

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

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219
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9 **Full Commission Meeting**

10 Thursday, May 22, 2014

11 10:00 A.M.
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13 Golden Leaf Commons Community Facility
14 Emporia, Virginia
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- 1 **APPEARANCES:**
- 2 The Honorable Terry G. Kilgore, Chairman
- 3 The Honorable Frank M. Ruff, Vice Chairman
- 4 Mr. Kenny F. Barnard
- 5 Ms. Gayle F. Barts
- 6 The Honorable Kathy J. Byron
- 7 Mr. John R. Cannon
- 8 The Honorable Charles W. Carrico, Sr.
- 9 The Honorable A. Benton Chafin, Jr.
- 10 Mr. David R. Cundiff
- 11 The Honorable James Edmunds
- 12 Mr. Burgess “Butch” H. Hamlett, III
- 13 The Honorable Maurice Jones,
- 14 Secretary of Commerce & Trade
- 15 The Honorable Daniel W. Marshall, III
- 16 Mr. Donald W. Merricks
- 17 Mr. H. Ronnie Montgomery
- 18 Mr. Dale Moore
- 19 Ms. Sandra F. Moss
- 20 Ms. Connie G. Nyholm
- 21 Dr. Todd Pillion
- 22 Dr. David S. Redwine, DVM
- 23 Mr. Kenneth O. Reynolds
- 24 Ms. Beth D. Rhinehart
- 25 The Honorable Frank M. Ruff

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

2 The Honorable Ralph K. Smith

3 Mr. Robert Spiers

4 Mr. John M. Stallard

5 Ms. Cindy M. Thomas

6 The Honorable Gary D. Walker

7 The Honorable Thomas C. Wright, Jr.

8 COMMISSION STAFF:

9 Mr. Timothy J. Pfohl – Interim Executive Director & Grants
10 Program Administration Director

11 Ms. Stephanie S. Kim – Director of Finance

12 Ms. Sara G. Williams - Grants Program Administrator,
13 Southwest Virginia

14 Ms. Sarah K. Capps - Grants Program Administrator,
15 Southside Virginia

16 Mr. Benjamin Dawson – Assistant, Southside Virginia

17 Ms. Jessie Stamper – Assistant, Southwest Virginia

18 Ms. Carolyn Bringman – Performance Data Analyst

19 Ms. Suzette Patterson – Grants Office Manager

20 Ms. Stacey Richardson – Executive Assistant

21 COUNSEL FOR THE COMMISSION

22 Eric E. Ballou, Esq.

23 CHRISTIAN & BARTON, LLP

24 909 East Main Street, Suite 1200

25 Richmond, Virginia 23219

1 DELEGATE KILGORE: Thank you very
2 much. I just want to thank everyone involved in the very
3 successful reception last night, thank you all. All right, what
4 is next, Tim?

5 MR. PFOHL: We have a short
6 presentation.

7 MS. LAKE: Good morning. On behalf of
8 the Greenville County Board of Supervisors, I'd like to
9 welcome you to our community and we're thrilled to have the
10 Commission's quarterly meeting here. More importantly, I'd
11 like to welcome you to the Southside Virginia Education
12 Center. Without your help, this center wouldn't be possible.
13 Tim has allowed me a little bit of time to brag on the center
14 and speak to the success of it. The 2000 U.S. Census Bureau
15 reported that only 66% of the Greenville County residents
16 aged 25 and older had a high school degree and that has
17 bothered our board and our community. The low education
18 attained is also reflected in the household median income of
19 32,000 compared to the statewide at 46,000. Those statistics
20 led our board of supervisors to create a plan for a facility to
21 bring better educational programs to the area. The first phase
22 of the Southside Virginia Education Center opened its doors in
23 August of 2008 with the first 18,000 square feet of space. In
24 the first two years enrollment in workforce training education
25 increased over sixty percent. In addition to that office space,

1 classes have been added per semester.

2 The center now has Mary Baldwin
3 College, Longwood University four year degree program on
4 site. Currently students can receive a degree in elementary
5 education, business, marketing, healthcare administration
6 and social work without leaving the community. Additional
7 programs such as criminal justice and classes will begin in the
8 fall.

9 Phase three opened the doors in the fall
10 of 2013. This 21,900 square foot addition includes five
11 additional classrooms and an advanced manufacturing
12 instruction lab and community training room. Southside
13 Virginia Community College will be implementing a machine
14 program in the fall in conjunction with the high school dual
15 enrollment program and also offer evening classes with the
16 same certification. The Virginia Employment Commission now
17 has office space in this facility also. Housing and the VEC and
18 GED programs, this will be a one-stop service facility for our
19 community. FDEC and a large part of the funding came from
20 the Virginia Tobacco Commission. I personally want to thank
21 you and you can see the success here. Unfortunately, we are
22 between spring and summer breaks so there are no students
23 here. I welcome you to come back and tour the facility. If
24 anyone is interested in staying after the meeting, we'll be glad
25 to take you on a tour. Thank you very much.

1 DELEGATE KILGORE: Thank you very
2 much. Good morning, everyone, thank you all for being here.
3 At this time, I'll ask Tim to call the roll.

4 MR. PFOHL: Mr. Barnard?

5 MR. BARNARD: Here.

6 MR. PFOHL: Ms. Barts?

7 MS. BARTS: Here.

8 MR. PFOHL: Secretary Brown cannot be
9 with us today. Delegate Byron?

10 DELEGATE BYRON: Here.

11 MR. PFOHL: Mr. Cannon?

12 MR. CANNON: Here.

13 MR. PFOHL: Senator Carrico?

14 SENATOR CARRICO: Here.

15 MR. PFOHL: Delegate Chafin?

16 DELEGATE CHAFIN: Here.

17 MR. PFOHL: Mr. Cundiff?

18 MR. CUNDIFF: Here.

19 MR. PFOHL: Delegate Edmunds?

20 DELEGATE EDMUNDS: Here.

21 MR. PFOHL: Mr. Hamlett?

22 MR. HAMLETT: Here.

23 MR. PFOHL: Secretary Haymore or
24 Deputy Secretary Hill? [No response.]

25 MR. PFOHL: Secretary Jones?

1 SECRETARY JONES: Here.
2 MR. PFOHL: Delegate Kilgore?
3 DELEGATE KILGORE: Here.
4 MR. PFOHL: Delegate Marshall?
5 DELEGATE MARSHALL: Here.
6 MR. PFOHL: Mr. Merricks?
7 MR. MERRICKS: Here.
8 MR. PFOHL: Mr. Montgomery?
9 MR. MONTGOMERY: Present.
10 MR. PFOHL: Mr. Moore?
11 MR. MOORE: Here.
12 MR. PFOHL: Ms. Moss?
13 MS. MOSS: Here.
14 MR. PFOHL: Ms. Nyholm?
15 MS. NYHOLM: Here.
16 MR. PFOHL: Dr. Pillion?
17 DR. PILLION: Here.
18 MR. PFOHL: Dr. Redwine?
19 DR. REDWINE: Here.
20 MR. PFOHL: Mr. Reynolds?
21 MR. REYNOLDS: Here.
22 MR. PFOHL: Ms. Rhinehart?
23 MS. RHINEHART: Here.
24 MR. PFOHL: Senator Ruff?
25 SENATOR RUFF: Here.

1 MR. PFOHL: Senator Smith?

2 SENATOR SMITH: Here.

3 MR. PFOHL: Mr. Spiers?

4 MR. SPIERS: Here.

5 MR. PFOHL: Mr. Stallard?

6 MR. STALLARD: Here.

7 MR. PFOHL: Senator Stanley could not
8 be with us today. Ms. Thomas?

9 MS. THOMAS: Here.

10 MR. PFOHL: Mr. Walker?

11 MR. WALKER: Here.

12 MR. PFOHL: Delegate Wright?

13 DELEGATE WRIGHT: Here.

14 MR. PFOHL: You have a quorum, Mr.
15 Chairman.

16 DELEGATE KILGORE: Thank you. I
17 want to make sure we welcome Secretary of Commerce Mr.
18 Jones.

19 SECRETARY JONES: Make sure you've
20 got me on the list.

21 DELEGATE KILGORE: We've got you on
22 the list as Secretary of Commerce and Trade Maurice Jones.
23 Thank you. We appreciate your participation and look
24 forward to working with you.

25 SECRETARY JONES: Thank you.

1 MR. PFOHL: My apologies that you were
2 left off the list, that won't happen again.

3 DELEGATE KILGORE: All right, do I
4 have a motion to approve the minutes from March 6th, 2014?
5 They're published on the website. Do I have a motion to
6 approve those?

7 MS. NYHOLM: So moved.

8 DELEGATE KILGORE: We have a motion
9 and a second. All in favor say aye. (Ayes.) Opposed? (No
10 response.) All right. Senator Ruff?

