

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

3 701 East Franklin Street, Suite 501  
4 Richmond, Virginia 23219

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9 Full Commission Meeting  
10 Thursday, May 26, 2011  
11 10:00 a.m.

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Football Towers  
Liberty University  
Lynchburg, Virginia

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1    **APPEARANCES**

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3    The Honorable Terry G. Kilgore, Chairman

4    The Honorable Frank M. Ruff, Vice Chairman

5    The Honorable Charles R. Hawkins, Chairman, Emeritus

6    Mr. Kenney F. Barnard

7    Ms. Gayle F. Barts

8    The Honorable Kathy J. Byron

9    The Honorable Mary Rae Carter

10        Deputy Secretary of Rural Economic Development

11        Office of the Secretary of Commerce & Trade

12    Mr. John R. Cannon

13    The Honorable James C. Cheng

14    Mr. David R. Cundiff

15    Ms. Linda P. DiYorio

16    Mr. Burgess “Butch” H. Hamlet, III

17    Mr. Scott Harwood, Sr.

18    Mr. Jordon M. Jenkins, Jr.

19    The Honorable Joseph P. Johnson, Jr.

20    The Honorable Daniel W. Marshall, III

21    The Honorable Donald Merricks

22    Mr. H. Ronnie Montgomery

23    The Honorable Harrison A. Moody

24    Ms. Connie Greene Nyholm

25    Mr. Israel O’Quinn

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

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3 The Honorable Edward Owens

4 The Honorable Philip P. Puckett

5 Dr. David S. Redwine, DVM

6 Mr. Kenneth O. Reynolds

7 The Honorable W. Roscoe Reynolds

8 Ms. Cindy M. Thomas

9 The Honorable William C. Wampler, Jr.

10 The Honorable Thomas C. Wright

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12 **COMMISSION STAFF**

13 Mr. Neal Noyes, Executive Director

14 Mr. Ned Stephenson, Deputy Director

15 Mr. Timothy J. Pfohl, Grants Program Director

16 Ms. Sara G. Williams, Grants Coordinator, Southwest Virginia

17 Ms. Sarah K. Capps, Grants Coordinator, Southside Virginia

18 Ms. Stephanie S. Kim, Director of Finance

19 Ms. Stephanie Allman, Program Administrator

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21 **COUNSEL FOR THE COMMISSION**

22 Mr. Francis N. Ferguson, Esquire

23 Counsel for the Commission

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1 May 26, 2011

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4 DELEGATE KILGORE: I'm going to call the  
5 meeting to order, thank you all for being here, it's great to be  
6 here on this beautiful campus on this beautiful day. I'd ask  
7 Mr. Noyes to call the roll.

8 MR. NOYES: Mr. Barnard?

9 MR. BARNARD: Here.

10 MR. NOYES: Ms. Barts?

11 MS. BARTS: Here.

12 MR. NOYES: Secretary Brown?

13 SECRETARY BROWN: (No response).

14 MR. NOYES: Delegate Byron?

15 DELEGATE BYRON: Here.

16 MR. NOYES: Mr. Cannon?

17 MR. CANNON: Here.

18 MR. NOYES: Secretary Cheng?

19 SECRETARY CHENG: Here.

20 MR. NOYES: Mr. Cundiff?

21 MR. CUNDIFF: Here.

22 MR. NOYES: Ms. DiYorio?

23 MS. DIYORIO: Here.

24 MR. NOYES: Mr. Hamlet?

25 MR. HAMLET: Here.

1 MR. NOYES: Mr. Harwood?  
2 MR. HARWOOD: Here.  
3 MR. NOYES: Senator Hawkins?  
4 SENATOR HAWKINS: Here.  
5 MR. NOYES: Secretary Haymore?  
6 SECRETARY HAYMORE: (No response).  
7 MR. NOYES: Mr. Jenkins?  
8 MR. JENKINS: Here.  
9 MR. NOYES: Delegate Johnson?  
10 DELEGATE JOHNSON: Here.  
11 MR. NOYES: Delegate Kilgore?  
12 DELEGATE KILGORE: Here.  
13 MR. NOYES: Delegate Marshall?  
14 DELEGATE MARSHALL: Here.  
15 MR. NOYES: Delegate Merricks.  
16 DELEGATE MERRICKS: Here.  
17 MR. NOYES: Mr. Montgomery?  
18 MR. MONTGOMERY: Here.  
19 MR. NOYES: Mr. Moody?  
20 MR. MOODY: Here.  
21 MR. NOYES: Ms. Nyholm?  
22 MS. NYHOLM: Here.  
23 MR. NOYES: Mr. O'Quinn?  
24 MR. O'QUINN: Here.  
25 MR. NOYES: Mr. Owens?

1 MR. OWENS: Here.

2 MR. NOYES: Senator Puckett?

3 SENATOR PUCKETT: Here.

4 MR. NOYES: Mr. Redwine?

5 MR. REDWINE: Here.

6 MR. NOYES: Mr. Reynolds?

7 MR. REYNOLDS: Here.

8 MR. NOYES: Senator Reynolds?

9 SENATOR REYNOLDS: Here.

10 MR. NOYES: Senator Ruff?

11 SENATOR RUFF: Here.

12 MR. NOYES: Mr. Stallard?

13 MR. STALLARD: (No response).

14 MR. NOYES: Ms. Thomas?

15 MS. THOMAS: Here.

16 MR. NOYES: Senator Wampler?

17 SENATOR WAMPLER: Here.

18 MR. NOYES: Delegate Wright?

19 DELEGATE WRIGHT: Here.

20 MR. NOYES: You have a quorum Mr.

21 Chairman.

22 DELEGATE KILGORE: Thank you Mr. Noyes.

23 Do I have a motion to approve the minutes of 1-11-11?

24 MR. OWENS: So moved.

25 MR. JOHNSON: Second.

1 DELEGATE KILGORE: I have a motion and a  
2 second. All those in favor say aye. (Ayes). Opposed. (No  
3 response). Thank you, the minutes have been approved. Now,  
4 it's my pleasure to introduce the Chancellor of Liberty  
5 University, Jerry Falwell, Jr. We're very excited to be here at  
6 Liberty University today. I want to thank everyone for making  
7 this meeting possible and thank you for what you do for the  
8 Commonwealth.

9 CHANCELLER FALWELL: Thank you; it's an  
10 honor to have you here. I hope some of you learned how to ski  
11 last night. My flight was delayed and I wasn't able to be with  
12 you but we've just experienced an exciting time of growth the  
13 last few years here at Liberty. We've grown from about 4,500  
14 students on campus in 2000 to over 12,000 a year on campus  
15 now. Forty-eight hundred of those are from Virginia. More  
16 significantly, our online program adult education has grown  
17 from about 27,000 students a year to over 60,000 as of today  
18 for this year. Eighty-five hundred of those are from Virginia  
19 and I would guess a large number of that 8,500 is from  
20 Southside. One of those reasons is because of the  
21 scholarships and the loan forgiveness program that comes  
22 from the Tobacco Commission. We appreciate that and that's  
23 important to us.

24 Because so many jobs have been lost and  
25 there's so many adults that cannot uproot and move their

1 families and get a new education so so many of them do it  
2 online. We have sort of become the leader among non-profits  
3 in the online type of education.

4                   For some reason, a lot of colleges don't want or  
5 I think faculty don't like to do things differently and some  
6 resist doing education online. We first went to do this in 1985  
7 but because of our emphasis on adult education, we've  
8 become the largest non-profit in the country and actually the  
9 largest private non-profit college in the whole country and it's  
10 mainly what's happened. Now, because of that growth, it's  
11 allowed us to do a lot of things here on campus and allowed us  
12 to increase employment. We've got 5,200 employees now and I  
13 wish that number was smaller but it's a necessity and it's  
14 exciting to watch what's happening. We have a lot of Virginia  
15 students and a lot of them are staying in Virginia.

