 MR. NOYES: Mr. Montgomery?
10 MR. MONTGOMERY: Aye.
11 MR. NOYES: Ms. Nyholm?
12 MS. NYHOLM: Aye.
13 MR. NOYES: Mr. Owens?
14 MR. OWENS: Aye.
15 MR. NOYES: Senator Puckett?
16 SENATOR PUCKETT: Aye.
17 MR. NOYES: Mr. Stallard?
18 MR. STALLARD: Aye.
19 MR. NOYES: Mr. Stith?
20 MR. STITH: Aye.
21 MR. NOYES: Mr. Thompson is not here.
22 Secretary Wagner?
23 SECRETARY WAGNER: Aye.
24 SENATOR WAMPLER: Aye.
25 MR. NOYES: Mr. West is not here.

1 Delegate Wright? Delegate Wright is not here.

2 MR. NOYES: Delegate Kilgore?

3 DELEGATE KILGORE: Aye.

4 MR. NOYES: Senator Hawkins?

5 SENATOR HAWKINS: Aye.

6 The motion carries. Mr. Arthur.

7 MR. ARTHUR: Continuing on, in the discussion
8 to further retire the entire balance of the Institute, it's moved that the
9 Commission award the City of Danville and the County of Pittsylvania the
10 sum sufficient to completely fulfill the Commission's October 26, 2001
11 obligation to retire the debt of the Institute of Advanced Learning and
12 Research. This award is estimated to be 5.5 million, which shall be charged
13 in equal amounts to the City and the County from unrestricted allocations
14 created by the Commission for Fiscal Year 2007 and shall be entirely
15 disbursed to the grantees in Fiscal Year 2008. This award is contingent
16 upon securitization of the remaining MSA revenue not later than July 31,
17 2007 with sufficient net proceeds to fund the fiscal 2008 budget.

18 So moved.

19 SENATOR HAWKINS: It's been moved and
20 seconded, does everyone understand the motion? Any discussion? All in
21 favor say aye? (Ayes.) Opposed? (No response.) Motion carries.

22 MR. ARTHUR: In order to zero our account with
23 Halifax, I move that the Commission award to the Halifax County Industrial
24 Development Authority the sum of one million dollars to partially fulfill the
25 Commission's April 24, 2003 obligation to allocate and pay money to

1 Halifax County for the purpose of servicing the debt on Riverstone Building
2 1. This award shall be charged to the Halifax County unrestricted allocation
3 created by the Commission for fiscal year 2007, and shall be disbursed to the
4 county in 2007.

5 SENATOR HAWKINS: Is there a second? It's
6 been moved and seconded that money be disbursed to Halifax. Any
7 discussion?

8 DELEGATE DUDLEY: I have the same question
9 on the same language previously mentioned.

10 SENATOR HAWKINS: The same language to the
11 previous --

12 DELEGATE DUDLEY: -- Yes, same objection.

13 SENATOR HAWKINS: All those in favor say
14 aye? (Ayes.) Opposed?

15 DELEGATE DUDLEY: No.

16 MR. ARTHUR: One more, Mr. Chairman, it's
17 moved that the Commission award to Halifax County IDA the sum of four
18 million to completely fulfill the Commission's April 24th, 2003 obligation to
19 allocate and pay money to Halifax County for the purpose of servicing debt
20 on the Riverstone Building 1. This award shall be charged to the Halifax
21 County's unrestricted allocation created by the Commission for fiscal year
22 2008 and shall be disbursed to the IDA in four annual installments beginning
23 in June, 2008. This award is contingent upon securitization of the remaining
24 MSA revenue not later than July 31, 2007 with sufficient net proceeds to
25 fund the fiscal 2008 budget.

1 I so move.

2 SENATOR HAWKINS: It's been moved, is there
3 a second? It's been moved and seconded, does everyone understand the
4 motion? Any discussion? All those in favor say aye? (Ayes.) Opposed?

5 DELEGATE DUDLEY: No.

6 MR. ARTHUR: That completes Southside.

7 DELEGATE DUDLEY: Just a follow-up, did I
8 understand by the change we made that's not 2008?

9 MR. ARTHUR: This sheet is wrong.

10 DELEGATE DUDLEY: This will be updated?

11 MR. ARTHUR: Yes.

12 SENATOR HAWKINS: Before we have the
13 Executive Committee report, Secretary Wagner was talking to me a minute
14 ago, and I'd like her to comment on this.

15 SECRETARY WAGNER: Let me try again. The
16 Commonwealth is trying to go to performance-based budgeting. To look at
17 exactly what the goals are, and what the objectives are, and how we're
18 achieving it, whether they're achieving these goals and assessing
19 performance. The Commission, as it allocates money and struggles with
20 decisions on how to deal with Southside and how to deal with Southwest,
21 I'm urging you to bear that in mind, because this Commission will really be
22 looked at in the context of what's happening in the entire Commonwealth. If
23 the Commission fails to really establish goals and standards, measurable
24 goals and measurable standards and measure success and failure against
25 those standards and require the same thing for projects that we fund, then

1 eventually someone is going to question why we're allowing the
2 Commission to continue to spend money. So I urge you when you're
3 struggling with the decisions, particularly how to handle Southside funding,
4 to look at that and really keep that in mind. This money, while the
5 Commission is charged with spending it, as Senator Hawkins pointed out,
6 it's really the Commonwealth's money, and your fellow citizens have
7 entrusted you to spend it, but if the General Assembly gets tired of the way
8 you're doing it, that will not last long. That's really the point I was trying to
9 make to you. Thank you.