11 SENATOR RUFF: Thank you, Mr.
12 Chairman. Last week or maybe two weeks ago folks from
13 Virginia State were invited to a show of one of their efforts and
14 the Agriculture Committee awarded a grant for small berry
15 growers and they gave us a tour of that facility at Virginia
16 State and for their appreciation of that, they wanted to give
17 the Tobacco Commission a plaque. So I'll at this time give it
18 to the Chairman.

19 DELEGATE KILGORE: Thank you. I'm
20 going to turn this over to Tim and you can place that in a
21 suitable place.

22 MR. PFOHL: We can thank Virginia
23 State, Mr. Chairman.

24 SENATOR RUFF: The Executive
25 Committee met on May the 7th and we had three action items

1 to deal with. The first is on page 61.

2 DELEGATE KILGORE: If you want to
3 turn to page 61 in your books.

4 SENATOR RUFF: That is the proposed
5 budget for the coming year. I would therefore move we
6 approve that budget, which would include an 8% corpus
7 invasion that's less than what we've done sometimes in the
8 past. Over the last several years we invaded the corpus about
9 15% and that was to get our megapark started and get the
10 R&D program going. If we are to do what we need to do over a
11 more sustained period, it appears that we need to cut back
12 which was normally ten percent. So the motion is for an eight
13 percent corpus invasion. You'll find on page 61 to be
14 approved as printed.

15 DELEGATE KILGORE: We have a motion
16 and a second, any questions? The Commissioners looking at
17 page 61? Any questions? We had a discussion in the
18 Executive Committee about it but are there any questions? I
19 have a motion and a second. All those in favor say aye.
20 (Ayes.) Opposed, no? (No response.) That motion is
21 approved.

22 SENATOR RUFF: Mr. Chairman, the
23 next motion is the Committee recommends that the salary and
24 fringe benefits and travel expenses of Mary Rae Carter, who
25 was formerly the Deputy Secretary of Commerce and Trade for

1 Rural Virginia and her current capacity is Special Advisor for
2 Rural Partnerships be approved at a cost not to exceed
3 \$180,000.

4 DELEGATE KILGORE: That's salary and
5 benefits?

6 SENATOR RUFF: Yes, and travel not to
7 exceed \$180,000.

8 DELEGATE KILGORE: We've got a
9 motion and a second. All those in favor say aye. (Ayes.)
10 Opposed? (No response.)

11 SENATOR RUFF: Mr. Chairman, the
12 next motion is that the Commission approve a resolution that
13 is printed on page 63 requesting that the fiscal year ending
14 June 30th, 2015, the Treasury Board of Virginia pay from the
15 endowment to the fund a sum equal to eight percent of the
16 endowment value as of 2/28/15 that the said payment be
17 made not later than June 30, 2015 and that the amount so
18 paid not be subject to restriction.

19 DELEGATE MARSHALL: So moved.

20 SENATOR CARRICO: Second.

21 DELEGATE KILGORE: We have to do
22 that to satisfy the requirements, the legal requirements. We
23 have a motion and a second, any more discussion?

24 MS. KIM: That would be from May 10th,
25 2014 through June 30, 2015.

1 DELEGATE KILGORE: All right, a motion
2 and a second. Any more discussion? All those in favor say
3 aye. (Ayes.) Opposed? (No response.)

4 SENATOR RUFF: Mr. Chairman, that
5 was all the action of the Executive Committee.

6 DELEGATE KILGORE: All right,
7 Education Committee.

8 SENATOR RUFF: I'll move on to the
9 Education Committee. We met yesterday. We had a fair
10 discussion about the Centers of Excellence and there was
11 some discussion about how to deal with Southwest Virginia,
12 the one there, but we would like to move forward on
13 designating the New College Foundation and the Southern
14 Virginia Higher Education Center to be designated as two
15 Centers of Excellence for Southern Virginia.

16 DELEGATE MARSHALL: So moved.

17 DELEGATE KILGORE: And there'll be a
18 third one when it's ready?

19 SENATOR RUFF: Yes.

20 DELEGATE KILGORE: I have a motion to
21 designate the New College Foundation and the Southern
22 Virginia Higher Education as two of the Centers of Excellence.
23 Any discussion? All those in favor say aye. (Ayes.) Opposed?
24 (No response.)

25 SENATOR RUFF: Mr. Chairman, on

1 Southwest, I believe they have two proposals out there and
2 one of them has very high standards. There was some
3 concern that all the entities involved needed to be at the table
4 and have a more thorough discussion that will be developed.
5 We hope to bring them into line as quickly as we can so that
6 we can start teaching out there and start the program out
7 there. I would ask that as soon as they do, we may ask you to
8 call a special meeting.

9 DELEGATE KILGORE: Be more than
10 happy to do that.

11 SENATOR RUFF: Mr. Chairman, the
12 Committee recommended approval of grants #2882 and #2883
13 and the initial amount is \$2 million each and additional
14 funding will be approved at a later date. Those are the two
15 vehicles to move forward at New College and Southern Virginia
16 Higher Education Center. We believed we needed to make a
17 financial commitment so that they can go ahead and make
18 plans to get started in the fall. We believe there are certain
19 savings that could be achieved by working together. We'll be
20 working with them in that process. So I would move that we
21 approve those two grants for \$2 million each with additional
22 funding at a later date.

23 DELEGATE MARSHALL: Second.

24 DELEGATE KILGORE: I have a motion
25 and a second, any further discussion? Two million dollars

1 each to the New College and Southern Virginia Higher
2 Education Center for Centers of Excellence.

3 DELEGATE BYRON: Mr. Chairman, I
4 just want to know from the Education Committee and
5 listening one of the concerns that was discussed and I believe
6 partially addressed on going forward to have a plan in place
7 for sustainability and continue to move forward on these type
8 of projects. The other was like a lot of our business plans and
9 have a better understanding of specifically what things that
10 are going to be done. I don't know if it's that clear although
11 there's a lot of good things and it wasn't real clear specifically
12 how they were going to move forward and hopefully in the
13 future we can get some clarification.

14 SENATOR RUFF: I would ask Senator
15 Wampler if he could address that briefly for us.

16 DELEGATE BYRON: Mr. Chairman,
17 that's just one of the, one is clearer than the others.

18 SENATOR WAMPLER: Mr. Chairman and
19 members of the Commission, New College Institute and I'll try
20 to be as brief as I can. You were asking the question about
21 sustainability. What is clear from your actions this morning is
22 that you'll prime the pump to give the Centers of Excellence
23 the financial capacity to start planning procedures to cover the
24 pipeline. We think our applications will address what you are
25 attempting for us to accomplish in the request for proposals.

1 What happens at the end of three years I think Delegate Byron
2 is really the question that you would want to know. We'll have
3 three years in the books so to speak of what works well and
4 what needs improvement and whether the number is 70 or 80
5 students a year or more or less we will have a track record to
6 adjust from. What I have found is that industry is very
7 interested in participating with not only in-kind but also
8 contributions toward the operation of the Center. I would
9 argue that at the end of three years we have done such a good
10 job with the dollars you gave us that we have attracted new
11 capital investment and we've generated jobs with those and as
12 a result, we'll go to this administration and to that session of
13 the General Assembly, where else can you find a better return
14 on your investment from the general fund and coordinated
15 and highly focused and specialized and that would be your
16 second source of funding.

17 The question is though what capacity
18 remains for the student to add a tuition component on top of
19 that. I think that would be our last resort while if the capacity
20 exists, we want to maximize with the student tuition with the
21 certification costs. We have to be very careful we don't hit that
22 tipping point of moving out of the way. I would choose to
23 focus on this one because I think it's the most fertile ground
24 for all of us to play in. I know from a firsthand standpoint as
25 many of you do, that the United States government through

1 the United States Department of Commerce, specifically the
2 economic development administration is investing in this
3 Center of Excellence and it's watching very closely not only the
4 activities of CCAM but what we will be able to try to do to train
5 those targeted workforce efforts. I'd say there's a partnership
6 between the federal government and state government and the
7 private sector to address the question of sustainability.

8 Lastly, I promise, you may want to
9 continue to invest in it and you may want to provide the
10 incentives to make sure you modify our behavior accordingly
11 to get the result that you want.

12 So, Mr. Chairman, those would be my
13 comments on sustainability and I know that's part of the
14 Center of Excellence that you designate in these regions but I
15 also think that it is good medicine for the rest of us.

16 DELEGATE BYRON: Mr. Chairman,
17 thank you in following up on one comment that he made that
18 I'm very supportive of is the type of certification assistance to
19 the student and that puts money directly in the hands to help
20 that student get training. Providing is one thing, having the
21 ability to get it is another. Does our scholarship program now
22 have the ability to do that or is that something in the future
23 and maybe we can look at the mechanism that would adjust
24 that?

25 SENATOR RUFF: Mr. Chairman, in the

1 past we've only done it for credits for students. I would
2 suspect as we move forward folks would be getting ready and I
3 think we would open it up for non-credit courses as we move
4 forward, we can look into that.

