

1 **APPEARANCES:**

2 The Honorable Charles R. Hawkins, Chairman

3 The Honorable Terry G. Kilgore, Vice Chairman

4 The Honorable Robert S. Bloxom, Secretary of the Department of
5 Agriculture and Forestry

6 The Honorable Richard Brown, Secretary of Finance

7 Mr. Clarence D. Bryant, III

8 The Honorable Barnie K. Day

9 Ms. Linda P. DiYorio

10 Mr. Fred M. Fields

11 The Honorable Lynn Hammond, Deputy Secretary of the Department of
12 Commerce and Trade

13 Mr. Scott M. Harwood, Sr.

14 Mr. L. Jackson Hite

15 The Honorable Clarke N. Hogan

16 Mr. Jordon M. Jenkins, Jr.

17 The Honorable Joseph P. Johnson, Jr.

18 The Honorable Daniel W. Marshall, III

19 Mr. Buddy Mayhew

20 The Honorable Harrison A. Moody

21 Ms. Connie Lee Greene Nyholm

22 The Honorable Edward Owens

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

2 The Honorable Phillip P. Puckett

3 Mr. David S. Redwine, DVM

4 Mr. Kenneth O. Reynolds

5 The Honorable W. Roscoe Reynolds

6 The Honorable Frank M. Ruff

7 Mr. James C. Thompson

8 The Honorable William C. Wampler, Jr.

9 The Honorable Thomas C. Wright, Jr.

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12 COMMISSION STAFF:

13 Mr. Neal Noyes, Executive Director

14 Mr. Ned Stephenson, Deputy Director

15 Mr. Timothy F. Pfohl, Grants Program Administration Manager

16 Ms. Stephanie Wass, Director of Finance

17 Ms. Britt Nelson - Manager of Program Assessments

18 Ms. Sara Williams - Grants Coordinator, Southwest Virginia

19 Ms. Sarah Capps - Grants Coordinator, Southside Virginia

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21 OFFICE OF THE ATTORNEY GENERAL:

22 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the

23 Commission

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1 SENATOR HAWKINS: I'll call the meeting to
2 order. I understand yesterday there was a problem with people hearing in
3 the back of the room, so I'd ask you to move closer if you can. We certainly
4 want people to be able to hear. We certainly want people to be able to
5 understand what we're talking about, so if you can't hear, try to move closer.
6 I don't know what else we can do at this point about that. We'll do our best.
7 If there's any problem, just move closer to the front. I don't think this
8 facility was designed for this sort of meeting.

9 Having said that, before we take roll, I want to take a minute to
10 thank the people for the reception last night. We certainly want to thank you
11 for the hospitality at the VIPER facility, Dewberry Davis, who has been
12 there for a long time, and Troutman Sanders over the years, and Old
13 Dominion Electric Co-op. They have been more than gracious in their
14 support of this Commission over the years, and we thank them for that. Last
15 night was a reflection of how that plays out in the type of reception that we
16 do have, and I think everyone enjoyed it. I might say that this is a
17 magnificent piece of real estate that we're at today. (Applause.)

18 Before we take the roll, I'd like to talk about a few things here.
19 Today I think we are going to do away with the Technology Committee and
20 Long Range Planning, and the Bio-Energy Oversight Committee. The
21 Broadband request will now go to the respective Economic Development
22 Subcommittees. I think we also need to do away with the Strategic Planning
23 and have that under the Executive Committee where it belongs. The reason I
24 want to restructure the committees is that we have too many committees and
25 we have people on the committees who don't do anything. People need to be

1 engaged. Things like Long Range Planning meet once a year, and we need
2 to get people engaged with the real meat and bones of what this Commission
3 is doing, by eliminating some of these committees and consolidating of
4 members on the really active committees like Economic Development and
5 things that we do that really make a difference, things like Agriculture.
6 There are all kinds of things we can invest our time in, and I think that
7 would make people more involved with the overall structure of this
8 Commission. We're beginning to have some people age out, and we're
9 losing some commissioners this year that cannot be reappointed, so it may
10 be a good time to start restructuring our process. Neal will be calling around
11 and start to talk to people about their interests and what they want to do and
12 start putting things in place that may have some real impact on your
13 participation. I'd like to see more and more of you participate in the
14 structure of the Commission itself, because when you have a Commission of
15 31 sometimes it's difficult to get everyone involved.

16 Having said that, Neal, will you call the roll?

17 MR. NOYES: Thank you, Mr. Chairman.

18 Mr. Banner?

19 MR. BANNER: (No response.)

20 MR. NOYES: Senator Puckett, would you like to
21 address the Commission?

22 SENATOR PUCKETT: Thank you. Some of you
23 probably know, and some of you don't know, that Steve had a little bit of a
24 medical problem about a month ago and he's had some surgical procedures,
25 and he's actually doing very well now. The doctor had given him sort of a

1 clean bill of health, and the doctor told him that some things he's going to
2 have to quit doing, and anyway, he's doing fine. He would be here, except
3 for the surgery that his wife is having, or actually she had it Monday. She's
4 in Charlottesville, and I learned yesterday that she came through the surgery
5 well and she'll be in Charlottesville probably through the week, or maybe
6 tomorrow she'll get to go home. Steve is doing well, and the latest I have is
7 that Rita Jo is doing well, too. I wanted to let you know that he was on the
8 mend and looks forward to getting back here to serve on the Commission.

9 SENATOR HAWKINS: Thank you, sir.

10 MR. NOYES: Mr. Barnard?

11 MR. BARNARD: (No response.)

12 MR. NOYES: Secretary Bloxom?

13 SECRETARY BLOXOM: Here.

14 MR. NOYES: Secretary Brown?

15 SECRETARY BROWN: Here.

16 MR. NOYES: Mr. Bryant?

17 MR. BRYANT: Here.

18 MR. NOYES: Delegate Byron?

19 DELEGATE BYRON: (No response.)

20 MR. NOYES: Mr. Day?

21 MR. DAY: Here.

22 MR. NOYES: Ms. DiYorio?

23 MS. DIYORIO: Here.

24 MR. NOYES: Mr. Fields?

25 MR. FIELDS: Here.

1 MR. NOYES: Deputy Secretary Hammond?
2 DEPUTY SECRETARY HAMMOND: Here.
3 MR. NOYES: Mr. Harwood?
4 MR. HARWOOD: Here.
5 MR. NOYES: Mr. Hite?
6 MR. HITE: Here.
7 MR. NOYES: Delegate Hogan?
8 DELEGATE HOGAN: Here.
9 MR. NOYES: Mr. Jenkins?
10 MR. JENKINS: Here.
11 MR. NOYES: Delegate Johnson?
12 DELEGATE JOHNSON: Here.
13 MR. NOYES: Delegate Kilgore?
14 DELEGATE KILGORE: Here.
15 MR. NOYES: Delegate Marshall?
16 DELEGATE MARSHALL: Here.
17 MR. NOYES: Mr. Mayhew?
18 MR. MAYHEW: Here.
19 MR. NOYES: Mr. Moody?
20 MR. MOODY: Here.
21 MR. NOYES: Ms. Nyholm?
22 MS. NYHOLM: Here.
23 MR. NOYES: Mr. Owens?
24 MR. OWENS: Here.
25 MR. NOYES: Senator Puckett?