16                   We had planned to do a large school of  
17 engineering here and we looked at what the public schools  
18 were doing in Virginia and we decided there's no way we can  
19 match what they're doing and instead we decided to focus on  
20 health sciences. Over the next few months we're going to be  
21 unveiling a new School of Health Sciences to serve with  
22 primary care physicians in the Southside part of the state and  
23 the underserved areas like Campbell University in North  
24 Carolina. They have the same problem in some areas in North  
25 Carolina. Our student body is already an admissions oriented

1 student body and it's the type of mission that I think would  
2 appeal to the type of student we attract to go into the service  
3 community and to provide the medical care as primary care  
4 physicians. That's our goal over the next two to three years.  
5 It just wouldn't be a medical school but it would be an  
6 osteopathic medical school but also a health sciences school.  
7 We already have 1,300 nursing students. We also have nurse  
8 practitioner programs, physician assistant programs.

9                   One other thing I want to mention. We are  
10 working with Virginia Tech which this group helped to create  
11 in Altavista to create a partnership that would allow them to  
12 actually introduce a credit degree so students could apply for  
13 and receive federal student loans. I think that's the difference  
14 between their program being successful and being super  
15 successful in Southside. I understand a lot of perspective  
16 students want to come and learn a trade and they don't have  
17 the funds to do it. So trying to make it an accredited degree  
18 program and adding courses that adhere to the curriculum  
19 and they'll be able to get the financial or the student loans to  
20 actually attend.

21                   A lot of exciting things are happening and  
22 we're proud to be part of the community and proud of  
23 Southside. My son just graduated here last week and we had  
24 30,000 here for graduation in the stadium and 10,900  
25 graduating and 5,200 of them actually came to Liberty to walk

1 and a lot of them are online students. My son graduated and  
2 his first business venture is going to be a small business in  
3 Danville. We're doing our part as a family to help.

4 So thank you very much and I hope you have a  
5 successful meeting today. (Applause).

6 DELEGATE KILGORE: I want to thank you for  
7 all you're doing. It's a very exciting time here at Liberty and  
8 we do appreciate what you're doing. Just looking around here,  
9 this is certainly an economic engine for this area and you can  
10 really tell that and we appreciate all you do.

11 CHANCELLOR FALWELL: The biggest part of  
12 our campus is in the Tobacco Commission, 6,000 acres here.  
13 The top part of that ski slope is in the Tobacco Commission  
14 and we haven't asked for any money for it. We're about to  
15 spend a hundred million on campus to upgrade the academic  
16 buildings and some programs so there's a lot of construction  
17 going on, a fun time to be here.

18 DELEGATE KILGORE: That's great, and we  
19 appreciate it and this stadium out here is just unbelievable.

20 CHANCELLOR FALWELL: You're sitting in it.

21 DELEGATE KILGORE: Now we're going to  
22 here about performance measures from Ned and if you'll come  
23 forward Stephanie.

24 MR. STEPHENSON: Members of the  
25 Commission, one of the most challenging questions that has

1 perplexed the Commission since it was formed was that of  
2 tracking its progress in revitalization of the community. Two  
3 years ago we hired a professional economist and we asked that  
4 economist to answer two questions for us. What is  
5 revitalization and how do you measure it and that economist  
6 gave us detailed answers to those questions and for the last  
7 two years we have been tracking that data. Our staff,  
8 Stephanie Allman, has been keeping this data fresh, it is  
9 empirical data, consistent, its definitive and it is a professional  
10 economist view of how to measure revitalization and Stephanie  
11 is going to present some of the findings to you in answer to  
12 that question.

13 MS. ALLMAN: Thank you Ned for your  
14 introduction. Ned gave me a great introduction but CHMURA  
15 Economics and Analytics gave us the definition. It is a more  
16 stable, diversified, growing economy that leads to a higher  
17 living standard and that's the definition of revitalization. The  
18 five metrics that we track yearly are job creation, workforce  
19 participation rates, wealth, diversity and capital investment. I  
20 think last year you saw all of the data from 1999 to 2008 so  
21 I'm really just adding 2009. The rest of my comments are  
22 about the change in 2008 and 2009. If you want to see the  
23 entire report, look in the back of your books. It has all the  
24 data tables and the charts.

25 The data for the tobacco region compared to a

1 controlled group, if you look on the map, the tobacco region  
2 and all the charts in the presentation within the tobacco  
3 region information is in green and the control group is in blue.  
4 Our control group is all of the areas outside of the tobacco  
5 region excluding the MSA, Hampton Roads, Northern Virginia,  
6 Richmond, Roanoke and Charlottesville.

7                   Measure 1 is job creation and employment.  
8 This chart represents the total annual employment relative to  
9 the same in 1999, the base year. Increasing employment is a  
10 sign of a growing economy. The job creation growth that we  
11 saw between 2006 and 2008 was lost in 2009 mainly due to  
12 the great recession of 2007, 2009. The change for the tobacco  
13 region was 3.5 percent, a decrease of 5 percent. To the control  
14 group it's a decrease of 3.1 percent. Both of those numbers  
15 mirror the unemployment rate increase from 2008 to 2009.  
16 So we went from 4 percent to almost 7 percent in one year.

17                   Measure 2 is the workforce participation rate.  
18 This is the total number of working age adults employed and  
19 divided by the total population of working age adults.  
20 Workforce participation rate reflects the extent to which the  
21 tobacco region is stable relative to the non-tobacco region.  
22 There were no big changes in this particular measure between  
23 2008 and 2009. The rate in the tobacco region stayed the  
24 same and the control group fell slightly.

25                   Measure 3 is wealth measured by average

1 annual wages per person. Increasing annual wages indicates  
2 a higher living standard. If you get that raise you can have  
3 that new car or additional room to your house. With the great  
4 recession, luckily these numbers have not decreased and  
5 they've stayed the same. Data suggests that the jobs that  
6 were lost due to the great recession were lost in lower paying  
7 jobs that required little or no post secondary education and  
8 those were the folks hardest hit by the recession but we  
9 continued to increase our average annual wage in the region  
10 last year.

11 Measure 4 is diversity and this is the best  
12 chart that we have. This is measured by the total number of  
13 employees. The top three in each locality as supported by  
14 Weldon Cooper and divided by the total population of working  
15 age adults. Lower percentage of employment in the top three  
16 industries indicated with a more stable diverse economy.  
17 2009 data reveals that the tobacco region continued to  
18 diversify at a faster rate than the control group which means  
19 we're less susceptible to problems in one particular industry.

20 DELEGATE KILGORE: That number is better  
21 if it's lower?

22 MS. ALLMAN: Yes. Measure 5, capital  
23 investment, this is calculated total taxable assets per person.  
24 We got this data from the Department of Taxation, tangible  
25 personal property, machinery and tools, merchant capital data

1 divided by the total population in each region. Increasing  
2 capital investment or taxable assets per person reflects a  
3 growing economy. Due to the recession localities in 2009  
4 reported less federal income taxes and therefore reported less  
5 revenue from taxes and therefore the tobacco region and the  
6 control group had lower taxable assets per person. The good  
7 news for the tobacco region is that we only decreased \$381 per  
8 person from 2008 to 2009. In the control group, they  
9 decreased \$679 per person taxable assets.

10 My predecessor had a really good quote,  
11 “numbers are important, they give us a consistent base to  
12 measure by every year and a standard but it doesn’t tell the  
13 whole story because not everything that can be counted is  
14 counted and not everything that counts can be counted.” So  
15 I’ve asked a guest to come and speak with you today. Each of  
16 you hear stories of success in the region but not everyone  
17 hears the same story because some of you are in Southwest  
18 and some in Southside. It’s my hope that when I give you the  
19 data, number data that we will also have a real person telling  
20 you a real story how the Commission is affecting their  
21 business and their life. Mr. Michael Duncan is here. He is the  
22 general manager for EIT, Incorporated in Danville and he  
23 wears several other hats.

24 MR. DUNCAN: Good morning Mr. Chairman  
25 and members of the Tobacco Commission, can everybody hear

1 me? I hate microphones, I really do. I want to take a few  
2 moments and share with you some real stories about my  
3 experience in Southside Virginia. It's my hope that after I'm  
4 done you'll see that the Commission really has made a  
5 difference in our community. Before I begin, I need to tell you  
6 a little bit about my perception of Danville, can I have the  
7 slide?