5 DELEGATE BYRON: I would be very
6 supportive of that involving the government.

7 DELEGATE WRIGHT: Mr. Chairman, I've
8 got a question for Senator Wampler. Yesterday, I raised an
9 issue about the fact that the southern part of the Tobacco
10 Commission Region could not be close to a COE. I
11 understand there will be some satellite facilities. Could you
12 give me the optimism about moving forward as far as you may
13 know about or consider would be of help to areas such as
14 mine that have great distances between the Centers?

15 SENATOR WAMPLER: I'll try to offer this
16 and I think any of our models should contemplate how do we
17 reach beyond the physical location of that Center of
18 Excellence. I use the example from Martinsville, there'll be
19 some very specialized equipment for the students to come in
20 and earn their third party certification. Go to Galax, Senator
21 Carrico's district, where this Commission has invested money
22 before to create a Center and we will place the SD10s and
23 SD20s there in coordination with Wytheville Community
24 College. It's designed in the area of precision machining to
25 create a cohort to as few as twelve and as many as 25 of the

1 students that were enrolled in the Wytheville Community
2 College to earn that foundational credit and hopefully the
3 certificate from the Center of Excellence to the NIMS process
4 in precision machining. I would say that model is
5 transferrable. It does require coordination and I would argue
6 hopefully and persuasively it requires the locality to also
7 participate by a financial cost and the cost can be shared. It's
8 capable and stable to other localities. I would say we all need
9 to work together and wherever there is the foundational
10 courses, the students can enroll through satellites.

11 DELEGATE WRIGHT: Mr. Chairman, I'd
12 like to say I appreciate those remarks. It does give me some
13 degree of comfort and I hope the Commission will keep that in
14 mind as we continue on in this process and that we try to do
15 everything we can to try to draw as many of those people that
16 are interested into this process.

17 SENATOR WAMPLER: I agree with you.
18 Mr. Chairman, I'd ask the record to reflect that Delegate
19 Wright agreed with me.

20 SENATOR RUFF: Despite the fact those
21 two agree with each other and that the counties that Delegate
22 Wright is concerned about and in the realm of the Southern
23 Virginia Higher Ed Center, I'd ask Betty, Dr. Adams to come
24 up to address that process.

25 DELEGATE KILGORE: I don't think we

1 voted yes on this \$2 million. We've got to do that yet.

2 DR. ADAMS: I'm Betty Adams, executive
3 director of the Southern Virginia Higher Ed Center and
4 Delegate Wright I hear your concerns and I think Senator
5 Wampler has done a good job of explaining the vision that we
6 have for the Center of Excellence that will be located across
7 the three institutions in Southside Virginia. The satellites that
8 are closest to where your communities are will grow out from
9 the model. I can assure you we will work as closely as we can
10 with you and with those communities and with the community
11 college that serves those counties to make sure that your folks
12 are not left out.

13 DELEGATE WRIGHT: I appreciate that
14 and that gives me a greater degree of comfort. I voted no
15 yesterday but having received more information and I
16 confirmed it today and I had an opportunity to mention this to
17 him earlier this morning and I appreciate your comments.
18 Thank you very much.

19 SENATOR RUFF: Would you explain the
20 Blue Drop?

21 DR. ADAMS: The Blue Drop Learning
22 Technologies is through a company out of Canada. They have
23 a track record of working with the military to provide
24 computer aided instruction. They're also working with the
25 Virginia Manufacturers Association and under our proposal

1 and in addition to using the VMA's marketing program, we
2 would have what's been called a landing page on the CIS,
3 which is the Career Information System platform that VMA
4 uses and has been successful. That would direct students to
5 come and get online and look at what careers are available
6 and investigate what programs are available through the
7 Center of Excellence and from there also would be able to
8 register to get access to the computer aided instruction
9 modules. What this allows us to do is to stretch the
10 equipment resources by rather than on the front end having to
11 have them come use a lab but at the front end they will use
12 the computer aided instruction, which is high-tech
13 simulations. It's incredible what they've been able to do. That
14 would allow them to understand the equipment and kind of
15 work through it and prepare and lay the foundation for a time
16 that they can spend in the lab. Does that answer your
17 question?

18 SENATOR RUFF: Yes, I appreciate that.
19 I want everybody to understand what we're trying to do, so
20 thank you, Betty.

21 MS. THOMAS: Mr. Chairman, as a form
22 of clarification in the follow-up on what Delegate Wright said,
23 in your proposal you listed Halifax County High School but
24 there's a whole lot of high schools in this region here. The
25 plan is going forward.

1 DR. ADAMS: What we are doing is
2 building on the model that Danville and Pittsylvania County
3 has used and Delegate Marshall, you'll have to help me, the
4 name of the Technical Center.

5 DELEGATE MARSHALL: The County's
6 vo-tech center, the true Southside Economic Development
7 Committee, we funded funds for Pittsylvania County to have a
8 machine program and it's a real win-win because these young
9 people and there's a waiting list to get into that program.
10 Those young men and women that are in that program also
11 have dual credits. They can go through the program in high
12 school in Pittsylvania County and then only have to go one
13 year of Danville Community College and get their certificate for
14 the machines. I think that's something we ought to look at
15 and replicate it in the outlying areas. They could have a
16 machine program in outlying areas and this has been up and
17 running for a couple of years now and it works.

18 DR. ADAMS: There may be somebody
19 here from Southside Virginia Community College that can
20 speak to the dual enrollment pipeline that they have in the
21 high schools outside of Halifax County. Al, do you want to
22 speak to that?

23 MR. ROBERTS: Good morning, my name
24 is Al Roberts and I'm the provost at Southside Virginia
25 Community College. We've got a dual enrollment program

1 going in occupational and career areas and welding being one
2 example, they use it and do that at Keysville. We've now got a
3 precision machining program starting up in this location in
4 cooperation with the Greenville County schools, so that
5 model is already in place for Southside. The model that we
6 plan to continue to develop along with folks at the Higher Ed
7 Center as part of the Centers of Excellence.

8 DR. ADAMS: In closing, what I would
9 point out is that it's just focused on the training that's
10 happening at the advanced specialty level at the Centers of
11 Excellence, we also or all three of us are looking at building
12 the pipeline from the public school level to the community
13 college to the Centers of Excellence and that's why that's so
14 important. This is also going to affect our ability to change
15 perceptions about advanced manufacturing by having the
16 technology available to these dual enrollment high school
17 students.

18 MS. THOMAS: My point is we want to
19 make it as available to all students from the furthest points
20 from the Higher Ed.

21 DR. ADAMS: I understand. The way I
22 look at it, my vision is that this is where we're starting. Once
23 we get some experience under our feet and have positive
24 outcomes, then we can go to the next level and build out.
25 That's my personal vision.

1 DELEGATE KILGORE: Thank you for
2 that report. But I was thinking I'm going to try to set up an
3 advisory group to work with you all through this process over
4 the next year or so to make sure that we are doing what we
5 are supposed to be doing and getting out to the places we're
6 supposed to be. So I'm going to announce who's going to be
7 on that pretty soon and that would help some of us, some of
8 us don't have the time or the expertise in this area so I'll try to
9 get a group together to work with you all and hopefully get a
10 report back to the full Commission.

11 SENATOR RUFF: Mr. Chairman, before
12 we take a vote, I'd ask Brent Vassey to come up and see if
13 we're going in the right direction.

14 MR. VASSEY: Mr. Chairman, I'll try to
15 hit that softball out of the park for you.

16 SENATOR RUFF: Are we going in the
17 right direction?

18 MR. VASSEY: Yes, I think what you're
19 doing as far as trying to incentivize cooperation is essential
20 and that's what you're doing. You're trying to integrate K-12
21 through K-14 in essence and providing an alternative to going
22 to college and you're trying to find out middle skills and
23 middle ground. Also, wrapping around to that, improving the
24 image of the industry. You can build the best machine you
25 want to build but the industry is still not the number one

1 industry and we know that for young people to choose. You
2 have to show them that, the pathway. From that point of view
3 I do think you're absolutely on the right track in leveraging
4 those resources.

5 I would also remind the Committee
6 though that 98.5% of the rest of the industries are out there.
7 When I hear the comments from Delegate Byron on
8 scholarships, it is an essential need for young people to
9 pursue careers other than machinists. You're focused on
10 Centers of Excellence right now and those three occupations.
11 There is a much, much larger community out there and you
12 can leverage these Centers of Excellence to expand into that
13 world and I encourage you to look at that scholarships over
14 the next few years. Thank you for your time.

15 DELEGATE KILGORE: Thank you. Also,
16 Secretary Jones, maybe yourself or you can get somebody
17 from your office to help us out and helping work on this
18 workforce committee and we would appreciate that.

19 SECRETARY JONES: Yes.

20 DELEGATE KILGORE: I believe we have
21 a motion and a second to approve the \$2 million for the New
22 College in Martinsville and Southern Virginia Higher
23 Education Center. Grant #2882 and #2883. A motion and a
24 second. Any further discussion? All those in favor say aye.
25 (Ayes.) Opposed? (No response.)