1 SENATOR PUCKETT: Here.
2 MR. NOYES: Mr. Redwine?
3 MR. REDWINE: Here.
4 MR. NOYES: Mr. Kenneth Reynolds?
5 MR. REYNOLDS: Here.
6 MR. NOYES: Senator Reynolds?
7 SENATOR REYNOLDS: Here
8 MR. NOYES: Senator Ruff?
9 SENATOR RUFF: Here.
10 MR. NOYES: Mr. Stith?
11 MR. STITH: (No response.)
12 MR. NOYES: Mr. Thompson?
13 MR. THOMPSON: Here.
14 MR. NOYES: Senator Wampler?
15 SENATOR WAMPLER: Here.
16 MR. NOYES: Delegate Wright?
17 DELEGATE WRIGHT: Here.
18 MR. NOYES: Chairman Hawkins?
19 CHAIRMAN HAWKINS: Here.
20 MR. NOYES: Mr. Chairman, we have a quorum.
21 SENATOR HAWKINS: Thank you, sir. The
22 Chairman will entertain a motion to approve the Minutes of the April 23rd,
23 2009 meeting. It's been moved and seconded, any discussion? All in favor
24 say aye? (Ayes.) Opposed, like sign? (No response.)
25 Next up is Mr. Clarke Lewis. Welcome, sir.

1 MR. LEWIS: I appreciate that very much. Mr.
2 Chairman and members of the Commission, I'm Clarke Lewis with
3 Troutman Sanders, and I have a very brief report on the Phase I
4 Indemnification Program. As you know, the first round of Phase I payments
5 were made in June, approximately June 10th or 12th, which totaled under
6 \$19,000,000. The round included over 44,700 claims. Right now we have
7 approximately 1,500 claims totaling \$400,000 that were late because of the
8 deadline. Consistent with past years, we would like to respectfully move the
9 Commission to consider extending the deadline for payment for three weeks
10 to August 21, 2009. If you approve this deadline extension, we would notify
11 the key participants, the Farm Services agency, of this extension so we could
12 make these payments. That date is August 21, 2009.

13 SENATOR HAWKINS: It's been moved and
14 properly seconded to move the deadline to August 21, 2009. Any
15 discussion? All those in favor say aye? (Ayes.) Opposed? (No response.)

16 MR. LEWIS: Just to wrap up, we plan to make the
17 final round, the second round of payments in September, mid-September,
18 and that should catch everybody up who had late claims that you just
19 extended and also ownership changes or concerns in their applications, and
20 we're working with them to make sure they receive full payment. That's my
21 report, Mr. Chairman.

22 SENATOR HAWKINS: Thank you, sir. Thank
23 you for the good work you do. It's still amazing how you all handle this.

24 MR. LEWIS: I appreciate it, thank you.

25 SENATOR HAWKINS: Ned, Grant Program

1 Assessment. Britt, I understand you have accomplished that goal that you're
2 working on and you've got your Master's.

3 MS. NELSON: In one week, next week it will be
4 official.

5 SENATOR HAWKINS: Congratulations.
6 (Applause.) What was your grade point average?

7 MR. STEPHENSON: Members of the
8 Commission, for over 10 years now you all have gathered like this and given
9 yourselves to the task that the General Assembly set before you, which is on
10 the screen there, and that has to do with revitalizing these communities. One
11 of the nagging questions that has perplexed us throughout this entire period,
12 how do you know when you have done that, and how do you measure this.
13 These questions have come many times since I've been here. The Blue
14 Ribbon Panel which you engaged raised this as a big issue, that of what is
15 revitalization and how do you measure it. Without answers to those
16 questions it's hard to gauge the success of the organization. I have the
17 privilege this morning of telling you that we have the answers to those
18 difficult questions. We have brought to bear on this project some of our
19 most seasoned Tobacco Commission talent in Britt Nelson. She has been
20 working very diligently behind the scenes with some professional help to try
21 to answer these questions, not only for us, but more importantly for the
22 public who is looking at us and wanted to see progress from our efforts. I'm
23 please this morning to have Britt come before you and tell you the work that
24 she has done, the logical process she has been through to bring us to the
25 point where we can answer these questions today, then we can measure it

1 periodically going forward to detect your progress.

2 Britt, would you tell us about your work?

3 MS. NELSON: I first want to give you a snapshot
4 of what we've been up to for the last year since last July. Since that time
5 we've worked on taking an assessment of our program which you are seeing
6 now in your quarterly packet along with the grant reports, and we'll talk
7 about this quarter later in the presentation. Beginning with the winter of this
8 past year, Ned and I met with the Department of Planning and Budget,
9 which runs Virginia Performance, which is the on-line portal for which all
10 state agencies report outcome measures and strategic planning available for
11 public viewing. It's a statewide initiative. We want to be part of that,
12 although we're not required to, but we went to them and asked to be
13 committed on there and give the Tobacco Commission access to upload the
14 data.

15 We began researching and getting our arms around what
16 potentially could be the matrix. We came up with and decided it would be
17 best to turn it over to an expert in the field to verify the feedback. In the
18 spring of this year we contacted Chmura Economics and Analytics to define
19 revitalization and to assess our current grant database and data collection, as
20 well as to recommend a score card metric system to answer these questions.
21 A few weeks ago Chmura Economics and Analytics finalized that report,
22 which is on page 33 of your packet. This is the process that we intended it
23 to be, that we build it correctly the first time, and this would be a great
24 platform to start with. This was shared back in April with the Executive
25 Committee and how Chmura has defined revitalization for the tobacco-

1 dependent communities, more stable, more diversified, and a growing
2 economy that leads to a higher living standard.

3 From that we'll take a closer look at specific examples. Again,
4 all this is in your packet. More stable, a reflection of less fluctuations during
5 recessions, as well as expansions in the business cycle. We want to make
6 sure we build a stable economy and wages. More diversified, less dependent
7 on volatile industries or one or two industries, which we look at in terms of
8 employment in the top five sectors of our region. Growing economy,
9 including increasing employment as a goal and higher living standards and
10 benchmark average wages. This boils down to coming up with logical,
11 reliable, consistent available metrics to go after to assess the component.
12 We need to have representatives that we can go to with that approach that we
13 have internally in Chmura, having data that is available that we would have
14 to pay for on an annual basis. Since formatting and reporting and how it's
15 calculated so that when you're benchmarking and looking at progress you
16 can compare apples to apples.

17 The other commitment that we had in mind when we did our
18 metric was what we had termed relative to. Simply looking at the tobacco
19 region will not tell us a lot, and we need to benchmark from the perspective
20 of where we are in terms of control groups. Chmura recommended that we
21 define that as all counties and cities in Virginia minus the tobacco region and
22 minus the three largest MSAs, comprised of Northern Virginia, the Hampton
23 Roads-Virginia Beach area, and the Richmond MSA, and those are the three
24 largest. You take the counties out within the MSAs, that leaves 47 in the
25 control group, and the tobacco region with its cities and counties, it's kind of

1 an equal footing in terms of who we're comparing ourselves to, other rural
2 areas similar to ourselves. Then collectively we would create a ratio of our
3 progress and their progress, which is what would be put on Virginia
4 Performs. However, internally and for information and what's noted here,
5 you can break that out by Southside and Southwest. In terms of Virginia
6 Performs, one number that gets reported will be the ratio and the difference
7 between where we are to that control group in terms of --

8 SENATOR HAWKINS: -- I apologize for
9 interrupting. Those in the back that can't hear and would like to hear this
10 presentation, walk to the front and stand against the wall if you need to, or
11 find a chair, because I hate to have you miss this fairly comprehensive
12 discussion.

13 MS. NELSON: With all that leading up to what
14 are the actual outcome measures that were proposed that we intend to use on
15 Virginia Performs for reporting to the Board. Job creation, workforce
16 participation rate, wealth, diversity, capital investment and education level.
17 Going back to that reliable and credible forces, VEC, Department of
18 Taxation, SuperCenter, U.S. Center and the National Center for Education
19 Statistics to gather our data.

