

- 1 The Honorable Edward Owens, Chairman
2 The Honorable Thomas C. Wright, Jr., Vice Chairman
3 The Honorable Kathy J. Byron
4 Mr. John R. Cannon
5 The Honorable Mary Rae Carter, Deputy Secretary of
6 Commerce and Trade
7 Mr. David R. Cundiff
8 The Honorable Daniel W. Marshall, III
9 The Honorable Donald Merricks
10 Ms. Connie G. Nyholm
11 The Honorable W. Roscoe Reynolds
12 The Honorable Frank M. Ruff, Vice Chairman
13 Mr. Gary D. Walker
14
15 COMMISSION STAFF:
16 Mr. Neal E. Noyes – Executive Director
17 Mr. Ned Stephenson – Deputy Executive Director
18 Ms. Stephanie S. Kim – Director of Finance
19 Mr. Timothy Pfohl – Grants Program Administration Manager
20 Ms. Sarah K. Capps – Grants Program Administrator,
21 Southside Virginia
22
23
24

25 MR. OWENS: All right, good afternoon,
26 I'm going to call our meeting of the Southside Economic

1 Development Committee to order and ask Neal to call the roll.

2 MR. NOYES: Delegate Byron?

3 DELEGATE BYRON: Here.

4 MR. NOYES: Mr. Cannon?

5 MR. CANNON: Here.

6 MR. NOYES: Deputy Secretary Mary

7 Carter?

8 DEPUTY SECRETARY CARTER: Here.

9 MR. NOYES: Mr. Cundiff?

10 MR. CUNDIFF: Here.

11 MR. NOYES: Mr. Harwood? (No

12 response.) Delegate Marshall?

13 DELEGATE MARSHALL: Here.

14 MR. NOYES: Delegate Merricks?

15 DELEGATE MERRICKS: Here.

16 MR. NOYES: Ms. Nyholm?

17 MS. NYHOLM: Here.

18 MR. NOYES: Mr. Owens?

19 MR. OWENS: Here.

20 MR. NOYES: Senator Reynolds?

21 SENATOR REYNOLDS: Here.

22 MR. NOYES: Senator Ruff?

23 SENATOR RUFF: Here.

24 MR. NOYES: Mr. Walker?

25 MR. WALKER: Here.

26 MR. NOYES: Delegate Wright?

1 DELEGATE WRIGHT: Here.

2 MR. NOYES: You have a quorum, Mr.
3 Chairman.

4 MR. OWENS: Thank you, Mr. Noyes. The
5 minutes for the September 22nd, 2011 meeting and they were
6 published on the website. Do I have a motion?

7 SENATOR RUFF: So moved.

8 MR. OWENS: It's been moved and
9 seconded that the minutes be approved. All those in favor
10 signify by saying aye. (Ayes.) Opposed, no? (No response.) All
11 right, the minutes are accepted. Thank you. Mr. Ned
12 Stephenson?

13 MR. STEPHENSON: Briefly, Mr.
14 Chairman and Members of the Committee, by a policy directive
15 within the Commission, nearly all of our grants have a three
16 year expiration date on it by which the work must be done and
17 the money claimed. You have given the Executive Director
18 authority to approve or extend that three year date for one
19 additional year. In most of our grant programs, we had a
20 handful of grants are becoming what we call stale. That
21 means you have made the award and much time has come
22 and the work has not been completed yet and disbursement
23 has not been made and of course, those monies are tied up,
24 locked up or unavailable. Stacy is distributing to you what we
25 call a stale grants report, which indicates to you which grants
26 are becoming stale and that's self-explanatory. We simply put

1 this on your table for you to have the benefit of knowing this as
2 you consider approval going forward. It comes with no
3 particular recommendation, Mr. Chairman, but I leave it to
4 your judgment now to the Committee as to whether you want
5 to take any action in response to the stale grant report, Mr.
6 Chairman.

7 MR. OWENS: Thank you. My recollection
8 is that we allow three years for the grant to be completed and
9 then one year where the Executive Director can grant an
10 extension and then it comes back before the Committee, is that
11 correct?

12 MR. STEPHENSON: Yes, sir.

13 MR. OWENS: Do we have any that need
14 to come back before the Committee for consideration?

15 MR. PFOHL: Mr. Chairman, there are
16 three projects on this stale list that are in other business
17 categories in your staff report.