10 SENATOR HAWKINS: Point well taken.

11 Let me give you all a date to keep in mind. 2010 is the next
12 redistricting in Virginia; we're going to see a massive shift. We're going to
13 be defending ourselves on a daily basis, so we need to make sure our house
14 is in order so we can defend everything we do.

15 All right, Executive Director's Report.

16 MR. NOYES: Mr. Chairman, and ladies and
17 gentlemen. As you know, the TROF Panel, the Tobacco Region
18 Opportunity Fund, is authorized to set and approve the TROF awards. The
19 Executive Committee, by consensus, has consented to setting such awards to
20 include shortfalls in 2005 Enterprise Zone Grants, which we're funding pro-
21 rated, should each shortfall individual case occur.

22 Student loan collections in Southside are underway, including
23 the sell-off from state tax returns. As was mentioned earlier, the Phase II
24 receipts are in hand. 1.2 million will be distributed along with regular
25 indemnification. The staff is working with the Virginia Resources Authority

1 on bond financing for wireless last mile providers in the tobacco region.
2 Securitization is set to close May 2nd.

3 I'd like to take this opportunity to recognize a new employee,
4 Michelle Brady. Is Michelle in the room? She has taken off in the van.
5 Michelle Brady replaces Laura as executive assistant in the office. Sara
6 Griffin is now Sarah Williams, having been married a couple of weeks ago.

7 That's all, Mr. Chairman.

8 SENATOR HAWKINS: Ned.

9 MR. STEPHENSON: That was dispensed earlier
10 by the Chairman to be done in July.

11 SENATOR HAWKINS: Does that conclude your
12 report?

13 MR. NOYES: Yes.

14 SENATOR HAWKINS: That pretty much takes
15 us down to the next meeting, July 26th at Longwood. Prior to that, we need
16 to have a meeting of Southside to continue the discussion we started today,
17 and keeping in mind the comments of the Secretary. Do we want to meet
18 prior to the meeting in Farmville, or do we want to do something earlier?

19 MR. NOYES: Mr. Arthur suggested a mid-May
20 date.

21 SENATOR HAWKINS: Then we'll work that out.
22 Anything else?

23 MR. BRYANT: Mr. Chairman, would you allow
24 the Oversight Committee to give a brief update?

25 SENATOR HAWKINS: Please.

1 MR. BRYANT: Buddy was with Mr. Moss, so I'll
2 ask Buddy to give us a brief update.

3 MR. MAYHEW: I'd just like to say that in very
4 general terms the project is on course. The gentleman in Alabama, Mr. Phil
5 Badger, has reported every so often that he is building this unit that will be
6 delivered, hopefully, to Ken Moss' farm sometime in July. By then Ken will
7 have the building in place for it to go and making all the connections and
8 getting everything ready to go. So, we're very encouraged. We're very
9 pleased with the pace that is moving. I understand that the VPI, that's a very
10 important part of it at the Institute, and that's all coming along pretty well.
11 So the only really horrible thing is that Dr. Novak's wife was one of the
12 victims at Virginia Tech. He is obviously going to be very affected in the
13 long-term with that. I think the project is going along. Foster and the other
14 persons at Virginia Technology are playing a critical role in this project. As
15 far as I know he is progressing with the work. So, very briefly, we're very
16 encouraged that this project is moving forward in a timely manner. We have
17 high hopes that in the not-too-distant future we'll be able to have something
18 we can actually look at and see operating and get a better idea of where
19 we're headed with things. Ken Moss is doing an outstanding job. He's
20 planning to do something on the practical end of it there at the farm. Ken
21 received a hundred thousand dollars from CIT, a CIT grant, and there's
22 going to be a conference on the 11th of May in the Gretna area, and there
23 maybe some publicity coming from that. We're really encouraged by these
24 events, though.

25 SENATOR HAWKINS: Thank you, Buddy, we

1 look forward to getting the information on this.

2 Are there any public comments?

3 MR. DAY: Mr. Chairman, I would note for the
4 record that the Virginia tobacco industry got its toe-hold four hundred years
5 ago today when the settlers waded ashore at Jamestown.

6 SENATOR HAWKINS: A point well taken, and
7 we need to remember that without tobacco there would not have been an
8 American Revolution, and without tobacco a lot of things would not have
9 happened, including this Commission.

10 Any comments? Going once, going twice. Is there a motion to
11 adjourn? So moved. We're adjourned.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

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I, Medford W. Howard, Registered Professional

1 Reporter and Notary Public for the State of Virginia at large, do hereby
2 certify that I was the court reporter who took down and transcribed the
3 proceedings of the **Virginia Tobacco Indemnification and Community**
4 **Revitalization Commission Full Commission Meeting when held on**
5 **Thursday, April 26, 2007 at 10:00 a.m. in the Wytheville Meeting**
6 **Center, Wytheville, Virginia.**

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

9 Given under my hand this day of May, 2007.

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21 My Commission Expires: October 31, 2010.