20 With that I'd like to jump right into the scorecard. It's rather
21 small on the screen, and I do apologize, but you have this in your packet on
22 page 54. With that I can walk through some of these and try not to get too
23 scientific. I'm not going to break out the calculations for you unless you'd
24 like to know them, and this is kind of summarized. Essentially, we took a
25 look at the data going back to '06 up to '07. Each one of those scores has

1 different publication times. Some data will only be available on an annual
2 basis, and others will be available quarterly. In some cases you won't see a
3 change in the metrics for another year. They did create one showing
4 changes from '06 to '07, even up to '08 the data was available. Starting with
5 job creation and looking at the percentage of change in employment from
6 one year to the next. The workforce participation rate, taking the sum of all
7 age eligible workers, 18 and older and taking that percentage in relation to
8 the overall population. We have wealth in which we look at the average
9 wages of employee earnings within the region. In this case it's relative to the
10 state, but we know that we want to set the control group as our benchmark.
11 Diversity is the percent of employment in the top ten private employers.
12 Capital investment per resident, and that takes into account the sum of
13 property values, machinery and tools, and those are what we consider
14 personal property, excuse me, capital investment, and we calculate that out
15 by per resident, and then you have education level. Since the Commission
16 has devoted a lot of its efforts to, the Committee has spent time working
17 with Virginia community colleges, and the data is there to collect for that,
18 and we're looking at associate degrees awarded per thousand within the
19 population. The first four are considered to be outcome measures, and the
20 last two, the education and capital investment, are considered to be ladders.
21 They are what lead to the outcomes as provided by Chmura.

22 Is there any question on the scorecard basis or the data?

23 SENATOR REYNOLDS: If I just might mention
24 education and the associate degrees. The challenge, I think, is to look at this
25 and really understand what it means. What I'd like to say is that one of the

1 things that I take, let me put it this way. Who knows what those figures
2 would have been were it not for what's been done by the Tobacco
3 Commission. I cannot help but believe that even though, I think one of the
4 interpretations is that those are negative to a degree, and how much more
5 negative would they have been were it not for the grants that the Tobacco
6 Commission made to the education. I hope that's a fair remark to say. Do
7 you want to comment on that?

8 MS. NELSON: That certainly was an argument
9 we had with Chmura, and Chmura shared the same thought that, certainly
10 takes that position. So, yes, we would agree.

11 SENATOR HAWKINS: Senator Reynolds, it's
12 almost impossible looking at the raw figures unless you understand the
13 population that we're talking about. When you understand the population
14 and you know what's taken place in these communities. Sometimes it's hard
15 to explain unless they live here.

16 DELEGATE MARSHALL: One of the things to
17 expand on what Roscoe said. When we go back into the General Assembly
18 session, folks are going to be looking for money, and if they look at a
19 number like this and they say out of the billions of dollars you've invested
20 here, you're still three percent or less. I think we've got to come up with an
21 argument for what Roscoe has said and make sure that if we had not done
22 that, where would we be.

23 SENATOR HAWKINS: Going back and looking
24 at the demographics of this area a couple of years ago, or several years ago,
25 and the number of people who completed high school and the number of

1 people who completed grade school and look at where we started from and
2 look where we are today. I think it's improved a great deal, and we've made
3 progress.

4 MS. NELSON: On that note, Mr. Chairman, the
5 next slide, now that we have a system in place we're in the process currently
6 of going back historically to 1999 where more data is available going back
7 that far and collecting the outcome and the metrics that we described to get
8 an overall historical snapshot. Some of it's favorable, and in some cases you
9 may not see what you think might be there, but it's good to know either way.

10 SENATOR HAWKINS: I think it may be of some
11 interest to find out how many people in our demographics have achieved an
12 associates degree, 35 and older, as compared to the other areas of the state.

13 MS. NELSON: Along that note, too, going back
14 we need to come up with benchmarks and goals, and we plan to work on that
15 next and have it available for your review in October. After we've selected
16 all the data and process it and collected it, we'll next forward it to the
17 Department of Planning and Budget for them to finalize their review and
18 actually publish. Right now this is internal and not been published on
19 Virginia Performs yet. This will be very soon.

20 Lastly, an annual update, and as data sources become refreshed
21 we'll update that information, again on an annual basis, to Virginia Performs,
22 and we're still sorting through the best way to report to the Board with the
23 scorecard, whether it be annually or quarterly.

24 SENATOR REYNOLDS: Was there any specific
25 reason for excluding college graduates and just using associate degrees?

1 MS. NELSON: No. We had a hard time in
2 identifying reliable and credible data sources. We welcome if anyone has
3 suggestions or recommendations for where to find data. We also welcome
4 help in modifying this next step that Ned and I plan to do now that we have
5 Chmura's information and kind of tweak it so that it will best reflect what we
6 want to measure. It was not intentionally ignoring, but it was simply the
7 data that was there.

8 SENATOR RUFF: That category is just associate
9 degrees; it does not pick up certifications for particular things.

10 MS. NELSON: No.

11 SENATOR RUFF: I think that's very misleading,
12 because I'm not sure an associate degree or how far that takes you down the
13 road. Either a college degree or a BA or BS or a certificate program is going
14 to lead to more job opportunities than an associate degree. I think we need
15 to figure out how you can put that certification in there.

16 MS. NELSON: We will continue to note that and
17 continue to look at what other sources may be out there to help capture those
18 other areas we're involved in.

19 MR. NOYES: Mr. Chairman, the methodology is
20 always a work in progress. No single report, whatever metrics, accurately
21 represents all progress for all deficiencies. It must have the comparability.
22 That's what Britt has been working on very, very hard for the last year with
23 Ned. We will be tweaking the methodology, and we'll be looking at other
24 data sources that are public use data sources, and we will have regular
25 updates available for this Committee that will fine tune what we're looking

1 at. The idea of college degrees, I think probably there is measurable data
2 that we can measure the tobacco region against the control group.
3 Certifications, I don't know where the data are for that. We'll certainly look.

4 MR. HARWOOD: Obviously, this is trying to
5 measure where we're going. According to this report, we've done 1,600
6 loans; that's got to have an impact, these are college degrees. I think maybe
7 they're all important.

8 MS. NELSON: The total is actually like 10,000,
9 the cumulative amount of money.

10 SENATOR HAWKINS: That's why I think you
11 need to have some sort of information in hand to look at to make sure that it
12 kind of balances out. We can all get lost in the minutiae of statistical
13 information and try to keep focused on what we're trying to accomplish.
14 Trying some goals that we can start comparing things to that really give us
15 an idea of what accomplishments have been made. It's a difficult thing to
16 deal with, and I think you've done an outstanding job so far trying to bring
17 this together, because it's like trying to put smoke back in bottles.

18 MS. NELSON: That completes that. Lastly, I'd
19 like to refer you to pages 63 through 68, where you'll find the grant reports
20 from the committees. We've been diligently working to enforce the new
21 extension policy and work with grantees that need additional time beyond
22 the new policy that was set, I believe, three years ago, the time frame to
23 wrap up project activity. Since that time several grants have closed out. For
24 the most part now we're looking at a time frame of 2004 and 2005 trying to
25 clean up the books for '02 and '03 grants.

1 SENATOR HAWKINS: Once again, thank you,
2 congratulations on completing your Master's degree.

3 MS. NELSON: I'd like to thank the Commission
4 and the Staff for being so supportive during the last two-and-a-half years and
5 being understanding of my schedule. I appreciate that.

6 SENATOR HAWKINS: Thank you. Let me say
7 for the people in the back who did not get an opportunity, this will be on our
8 website, and you can pick up and read it at your leisure.

9 MR. NOYES: I don't know if it's a leisure time
10 activity, but at their convenience.

11 SENATOR HAWKINS: I'll yield to our Executive
12 Director.

13 MR. NOYES: Mr. Chairman, thank you. Prior to
14 the meeting this morning, Senator Ruff asked me to provide an update, such
15 as I can, on the status of the five R&D centers that were a year ago approved
16 for construction and renovation. I'll try to run through those, and I see
17 Rachel is here and can speak to the details. I saw Bob earlier, and John is
18 here for Danville and the Institute. All are in design, I believe all are in final
19 design and none have broken ground, to the best of my knowledge. I believe
20 the first one we anticipate that will break ground, bearing in mind that the
21 bag factory project in South Boston is a renovation. We anticipate that
22 renovation would go forward perhaps as early as this year. Delegate Hogan
23 knows more of the details on that, when the renovations will actually go
24 forward.