18 MR. OWENS: Does anyone have any
19 comments about this stale report? Hearing none, then we'll
20 move on to Tim Pfohl for the presentation of the grant
21 requests.

22 MR. PFOHL: Sarah is going to handle
23 those.

24 MR. OWENS: Thank you.

25 MS. CAPPS: I'll make the presentation.

26 MR. OWENS: What we'll do is hear your

1 presentation and we'll consider them in a block and if anybody
2 wants to remove one out of the block, we can vote on that at
3 the end of the presentation. If you have questions for Ms.
4 Capps just go ahead and ask them.

5 MS. CAPPS: You have the staff
6 recommendations in front of you. I'll run through those
7 quickly. We did receive eleven applications by our deadline
8 and we had two applications that were tabled. One of the
9 applications, 2469, Halifax County was withdrawn and a
10 substitute application was submitted in its place. The first one
11 submitted was for Appomattox County, the Carver-Price
12 Legacy Museum. The staff recommended no award for this
13 project. This was a low priority for the Commission. The next
14 project on the list is the Brunswick County IDA for the Virginia
15 Carolina Water and Sewer Service Project. This is to meet the
16 needs of the Virginia Carolina Forest Products as one of
17 Brunswick County's oldest projects or business. The company
18 employs about 40 people on site and then another 27 in sister
19 companies based in Brunswick. The staff recommends
20 \$887,184 award with disbursements not to exceed ninety
21 percent of project costs and contingent upon resolution of a
22 \$307,275 remaining balance on grant number 1589 awarded
23 in April 2008 for the I-85 Business Park.

24 The second project from Brunswick County IDA is
25 the Route 58 East Water and Wastewater System Project
26 requesting \$67,500. Staff recommendation was \$25,000. This

1 proposal has three components, the PER to connect and one is
2 to connect the Lawrenceville facilities and the second to
3 examine the use of the Meherrin River and adjacent quarry as
4 water resources. Funds are also sought to negotiate lease
5 agreements with the town. The objective is to serve sites on
6 Route 58 seven miles east of Lawrenceville. The \$30,000 for
7 the second PER examining the use of the Meherrin River
8 appears to be in contradiction or duplication of intent for a
9 \$72,000 award by the Tobacco Commission in May 2011 to the
10 Town of Lawrenceville for the PER to address water and sewer
11 capacity needs in the areas of the counties served by their
12 system.

13 MR. OWENS: Is there anyone here from
14 Brunswick County that wants to speak? You can come
15 forward at this time.

16 MS. JOAN MOORE: Thank you, Mr.
17 Chairman. I respectfully ask that you reconsider or the staff
18 reconsider the second PER. I did drop the ball on that and I do
19 apologize for that and my explanation is I did not sufficiently
20 explain in the application that the second PER is to provide a
21 second source of water for the Dominion Project, which is a
22 requirement of Dominion and a commitment that we made.
23 That will be through Lawrenceville. The County and IDA has a
24 permit that goes back to 2002 that we have discussed with
25 Dominion and indicated that we would work to tap the water
26 uses that that permit for tapping water in the Meherrin River,

1 which is at a site significantly different from the one that is
2 used by Lawrenceville. The site we'll be pulling the water from
3 is about twenty miles from Lawrenceville and just south of the
4 site that Dominion will be using. So I respectfully ask that you
5 reconsider that request for PER funding.

6 MR. OWENS: What was the amount for
7 the PER?

8 MS. JOAN MOORE: Thirty thousand.

9 SENATOR RUFF: Your request is for how
10 much?

11 MS. JOAN MOORE: Thirty thousand for
12 the second PER.

13 SENATOR RUFF: A total of thirty
14 thousand? Mr. Chairman, I move that recommendation up to
15 \$55,000, the staff recommendation up to \$55,000.

16 MR. CANNON: Second.

17 MR. OWENS: It's been moved and
18 seconded to move this up to \$55,000, all in favor say aye.
19 (Ayes.) Opposed? (No response.)

20 SENATOR RUFF: You said that a
21 conditional, 1589, you said that conditional that they get 1589.
22 What has to happen for them to –

23 MS. JOAN MOORE: We can take care of
24 that relatively quickly. It's just a matter of working through it,
25 an older grant and we're waiting on the County to put their
26 match on the project.