8                   In 1992 I drove through the City of Danville for  
9 the first time and I remembered thinking to myself there's no  
10 way I can live here, it was depressing, it was demoralizing. I'm  
11 from Northern Virginia. If you can imagine that paradigm  
12 hitting Danville in 1992 as a tobacco, textile and furniture  
13 industries was just imploding, that it was not the kind of place  
14 that I would want to raise my family. What I could not see and  
15 what I didn't know moving here in the summer of 1998 was  
16 that the community had decided to grapple with change and  
17 that they had decided to take a proactive approach which was  
18 much better than wallowing in the history of bygone days.

19                   Next slide. Today I'm incredibly proud of the  
20 community I now call home. You see Danville and Pittsylvania  
21 County leaders and citizens took the first step to transform  
22 their economy by deciding to embrace change, managing the  
23 process and lead themselves into a new century. The region  
24 literally decided to transform itself.

25                   My small role in this is to create jobs in the



1 person in the blue smock both left metropolitan areas for a  
2 chance to relocate in the region where they were born.

3 Today in Danville we have a community of  
4 multiple companies that compete in the global marketplace  
5 and our employers come from around the world. We ship  
6 product to over 130 countries and our future is bright because  
7 you can build a world class workforce by transforming the  
8 abilities and capabilities that made us competitive in years  
9 past by adding skills and expertise and creating 21<sup>st</sup> century  
10 jobs. We in the business community have been successful in  
11 large part because of the work of our partners. This  
12 Commission is one of those partners.

13 EIT has not done it alone and in fact, none of  
14 the transplanted businesses have. Our partners have played a  
15 huge role and I can talk for an hour but I still wouldn't be able  
16 to do them justice.

17 The underlying premise and the balance of my  
18 talk is that I want to share with you that without the  
19 Commission's support of the various initiatives that I'm going  
20 to touch on, I doubt the Southside community would be where  
21 it is today. The Viper, also the entrepreneurs and the  
22 entrepreneurs development program in the Industrial Park  
23 Phase I Development, these are all programs you invested in,  
24 they didn't have a direct impact on EIT but they did touch our  
25 business. Viper created many ancillary businesses but it

1 brought AVRC and next generation aeronautics into the  
2 community and now EIT in Danville is working with them.  
3 The entrepreneur development program and the support of the  
4 Dan River Business Development Center got several budding  
5 entrepreneurs to get started. One of them needed some  
6 prototype work and we were able to build it for them. The  
7 Rheingold East Industrial Park and we looked there very  
8 seriously for a site for our expansion. In some way, these  
9 businesses, not directly impacting us, did play a role.

10                   Next slide. I want you understand how much  
11 impact you have really had because you helped us created  
12 jobs that were never there before in Southside. The first one is  
13 infrastructure, the backbone, the trunk lines of fiber run  
14 through our community and it's absolutely critical. At EIT we  
15 maintain a constant data link with our corporate  
16 headquarters, transmit gigabytes 24 hours a day 5 days a  
17 week. That's how long we're in operation, we run all the time  
18 except Saturday and Sunday. Most of our work stations have  
19 test data and programming data and work instructions that  
20 has to be maintained electronically. We also have redundant  
21 systems with Sterling. Without your investment in this  
22 infrastructure, we'd find it very difficult to be competitive and  
23 communicate effectively with our customers and our vendors  
24 around the world.

25                   Conductivity in today's market is expected.

1 The Commission's investment has been absolutely critical and  
2 it's paid huge dividends for all of our businesses. In fact, I like  
3 to tell people our jobs depend on it.

4 Another key to success has been the workforce  
5 development effort that you guys have invested in. The  
6 Regional Center for Advanced Technology and Training and  
7 the Danville Community College have been foundational in our  
8 efforts to create 21<sup>st</sup> century jobs in Danville. The Commission  
9 supported DCC and the Community College Grant Program  
10 that has aided our associates as they've gone back to school.  
11 DCC provides an excellent platform for education and training.  
12 We use them not only for technical skills but for soft skills.

13 The Institute for Advanced Learning and  
14 Research played as equally as an important role in our area  
15 and your support of that has been greatly appreciated. I use  
16 the Institute for a variety of things and most importantly I use  
17 it to communicate to prospects both for business and moving  
18 to our community. That is the symbol and substance of our  
19 investment in the new technology and the new economy. I  
20 also use it to drive sales because nothing sells better than that  
21 kind of sex appeal. That thing is beautiful, it talks about the  
22 future, its state of the art makes my job a little bit easier. The  
23 Institute also plays a broader role. I have a very close friend or  
24 a very dear friend. His name is Dr. Gary Feldon. He's one of  
25 those academics at the University of Maryland who hit on a

1 really good idea and I'm working really hard to convince him to  
2 move his biomass business from suburban Maryland to  
3 Danville. Just yesterday I had a young lady come visit one of  
4 our vendors and they provide a plating service that we use in  
5 our metal shop all the time. When I have to send stuff out, it  
6 costs me time and money and she's looking at relocating in  
7 Danville because of yesterday's experience and the Institute  
8 was part of that factor too.

9                   There's one very important metric and it's the  
10 most important metric and that's what impact you've had on  
11 the lives of our citizens and my employees. Whether you  
12 support the community college grant program or West  
13 Piedmont Workforce Investment toward the 21<sup>st</sup> century job  
14 efforts, you've helped individuals and families in our  
15 community find hope and promise for tomorrow. By  
16 supporting the fiber backbone in the Institute, you have  
17 attracted businesses to our community and the business not  
18 only provide jobs but they get involved in important activities  
19 of the community. At EIT alone our people are active in the  
20 Boys and Girls Club, local schools, the school board, city and  
21 county first robotics team, Habitat for Humanity, God's  
22 Storehouses, various churches, the Virginia Defense Fund, Big  
23 Brothers and Big Sisters and God's Pitcrew and that's just the  
24 ones I can think of. I know my peers and other businesses  
25 they could make the same statement.

1                   That picture speaks volume. That's the first  
2 group that graduated from our Circuit Board Assembly class  
3 and they are all dislocated workers out of Dan River and a  
4 bunch of other places. We put them to work and started  
5 training and that picture is from August of 2006 and all but  
6 two of them are still at EIT and one of those that left retired.  
7 That retention issue is huge for employers and it's actually a  
8 force multiplier in my ability to keep costs down and remain  
9 competitive and that's allowed us to contribute to the  
10 revitalization in Southside and we're getting ready to do it  
11 again.

12                   EIT is expanding into the second building and  
13 this one is 60,000 square feet and the two sites will give us  
14 100,000 square feet of manufacturing space and create the  
15 conditions in Danville and add 50 new jobs over the next year  
16 or two years and that's on top of the 71 regular jobs that we  
17 have today.

18                   So there you have it, the Virginia Tobacco  
19 Indemnification and Community Revitalization Commission  
20 has done a damn good job and please keep it up and I thank  
21 you very much. Mr. Chairman if there's any questions, I'll be  
22 happy to answer them.

23                   DELEGATE KILGORE: Thank you very much.  
24 Does anyone have any questions for Mr. Duncan? We  
25 appreciate you're doing a great job in Danville and in the

1 Commonwealth. Give a big thank you to Joe May.

2 MR. DUNCAN: I will, thank you. If there's no  
3 questions, thank you again. (Applause)

4 SENATOR HAWKINS: Mr. Chairman, I think  
5 it's hard for anyone outside of our region to appreciate what  
6 we've done. We found ourselves in the middle of a perfect  
7 storm and an economic quicksand that would just have no  
8 bottom. Every time we turned around we lost another face. In  
9 the Tobacco Commission we finally put a foundation stone in  
10 the quicksand that we could stand on. Without that stability,  
11 this economy would continue to deteriorate. I told some of our  
12 Northern Virginia folks sometime back about the impact of the  
13 Tobacco Commission and why certain things took place. I  
14 said let me tell you something, what happened to us would be  
15 the same thing if they decided to move the federal capital to  
16 another part of the United States and take all the support with  
17 them. Everything dealing with the federal government would  
18 be moved to a central part of the United States and then what  
19 would happen to Northern Virginia? They would be in shock.  
20 They'd lose all the support that came out of DC and they  
21 wouldn't know what to do. They wouldn't know what to do  
22 but that has been the keystone to maintain their growth and  
23 they wouldn't know what to do. We found ourselves in a  
24 position where all of our base industries were gone through no  
25 fault of our own and we found ourselves having to redefine

1 who we are and where we were going. These monies have  
2 allowed us to invest and are building a brighter future and  
3 without this investment, we would continue to get older and  
4 poorer and less educated and that's not a formula for success  
5 anywhere. We changed that. Thank you Mr. Chairman.