25 In Wise county, we expect that one to break ground the first,

1 and then Bob I believe in Bedford in October, and that one may be first.

2 Rachel, you're looking at what?

3 MS. FOWLKES: Early spring.

4 MR. NOYES: Early spring. John?

5 JOHN: Probably in the winter.

6 MR. NOYES: This winter?

7 JOHN: Yes.

8 MR. NOYES: Thank you. Anyone here from Big
9 Stone?

10 UNIDENTIFIED: In South Boston the renovation
11 has begun on the bag factory.

12 MR. NOYES: It has begun, so we have that one
13 underway. The Senator asked me to have, as part of the Board book at our
14 next meeting, a description of the progress reports from each of the projects,
15 so I will ask each of the directors to work with Staff and get those available
16 in time to be included in the Board book.

17 SENATOR HAWKINS: Thank you. Any
18 questions or comments?

19 Moving right along, Delegate Hogan.

20 DELEGATE HOGAN: We met last week and
21 went over the guidelines that were developed, and I'm assuming that they're
22 on the Internet as amended. Where is Ned?

23 MR. STEPHENSON: Here.

24 DELEGATE HOGAN: I confess I didn't look
25 them up on the Internet, but I'm assuming they're posted, what we had before

1 us. Is that accurate, Ned?

2 MR. STEPHENSON: Well, they're not posted
3 until you approve them today, and then they'll go out.

4 DELEGATE HOGAN: There's an outline in this
5 book, and it's a reasonably elaborate process. Two meetings ago we asked
6 VEDP to work with some of the higher institutions about some of the
7 structure, basically, to evaluate the technological and commercialization
8 piece of these projects. I think the argument that the Committee adopted
9 was that this Commission and this Staff is not really equipped to sort out
10 which battery technology is best or which solar panel works better, or any of
11 a number of other technologies or how any of these, like biofuels, work from
12 a technical standpoint; and that's beyond the purview of the resources that
13 we have available. The idea was to outsource that evaluation process to
14 people who are technically competent to make it. I think we've got a
15 structure that is fairly good and that will allow us, hopefully, to not make
16 ignorant mistakes. It's okay to be wrong, but don't be stupid wrong.

17 Hopefully, with the help of this Committee or Commission or
18 entity or however you want to define it, we'll have the ability to make
19 informed decisions. As is always, and certainly in this case, the final
20 decision on whether grants will be offered will be made by the full
21 Commission through the appropriate committee and then the full
22 Commission. We're not turning over our money to someone to spend.
23 We're asking them to say in their informed opinion is this technology worth
24 investing in or not. I think those guidelines are before you, and I would so
25 move their approval.

1 SENATOR HAWKINS: Any discussion?

2 DELEGATE KILGORE: I'm not sure we cleared
3 this up at the meeting this past week. Who, actually, for a project, who
4 chooses the people from Virginia or Virginia Tech or various colleges?

5 DELEGATE HOGAN: Someone is going to have
6 to say that, here I think the issue that we struggled with is the people that
7 would evaluate the biofuel version are different people than people who
8 evaluate batteries, and you could go on and on with that. From among the
9 experts who exist in those institutions, the appropriate people will be chosen.
10 I would make a note, as the approval last week went, that the Commission-
11 funded energy center that is on there is chosen by the Staff initially and
12 appropriately a non-voting member, on the theory that this is technically an
13 advisory committee and this is for science, and should we invest in nickel
14 cadmium technology or that type of thing. Which one makes sense for this
15 application, and will it work?

16 DELEGATE KILGORE: Would it be a problem
17 or an objection if we had one of our Staff members, or if we had somebody
18 here that works for the Commission that would be participating with this
19 project review or with the panel?

20 MR. STEPHENSON: Well, on that point,
21 Delegate Kilgore, as you wish, Staff will do as you ask. I think it's clear that
22 Staff does not bring to that table any particular scientific expertise, and that's
23 the whole reason there would be a panel considered for that role. For
24 clarity's sake, I would like to draw your attention to page 31, item number 8,
25 the last line on the page. I believe this is the spirit in which the committee

1 wanted this to go, but that item reads that "the review panel is to be
2 impaneled and managed by VEDP, with notice of participation disclosed to
3 the Commission". The panel is something that VEDP will organize, manage
4 and run according to the guidelines they put before you. If that's the will of
5 the Commission, that's fine. If that's different from what you want, now is
6 the time to slow down and figure that out.

7 DELEGATE HOGAN: Mr. Chairman, we talked
8 about this yesterday a little bit. I think what we're asking for from this panel,
9 if you read through the guidelines, the Commission Staff on the front-end
10 has quite a lot of influence, and the Staff of our Commission is not turning
11 this loose. These projects will come through them once they meet a variety
12 of criteria, and we can enumerate those. Then that would be passed to this
13 entity to be evaluated from a technical standpoint. When I say technical,
14 number one, it's the science work, and does it make sense. And, number
15 two, is there a reasonable expectation that it can reach commercialization
16 within the footprint of the Commission.

17 SENATOR HAWKINS: It's my understanding
18 what we're trying to accomplish is to make sure that we have the expertise
19 on the front-end to say if it's feasible or not. If it's feasible and makes sense
20 from a business model, it would come to the sub-committee that is in place
21 that reviews it like anything else we do, and we fund those which have the
22 most impact on the communities that we represent. That's basically it.

23 DELEGATE HOGAN: That's correct. The reason
24 we went out and looked for this was, do you want the Commission and its
25 Staff to be picking and choosing between what technology is the best.

1 SENATOR HAWKINS: No, we're not going to do
2 that.

3 DELEGATE HOGAN: That's what we're asking
4 you to do.

5 MR. NOYES: If I may, Delegate Hogan, correct
6 me if I'm misunderstanding what your R&D Committee did. What I
7 envision, this would be a two-step process. Applications will come in, and I
8 will notify the Chairman of the Committee when there are some numbers of
9 those that meet the threshold criteria, and then have a meeting. At that initial
10 meeting of the R&D Committee, that Committee will decide which of those
11 applications it wishes to receive to refer for this analysis on the scientific and
12 the commercialization potential. There may very well, and I would expect
13 there will be, instances where the R&D Committee at this initial point will
14 wish to go forward with the project and will bring that for consideration by
15 the full Commission. There will be others where they'll say we need that
16 expertise. At that point it will go over to VEDP and this process. What
17 percentage, I don't know; I think we ought to probably try it for about six
18 months and see if it works.

19 DELEGATE HOGAN: Mr. Chairman, never in
20 any discussion that we had in the R&D Committee did we ever consider the
21 project going straight from the Research Committee straight to approval. All
22 of these projects will entail some evaluation. I never heard that discussed at
23 any point in this process or in any public forum. That is not part of the
24 recommendation that's come before us. This Commission works along, and
25 it changes its rules as it sees fit. This is a brand new process we're putting in

1 place, and I'm sure as that Committee moves forward they will do what's
2 justified. To be clear, the process Mr. Noyes laid out is not part of the
3 recommendation before you.

4 SENATOR HAWKINS: Any other comments or
5 discussion?

6 SENATOR WAMPLER: I don't know if the Chair
7 meant to leave out an important part of the process. If this Commission does
8 not make a strong statement to the Virginia Economic Development
9 Partnership that we expect you to impanel a group that will review projects
10 that have a reasonable expectation within 36 months to create jobs within the
11 footprint, I'm afraid the Partnership will attract the research to Virginia but
12 we'll find the ground being broken outside of our footprint. Please let me
13 finish. That has to be very clear, because the Partnership grades themselves
14 on creating jobs in the Commonwealth. Our fiduciary responsibility, Mr.
15 Chairman, as members of the Commission, is to create jobs within the
16 tobacco region. If we're not very, very careful we'll fund the research only
17 to find the jobs are being created elsewhere, which is why I think we need to
18 be very, very careful as to how we impanel those who review the projects.
19 The answer is, I think we have to have an agreement within this Commission
20 to review in a timely manner those who the Partnership recommends to be
21 placed on that panel.