1 SENATOR RUFF: Mr. Chairman, the
2 Committee also recommended approval of Grant #2876 John
3 Tyler Community College Tobacco Region Scholarship
4 Program. And on page fourteen there's a description of that.
5 John Tyler serves the counties of Amelia, Dinwiddie, Sussex,
6 which are part of the Tobacco Region. They have not always
7 been paid as much as those community colleges within the
8 footprint but they're also involved so I would move that that
9 grant be approved.

10 DELEGATE KILGORE: All right, do we
11 have a second? We have a second, any discussion? All those
12 in favor say aye. (Ayes.) Opposed? (No response.) That
13 motion passes. All right, the next is the R&D Committee
14 report, Delegate Byron.

15 DELEGATE BYRON: Mr. Chairman, the
16 R&D Committee met in Roanoke on May the 7th. We had nine
17 new applications that were received back in November and we
18 sent five to vetting. We met and reviewed those and we also
19 sent an additional seven and the staff recommendations plus
20 discussion and they were sent to vetting for our September
21 meeting that is coming up. The ones we approved from the
22 vetting process in the final process of their grant, there were
23 five and we approved four in Roanoke and we addressed one
24 this morning.

25 The first one I'll briefly tell you about was

1 the coal refining process in southwest Virginia coal fields. The
2 second one was biochemical conversion of lignocellulosic
3 biomass optifuel. The third one was battery powered coal
4 hauler for low seam underground coal mining and the other
5 one was fermata V2G project. We had some pretty interesting
6 applications. The last one we had a pretty extensive
7 discussion on this morning was Bristol Compressors
8 International regarding the flammable refrigerant testing and
9 product qualification. That's five grants.

10 DELEGATE KILGORE: Page 27. #2828,
11 #2833, #2830 and #2831 and #2832.

12 DELEGATE BYRON: The total amount of
13 all the grants is \$7,133,682 leaving a balance approximately
14 of \$22 million left in R&D. I would move approval of the five
15 applications that I just mentioned.

16 DELEGATE KILGORE: Do I have a
17 second to that motion?

18 SENATOR CARRICO: Second.

19 DELEGATE KILGORE: Any discussion
20 on the five grants that are listed on page 27 that the R&D
21 Committee heard in Roanoke and this morning here, the
22 Washington County IDA request. I have a motion and a
23 second. All those in favor say aye. (Ayes.) Opposed? (No
24 response.)

25 DELEGATE BYRON: Mr. Chairman, the

1 deadline for the next round of applications.

2 MR. PFOHL: The Committee talked
3 about skipping an application cycle this summer 2014. The
4 Committee talked this morning about convening a meeting, a
5 workshop to discuss the program policies and then tentatively
6 having applications for a next round due in October.

7 DELEGATE BYRON: The ones we just
8 sent for vetting, we'll discuss those at our September meeting.

9 DELEGATE KILGORE: That's a lot of
10 work the Committee has going on in the vetting process.

11 DELEGATE BYRON: Seven went to
12 vetting.

13 DELEGATE KILGORE: There's a lot of
14 work to be done.

15 DELEGATE BYRON: That completes my
16 report.

17 DELEGATE KILGORE: Thank you.
18 Delegate Wright, Southside Economic Development
19 Committee.

20 DELEGATE WRIGHT: Mr. Chairman, the
21 Southside Economic Development Committee met yesterday
22 and we considered three grant application on page 32 of your
23 book and we'll take them in a block. The first one was
24 Charlotte County, \$2,029,728 and that company has already
25 agreed to come here and that's very good news for Charlotte

1 County. That's application #2810. Number 2887
2 Mecklenburg County for an expansion of an existing industry
3 that will result in the creation of 150 jobs with an average
4 salary of \$44,000 over \$600 million of investment. The third
5 one is Mid-Atlantic Broadband #2467. They're asking for a
6 transfer of a million dollars grant #2594 to grant #2467, the
7 original purposes have already been approved #2467. That
8 might sound a little confusing but it's being transferred for a
9 purpose going back to the original recipients.

10 DELEGATE KILGORE: That's money that
11 we already obligated and approved and we're just transferring
12 it back.

13 DELEGATE WRIGHT: Right, this is just a
14 transfer. The Committee accepted the staff recommendations
15 to approve these grant applications and I so move.

16 MR. CUNDIFF: Second.

17 DELEGATE KILGORE: We have a motion
18 and a second, any further discussion on those three grants?

19 DELEGATE BYRON: Mr. Chairman, I
20 just want to point out and on the first one it's over 350 jobs
21 for the region and that's great.

22 DELEGATE KILGORE: Yes, Charlotte
23 County.

24 DELEGATE WRIGHT: Would you like to
25 expand on that Gary?

1 SENATOR WALKER: We're very, very
2 fortunate to get this and we appreciate the Commission's help.

3 DELEGATE KILGORE: I think that's a
4 home run. All right. All those in favor say aye. (Ayes.)
5 Opposed? (No response.)

6 MR. CANNON: Mr. Chairman, I need to
7 abstain from #2887.

8 DELEGATE KILGORE: All right. Next is
9 Southwest Economic Development Committee.

10 DR. REDWINE: Mr. Chairman, the
11 information relating to our Committee starts on page 49 in
12 your book. The Southwest Economic Development Committee
13 met yesterday and heard reports on three projects that were
14 either ongoing or are being considered. There was lengthy
15 discussion on these projects. After hearing these reports and
16 the discussion at the recommendation of the Committee for
17 grant #1958 for the benefit of the Southwest Virginia School of
18 Medicine formerly known as the King School of Medicine and
19 the King College be rescinded. I make that motion, sir.

20 DELEGATE MARSHALL: Second.

21 DELEGATE KILGORE: Any discussion
22 on that motion?

23 SENATOR CARRICO: I know we had a
24 long discussion about this in our Committee yesterday and
25 there were some reservations about rescinding it because of

1 their ability to raise money they have to go back to the
2 application process again. I understand this has been an
3 ongoing process for about five years now but we now have a
4 very established college Emory & Henry that's been in
5 existence for 177 years and they have taken the lead and
6 become part of this. UVA is now looking at participating with
7 their third and fourth year students being a part of it. They
8 have an establishment in Marion and Abingdon they're looking
9 to move forward on. Where we haven't had any movement for
10 such a long time, now we're having a lot of interest and a lot of
11 positive things moving forward. I know \$25 million being held
12 is a lot of money but they were just asking that we freeze it so
13 they could get some more involvement from private entities. I
14 think rescinding it at this time would be a huge setback for
15 them.

16 DELEGATE KILGORE: I think Senator
17 Carrico that Jeff Mitchell is here and would like to come
18 forward. I think there was discussion after the meeting that
19 because the project had changed that there was some
20 willingness to allow the Committee to rescind \$5 million of the
21 grant and then freeze the remaining amount. If we rescind \$5
22 million of the grant, I'm not sure where that goes and we can
23 do that and figure out where it goes or what pot it goes in. If
24 you'd like to address that.

25 MR. MITCHELL: Yes.

1 SENATOR CARRICO: That's the question
2 if we aren't able to rescind the \$5 million and freeze the \$20,
3 they've already taken one.

4 DELEGATE MARSHALL: The motion
5 they saw on the table to rescind all of it, we don't have another
6 motion to –

7 SENATOR CARRICO: I would make this
8 brief and Mr. Mitchell would add to it but I believe the
9 conversations if we rescind \$5 million, a substitute motion to
10 rescind \$5 million and freeze the \$19 –

11 DELEGATE KILGORE: For how long?

12 SENATOR CARRICO: For six months or
13 for how long the Commission decides, I'll say six months and
14 we'll work from there.

15 DELEGATE KILGORE: I think that's
16 about as long as you're going to get. Your substitute motion
17 would be to rescind \$5 million and freeze the remaining \$19
18 million and have the college or the school come back within
19 six months to reevaluate it.

20 SENATOR CARRICO: That's correct.

21 SENATOR RUFF: If that were to take
22 place, would this be an October meeting or December?

23 DELEGATE KILGORE: At the January
24 meeting, a little longer than six months but the way our
25 meeting schedule is set up to the January meeting and that

1 will be in Richmond. Is there a second to that motion? All
2 right, we have a second.

3 MR. SMITH: Mr. Chairman, to refresh
4 everyone and those that were not at the meeting, it was six to
5 three. A lot of the reasons why it was voted to rescind the \$25
6 million. This project had been proposed to us one way and
7 then it changes and comes another way. It's really been
8 proposed a number of ways and each time it comes back to
9 us, it's the best thing since sliced bread and if it doesn't fly
10 we'll come back again. Before this goes forward, I would
11 encourage any and all of you to talk to Charles Steger the
12 president of Virginia Tech and also talk to Nancy Agee of
13 Corillion Health Systems and ask them how this goes forward.
14 My conversation yesterday most of you know was with John
15 Rockovitch former rector of Virginia Tech and the founder of
16 the medical facility in Blacksburg. Now, they did something
17 with private money and in Blacksburg no government funds, it
18 started out with \$20 million in private money and built a
19 medical school, accredited school and any success that's been
20 replicated since in other states, Spartanburg, South Carolina,
21 there's an up and going school with no government funding.
22 Under construction in Alabama is a third school under the
23 same umbrella.