6 DELEGATE KILGORE: Thank you Chairman  
7 Hawkins. All right. We have a guest with us today, Delegate  
8 Scott Garrett. Scott, if you want to come forward and say a  
9 few words. We're right here in the middle of your district and  
10 with Scott's new district he's going to be one of our Tobacco  
11 legislators. I'm glad you could come today and see what this  
12 Commission is all about. Thank you for coming today.

13 DELEGATE GARRETT: Mr. Chairman and  
14 Commissioners on behalf of a lot of Virginians that are outside  
15 of the golden crescent, we thank you, we thank you for your  
16 commitment to your families and to our families. We thank  
17 you for your commitment to your businesses and our  
18 businesses. We thank you for your commitment to your  
19 community and our community and we thank you for the  
20 future of Virginia. It is through your vision and a lot of hard  
21 work that a lot of great Virginians see tomorrow. We thank  
22 you for the trust that you are engendering in our people.  
23 Welcome to Lynchburg and I commit to you that Chancellor  
24 Falwell will keep the light on on this mountain, come back  
25 often, my wife and I will keep the porch light on as well and as

1 you leave our city, drop some coin in the meter, thank you.

2 DELEGATE KILGORE: Thank you Scott. Now  
3 we're going to hear an update about the indemnification from  
4 Clark Lewis.

5 MR. LEWIS: Good morning Mr. Chairman and  
6 members of the Commission, a very brief Tobacco  
7 Indemnification update. Our 2011 season has gone very  
8 smoothly and verification forms were mailed on April 11<sup>th</sup> and  
9 12<sup>th</sup> and our deadline was last Friday, May 20<sup>th</sup>. To date we  
10 have approved 45,400 claims totaling \$9.47 million. This  
11 includes two-thirds of ownership changes that we received so  
12 far. In years past and when I speak of ownership changes,  
13 somebody might have died in the family or transfer of  
14 ownership.

15 We expect to have the first round of payments  
16 to be mailed no later than the week of June 13<sup>th</sup>. As in past  
17 years, we expect that we will have individuals who will be late  
18 mailing in forms. As in past years, I would like to respectfully  
19 request you consider extending the deadline to August 5, 2011  
20 and upon your approval, we will notify all relevant  
21 stakeholders and let them know that the deadline has been  
22 extended. We would anticipate as in past years, we will only  
23 require one extension.

24 That's the gist of my report.

25 DELEGATE KILGORE: You'll need a motion

1 from us to extend that deadline to August 5, 2011.

2 MR. LEWIS: Yes, sir.

3 SENATOR PUCKETT: So moved.

4 DELEGATE KILGORE: I have a motion and a  
5 second, any discussion on the motion? All those in favor of  
6 extending the deadline to August 5, 2011 say aye. (Ayes).  
7 Opposed. (No response). The motion carries.

8 MR. LEWIS: Finally Mr. Chairman, I checked  
9 before I came today. As of now, we have paid out through the  
10 Tobacco Commission approximately \$274 million to claimants  
11 and if you add in the Tobacco Loss Assistance Program or  
12 TLAP, that number is \$292 million to date.

13 DELEGATE KILGORE: Those dollars went  
14 back to the farm families?

15 MR. LEWIS: Yes, sir.

16 SENATOR HAWKINS: Mr. Chairman, I'd like  
17 to thank them for the work they've done. I would like to thank  
18 you for the work you've done but also what we're talking  
19 about, because these monies maintained the farms that were  
20 going into receivership or either being forced out of business  
21 one way or the other but stabilized these farms and allowed  
22 the families to maintain their standard of living and move on.  
23 If you factor out the money that went to these farmers, you  
24 would have a whole new dynamic because land prices would  
25 have dropped and real estate in general. I don't think anyone

1 can imagine the devastation that would have taken place  
2 without the farmers having these monies to re-invest in their  
3 line of work and I want to thank you all for what you've done.

4 MR. LEWIS: Thank you very much.

5 DELEGATE KILGORE: I also want to thank  
6 you for the good job you all have done and that your firm has  
7 completed. This has really helped throughout the process in  
8 making sure that if there was any questions, you all have been  
9 great to answer them and I personally want to thank you and  
10 we appreciate all you've done for the Commonwealth.

11 MR. LEWIS: Thank you, we appreciate it very  
12 much.

13 DELEGATE KILGORE: Now we're going to  
14 have the Executive Committee report from Vice Chairman,  
15 Frank Ruff.

16 SENATOR RUFF: Thank you Mr. Chairman,  
17 we have met on the 16<sup>th</sup> and again yesterday and there are six  
18 actions that we need to take today. The first one is I'd move  
19 that we authorize the Executive Director to spend up to  
20 \$250,000 for costs related legal fees for fiscal year 2012. This  
21 comes to us because of various issues that are needed for  
22 outside legal advice on.

23 SENATOR HAWKINS: So moved.

24 SENATOR PUCKETT: Second.

25 DELEGATE KILGORE: There's a motion and a

1 second, any further discussion, anybody have any questions?  
2 All those in favor of that motion say aye. (Ayes). Opposed. (No  
3 response). That passes.

4 SENATOR RUFF: Mr. Chairman, the second  
5 motion authorizes the Executive Director to enter into a two  
6 year \$130,000 contract with the Virginia Innovation and  
7 Development Center to create and operate an EB5 regional  
8 center. The EB5 is a federally approved mechanism to attract  
9 foreign investment and these will be start up funds for office  
10 and operations and I so move.

11 MR. OWENS: Second.

12 DELEGATE KILGORE: You've heard the  
13 motion and a second, are there any questions or comments on  
14 the EB5 program? I know Secretary Cheng got us interested  
15 in this EB5 program and I think it would be good for the  
16 Commission to work on this. We appreciate Secretary Cheng  
17 for his assistance on this project.

18 SECRETARY CHENG: Thank you Mr.  
19 Chairman.

20 DELEGATE KILGORE: I have a motion and a  
21 second on that issue. All those in favor say aye. (Ayes).  
22 Opposed.

23 DELEGATE WRIGHT: No.

24 DELEGATE KILGORE: That motion passes.

25 SENATOR RUFF: The next action is to approve

1 the purchase of 60 acres more or less at 15185 Industrial Park  
2 Road, Bristol, Virginia for the amount not to exceed \$10  
3 million jointly with the Washington County IDA conditioned  
4 upon material compliance with the terms described in a  
5 certain letter of intent dated February 24, 2011 from the  
6 Economic Development Partnership. I so move.

7 DELEGATE JOHNSON: Second.

8 DELEGATE KILGORE: We have a motion and  
9 a second. Do any Commissioners have any questions about  
10 that? Now would be the time to ask. This is to help retain  
11 jobs in that region, is that correct Mr. Vice Chairman?

12 SENATOR RUFF: That is correct. The  
13 Delegate from Washington County, do you want to speak to  
14 that?

15 DELEGATE JOHNSON: I'm certainly in favor  
16 of it and I know it will help retain a lot of jobs. This is one  
17 project that the Tobacco Commission will have strong evidence  
18 to show for the expenditure and one of the best investments  
19 we can make. I certainly approve of it. I also will second the  
20 motion.

21 DELEGATE KILGORE: Any other discussion?  
22 We will have an ownership interest in the 60 acres. All those  
23 in favor say aye. (Ayes). Opposed.

24 DELEGATE WRIGHT: No.

25 MR. NOYES: Mr. Chairman, if I may, Senator

1 Hawkins has asked me and I want the record to so reflect to  
2 show him abstaining on the EB5 matter and the record should  
3 show that.