22 Mr. Chairman, that's an observation, and some may disagree
23 with it, but I feel very strongly about it.

24 SENATOR HAWKINS: Thank you, I think that
25 underscores that which we have talked about for the last several years,

1 making sure the money is reinvested back in these communities. I think
2 you're right on target to make sure that happens.

3 DELEGATE HOGAN: I couldn't agree with
4 Senator Wampler more on the point he just made. I agree with that a
5 hundred percent. My only question is, how do you accommodate, or if you
6 have 10 projects that you're asking this committee to look at, I think they'll
7 be different people; if one of them is a solar project, people will be different
8 from people who would be dealing with another area. I don't know how we,
9 if the Executive Committee or another appropriate committee were to
10 evaluate, that group will be fluid, so I don't know how we accommodate his
11 concern, other than to say what he said. Then, ask that committee to justify
12 why they think that if we invest in this wind turbine technology it's likely to
13 be manufactured and operated within the footprint. I think that's something
14 the committee is going to have to work out with this evaluation on an on-
15 going basis. I don't know how to accommodate that.

16 SENATOR HAWKINS: I think the important
17 thing is to make sure we stay on top of that question and not let it get away
18 from us and putting the language down as strongly as we can and making
19 sure that those decisions are based on that one assumption, that this stays in
20 our area.

21 Building on that, Senator Puckett has agreed to chair the next
22 sub-committee that will take this hopefully to the next level, and Delegate
23 Byron would be the co-chairman, to try to make sure that there is a filter
24 there to understand these appointments and understand how this money is to
25 be invested, to make reports back to the committee in a timely manner so

1 that we know who is there and what expertise is being brought to the table
2 and what was the discussion and how we're leveraging these things with our
3 friends in the capital city north of the Potomac to come down and reinvest in
4 these areas as well. So, it's an ongoing discussion.

5 William, anything that you can come up with for language to
6 strengthen this, I certainly would support it.

7 SENATOR PUCKETT: Mr. Chairman, item four,
8 Grant Terms, that clearly indicates, I think, what William has said, unless
9 I'm missing something. "Total project cost funded by the Commission must
10 be spent in tobacco region." That's about as plain as it can be.

11 DELEGATE HOGAN: Mr. Chairman, I think the
12 response, or William's concern, it's reasonably easy to decide if the funds
13 we're putting in these grants for research are spent in the Commission.
14 That's easy to control. I think what he's concerned about, and I am too, is
15 that research gets done here, and if it works, business is developed in
16 Loudoun County. We have the advantage of doing the research, and we
17 meet all the criteria. I think what he's trying to say is that if you had to
18 choose between a project that was likely to be commercialized here and one
19 that was likely to be commercialized in the Silicon Valley, we ought to be
20 focused on the ones that can be commercialized here. Is that a fair
21 description?

22 SENATOR WAMPLER: I agree with him a
23 hundred percent. I don't know how to fight that, other than you and other
24 members of that committee will have to make some judgments, ask those
25 questions and satisfy yourselves. Not every one of them will, and I can

1 guarantee that, and then we get into what happens to the IP if somebody
2 goes outside the footprint, how do we get reimbursed for the IP. How that
3 works is what I think he's trying to get to. I agree with him, and I don't
4 know how to write it, other than to say do due diligence.

5 SENATOR HAWKINS: This is a fairly important
6 discussion.

7 DELEGATE HOGAN: Is that a fair description,
8 Senator Wampler?

9 SENATOR WAMPLER: Yes.

10 SENATOR HAWKINS: Let's continue the
11 discussion and follow along and make sure people understand what we're
12 trying to accomplish. William, does that answer your question?

13 SENATOR WAMPLER: Mr. Chairman, we're
14 about to spend \$100,000,000. That's a huge chunk of our corpus. While
15 somebody probably will object to saying the R&D Committee ought to meet
16 and review, and that would take a lot of meetings to do that, we'd better
17 make sure we get it right. I'd say once the Partnership makes a
18 recommendation who the panel is going to be, then that committee could
19 meet and say, yes, we like who the Partnership has recommended to review
20 these projects; or if not, we might say, we will find an alternative out-of-
21 state institution or in-state institution of higher education to review them. I
22 don't think we should abdicate our ability to influence what you're going to
23 research and the likelihood of that research being monetized or
24 commercialized within the footprint. I think the committee could have
25 another bite at that apple by looking at the appointees from the Partnership.

1 SENATOR HAWKINS: Hopefully, that will take
2 place.

3 MR. MAYHEW: Mr. Chairman, I'd just like to
4 add my comments here. I think we should approach this \$100,000,000 with
5 the idea that unless something is really worthwhile and very exciting and a
6 lot of pluses come forward, that we not necessarily feel that we've got to
7 spend it. That we be very stringent in scrutinizing where it goes and not feel
8 like we've got three years or four years that we've got to find good projects
9 and find something to spend it on, rather than just waiting, or maybe not
10 waiting, but really holding the purse strings pretty tightly.

11 DELEGATE HOGAN: I think all we're asking
12 this group to do is to evaluate the technology and the commercialization.
13 We've had a lot of discussion about this. What I'm afraid of, and let's walk
14 through how this works. This is a lot of money and this is great money for
15 matching Federal stimulus dollars and other dollars. I've heard people from
16 all over the country say that with this \$100,000,000 you put your area in a
17 place that is unique, because other people don't have access to matching
18 funds. If you're smart, you can really do some good things with that. So,
19 let's walk through that. Somebody comes to Mr. Day's district. They've got
20 a great project, and they've got \$15,000,000 Federal DOE money, and they
21 need \$6,000,000 from the Commission to match that. They talk to the
22 economic development people in his district, and this is a great project, and
23 it's got all this stuff, then they make their presentation, and then you go to
24 the committee to get the money. Mr. Day is an advocate for his community,
25 and I'm picking on Bernie, but this would apply to every single member of

1 this Commission; he is going to feel obligated to push for that project.
2 We've all seen that the whole time I've been on this Commission, I think
3 that's true for everybody else. Is Mr. Day in a position to evaluate
4 sequestration technology and micro-wind turbine technology?

5 MR. DAY: Absolutely.

6 DELEGATE HOGAN: I think if you don't ask
7 someone who is technically aware of those issues to make an independent
8 judgment, then we're going to get ourselves into funding projects that are in
9 people's areas and people's jurisdictions without spending adequate time to
10 evaluate it. Certainly when that recommendation comes back to the
11 committee, I think the committee is well within its purview to say this
12 project looks like to us it will end up in Loudoun County and not in the
13 Tobacco Commission, and we don't want to fund this one; and that's their
14 job. I don't think you'd want to politicize a technical evaluation.

15 SENATOR REYNOLDS: Mr. Chairman, it would
16 seem to me, and maybe I'm missing something, I'd like to ask counsel about
17 that. During the process of making that decision, could not conditions be
18 placed upon the recipients who benefit to make restitution in the event that
19 they decide to make their investment outside the footprint?

20 SENATOR HAWKINS: I would think that
21 certainly could be possible, yes.

22 DELEGATE KILGORE: If you look under
23 eligible projects, the definition on page 31, and go across in the second
24 sentence, and it says, "Commission will have a bias for commercialization
25 within 36 months." Why couldn't you add something there, "within the

1 tobacco region", so that Senator Puckett and his committee would know that
2 we would have a bias toward commercialization within 36 months within the
3 tobacco region?

4 DELEGATE HOGAN: Mr. Chairman, that's a
5 friendly amendment; when looking at a larger document, I see no harm in
6 adding that amendment.

7 SENATOR HAWKINS: Does everyone
8 understand that amendment? Is there a motion?

9 SENATOR REYNOLDS: So moved.

10 SENATOR HAWKINS: It's been moved and
11 seconded the amendment be adopted to the document. Any discussion? All
12 those in favor?