24 The reason and rationale yesterday to
25 giving more time was that the private investors were skittish

1 because of the uncertainty of the public funds. They certainly
2 have a right to be skittish. If it's such a good idea, why not
3 the private sector jump in first? And what happened in
4 Blacksburg.

5 SENATOR CARRICO: Mr. Chairman?

6 SENATOR SMITH: If I might, Mr.
7 Chairman, if I may continue? This has continued and it's
8 brought to us with the cooperation of Tennessee, University of
9 Tennessee, another university and now today still another
10 university. I don't think in history there's ever been
11 something that there's no progress forward other than talk for
12 five years and has no resemblance to its original mission of
13 King College, which has long been out of the picture. It was
14 originally presented as a four year medical school. As we
15 heard yesterday it's proposed that there would be a third and
16 fourth year only medical school, the ties would be with
17 another university. I think first and second year, they
18 certainly would be up there with the idea of residencies. You
19 can talk to almost anyone who's familiar with how residencies
20 are issued; they're all taken care of. In all of southwest
21 Virginia, you have competition from Tennessee, you have
22 competition from West Virginia and you have competition from
23 Blacksburg and competition from Roanoke. University of
24 Virginia has to root you out because they simply can't place all
25 of theirs in Charlottesville. Now, anyone connected with all of

1 these will tell you that you're going to create these residencies
2 while spoken for and committed to hospitals and they simply,
3 it's just another ideal, five years, many different plans.

4 If this is a qualifying plan, we need to
5 start over because the people today are not the people that
6 were involved in the beginning at all. They need to get in line.
7 This is \$25 million, property of the citizens of the
8 Commonwealth of Virginia and we can't continue to hang out
9 there. We owe it to those citizens to be good stewards of these
10 funds. The proper way to do that is to rescind not part of it
11 but to rescind the entire project now and if an improved
12 proposal comes forward we can act on that.

13 DELEGATE KILGORE: Senator Carrico?

14 SENATOR CARRICO: Just a couple of
15 comments. I've listened to the arguments Senator Smith
16 makes about private dollars that was invested in the
17 Blacksburg facility. The last time I looked Montgomery
18 County Blacksburg wasn't in the Tobacco Commission
19 footprint. I assume they weren't able to ask for Tobacco
20 dollars and if they were in the Tobacco Region, they would
21 have asked for Tobacco dollars when they moved forward. The
22 second part is the ability to raise private dollars. This \$19
23 million that we're freezing, we're not giving it to them but we're
24 freezing it and having it there in place for them to know it's a
25 viable program to move forward on, it gives them the ability to

1 go out and raise money and raise the private dollars within
2 this Tobacco Region and provide a medical school for
3 Southwest Virginia for the third and fourth year students
4 possibly able to place them in regions of the Southwest and
5 Southside. I understand Senator Smith may not want that
6 competition with VCOM but competition is good. I would say
7 that us denying and rescinding that \$25 million altogether is
8 just going to put this project further and further behind. I
9 want to be able to see us move forward. It was to the point
10 about a year ago that nothing was happening and now they've
11 come to the table with a positive plan and ability to move
12 forward and now we're going to pull the rug out from under
13 them. I feel like we're doing it too soon and we should give
14 them some time and they'll be back in January and we'll see
15 what they've put together. I would hope that we would
16 consider the substitute motion for \$19 million be frozen and
17 \$5 million rescinded to give them some time to do it.

18 DELEGATE BYRON: Mr. Chairman,
19 would you refresh my memory as to how this got, this
20 originally started in Special Projects.

21 DELEGATE KILGORE: Senator Wampler,
22 where are you going?

23 DELEGATE BYRON: How did it end up
24 with Southwest?

25 DELEGATE KILGORE: I think what

1 happened was that Special Projects took on a new role funding
2 megasites and we didn't see any projects there that were going
3 to be affecting the whole region and was sort of limited to
4 megaparks and we also didn't have any money there. It
5 basically ended up in Southwest's lap to deal with today.

6 DELEGATE BYRON: Perhaps it might
7 serve everyone better to put it back there again and reevaluate
8 it when the time comes with the Committee that was kind of
9 regionally neutral about things.

10 MS. KIM: That money originally came
11 from the corpus invasion and really was for administrative
12 purposes put out to the Economic Development so that it
13 could be disbursed. So it really was from off the top, I guess,
14 the corpus invasion but it's money that didn't come from the
15 Southwest Economic Development Committee, it really didn't
16 come from Special Projects but it came from the Commission
17 approving the corpus invasion to fund it.

18 DELEGATE KILGORE: If I could step
19 back from the Chairman's role and make a comment. We
20 have a problem in Southwest Virginia and the problem has
21 been there are medical disparities that we have in that region.
22 When this project first came about, that was one way we
23 looked at addressing some of these issues and how it became
24 involved. It helped more to address those issues because we
25 got an Allied Health group together to address all the issues

1 together as it relates to good stewards. I think we are being
2 good stewards by freezing the money, no money is going out
3 the door until we meet in January and if we approve it in
4 January. And then taking \$5 million back because the project
5 has changed. It shows some movement on our part that it has
6 changed and we are rescinding \$5 million. Where that goes,
7 we'll have to decide in a few minutes if the motion passes. I
8 believe we're being good stewards and no money will go out
9 the door and give them an opportunity to raise the money. I'll
10 be the first to tell you that if the motion passes and we come
11 back in January and there's no money raised, then I would
12 say it's gone.

13 MR. MERRICKS: Mr. Chairman, I'm
14 looking on page 71 and my understanding the \$973,289 is
15 what we spent on this so far, about middle ways on page 71,
16 the King College grant, is that right?

17 DELEGATE KILGORE: Yes.

18 MR. MERRICKS: So what we will be
19 doing is freezing \$19,026,711?

20 DELEGATE KILGORE: That's right.

21 MR. MERRICKS: I can tell you when I
22 listened yesterday and I'm not on the Southwest Committee
23 but I'm really torn. We've invested \$973,000 at this point and
24 the banker in me says your first loss is your best loss but
25 we're still trying. I really question the College's value. I know

1 they've got a hospital in Marion and they value that at
2 \$12,500,000 but if they sell it can you get \$12,500,000 and
3 it's going to cost \$18 to \$20 million to renovate? I think it's a
4 little bit of sleight of hand or not sleight of hand but I think
5 the values may be questionable. But freezing it and giving out
6 no money, there will be no more money, do I understand that
7 correctly? No more money coming out of this Commission
8 until the Commission votes to do something else at the
9 January meeting, is that right?

10 DELEGATE KILGORE: Yes. Now, any
11 more discussion? We've got the substitute motion, do you
12 want to state that substitute motion again?

13 MR. PFOHL: Voting on the substitute
14 motion from Senator Carrico and seconded by Delegate
15 Chafin, rescind \$5 million from grant #1958 and freeze the
16 remaining balance of \$19 million for a six month period.

17 SECRETARY JONES: Mr. Chairman, the
18 original motion, what happens to it?

19 DELEGATE KILGORE: If the substitute
20 motion passes, then we don't go back to the original motion.

21 SENATOR RUFF: I would like to amend
22 the motion and that we get in writing a game plan so the staff
23 can review it and be fully prepared at the January meeting.

24 DELEGATE KILGORE: Will you accept
25 that? All right.

1 MR. MONTGOMERY: I'd like to make a
2 comment in sticking with my position yesterday if the
3 Commission sees fit to extend it, I think the staff should be
4 given maybe November 1st as heretofore it's always been
5 dropped in at the last minute and I didn't have time myself
6 and staff didn't have time to review it.

7 SENATOR RUFF: There's no magic date
8 so why don't we split the difference and say November 15th to
9 give us almost six weeks to staff it.

10 MR. MERRICKS: Mr. Chairman, I
11 understand the group didn't get their report back by the
12 deadline this past time, is that true?

13 MR. PFOHL: The representatives of the
14 school were told to provide the report by May 1st and by May
15 1st they notified us that on May 2nd the workgroup of the
16 school of medicine, Emory & Henry and UVA were going to
17 have a meeting and they asked if they could have a couple of
18 days to provide an updated report that would include the
19 results of the meeting and I gave them authorization to do that
20 and we received the information shortly after the second and I
21 asked for additional information, which was provided such as
22 a business plan, expanded operating budgets and so forth and
23 that information was provided about a week or so before the
24 Commission meeting and sent to you late last week.