4 DELEGATE KILGORE: And the record to show  
5 that there's a no vote by Delegate Wright on the last motion.

6 MR. NOYES: Yes, sir.

7 SENATOR RUFF: The next action is to request  
8 and authorize the state treasurer to invade the corpus by 15  
9 percent not later than June 30, 3012 and this is estimated to  
10 be about \$68 million. The 15 percent corpus invasion is the  
11 percent we use in the current year. I so move.

12 DELEGATE KILGORE: It's been moved and  
13 seconded.

14 MR. NOYES: If I may, we need a roll call vote,  
15 a two-thirds majority is required for an invasion beyond 10  
16 percent.

17 Whereas, Section 3.2-3104 of the Code of  
18 Virginia provides for up to fifteen percent of the corpus of the  
19 Tobacco Indemnification and Community Revitalization  
20 Endowment (the "Endowment") to be paid annually to the  
21 Tobacco Indemnification and Community Revitalization Fund  
22 (the "Fund") upon request of the Tobacco Indemnification and  
23 Community Revitalization Commission (the "Commission"),  
24 and

25 Whereas, on May 16, 2005, the Endowment

1 was funded with \$389,776,674.47 from proceeds of certain  
2 tax-free Tobacco Settlement Asset-Backed Bonds, Series 2005,  
3 the use of which is subject to certain restrictions  
4 (“Restrictions”), and was further funded with an additional  
5 \$613,994,746 from proceeds of certain taxable Tobacco  
6 Settlement Asset-Backed Bonds, Series 2007, the use of which  
7 is NOT subject to Restrictions.

8                   Now, therefore, it is resolved that the  
9 Commission hereby requests that for the fiscal year ending  
10 June 30, 2012, the Treasury Board of Virginia pay from the  
11 Endowment to the Fund a sum equal to 15% of the  
12 Endowment value as of 2/28/2012, and that the said payment  
13 be made not later than June 30, 2012, and

14                   It is further resolved that the Commission  
15 hereby (i) requests that the portion of the amount so paid that  
16 is subject to Restrictions shall be \$30,000,000 and (ii)  
17 acknowledges that this sum is, and remains, subject to the  
18 terms of a certain *Tax Certificate and Agreement* dated May 16,  
19 2005 by and among the Commission, et als, and will be  
20 invested in accordance with the provisions of said *Tax*  
21 *Certificate and Agreement*, and will be kept separate and apart  
22 from other monies credited to the Fund.

23                   DELEGATE KILGORE: This is for the 2012  
24 budget.

25                   MR. NOYES: Yes.

1 DELEGATE KILGORE: So we'll need a roll call  
2 vote on that.

3 MR. NOYES: Mr. Barnard?

4 MR. BARNARD: Yes.

5 MR. NOYES: Ms. Barts?

6 MS. BARTS: Yes.

7 MR. NOYES: Delegate Byron?

8 DELEGATE BYRON: Yes.

9 MR. NOYES: Mr. Cannon?

10 MR. CANNON: Yes.

11 MR. NOYES: Secretary Cheng?

12 SECRETARY CHENG: Yes.

13 MR. NOYES: Mr. Cundiff?

14 MR. CUNDIFF: Yes.

15 MR. NOYES: Ms. DiYorio?

16 MS. DIYORIO: Yes.

17 MR. NOYES: Mr. Hamlet?

18 MR. HAMLET: Yes.

19 MR. NOYES: Mr. Harwood?

20 MR. HARWOOD: Yes.

21 MR. NOYES: Senator Hawkins?

22 SENATOR HAWKINS: Yes.

23 MR. NOYES: Mr. Jenkins?

24 MR. JENKINS: Yes.

25 MR. NOYES: Delegate Johnson?

1 DELEGATE JOHNSON: Yes.  
2 MR. NOYES: Delegate Kilgore?  
3 DELEGATE KILGORE: Yes.  
4 MR. NOYES: Delegate Marshall?  
5 DELEGATE MARSHALL: Yes.  
6 MR. NOYES: Delegate Merricks.  
7 DELEGATE MERRICKS: Yes.  
8 MR. NOYES: Mr. Montgomery?  
9 MR. MONTGOMERY: Yes.  
10 MR. NOYES: Mr. Moody?  
11 MR. MOODY: Yes.  
12 MR. NOYES: Ms. Nyholm?  
13 MS. NYHOLM: Yes.  
14 MR. NOYES: Mr. O'Quinn?  
15 MR. O'QUINN: Yes.  
16 MR. NOYES: Mr. Owens?  
17 MR. OWENS: Yes.  
18 MR. NOYES: Senator Puckett?  
19 SENATOR PUCKETT: Yes.  
20 MR. NOYES: Mr. Redwine?  
21 MR. REDWINE: Yes.  
22 MR. NOYES: Mr. Reynolds?  
23 MR. REYNOLDS: Yes.  
24 MR. NOYES: Senator Reynolds?  
25 SENATOR REYNOLDS: Yes.

1 MR. NOYES: Senator Ruff?

2 SENATOR RUFF: Yes.

3 MR. NOYES: Ms. Thomas?

4 MS. THOMAS: Yes.

5 MR. NOYES: Senator Wampler?

6 SENATOR WAMPLER: Yes.

7 MR. NOYES: Delegate Wright?

8 DELEGATE WRIGHT: Yes.

9 SENATOR RUFF: Moving on now, the request  
10 is for approval of \$30 million TROF award for a major  
11 employer in Washington County. This exceeds the formula  
12 driven amount that the company would have applied for but  
13 the belief of the Executive Committee was that the new jobs  
14 created and the risk of losing current jobs was too great to not  
15 make this award. I therefore move that we approve this \$30  
16 million award.

17 SENATOR HAWKINS: Second.

18 DELEGATE KILGORE: I have a motion and a  
19 second, any further discussion?

20 MR. O'QUINN: Let the record reflect I'm  
21 abstaining.

22 MR. NOYES: The record will reflect Mr.  
23 O'Quinn abstaining.

24 DELEGATE KILGORE: All those in favor say  
25 aye. (Ayes) Opposed. (No response) One abstention.

1                   SENATOR RUFF: The next action would be  
2 that the Chairman appoint an ad hoc committee of three  
3 Commissioners to study the impact of requiring all Tobacco  
4 Commission grantees to comply with the Virginia Procurement  
5 Act and report their findings at the September Executive  
6 Committee meeting. The belief is that as things get more  
7 complicated, it might be best if we follow those guidelines and  
8 there may be some things we want to avoid so those three  
9 Commission members would report back to us their finding in  
10 September and to take action or not take action at the next  
11 full Commission meeting.

12                   DELEGATE KILGORE: I assume Frank you'd  
13 be able to meet with those Commissioners to try to guide them  
14 through the mine field called the Virginia Procurement Act.

15                   MR. FERGUSON: Yes, sir.

16                   DELEGATE KILGORE: Do we have any  
17 volunteers that would like to serve on that committee before I  
18 just name people, if you'd like to serve, please let us know.  
19 Frank, if you would provide assistance I would appreciate it.

20                   MR. FERGUSON: Yes.

21                   DELEGATE KILGORE: Do we need a motion  
22 on that?

23                   SENATOR RUFF: I think we could do it that  
24 way. Mr. Chairman, the final action is the budget and you'll  
25 find that on page 10, it reflects the actions we've just taken

1 with the 15 percent corpus invasion and the additional money  
2 for legal fees in the contract for service. Mr. Executive  
3 Director, do you want to follow up on that at all?

4 MR. NOYES: Thank you Senator Ruff.  
5 Essentially what you're looking at is a 10 percent budget. If  
6 you look down at the very bottom there is available for  
7 distribution almost \$25 million dollars. It was the feeling of  
8 the Executive Committee and advice of staff to have that  
9 amount in reserve, not in the reserve program, but in reserve  
10 because of some very major opportunities that are imminent.  
11 We just had a couple of motions that dealt with those so that  
12 \$9 or \$10 million by itself would blow out the TROF amount  
13 we normally appropriate. Essentially you've got a 10 percent  
14 budget and this is carry forward from last year.