13 Yes, sir?

14 DELEGATE WRIGHT: Mr. Chairman, what does
15 the word "bias" mean?

16 SENATOR HAWKINS: That you've already had
17 your mind made up.

18 DELEGATE WRIGHT: Is that the way it's going
19 to be?

20 SENATOR HAWKINS: With a bias you have a
21 presumptive desire to do something one way or the other.

22 DELEGATE WRIGHT: Maybe lawyers ought to

23 --

24 MR. NOYES: -- In 36 months that's going to be
25 reality that the committee is going to want to recommend. Bias is in favor

1 of, that's your term.

2 DELEGATE WRIGHT: So it would be in our
3 footprint within 36 months?

4 SENATOR HAWKINS: They've got some
5 language down there to work with. Any other discussion? All in favor of
6 adopting that amendment say aye? (Ayes.) Opposed? (No response.) It
7 carries.

8 DELEGATE HOGAN: If there's no further
9 discussion I move adoption.

10 SENATOR HAWKINS: The adoption has been
11 moved and seconded. All right. This is critical, and we need to make sure
12 that as the discussion goes on we understand fully the impact of what we can
13 have in our area. I think Senator Wampler is absolutely right; we need to
14 make sure that it stays where we want it to stay. To do that, it might require
15 us to look at it on a daily basis; and thank you, very much.

16 SENATOR WAMPLER: Any discussion?

17 SENATOR HAWKINS: Discussion, thank you.

18 SENATOR WAMPLER: Will there be an
19 opportunity for any groups of the Commission to review the appointment of
20 the Partnership before they're impaneled to do their review?

21 SENATOR HAWKINS: I certainly intend that to
22 be the case.

23 MR. NOYES: That can be accomplished at an
24 initial meeting of the R&D Committee where the R&D Committee is asked
25 which projects they wish to recommend to go forward for the technical

1 analysis. That is that initial step I described earlier.

2 SENATOR HAWKINS: Does that answer your
3 question, William?

4 SENATOR WAMPLER: No.

5 SENATOR HAWKINS: The language in this
6 adoption, we will make sure that happens.

7 MR. DAY: What if we get into a situation where
8 we have a prospect that has two locations, and they want to put one in the
9 footprint and one outside of it?

10 DELEGATE HOGAN: I think that's something
11 that has to be dealt with on a case-by-case basis. One thing we talked about
12 to the extent that we're developing or we're paying for the development of
13 intellectual property. My hope would be that within the footprint, or my big
14 concern is that with a contract, if you get a business that really has an
15 interesting promise of technology and they come to us and we support that
16 development and they get with any higher institution, including in-state or
17 anywhere, and they develop it, and then at that point, we've seen this happen
18 to a lot of other places, they then have to buy the IP back that we granted
19 them so they can do what they want to do. That will be very, very
20 contentious. But I think part of that effort, the answer that makes the most
21 sense to me, is that that IP stays in the footprint. If they develop the
22 commercialization within the footprint, maybe it doesn't cost anything. If
23 they develop it outside the footprint, probably got to buy it. I think those
24 structures will have to be looked at on a one-by-one basis. I don't think you
25 can come up with a set of rules that will always work in that instance.

1 SENATOR HAWKINS: I think it's going to be
2 very important when the meeting takes place and the protocol that this works
3 under. We'll just have to make sure that we cover these bases as we move
4 along. Any more discussion? All those in favor of adopting the
5 recommendation as has been amended say aye? (Ayes.) Opposed?

6 DELEGATE WRIGHT: No.

7 SENATOR HAWKINS: Next, we'll hear from the
8 Southside Economic Development Committee, Ed.

9 MR. OWENS: This will be brief. The Southside
10 Economic Development Committee met, just a few housekeeping things on
11 two grants that have already been approved by the Commission, so really
12 there is no report to the Commission on that. That's my report.

13 SENATOR HAWKINS: Any questions about the
14 report that is no report? Thank you, sir.

15 Moving right along, Senator Wampler.

16 SENATOR WAMPLER: Mr. Chairman, Special
17 Projects met, and we reviewed about \$32,000,000 worth of projects with a
18 budget of \$7.3 million. The Staff recommendations were modified just a
19 little bit. You have in your packet some 12 recommendations from the
20 Special Projects Committee. Many of the projects that did not receive
21 funding were referred to respective Economic Development Committees,
22 Southside and Southwest, for future consideration. All but one project
23 received pro rata or a reduced amount in terms of recommendations, the
24 recommendations on page 18 of your handout, \$7.321 million. If there are
25 no questions, Mr. Chairman, I would make a motion to adopt the same.

1 MR. OWENS: Second.

2 SENATOR HAWKINS: It's been moved and
3 seconded that the recommendations of the Special Projects Committee be
4 adopted. Any discussion on that recommendation? All in favor say aye?
5 (Ayes.) Opposed? (No response.) Motion carries. Thank you, Senator
6 Wampler.

7 Delegate Hogan, we need to go back.

8 MR. NOYES: Delegate, on the \$750,000 amount.

9 SENATOR HAWKINS: Does everyone
10 understand the recommendation to fund, or initial funding, \$750,000 for
11 each of the centers? Any discussion? It's been moved and seconded. All
12 those in favor say aye? (Ayes.) Opposed, no?

13 DELEGATE WRIGHT: No.

14 SENATOR HAWKINS: That completes that
15 section. The Executive Committee report, Delegate Kilgore.

16 DELEGATE KILGORE: First of all, Mr.
17 Chairman, we met yesterday afternoon and had some motions, but the one
18 that we did take up was the fact about hiring independent counsel, and we
19 didn't do that, and I'm going to turn that over to Neal.

20 MR. NOYES: Ladies and gentlemen, we just had
21 a discussion that points to the complexity of dealing with intellectual
22 property as a result of investment by the Tobacco Commission. There was a
23 full discussion of this matter in the R&D Committee, and it was my intention
24 to include it as an agenda item for the Executive Committee yesterday, and I
25 didn't get it done, and I apologize for the Executive Committee. It will be

1 vital to the success of the R&D program for this Commission to engage
2 counsel to assist as we muddle through issues such as IP commercialization
3 and other issues related to the course of the business of that committee.
4 Going into a research program without counsel would be a mistake. I have a
5 motion that Delegate Kilgore, the Vice Chairman, that I hope will be heard.

6 DELEGATE KILGORE: I'll go ahead and make
7 this motion, and then we can have discussion. Be it resolved that the
8 Executive Director of the Tobacco Commission be hereby authorized to
9 enter into a letter of engagement with outside counsel, legal counsel for
10 services related to the work of the Commission Research and Development
11 Committee. The terms of the engagement shall be within those authorized
12 by Section 3.3 of the Commission's by-laws. That would be my motion.

13 SENATOR HAWKINS: There's a second. Any
14 discussion? Anyone have any questions on that? Members ready to vote?
15 All those in favor say aye? (Ayes.) Opposed?

16 DELEGATE WRIGHT: No.

17 DELEGATE KILGORE: Next, Mr. Chairman, at
18 the Executive Committee yesterday we had some budget amendments. If
19 you will turn to page 11 and the first budget amendment we'll deal with.
20 Stephanie brought this up in the presentation, and if there are any questions
21 on the details, Stephanie will be here to answer those. It was to increase the
22 budget by \$5,630,466.78 from unclaimed indemnification and interest
23 earnings. In the indemnification there were some questions about why it's so
24 high and that's normally about what it is, and in talking with Clarke Lewis
25 they've been able to send out about 95 percent of the money every year, and

1 this is about normally what it is. It didn't exactly come out like the motion
2 on page 11, so I'll go through the amendment and the way we adopted it
3 yesterday.

4 The first one, or the budget amendment would be, transfer
5 balance of 2007 and 2008 unclaimed indemnification when it becomes
6 available to Agribusiness, and that would be Mr. Bryant's motion. That's the
7 first two lines on page 11, unclaimed indemnification, 2007 and 2008, just
8 over a million dollars, and that would be transferred to Agribusiness, and I
9 would so move, Mr. Chairman.