25 MR. MERRICKS: I would say that if we

1 set November 15th, if you don't have the information by
2 November 15th and there's a lot of sadness in this world but it
3 won't be considered. I think they understand you put a date
4 in for a reason.

5 DELEGATE KILGORE: I think that's a
6 good point.

7 DELEGATE MARSHALL: I have a
8 question Senator Carrico. How do we derive \$5 million or
9 what's special about \$5 million, why not ten or fifteen?

10 SENATOR CARRICO: You understand I
11 asked the question to President Schrum if \$25 million was
12 ample, how many millions does it take to do what he needed
13 to do to renovate these properties and build the properties and
14 I don't think that was a hard or set number \$25 million and I
15 think they said \$18 million is what they were going to ask for
16 for bricks and mortar. \$19 million and just using the \$5
17 million in taking away would give them the ability to know
18 that the Commission is still behind this and giving private
19 investors the ability to know the Commission is behind it if
20 they want to move forward in the next six months.

21 DELEGATE KILGORE: I think Mr.
22 Mitchell has something he wants to add.

23 MR. MITCHELL: Mr. Chairman, I think
24 Senator Carrico is right, that captures the conversation
25 yesterday. But the \$5 million number comes from the

1 preliminary design work that's been done by Thompson and
2 Litton who designed the buildings. When we got that
3 information back, we knew there was an excess part of the
4 grant that could be returned, so it's not a made up number.

5 SECRETARY JONES: Mr. Chairman, I
6 was one of the ones that voted yesterday to rescind it and I
7 still think that is the thing for this Commission to do. This is
8 a five year journey you've been on. The current proposal may
9 have excellent merits but it is totally different from the
10 original, what you originally voted for. There's no reason that
11 five years later we don't require this group to go through the
12 same competitive process that you required originally. So it
13 doesn't seem fair or even prudent to me. In addition, as I read
14 through the proposal, a letter from UVA suggested that they
15 were interested in talking about sending third and fourth year
16 students. We need to put this under the same tough
17 microscope as you put the original proposal under. I know
18 I'm a newcomer and you know way more about this than I do
19 but looking at it from my vantage point and from the vantage
20 point of investing these monies prudently, we need to let this
21 proposal compete and it's a new proposal. I would urge folks
22 and the vote yesterday was six to three after quite extensive
23 discussion. We're not saying no to this, we're saying come in
24 and compete. This is not the original project.

25 DELEGATE KILGORE: Thank you, Mr.

1 Secretary.

2 MS. RHINEHART: I agree with Secretary
3 Jones' comments, and after lengthy conversation yesterday
4 and with all due respect to the applicant and all the
5 institutions that are partners aligned with this. The original
6 project one of the great outcomes we looked for with this
7 project was the concept of growing your own and to me that
8 was what interested me in the original plan and the outcomes
9 that we're looking for. There's been a tremendous amount of
10 research done on medical physicians and how they stay within
11 the communities. The rural community is our greatest
12 concern. How do you grant them and get them to stay in the
13 region. That's the purpose of this tremendous amount of
14 investment in this project.

15 Going back to your comments, Secretary
16 Jones, this is a different project now and it has a tremendous
17 amount of value but it is a different project. I have a lot of
18 concerns and I'm not satisfied that the project presented today
19 with potentially third and fourth year students rotating back
20 to Southwest Virginia or whether that would get them to stay
21 here. That's the investment we're looking at making and I
22 have concern about putting that much money into a project or
23 one piece of it if they're not going to stay and that's the
24 purpose of this. Again, I'm not opposed to the project itself
25 but I would think that it would be better to have it come back

1 in a new form and look at it in that light in that respect than
2 how we're doing this today.

3 DELEGATE KILGORE: Jeff, I'll give you
4 the last word.

5 MR. MITCHELL: Thank you, Mr.
6 Chairman. I want to thank the members of the Commission
7 for your time today to consider this and to members of the
8 Southwest Committee who have spent a significant amount of
9 time on this project. The grantee has come back under the
10 new leadership and getting this updated. Today with me in
11 fact is Mr. Zaide, who is the acting president or grantee
12 president. Also from Emory & Henry Dr. Haney who is the
13 vice president of academic affairs. Mayor Morgan from the
14 Town of Abingdon and the town manager Mr. Kelly and
15 President Schrum.

16 I think Senator Smith was correct when
17 he spoke earlier about the fact that the project has been
18 changed. When the project transferred from King College to
19 an independent Virginia organization, we think it was about a
20 year and a half ago when that actually became effective. The
21 grantee began to consider how do we make this project viable
22 and due to the fact that the Tobacco Commission has given us
23 funds and you have invested time and energy how do we make
24 it successful. A fundamental change was made in the project
25 at that point and that was to switch to a partnership model.

1 No longer would the medical school project be a standalone
2 \$500 million enterprise. Instead it would be a partnership
3 model institution.

4 In October this past year Emory & Henry
5 came on board and in late December this past year, UVA
6 announced it was very interested in supporting the project
7 and those two followed along in the early statement of
8 commitment that we got from East Tennessee State
9 University, which initially had been vocally opposed to this
10 project very publicly. Under the new model, we've seen
11 significant private donors to support the direction that this
12 program has taken. A working group has been formed and
13 they're moving forward to implement the grant, which we're
14 discussing so that they can put in place the actual plan to
15 make that happen and meet that goal. The idea is to increase
16 access to medical care in Southwest Virginia and stimulate
17 economic development by training and attracting healthcare
18 professionals including physicians. Much has been said
19 about the original grant for the medical school. A significant
20 portion of the grant also talks about Allied Health, which is a
21 portion of the grant and we're trying to carry forward on that
22 significantly.

23 Senator Smith is correct. It has changed
24 because every time the grantee has come back every few
25 months at the next Committee meeting we've been able to

1 report additional momentum. First it was East Tennessee
2 State then Emory & Henry then the University of Virginia and
3 then the formation of the working group. This grant has been
4 out for a number of years under the current leadership and
5 current direction and it's moving at a very significant fast
6 pace.

7 I would say in closing as you consider the
8 funds we're requesting that the Commission freeze to enable
9 us to put forward the final plan. I would note that your good
10 efforts so far have achieved significant success. We can
11 discuss the value of the building in Smyth County and we've
12 had an independent appraiser appraise it. That portion of the
13 grant left the cash on the table seventeen and a half million
14 and the Town of Abingdon has stepped up for seven and a half
15 million, Emory & Henry has put in writing they intend to raise
16 a \$25 million endowment to support this project.

17 So what I would ask you to consider
18 when you consider whether or not it's in your fiduciary duties
19 to kill the project once and for all and have us reapply to
20 continue the momentum until because in the last eight, nine
21 or ten months the project has gained.

22 So I would ask you to realize that your
23 statement and your intent to allow it to continue has enabled
24 us to organize about a \$50 million commitment where we're at
25 so far. Right now we're leveraging your money almost two to

1 one considering the Emory & Henry endowment, which I know
2 they've already had conversations with people on. All we're
3 asking for now is a little time and six months is generous. We
4 think we can have the working group plan done and back to
5 you in time. Part of the problem has been we're reporting
6 every Committee meeting and we're trying to take the very last
7 day to get as much done as possible so we will have progress
8 to report. We also do apologize for the delay that has allowed
9 that to happen.

10 The decision you make today in my
11 opinion is a statement as to whether or not we want to
12 continue the momentum that has finally taken hold of the
13 project and for it to continue before it can come to a stop and
14 that attempt we believe unlikely to regroup in its present form.
15 Thank you.

16 DELEGATE KILGORE: Thank you.

17 SENATOR SMITH: Mr. Chairman, in
18 reference to the seventeen and a half million dollars in
19 matching funds, it's my understanding this is a fifty year old
20 formerly hospital building that you're saying the majority of
21 the seventeen and a half million dollars and using that as your
22 investment. I understand the local industrial development
23 authority offered to give that building to a corporate entity if
24 they would simply put some people in it, is that not correct?

25 MR. MITCHELL: I'm unfamiliar with that

1 Senator Smith but I can tell you that of the money that I just
2 talked about excluding the \$25 million endowment that Emory
3 & Henry intends to raise which of course would be in cash.
4 You're talking about nearly \$9 million in cash. And this
5 grantee as I would expect the Commission to have other
6 grantees do had an independent appraiser look at the building
7 and that's the number we were given. I can't speak to
8 whether or not the appraiser knew what they were doing and
9 I'm assuming they were qualified but it's a building that sits
10 very close to interstate 81 and perhaps that was part of the
11 value. I would just ask that the Commission give the grantee
12 the same consideration it would give other grantees who have
13 independent appraisals produced for the property that was
14 counting toward their matching grant. If you'd like for us to
15 go back and have another appraisal done, we can certainly do
16 that. Even considering the building and the physical
17 structure and renovations that have to be done to repurpose
18 it, \$9 million in cash grant matching there as well.