15 DELEGATE KILGORE: Is that shown in the  
16 budget?

17 MR. NOYES: The carry forward is not shown  
18 in this budget.

19 MS. KIM: Under sources of funds Mr.  
20 Chairman.

21 MR. NOYES: Administration is roughly at 4  
22 percent and you can see in detail how those funds have been  
23 used; \$1,157,000 salaries, benefits, per diems, contractual, a  
24 million five, these are all matters that were considered and  
25 approved by and passed by the Board. Transfer payments,

1 rent, insurance and that sort of thing. That's what we've sent  
2 over to the Office of the, lots of those. Total administration is  
3 \$3.3 million. Indemnification 12.1 percent of the budget. This  
4 is the last amount that would fulfill our legislative mandate  
5 10,259,082 roughly 12.1 percent.

6 DELEGATE KILGORE: I assume on the  
7 indemnification those folks out there realize or are going to be  
8 told this is the last payment.

9 MR. NOYES: Clark can speak to that but I  
10 know it's been discussed in your outreach for Southern and  
11 Southwest Virginia.

12 MR. LEWIS: Mr. Chairman, in every press  
13 release and every time we have a public announcement and  
14 otherwise we bring it to their attention, this is the last; next  
15 year will be the last year. We're constantly reminding them of  
16 that and I'm going to have our outreach this year and that will  
17 be the topic of the conversation and they're becoming aware  
18 that this is the last year.

19 DELEGATE KILGORE: The reason I bring that  
20 up I'm sure some of us will be getting calls about where the  
21 form is and about where the check is so I want to make sure  
22 Clark that you all have let people know that.

23 MR. LEWIS: We have and we'll continue to.

24 MR. NOYES: The line item for innovation job  
25 creation totals \$14,500,000, \$7,500,000 in TROF, \$5 million

1 in special projects, \$2 million in agribusiness and these  
2 numbers are consistent with past budgets. They constitute  
3 about 12 percent, innovation and job creation, 17 percent.  
4 Education 14.1 percent, that's an increase this year, \$12  
5 million. Regional economic development \$12,500,000 in  
6 Southside allocated to the formula and Southwest \$7,500,000,  
7 each of those two figures contain \$2.5 million which is  
8 available for the broadband initiative. The final item, \$25  
9 million and this is the second year of our Megapark  
10 Development Program, \$25 million last year and \$25 million  
11 here is anticipated. The Board has made a commitment to go  
12 forward two additional years and that program will ultimately  
13 total not less than \$100 million.

14 DELEGATE KILGORE: Is there an update on  
15 the megapark, the next meeting and what we're doing and  
16 where and how that's going?

17 MR. NOYES: We can certainly do that for our  
18 next meeting. Total use is \$85 million available for  
19 distribution, roughly \$25 million. That's the budget as  
20 developed by the staff in terms of recommendations to the  
21 Executive Committee.

22 DELEGATE KILGORE: Does any member have  
23 any questions about the budget?

24 SENATOR RUFF: If not, then I'd move its  
25 approval.

1 SENATOR PUCKETT: Second.

2 DELEGATE KILGORE: There's a motion and a  
3 second that the FY 2012 budget be approved. All in favor say  
4 aye. (Ayes). Opposed.

5 DELEGATE WRIGHT: No.

6 SENATOR RUFF: Mr. Chairman, I think that  
7 completes the report.

8 DELEGATE KILGORE: Thank you Senator  
9 Ruff for your work on the Executive Committee. Next is the  
10 R&D Committee, Delegate Byron.

11 DELEGATE BYRON: Thank you Mr.  
12 Chairman, we had a very robust committee meeting yesterday  
13 in your absence. The Commission received 7 proposals for  
14 fiscal year 2011 for R&D funds by the April 8<sup>th</sup> due date  
15 requesting \$22 million.

16 DELEGATE KILGORE: That's page 11, 12 and  
17 following that you'll find the R&D.

18 DELEGATE BYRON: You won't find all of  
19 them. We moved to approve five grants totaling \$9 million  
20 which are not shown in the book. They are 2222, 2224, 2225,  
21 2279 and 2281. They had certain contingencies that were  
22 competitive and these were all vetted by the Virginia Economic  
23 Development Partnership. Mr. Chairman I would so move  
24 those grants.

25 DELEGATE KILGORE: Do we have the names

1 of those? I know the grant numbers.

2 DELEGATE BYRON: I wasn't aware until this  
3 morning that they're not in the book. I could ask Ned.

4 MR. STEPHENSON: They escaped the  
5 publication in the book but I have them here and I'll have  
6 them in a moment.

7 DELEGATE BYRON: They belong to the  
8 second batch. We have another group of grants that were of  
9 course, part of the second batch of grants that had not been  
10 vetted yet that we generally vote on whether or not we're going  
11 to send them for vetting. We had several of those that, we sent  
12 two new applications to the partnership for review. We don't  
13 need to vote on those. We also had grants 2321 which was the  
14 development of renewal energy, R&D at the Institute for  
15 Advanced Research. That program was one of a much bigger  
16 project that's being worked on with the partnership. We  
17 approved that one along with 2338 which is a program with  
18 UVA and partnered with Southside and Southwest for design  
19 manufacture of affordable energy and efficient housing  
20 systems and that grant was for \$2.445 and that's a correction,  
21 you can look in your book. The combination of those two  
22 which is \$7.445, the combination of those two respectively I  
23 move that we approve those grants without vetting by the  
24 partnership.

25 DELEGATE MARSHALL: Second.

1 DELEGATE KILGORE: Any discussion on  
2 those two, 2321 \$5 million and 2338 at \$2.445 million? Any  
3 other discussion? All in favor of those two say aye. (Ayes).  
4 Opposed. (No response). Now Cathy, I think we have on the  
5 board the ones that you were talking about for approval.

6 DELEGATE BYRON: That is correct. We have  
7 five grants totaling \$9 million. As you can see we had the  
8 Southwest Virginia Higher Education Center Foundation  
9 which is going to develop and demonstrate and going to go into  
10 landfill gas upgrading technology, and we have 2224 in Floyd  
11 County Biomedical Innovation and that was for \$700,000.  
12 Grant 2225 also in Floyd County for \$750,000, 2279 City of  
13 Danville Engineering Biopharmaceuticals for \$2.98809 million,  
14 2282 Dan River Business Development Center Tobacco  
15 Biomass for production and that was \$3 million. Those are  
16 the five grants which were approved by the Committee with  
17 contingencies and were vetted by VEDP and scored. As you  
18 recall, we have a scoring process and there is a minimum  
19 threshold that we have been following.

20 DELEGATE KILGORE: And they met that  
21 minimum threshold?

22 DELEGATE BYRON: That is correct.

23 DELEGATE KILGORE: Good job, thank you  
24 for all your time, the R&D Committee has been spending a lot  
25 of time.

1 DELEGATE BYRON: The R&D Committee is  
2 coming along. I'll also say Mr. Chairman that we were going to  
3 put a subcommittee together and get with Mr. Giles since  
4 we're now into this about five years now?

5 MR. NOYES: The second year.

6 DELEGATE BYRON: It seems like five. We're  
7 in our second year and we're going to look at the process and  
8 see if there's any other improvements that we can make.

9 DELEGATE KILGORE: You're moving those as  
10 a block?

11 DELEGATE BYRON: I'd move those five grants  
12 in a block.

13 SENATOR RUFF: Mr. Chairman, I would move  
14 that number 2224 be pulled out.

15 DELEGATE KILGORE: The block would be for  
16 the remaining four, 2222, 2225, 2279 and 2282. Do I have a  
17 second on those? All right. I have a motion and a second and  
18 we'll vote those four in a block. All those in favor say aye  
19 (Ayes). All those opposed.

20 DELEGATE WRIGHT: No.

21 DELEGATE KILGORE: Now we'll take up  
22 2224. Do I have a motion? All right, I have a motion and a  
23 second. Discussion?

24 SENATOR RUFF: Mr. Chairman, the reason I  
25 pulled it out, I'm not comfortable with the investment from the

1 private sector that it should be as high as it should be,  
2 percentage wise. I hope the thing works. I just have my  
3 reservations.

4 DELEGATE KILGORE: I've got a motion and a  
5 second, any further discussion? All those in favor say aye.  
6 (Ayes). Opposed. (No).