10 SENATOR HAWKINS: Any discussion? Does
11 everyone understand what we're trying to accomplish with this?

12 DELEGATE KILGORE: The reason for Mr.
13 Bryant's motion, and correct me if I'm wrong, this came from the farmers,
14 and he thought it should go back to the farming community.

15 DELEGATE JOHNSON: Mr. Chairman, is there a
16 statute of limitations as to when claims can be made?

17 MR. NOYES: Yes, there is. It's a full year after
18 the final date that's authorized by the Commission. That's August 22nd.

19 DELEGATE JOHNSON: None of this money
20 would be affected or be included in --

21 MR. NOYES: -- No, the move doesn't actually
22 take place until the 23rd, or midnight on the 22nd.

23 DELEGATE KILGORE: That's why I said when
24 it becomes available.

25 SENATOR HAWKINS: So people understand

1 why it's going to the Agribusiness Subcommittee is for the normal process
2 for investments in Agribusiness projects. It's been moved and seconded. All
3 those in favor say aye? (Ayes.) Opposed? (No response.)

4 DELEGATE KILGORE: Next, Mr. Chairman,
5 another budget amendment adopted yesterday is to transfer one million of
6 the unbudgeted interest earnings to Southside Economic Development and
7 earmark for Halifax Education Foundation.

8 SENATOR HAWKINS: Clarke, do you want to
9 give an explanation of that?

10 DELEGATE HOGAN: I'll try to give you the
11 short version. Because of the way the Energy Center and South Boston
12 combined with the Foundation, the Education Foundation, the advanced
13 manufacturing piece of that which Dr. Inge referred to is going on right now.
14 We had some conflicts internally trying to create a budget for this process to
15 go forward and hire people and move these programs forward, and this
16 money will allow us to do that. I think the task from the Executive
17 Committee to Southside was that now we've got to sit down and create a
18 budget that lays it out for the next three years, and that money makes it
19 possible for us to really do some positive things, both in the advanced
20 manufacturing. I appreciate the Executive Committee's cooperation. That's
21 the motion.

22 SENATOR RUFF: As I remember it, I thought
23 that the budgeting structure was part of that motion.

24 DELEGATE HOGAN: It is.

25 SENATOR RUFF: I didn't hear it.

1 DELEGATE KILGORE: One million of
2 unbudgeted and earmarked for Halifax, the Educational Foundation.

3 DELEGATE HOGAN: A budget will be
4 produced.

5 SENATOR HAWKINS: An adequate budget is
6 being produced. Does everyone understand that position? Any further
7 discussion? It's been moved and seconded. All those in favor say aye?
8 (Ayes.) Opposed? (No response.)

9 DELEGATE KILGORE: Mr. Chairman, that
10 leaves remaining 3,601,615.89.

11 MR. OWENS: Mr. Chairman, in light of what
12 happened moving a million dollars to the Southside Economic Development
13 Committee, I'd like to make a motion that we move a million dollars to the
14 Southwest Economic Development Committee, because I know Special
15 Projects, Senator Wampler alluded to that, referred from Special Projects to
16 Southside and Southwest, and I know the people from Southwest would
17 appreciate that.

18 DELEGATE KILGORE: That would come off the
19 3.6.

20 MR. OWENS: Yes, I so move.

21 SENATOR HAWKINS: It's been moved and
22 seconded. Any discussion on this motion? Any discussion, does everyone
23 understand the motion? All those in favor say aye? (Ayes.) Opposed? (No
24 response.)

25 DELEGATE KILGORE: Finally, Mr. Chairman,

1 we will transfer the remaining 2,601,065.89 to the reserve account. If the
2 ladies and gentlemen would look on page 9, these are some of the projects
3 that we have where the TROF Committee has reviewed it. This is a good
4 project that's presented to the TROF Committee regarding the reserve
5 account. Put that 2,601,065.89, and that will allow us to continue to meet
6 Federal stimulus dollars and other Federal dollars that come down the pike.
7 That's the motion.

8 SENATOR HAWKINS: It's been moved and
9 seconded. Any discussion on the transfer? Does everyone understand what
10 we're doing? All those in favor say aye? (Ayes.) Opposed? (No response.)

11 DELEGATE KILGORE: On page 7 concerning
12 the Virginia Department of Business Assistance, the DBA grant. We had
13 some discussion about that, and we agreed yesterday to make a motion with
14 respect to Grant 690 in the amount of \$1,000,000. That the final
15 disbursement of \$250,000 be made to the grantee, and that the cooperative
16 agreement between the Virginia Tobacco Indemnification and Revitalization
17 Commission and the Virginia Department of Business Assistance and the
18 Virginia Small Business Financing Authority, dated 12-11-03 be hereby
19 extinguished. All funds disbursed under such grant and the assets to which
20 they have or will be converted shall become the property of DBA for its use
21 in the continuation of the program for which the grant was originally made.

22 SENATOR HAWKINS: Is that your motion?

23 DELEGATE KILGORE: Yes.

24 SENATOR HAWKINS: There has been a motion
25 and a second. Does anyone have any discussion? Does everyone

1 understand what we're doing? All those in favor say aye? (Ayes.)

2 Opposed? (No response.)

3 DELEGATE KILGORE: Finally, Mr. Chairman,
4 we had a big discussion yesterday on the outstanding, defaulted TROF
5 contracts. Basically we resolved that by the authority we granted Staff on
6 1-12-09 to negotiate defaulted TROF agreements for less than full
7 performance be hereby extended until July, 2010. We had some discussion
8 about indefinitely, but the Executive Committee wanted some report at a
9 certain point in time, so we extended it to July of 2010.

10 Ned, do you have anything to add to this list of defaulted
11 organizations? I think it's on page 57 of your packet. This would allow
12 those counties given sort of a hold on default that would keep the counties
13 from getting --

14 MR. FERGUSON: -- Mr. Chairman, I would
15 suggest that the motion might be a date specific rather than to July 2010, the
16 July 2010 meeting or July 1, but a date specific.

17 DELEGATE KILGORE: Then let's make it to the
18 July, 2010 Commission meeting.

19 MR. FERGUSON: That's fine; you do need some
20 definite point, specific time.

21 SENATOR HAWKINS: That's an amendment to
22 the motion. Do you accept that amendment?

23 DELEGATE KILGORE: Yes. So moved.

24 SENATOR HAWKINS: It's been moved and
25 seconded. Any discussion on it? Let me add one point. There was a

1 discussion yesterday about companies that are now going bankrupt and
2 refuse to live up to their obligations and have no recall other than to collect
3 money. The Attorney General's Office has agreed to help pursue collection
4 if at all possible, but we're going to try this other avenue and see if it works.
5 Maybe that will make a difference for the future. Any more discussion? All
6 those in favor say aye? (Ayes.) Opposed? (No response.)

7 DELEGATE KILGORE: That completes my
8 report.

9 SENATOR HAWKINS: Thank you for a job well
10 done.

11 The Executive Director.

12 MR. NOYES: Mr. Chairman, I just want to
13 recognize Britt Nelson's accomplishment in getting her MBA and
14 congratulate her and thank the full Commission for allowing her an
15 opportunity to do that.

16 SENATOR HAWKINS: That's a job well done.
17 Thank you. (Applause.)

18 The next Commission date will be in October in Wytheville,
19 Virginia.

20 Any public comments? Would anyone like to make a
21 statement?

22 MR. NOYES: I just want to say that everyone will
23 have an opportunity to tour the Piedmont Bioproducts facility in Gretna.
24 Michelle has transportation arranged.