19 DELEGATE KILGORE: All right, we've
20 got to move on. The motion before us is –

21 MR. PFOHL: To rescind \$5 million for
22 grant #2958 and freeze the remaining \$19 million for six
23 months until the workgroup can report back.

24 MR. MONTGOMERY: Mr. Chairman, I
25 would offer an amendment to the amendment, the second

1 amendment if the first amendment is or if the \$19 million is
2 frozen that the \$5 million be awarded to the veterinary school
3 and classes will begin in August of this year and they're going
4 gangbusters and they're familiar enough, it's a novel project
5 and we've put money into it.

6 DELEGATE MARSHALL: Let's take the
7 first motion.

8 DELEGATE KILGORE: You don't have
9 your \$5 million yet, Mr. Montgomery, he put an amendment
10 on that. You're supposed to vote for the whole thing. We
11 don't have the \$5 million yet, I'm not sure that's in order.

12 SENATOR RUFF: The first order we need
13 to –

14 MR. MONTGOMERY: They can use the
15 \$5 million and we –

16 DELEGATE KILGORE: I think Senator
17 Carrico on the second one, the November 15th date. The
18 motion before us is the November 15th report to the
19 Commission by November 15th and not a day later. That's the
20 motion.

21 DELEGATE MARSHALL: We're not voting
22 on Senator Carrico's motion but Frank's motion?

23 DELEGATE KILGORE: Senator Carrico's
24 motion was information in by the November 15th deadline and
25 the motion is to rescind \$5 million and freeze \$19 million and

1 whatever that change is and report back by November 15th.

2 SENATOR SMITH: Mr. Chairman, just to
3 make sure I understand, we'll be voting against the
4 Committee's recommendation to rescind the entire amount of
5 money, if we vote for?

6 DELEGATE KILGORE: You'll be voting
7 yes if you vote to go against the Committee's recommendation
8 and you'll be voting no if, I'm going to ask the Executive
9 Director to call the roll.

10 MR. PFOHL: Mr. Bernard?

11 MR. BARNARD: No.

12 MR. PFOHL: Ms. Barts?

13 MS. BARTS: No.

14 MR. PFOHL: Delegate Byron?

15 DELEGATE BYRON: Yes.

16 MR. PFOHL: Mr. Cannon?

17 MR. CANNON: Yes.

18 MR. PFOHL: Senator Carrico?

19 SENATOR CARRICO: Yes.

20 MR. PFOHL: Delegate Chafin?

21 DELEGATE CHAFIN: Yes.

22 MR. PFOHL: Mr. Cundiff?

23 MR. CUNDIFF: No.

24 MR. PFOHL: Delegate Edmunds?

25 DELEGATE EDMUNDS: Yes.

1 MR. PFOHL: Mr. Hamlett?
2 MR. HAMLETT: Yes.
3 MR. PFOHL: Secretary Jones?
4 SECRETARY JONES: No.
5 MR. PFOHL: Delegate Kilgore?
6 DELEGATE KILGORE: Yes.
7 MR. PFOHL: Delegate Marshall?
8 DELEGATE MARSHALL: No.
9 MR. PFOHL: Mr. Merricks?
10 MR. MERRICKS: No.
11 MR. PFOHL: Mr. Montgomery?
12 MR. MONTGOMERY: No.
13 MR. PFOHL: Mr. Moore?
14 MR. MOORE: Yes.
15 MR. PFOHL: Ms. Moss?
16 MS. MOSS: Yes.
17 MR. PFOHL: Ms. Nyholm?
18 MS. NYHOLM: [No response]
19 MR. PFOHL: Dr. Pillion?
20 DR. PILLION: Yes.
21 MR. PFOHL: Dr. Redwine?
22 DR. REDWINE: No.
23 MR. PFOHL: Mr. Reynolds?
24 MR. REYNOLDS: Yes.
25 MR. PFOHL: Ms. Rhinehart?

1 MS. RHINEHART: No.

2 MR. PFOHL: Senator Ruff?

3 SENATOR RUFF: Yes.

4 MR. PFOHL: Senator Smith?

5 SENATOR SMITH: No.

6 MR. PFOHL: Mr. Spiers?

7 MR. SPIERS: Yes.

8 MR. PFOHL: Mr. Stallard?

9 MR. STALLARD: No.

10 MR. PFOHL: Ms. Thomas?

11 MS. THOMAS: No.

12 MR. PFOHL: Mr. Walker?

13 MR. WALKER: Yes.

14 MR. PFOHL: Delegate Wright?

15 DELEGATE WRIGHT: No.

16 MR. PFOHL: Fourteen ayes, thirteen nos.

17 DELEGATE KILGORE: Motion carries

18 fourteen to thirteen.

19 DELEGATE MARSHALL: I move that the

20 unused portion of grant #1958 be returned to the

21 Commission's general account.

22 SENATOR SMITH: Second.

23 DELEGATE KILGORE: Any discussion?

24 All those in favor say aye. (Ayes.) Opposed? (No.) Those

25 funds will be returned to the general account, forward the

1 application. All right, Dr. Redwine, is that your report?

2 DR. REDWINE: Yes. That's my report.
3 I'd like to inform the Chair I may be ill in January, I'll see how
4 I feel then.

5 DELEGATE KILGORE: All right, thank
6 you for your work. Next is Delegate Marshall, the TROF
7 Committee report.

8 DELEGATE MARSHALL: First of all for
9 the new members, I'll attempt to explain what TROF is about
10 and what we do. I'd ask Tim if you could and that's on page
11 67 of your book.

12 MR. PFOHL: The Tobacco Regional
13 Opportunity Fund was created in the early stages of the
14 Commission and it's a very simple fund and the Commission
15 authorized a panel of three members of the Commission and
16 the Executive Director to vote on requests from localities on
17 behalf of companies that are willing to commit to job creation,
18 private capital investment of at least \$1 million within a 36
19 month period of time. Over the years the TROF program has
20 been largely responsible for bringing thousands of jobs and
21 hence millions of dollars, perhaps hundreds of millions of
22 dollars to the region. There's been some revisions to the
23 program as we've gone along. On advice of counsel last year
24 we changed the process so we'd be in compliance with the
25 Virginia Freedom of Information Act. Now the TROF program

1 operates in a manner such that the parameters of the project
2 are put into a small economic formula that generates money
3 that the project deserves on merits or whatever way you
4 choose to describe it. The Executive Director is authorized to
5 approve those requests that are within the formula generated
6 amount and do not exceed \$2 million and exceeds the formula
7 generated and/or exceed \$2 million coming before the TROF
8 committee currently consists of Delegate Kilgore, Senator Ruff,
9 Delegate Marshall and myself as the Interim Director and then
10 their recommendations are placed before the full Commission.

11 DELEGATE MARSHALL: Mr. Chairman, I
12 have a number of motions to give. The first motion is that the
13 Committee recommends approval of the lesser of the TROF
14 guidelines amount \$2.3 million for either Mecklenburg or
15 Dinwiddie County for an unannounced project described
16 under application #2875 as shown on page 66. So that's my
17 motion.

18 DELEGATE KILGORE: Do I have a
19 second. I do have a second. All those in favor say aye. (Ayes.)
20 Opposed? (No response.)

21 DELEGATE MARSHALL: The next
22 motion, Mr. Chairman, the Committee recommends approval
23 of \$1.6 million to Mecklenburg County IDA for an
24 unannounced project application #2849 contingent upon all
25 parties to grants #2173 and #2602 being in compliance with

1 the respective contract obligations on date of disbursement
2 and I so move.

3 MR. CUNDIFF: Second.

4 DELEGATE KILGORE: Any discussion?
5 All those in favor say aye. (Ayes.) Opposed? (No response.)
6 Motion passes.

7 DELEGATE MARSHALL: The next one,
8 Mr. Chairman, is that the Committee recommends approval of
9 a \$10 million grant to the Brunswick County IDA for the
10 benefit of Transco to be used to construct a natural gas
11 pipeline through five counties and I so move.

12 SENATOR RUFF: Mr. Chairman –

13 DELEGATE KILGORE: Do I have a
14 second first? All right, I've got a second.

15 SENATOR RUFF: Mr. Chairman, I just
16 wanted to, that is the Transco pipeline, which will serve
17 Dominion. It's the third and final obligation to this project.

18 DELEGATE MARSHALL: We have a
19 motion and a second.

20 DELEGATE KILGORE: All those in favor
21 say aye. (Ayes.) Opposed? (No response.)

22 DELEGATE MARSHALL: I move to direct
23 the Commission staff to employ the following remedies as
24 deemed appropriate by its Executive Director, for all grants
25 under which contractual obligations are owed to the

1 Commission and have not been fulfilled within 60 days after
2 delivery of a written demand notice to the grantee, its control
3 affiliates, and all other parties to the grant agreement. A)
4 Freeze all disbursements to the grantee and its control
5 affiliates. B) Decline to accept any application for new grants
6 from the grantee or its control affiliates. C) Enter the name of
7 the grantee and its control affiliates into the State debt set-off
8 system. D) Refer the file to counsel for appropriate steps up to
9 and including collection proceedings. I so move.