7 MR. NOYES: Get your hands up if you're  
8 against it.

9 DELEGATE KILGORE: How many negative  
10 votes? The motion passes with how many negative votes?

11 MR. NOYES: I believe there is six –

12 DELEGATE BYRON: There's a last minute  
13 situation Mr. Chairman. There's some corrections here that  
14 just got caught. The Board is incorrect. 2282 the Dan River  
15 Business Development Park was tabled.

16 DELEGATE KILGORE: Do I have a motion  
17 having voted on the prevailing side, do we have that motion  
18 voting on the prevailing side in that block of four that that be  
19 reconsidered? We have a motion and a second that that be  
20 reconsidered. All those in favor say aye. (Ayes)

21 DELEGATE BYRON: I've got another one in  
22 my district. 2281, the Waste to Energy Project that was for \$3  
23 million and that was part of the block that was missing on  
24 your chart. That's 2281, Cycle Systems.

25 DELEGATE KILGORE: We're not approving

1 2282 because that was tabled.

2 DELEGATE BYRON: Correct.

3 DELEGATE KILGORE: The money is the  
4 same, just the wrong name, the wrong number. Biomass for  
5 Biofuel Production –

6 DELEGATE BRYON: It is, yes. We put the  
7 wrong name. I think we need a new motion and I so move.

8 DELEGATE KILGORE: 2222, 2225, 2279,  
9 2281 in a block?

10 DELEGATE BYRON: Yes.

11 DELEGATE KILGORE: All right, we have a  
12 motion and a second, any discussion? All those in favor say  
13 aye. (Ayes). Opposed. (No response).

14 DELEGATE BYRON: That concludes my  
15 report. We have some more applications and I believe the  
16 deadlines for applications or the meeting is September 21<sup>st</sup>  
17 and the deadline is August 1<sup>st</sup>.

18 MR. NOYES: That's the deadline for new  
19 applications and I don't recall if we set a date for –

20 DELEGATE BYRON: It's in the book,  
21 September 21<sup>st</sup>.

22 DELEGATE KILGORE: Thank you. Mr.  
23 Owens, Southside Economic Development Committee.

24 MR. OWEN: Thank you Mr. Chairman, page  
25 17. Southside Economic Development Committee met last

1 Thursday on May 18<sup>th</sup> to consider the second round of  
2 applications for Southside Economic Development. This is  
3 explained in pages 17 through 26. If there's any questions  
4 about any of those at this point.

5 DELEGATE KILGORE: Your Committee  
6 recommendations are in the far right hand side?

7 SENATOR RUFF: Mr. Chairman, I move that  
8 2315 be pulled out of the block.

9 DELEGATE KILGORE: The Town of Keysville.

10 SENATOR RUFF: Yes.

11 DELEGATE KILGORE: So 2315 is pulled out  
12 of the block.

13 DELEGATE MARSHALL: 2311 I'd ask be  
14 pulled out of the block.

15 DELEGATE KILGORE: 2311, anybody else  
16 have one that they wished to be pulled out of the block? Do I  
17 have a motion?

18 MR. OWEN: I move that we approve all of  
19 those besides 2315 and 2311.

20 DELEGATE KILGORE: We have a motion and  
21 a second, any discussion? All those in favor of approving the  
22 remainder of the block say aye. (Ayes). Opposed. (No  
23 response). Now, to 2311, do I have a motion we approve  
24 2311? I have a motion and a second to approve that. Any  
25 discussion?

1 DELEGATE MARSHALL: I am going to  
2 abstain.

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

5 MR. OWEN: I'd like to offer an amendment to  
6 the last recommendation to 2315 in light of current  
7 information. I'd like to make the grant a \$100,000 so the  
8 Town of Keysville can get some engineering work and make  
9 sure that they have the most effective costs on this project and  
10 I'd like to move that. Approve a \$100,000 for the final  
11 engineering work.

12 SENATOR RUFF: Second.

13 DELEGATE KILGORE: We have a motion and  
14 a second to amend the Committee recommendation to a  
15 \$100,000. Any other discussion? All in favor say aye. (Ayes).  
16 Opposed. (No response).

17 MR. OWEN: That concludes my report.

18 DELEGATE KILGORE: Do we need to approve  
19 any changes or take any action on any other business. 1581.

20 MR. OWEN: I do apologize. That's Pittsylvania  
21 County and I'd call on Mr. Pfohl.

22 DELEGATE KILGORE: Looks like there's some  
23 changes we need to approve.

24 MR. PFOHL: There are two projects that were  
25 requesting a change of the use of funds and an extension of

1 time to use those funds. First is project 1581 that was  
2 granted to Pittsylvania County in lieu of building a sewer line  
3 to the megasite, they're asking that a million dollars be used  
4 for additional water and sewer engineering costs for that 3,500  
5 acre megasite.

6 The second is grant number 1779,  
7 Mecklenburg County for the Kinderton Technology Campus.  
8 This is to use funds for additional site development.  
9 Thankfully bids for that construction work is well under the  
10 budgeted costs, just shy of \$750,000 and used for sewer  
11 system upgrades to serve data center sites and the Committee  
12 approved both of those requests.

13 DELEGATE KILGORE: Do I have a motion we  
14 approve those changes?

15 MR. OWEN: So moved.

16 DELEGATE KILGORE: We have a motion and  
17 a second; do you want to take those in a block? All those in  
18 favor say aye. (Ayes). Opposed. (No response).

19 MR. OWEN: Now Mr. Chairman that  
20 concludes our report.

21 DELEGATE KILGORE: Thank you.  
22 Education, Senator Ruff.

23 SENATOR RUFF: Mr. Chairman, the  
24 Education Committee met on May 18<sup>th</sup> to deal with three  
25 applications that were received to approve three community

1 colleges in the fiscal year 2011. They're on page 27 and I'd  
2 move the three applications totaling \$525,000 be approved.

3 DELEGATE WRIGHT: Second.

4 DELEGATE KILGORE: We have a motion and  
5 a second, any more discussion? All those in favor say aye.  
6 (Ayes). Opposed. (No response).

7 SENATOR RUFF: That completes the report.

8 DELEGATE KILGORE: Are you going to talk  
9 about the one year extension?

10 SENATOR RUFF: Mr. Chairman, several years  
11 ago or in '07 we approved some money for the Washington  
12 County Library and the process has been slow moving forward  
13 but now they're back to their original schedule and they've  
14 asked for an extension to the end of this year, is that correct?

15 DELEGATE KILGORE: Yes.

16 SENATOR RUFF: I would move that we grant  
17 them that extension time.

18 DELEGATE JOHNSON: Second.

19 DELEGATE KILGORE: Any more discussion?  
20 All those in favor of approving the one year extension for  
21 Washington County Public Library say aye. (Ayes). Opposed.  
22 (No response). All right, that passes. Senator Puckett.

23 SENATOR PUCKETT: Thank you Mr.  
24 Chairman. Mr. Chairman, the Southwest Economic  
25 Development Committee met this morning and I think we have

1 one issue that requires a vote. Before we get to that, there was  
2 also a presentation as to what's happening with the coalfield  
3 coalition. This is the installation of fiber to the electronic  
4 towers and data capacity for a project with wireless providers  
5 in Southwest Virginia. This is an opportunity we think we  
6 have to use wireless to actually reach most of our people who  
7 are interested in an internet connection. It's a non-profit  
8 partnership. It will basically support tower expansion in 7  
9 Southwest Virginia counties. Basically that's an update while  
10 it's moving forward. Hopefully by the end of the year we'll  
11 have some people that will be able to access the 4g. I don't  
12 know if I'm ready for the 4g or not but we're not really used to  
13 that. When you've been on dial up, 4g is a real stranger.  
14 We're excited about that and looking forward to having that  
15 available to our people.

16                   The issue that I think probably needs a little  
17 bit of action is a repurpose agreement involving a previously  
18 approved project number 2132 in Wise County. This comes at  
19 the request of the Wise County IDA. The repurpose and  
20 instead of breaking down the grant money into several areas,  
21 they would like to repurpose that into the purchase of one  
22 piece of equipment that is very important. Again repurpose of  
23 the equipment probably is better for the Commission because  
24 we we're going to have some asset there that we can hold onto  
25 if we need to. The Committee recommends that we allow the

1 repurpose of grant number 2132, Wise County IDA and I make  
2 that motion.