25 MR. MAYHEW: I just want to add that this is an

1 opportunity for everyone to see what's really going on, and I think it's really
2 exciting. I know you've heard me spout off about this for several years now.
3 It's finally doing some great work, and there have been some new
4 improvements from what we started with, and we're just days away from
5 running it again, and we think we're really going to have quite a volume of
6 bio-oil being produced. We recently had a visit from Secretary Chu and
7 others, and they're very impressed with what they saw. We've got a lot of
8 feedstock, and that's being conducted at the same location. I know a lot of
9 you can't make it today, but by the next meeting we hope to have some real
10 exciting news going forward with it. If you could get there, I think you'd
11 really see a lot of exciting work going on. I just wanted to give you an idea
12 of what's happening.

13 DELEGATE MARSHALL: Anyone who would
14 like to tour our race shop, it's located here on the property, but just see me
15 afterwards, and if you'd like to come through and see a portion of the race
16 shop, we'd like for you to do that.

17 MS. NYHOLM: Also, the VIPER facility is open
18 if anyone would like to stop by there after the meeting. That's the last red
19 building at the back of the paddock, and they'd be very happy to see you.
20 There is an engine lab in there, and that's been going for about a year and a
21 half. I know you'd like to see that VIPER shop.

22 SENATOR HAWKINS: I'll get to you in one
23 second, ma'am, if you don't mind.

24 MR. BRYANT: I'd like to make a few comments
25 to the Commission. This might be my last meeting, and I do apologize I had

1 to leave early last time. I know Neal recognized the members as far as the
2 term dates that expired. It's been a privilege for me to be part of this
3 Commission. I can say without a doubt I think what it means to me
4 personally it's probably a little bit deeper rooted than a lot of Commission
5 members that are appointed. I go back to the very beginning of the
6 Commission. I was in the trenches with the legislators when we were trying
7 to move forward on this vision of the Tobacco Commission. I can tell you
8 that what I observed there was a cohesion among the Democrats and the
9 Republicans to work together. There was never any backbiting and never
10 anyone trying to rise up and pat themselves on the back. Everyone had the
11 vision that we all work together, and it happened. I want to thank those
12 legislators at that time for what they did. It was a grand thing. As this
13 Commission got off the ground we had to invent the wheel, and we had a
14 huge task before us. The Staff we put together at that time, we brought
15 people in who were good at what they did. Secretaries knew how to
16 organize. We soon realized we needed professionals on the ground helping
17 us with the task that we had before us. My hat is off to the Staff that we
18 have today, because we have the best, and I have witnessed that, and I thank
19 each and every one of them. It's a privilege to work with you.

20 I want, just for a minute, to give you a little history, a little
21 deeper understanding of the grower community, not the tobacco community,
22 but what the Commission means to it, and I'll back up to the mid-30s. The
23 world changed for the tobacco producers. Congress and the USDA created
24 what we call the tobacco program. This tobacco program created the quota
25 system that we had and also created the stability that we needed in the

1 community that gave us the positive economic impact we all realized. As
2 that program went forward, it became the most successful agriculture
3 program that was ever brought out of Washington, but it was never put on a
4 pedestal, and the reason was because of tobacco. This commodity had so
5 many people against it, as time moved forward the political wind and
6 pressure came up against it. In 1975, the world changed again. Tom Foley
7 introduced a bill, the bill stated that you can continue to have your tobacco
8 program but it would now be on a no net cost basis. What did that mean?
9 That meant that the men or women who produced the tobacco would have to
10 pay for that program to continue and also with the guidelines that every three
11 years to vote on the program to see if you wanted it to continue, knowing
12 that the amount that it takes to continue the program would be huge. What
13 they did is they came up with a formula to assess on a per pound basis.
14 When I sold my tobacco, or anyone else that produced it, it would be taken
15 off the top to continue that program. This would allow our community to
16 move forward. Without it, these tobacco communities that we talk about and
17 are in our statute would have crumbled, without a doubt. It built the
18 foundation that we went to the Virginia General Assembly with to create this
19 Commission. I can tell you the growers very much appreciated the
20 indemnification part that became statute for Virginia.

21 I'd also like to thank the Virginia General Assembly for its
22 wisdom in not putting stringent guidelines on us where we did not have the
23 flexibility and latitude to deal with our own communities the way we saw fit.
24 I thank them very much for that.

25 I want to direct you to a few important observations I have had

1 as a member of this Commission. Thus far the Commission, without a
2 doubt, is a godsend to Southwest and Southside. Number two, Southwest
3 and Southside must always be unified and never, never let anyone put us
4 inside or outside, drive a wedge between us, never, never, never. We have
5 differences, but we can always find a way to work them out. Third on my
6 observation, it's ironic that when I look at page 33 of this packet and talk
7 about the definition of revitalization, it's exactly what I want to talk to you
8 about today and my observation. I've looked at that ever since the statute
9 came out. That should have always been the litmus test when we say yes or
10 no. It means many different things to different people, but if you will apply
11 that to the statute I think we will always move in the right direction. I will
12 say to you, always be leery of outside influences as the money and the
13 projects get larger and larger.

14 I thank you for the opportunity, and I thank you for the
15 sincerity, and I want you to know that as I leave this Commission, that
16 anything I can do ,I'm only a phone call away. Thank you. (Applause.)

17 SENATOR HAWKINS: Thank you, C. D., for all
18 you've brought to the table. I know people are aging off this Commission,
19 and I'm not sure how we're going to be able to function with people without
20 the expertise and wisdom that you all have brought to the table. There are
21 people who need to be reappointed, but that's the nature of the animal, that
22 people move in and move out. We have to make sure that we continue to
23 build on the experience we've had in the past and the next wave of
24 Commissioners will understand the foundation on which this Commission
25 was built. We hope that all these people that made a big difference, I thank

1 you for your service and for your kind words, C. D. That means a whole lot
2 to all of us.

3 One thing I forgot to mention earlier, and you reminded me as
4 we were talking about it, the projects and how we try to make things even
5 more transparent. It was mentioned before that we needed to have more
6 exposure on the TROF programs that have been put in place, and I think
7 you're right. I was thinking that we needed a list of the TROF programs that
8 have been awarded, and I thank you for that as well.

9 MR. NOYES: Thank you, Mr. Chairman. Just a
10 couple of housekeeping matters. The box lunches for the commissioners are
11 in the back of the room when we adjourn. The transportation to Gretna will
12 leave from downstairs right after lunch, and Michelle has that organized.
13 Sign your travel vouchers and leave them with Michelle. In the back of the
14 room is some information you can pick up. There's a plan outlined in those
15 handouts, and for those of you who would like one, they're in the back of the
16 room. If you get questions about projects, please pick them up and review
17 them at your leisure. Also, please turn in your room keys.

18 SENATOR HAWKINS: Now we have a lady
19 from the audience. Yes, ma'am.

20 MS. BROWN: Members of the Commission, I'll
21 be brief. My name is Julie Brown, and I'm here today to express my sincere
22 gratitude to you as a recipient of the Tobacco Commission Loan Forgiveness
23 Program. From 2005 to 2007 I borrowed approximately \$3,600 for my
24 tuition towards my doctoral program. After four years I'm proud to say that
25 I received my Ph.D. I repaid my loan through my employment at the

1 Institute for Advanced Learning and Research. Your assistance enabled me
2 to pursue my educational goals while moving forward through my career
3 without having to leave Southside Virginia. Please note that your thoughtful
4 leadership has enabled me to make a positive change in my life and career.
5 Revitalization happens one person at a time. Again, thank you for your
6 investment in education. (Applause.)

7 SENATOR HAWKINS: Thank you for those
8 wonderful comments. Does anyone else have anything positive they'd like
9 to say? Any other comments from the public? Going once, going twice, we
10 are 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 Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Virginia Tobacco Indemnification and Community Revitalization Commission Full Commission Meeting when held on Thursday, July 30, 2009 at 10:00 a.m. at the Virginia International Raceway (VIR), Alton, Virginia.**

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

Given under my hand this 10th day of August, 2009.

Medford W. Howard

Registered Professional Reporter

Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2010.

Notary Registration Number: 224566