10 SENATOR RUFF: Second.

11 DELEGATE KILGORE: All those in favor
12 say aye. (Ayes.) Opposed? (No response.)

13 DELEGATE MARSHALL: Do we need to
14 explain that?

15 DELEGATE KILGORE: We have a better
16 collection process so the TROF grants are in default.

17 DELEGATE MARSHALL: I get this
18 question all the time if I can take a point of personal privilege
19 here. The TROF funds do not go to the companies, the TROF
20 grant goes to the locality and my locality has a couple of
21 grants the company did not perform but the locality is on the
22 hook to pay that money back and that's what that last motion
23 does. It freezes all disbursements and they either pay it up or
24 they're not part of the game anymore.

25 The next one I move that all installment

1 repayment plans offered by the Commission for recovery of
2 TROF money due to the Commission shall require at least
3 25% of the obligation to be paid upon execution of the plan,
4 and the balance to be paid annually over not more than three
5 years, unless otherwise approved by the Commission. I so
6 move.

7 SENATOR RUFF: Second.

8 DELEGATE KILGORE: Any discussion
9 on that? All those in favor say aye. (Ayes.) Opposed, no? (No
10 response.)

11 DELEGATE MARSHALL: I move that all
12 TROF agreements issued after July 1, 2014 shall limit
13 disbursements to advance if secured, arrears if not. I so
14 move.

15 SENATOR RUFF: Second.

16 DELEGATE KILGORE: All those in favor
17 say aye. (Ayes.) Opposed? (No response.)

18 DELEGATE MARSHALL: That's my
19 report, Mr. Chairman.

20 DELEGATE KILGORE: Tim has a short
21 EB5 report.

22 MR. PFOHL: Thank you, Mr. Chairman.
23 Members of the Commission on page 65 you'll see a two page
24 letter provided by the Virginia Innovation and Development
25 Center, which is the organization the Commission contracted

1 with and a program to take advantage of the federal EB5
2 investment program. If you skip back to page 64, you'll see
3 the details on the contract we have with VIDC. Currently, a
4 two year contract. There's an update that VIDC in trying to
5 land a project and it did not work out. They have two other
6 projects in their pipeline and a significant economic
7 development project. The staff continues to refer prospects to
8 Mr. Robinson and the VIDC team, which is providing us an
9 update on that program to you.

10 DELEGATE MARSHALL: Tim, when we
11 originally contracted this group, I see it was located in Raleigh
12 and now Danville?

13 MR. PFOHL: They are originally from the
14 Raleigh area and Stephanie I might need some help on this
15 and have established a presence in Danville.

16 DELEGATE KILGORE: That's in your
17 district. I'd like to have maybe somebody from that program
18 maybe to speak at our next meeting or at the January meeting
19 just to get an update.

20 DELEGATE BYRON: How long is that
21 contract again Mr. Chairman?

22 MR. PFOHL: It's currently a two year
23 contract and it expires in August of 2015.

24 DELEGATE BYRON: If the Commission
25 decides to cancel it, maybe we should look into that as well.

1 MR. PFOHL: We can do that.

2 MS. KIM: I don't think we can just
3 cancel the contract. We have to see it through and hold down
4 our part but if they don't perform their part, there is a claw
5 back for the initial payment and they don't get paid if they
6 don't meet their benchmarks like the designation of the center
7 investments. It's pretty secure we won't lose money. If they
8 don't perform, we will not lose any money.

9 MR. PFOHL: Mr. Chairman, a couple of
10 other announcements very quickly. As Ms. Lake said in the
11 beginning, this is a facility that was funded in large part in
12 multiple phases by the Tobacco Commission and we strive to
13 give you a glimpse of some of the facilities that have been
14 created as a result of your investment. This facility wouldn't
15 be successful without the commitment of the Southside
16 Virginia Community College and Longwood University. I
17 would like the Center leadership to stand up and be
18 recognized for your dedication in making this facility a
19 success. (Applause.)

20 Secondly, the Commission may recall
21 about a year ago a grant was made for the Center for Rural
22 Virginia to act on our behalf and convene meetings across the
23 Tobacco Region and listen to our constituents about economic
24 development needs within the region and their meetings are
25 underway. Senator Ruff, I believe, has headed up one of

1 them. Recently, two meetings have been conducted in
2 southern Virginia and they're scheduled for all the planning
3 districts across the Tobacco Region over the next few months.
4 The objective is to take that input and inform us as we
5 approach the update of our strategic plan, which will be called
6 for within the next year. So I want to recognize the assistance
7 of the Center for Rural Virginia and also the Virginia
8 Department of Housing and Community Development, which
9 is helping to facilitate those meetings. I want the
10 Commissioners to be aware that we're being talked about and
11 there's good purpose for it. So if you hear about them and
12 want to take part, I don't know Senator Ruff if you have any
13 comments about that.

14 SENATOR RUFF: Thank you, Tim. It
15 was well-attended the one in Alberta, the other one in
16 Keysville and had about a dozen people there including the
17 movers and shakers from those areas. There was a lot of good
18 discussion.

19 MR. PFOHL: Thank you, sir. The third
20 item, as many of you know Stacey is the heartbeat of these
21 meetings and has done a phenomenal job of putting things
22 together for you. Stacey is expecting and we want to
23 congratulate her and wish her well and send her off on
24 maternity leave for the next several weeks and our best
25 wishes. So Stacey, thank you for everything you do and good

1 and it concerns the establishment of a dental school in
2 Southwest Virginia and primarily in Tazewell County. It is in
3 cooperation with Bluefield College and Tazewell County. The
4 project is about a \$38.4 million. We were told yesterday we
5 would get an opportunity to make a full presentation to the
6 Committee again and hopefully the Commission about the
7 possibility of the Tobacco Commission giving financial support
8 of this.

9 The most important thing from my
10 standpoint is this is a project that brings money to the table.
11 There's \$8.3 million cash money that's out there right now in
12 hand and this project is ready to go. The Tazewell County
13 Board of Supervisors is ready to issue bonding that would
14 total \$13.5 million and they need a commitment from the
15 Committee and we understand why we didn't get that
16 yesterday because it hasn't been vetted. I appreciate Dr.
17 Redwine the Chairman for indicating that the staff would
18 evaluate that and give you the evaluation so that you can take
19 a look at it and hopefully you'll be favorable to the project. We
20 look forward to bringing that back to you hopefully before
21 September 15th. That's a date that is important to the dental
22 school because that's the process date for accreditation. So
23 this is a project that's ready to go and we're not asking for
24 money that we can't match. If we come before the Tobacco
25 Commission and we propose a three to five year process with

1 \$38.4 million and we come asking for money, we're going to
2 have money in hand to match what's there. I ask you to give
3 us favorable opinion. When you look at it and you have
4 questions, feel free to contact me or Dr. David Olive at the
5 Bluefield College and we'll try to answer any questions you
6 might have. Thank you, Mr. Chairman, and I appreciate the
7 time you've given us.

8 MS. THOMAS: Mr. Chairman, I'd like to
9 take an opportunity to publicly recognize Tim and the rest of
10 the staff, Stephanie, Stacey, Sara Williams and Carolyn. I was
11 recently asked by the local Chamber of Commerce to make a
12 presentation about the Tobacco Commission and what we
13 have done in our area on pretty short notice and Tim rallied
14 the troops there and got me some information, overnighted it
15 to me very quickly which allowed me to give an informative
16 presentation that was very well received. I would urge
17 everyone on the Commission if you have that opportunity to
18 do that because the people in our communities still do not
19 realize the good works that this Commission has done for our
20 areas. So thank you all. (Applause.)

21 MR. WHITTINGTON: Good morning. I'm
22 Dave Whittington, the Greensville County administrator. It's
23 been very good to have you here in Greensville County for
24 your main meetings and we look forward to you coming back
25 very soon. Not only is Greensville County the home of this

1 fine facility that's been made possible with your financial
2 contribution, Greenville County is also home to the Mid-
3 Atlantic Advanced Manufacturing Center. It's the
4 Commonwealth's only certified 1600 acre publicly owned
5 megasite and you have been instrumental in working with
6 Greenville County and our regional and industrial facilities
7 have been developing and acquiring so that it could be
8 marketed. We're prepared this morning to give a quick tour to
9 any of the Commission members that are interested in seeing
10 1600 acres of flat land waiting to be developed, we'll be in the
11 far corner at the conclusion of this meeting to give any of the
12 Commission members a tour if you're interested. Thank you
13 for your time.

14 DELEGATE KILGORE: Any other public
15 comment? Then do I have a motion to adjourn?

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

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, May 22, 2014 at 10:00 A.M. at the Golden Leaf Commons Community Facility, Emporia, 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 30th day of May, 2014.

Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2014.
Notary Registration Number: 224566