3 DELEGATE KILGORE: We have a motion and  
4 a second, any discussion? All those in favor say aye. (Ayes).  
5 Opposed. (No response).

6 SENATOR PUCKETT: Thank you Mr.  
7 Chairman that concludes my report.

8 DELEGATE KILGORE: Thank you. Senator  
9 Wampler.

10 SENATOR WAMPLER: Mr. Chairman, the  
11 Special Projects Committee met and had a meeting without  
12 controversy and brings to you a unanimous recommendation  
13 to the full Commission. On page 31 of your book and the first  
14 project is to support the data center that this Commission  
15 funded previously and it is a solar facility that would be used  
16 to compliment the data center. If you're going to market data  
17 centers, you need to have some type of renewable source and  
18 that's why we have the application before us. The staff's  
19 recommendation was to award some \$1.75 million in the form  
20 of a one time non-recurring capital expenditure to support two  
21 separate solar facilities to help with the renewable source.  
22 There is leverage from both federal tax credits and from the  
23 Virginia Department of Mines, Minerals and Energy. Mr.  
24 Chairman that is the scope of that. Should anyone have any  
25 questions about solar photo mosaic technologies, there are

1 those that can answer, while we believe it's complimentary to  
2 our other efforts in Duffield and also to support the marketing  
3 efforts of the data center. I'd so move for adoption of the  
4 staff's recommendation.

5 DELEGATE JOHNSON: Second.

6 DELEGATE KILGORE: I have a motion and a  
7 second, any discussion? All those in favor say aye. (Ayes).  
8 Opposed. (No response). All right.

9 SENATOR WAMPLER: Mr. Chairman, the  
10 second item for action from the Committee does not require  
11 such a lengthy explanation and it is a simple repurpose of an  
12 existing grant to the William King Regional Art Center. The  
13 short version is that they wish to look at other properties in  
14 downtown Abingdon in which to possibly rebuild the museum.  
15 We had previously purposed the scope of the grant to be in  
16 conjunction with the Barter Theatre and this would simply say  
17 that the request that the Barter related condition be removed.  
18 I would so move.

19 DELEGATE KILGORE: I have a motion and a  
20 second. Anymore discussion? All those in favor say aye.  
21 (Ayes). Opposed. (No response).

22 SENATOR WAMPLER: Mr. Chairman, we will  
23 have an application deadline of July 15<sup>th</sup> and our next meeting  
24 of Special Projects will be September 15<sup>th</sup> and that's all we  
25 talked about Mr. Chairman.

1 DELEGATE KILGORE: Thank you.  
2 Agribusiness Committee Meeting, Stephanie, do you want to  
3 make a presentation on that or a comment on it or an  
4 explanation?

5 MS. KIM: This is really not much of an issue  
6 but its old business. Back when the Commission began in  
7 February 2000, indemnification payments between quota  
8 holders and growers and it was decided that they would be  
9 50/50. For burley it would be split 38/62 between quota  
10 holders and growers. In March of 2003 the Agribusiness  
11 Committee voted to keep it the same. We've been doing that  
12 since the beginning of our indemnification payments but  
13 today we're asking you to formally ratify the Agribusiness  
14 Committee's action in March, 2003 recommendation to split  
15 the indemnification payments 38/62 for burley between the  
16 burley quota holders and growers and 50/50 between flue  
17 cured quota holders and growers.

18 DELEGATE KILGORE: That's the way we've  
19 been doing it?

20 MS. KIM: You've been doing that since the  
21 beginning of time.

22 SENATOR HAWKINS: So moved.

23 DELEGATE KILGORE: We have a motion and  
24 a second, any discussion? All those in favor say aye. (Ayes).  
25 Opposed. (No response). Thank you. Frank Ferguson.

1 MR. FERGUSON: Mr. Chairman, a quick  
2 review on collection efforts on the Forbes matter. As you will  
3 recall, he was convicted in federal court in November. The  
4 federal court has a very active restitution collection program  
5 and a dedicated program. Since that time we received a check  
6 in excess of \$100,000 a couple of months ago. While the  
7 Attorney General's Office stands ready to collect if necessary.  
8 The mechanisms in place in the federal court system are far  
9 superior and therefore, they're standing down the AG's office  
10 unless and until we tell them we need to do that. That  
11 amount came from the sale of his home and there's ongoing  
12 efforts to cash the 401k and that sort of thing so we expect  
13 more money, I don't know that there will be the full \$4 million  
14 restitution collected but certainly it will be a substantial  
15 amount coming forth. We've already collected more than I  
16 thought we would, so all that's good news. Any questions, I'll  
17 be glad to try to answer them as far as the update and so  
18 forth.

19 DELEGATE KILGORE: Thank you Frank, just  
20 keep us informed. The Executive Director's Report.

21 MR. NOYES: Thank you Mr. Chairman.  
22 Before I forget and Michelle's over there looking at me, the  
23 CAER facility tour right after the meeting and the bus leaves  
24 about 20 minutes after we conclude our work. Liberty  
25 University is providing shuttle and there's a number of people

1 already signed up. If there's additional people that wish to go,  
2 I urge you to please do that. Let me Michelle know and we  
3 have plenty of room. For members there will be boxed  
4 lunches, take care of your travel vouchers. Please sign them  
5 and leave them at your seat.

6 Three matters Mr. Chairman, I've been  
7 directed by the Executive Committee to deliver a letter to one  
8 of the Planning District Commissions, our grantee for \$10  
9 million for broadband and which is very specific in terms of  
10 the expectations and the actions that need to be taken by  
11 Lenowisco at this time to answer or resolve questions that  
12 were raised in a recent audit as far as how our funds were  
13 used. So I'll be doing that. The second thing, we'll have some  
14 new members when we meet next time in September. Those  
15 members whose terms will expire, I want to personally thank  
16 you. It's been wonderful so don't think you're getting away  
17 because we're expecting you at the September meeting and  
18 we'll have a little something for you at that time.

19 You'll notice members in your insert, there will  
20 be an insert in the Virginia Business Magazine. I think it will  
21 be this month and they'll be available next week I believe.

22 MS. KIM: They'll be available tomorrow.

23 MR. NOYES: They'll be available tomorrow if  
24 you want to see them. This is the second of the inserts that  
25 we've done for Virginia Business. We did the Research and

1 Development Centers in June if you do recall those. This fall  
2 there will be another insert and that issue of Virginia Business  
3 is dedicated to Education. The insert will feature the  
4 Commission's work in education, all the community colleges  
5 and career programs. Southwest Higher Ed and Southern  
6 Virginia Higher Ed and that will be in the fall issue.

7 That concludes my report.

8 DELEGATE KILGORE: Thank you. Our next  
9 Commission meeting will be Thursday, September 29, 2011.  
10 I'd probably hold Wednesday, September 28<sup>th</sup> also because I  
11 know how these, we'll probably have an Executive Committee  
12 meeting or something. Now, any public comments? Once  
13 again I want to thank the Chancellor for allowing us to come  
14 to Liberty and have our meeting here and we really appreciate  
15 your hospitality. I also want to thank my friend Scott Garrett  
16 for coming today and seeing what we're all about here on the  
17 Tobacco Commission and I appreciate what you do for the  
18 Commonwealth too.

19 CHANCELLOR FALWELL: Mr. Chairman, we  
20 have the shuttle ready to go to the CAER and one of them will  
21 make a brief stop at the plant out here to see what we do. We  
22 have indoor soccer and indoor track there and 35 classrooms  
23 and the law school if anybody wants to see it. It's a good  
24 example of what can happen with an empty plant. So we have  
25 two shuttle buses available for you.

1 DELEGATE KILGORE: Thank you. Do I have  
2 a motion that we adjourn?

3 SENATOR PUCKETT: So moved.

4 DELEGATE KILGORE: We have a motion to  
5 adjourn, we're adjourned.

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7 PROCEEDINGS CONCLUDED

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