1 SENATOR RUFF: That will not cause any
2 harm to –

3 MS. JOAN MOORE: No, I'll have a report
4 to the Commission by the end of this week to take care of that.

5 MR. OWENS: Any other questions?

6 MS. CAPP: The next project is from
7 Campbell County, the Seneca Commerce Park Public Sewer
8 System, Phase III, Gravity Lines and 3 Phase Power. The staff
9 has recommended \$200,814. The next one on the list is from
10 Charlotte County, Keysville Drinking Water Systems
11 Improvements construction funds. These funds are to be used
12 for a water line loop to serve the business park and industrial
13 park and to improve the Heartland Park and also to provide
14 normal water services to the area. This is a project that we
15 talked about in the spring. The objective is to support the
16 water needs of future Heartland Regional Park prospects,
17 which are unknown at this time. Because of this, the staff is
18 recommending no award and with the design completed
19 construction should happen and the Commission would be
20 prepared to consider a construction award using these
21 engineering plans.

22 MR. OWENS: Anyone here from
23 Keysville?

24 MR. RAMSEY: I'm James Ramsey, III. I
25 think what the staff has come up with makes a lot of sense
26 and withholding the funding of the construction until such

1 time a commitment is made to have someone come in the
2 park. I would like for the Commission to consider giving us
3 some assurance that once the engineering is completed, an
4 assurance that once we get the commitment in the park that
5 the funding would be available to put the loop water line in as
6 initially discussed.

7 MR. OWENS: We can tell you we intend
8 to do it. We can't make a commitment.

9 MR. RAMSEY: As long as the intent is
10 there, to fund the loop once the commitment has been
11 received, that would be the County rather than the town.

12 MR. OWENS: You said your name was
13 what?

14 MR. RAMSEY: Ramsey, R-A-M-S-E-Y.

15 MR. OWENS: And what is your position?

16 MR. RAMSEY: I am the mayor.

17 MR. OWENS: Thank you.

18 MS. CAPPS: The next items on the
19 agenda are from Franklin County and we have two. We have
20 two tabled applications from the spring. The first one is from
21 the town of Rocky Mount, Franklin County Industrial Park
22 Phase II, rough grading and drainage. The total construction
23 cost to grade, this total cost is \$2.7 million. Staff is
24 recommending an award of \$587,788 for ninety percent of the
25 estimated costs for grading of the five acre pad.

26 The second project from Franklin County is from the

1 town of Boones Mill. It's an industrial development project.
2 The town of Boones Mill acquired a modular home
3 manufacturing plant at the Boones Mill Industrial Park and
4 they need this money for renovations for the site as well as
5 development of the site. This helps with the development of
6 several buildings and spaces to accommodate private industry
7 users. The staff is recommending an award of \$100,000. It's
8 anticipated this could be used for a water bottling business.

9 MR. OWENS: Is anybody here from the
10 town of Boones Mill? Is that acceptable for you?

11 UNIDENTIFIED: Yes.

12 MS. CAPP: Halifax County IDA
13 Burlington Industries request 2469 has been withdrawn. The
14 next request from the Halifax Regional Hospital and it's a
15 \$400,000 request for the Halifax Regional Dental Clinic. The
16 clinic would employ eight full time staff. The majority of the
17 funds would be used to equip the clinic. They have some
18 CDBG funding and they have \$700,000 of committed CDBG
19 funds. Healthcare projects are not currently a funding priority
20 for the Commission in the upcoming planning process and for
21 that reason the staff is recommending that this be tabled. So
22 the staff recommends the project be tabled, and that the
23 Committee Chairman be authorized to refer this proposal to
24 Special Projects in the event that policy is approved to direct
25 healthcare projects to the Special Projects Program.

26 MR. OWENS: Anyone here from Halifax

1 that wishes to comment? Is there any compelling reason that
2 we fund this project now?

3 MR. NELSON: Good afternoon. I want to
4 be respectful of your time. I'm Stuart Nelson and I serve as
5 the Chief Financial Officer of the Halifax Regional Health
6 System. I'm responsible in our organization for providing
7 leadership to make this clinic a reality for our community. I
8 just appreciate an opportunity to supply a brief overview. I
9 understand the recommendation and the direction that we're
10 heading with this. I appreciate the staff's guidance as we went
11 through the application process and the feedback that we
12 received and a fairly complete application and hoping that all
13 the information that was provided that was needed. When we
14 started this project several years ago, I'll always recall and
15 never forget a public hearing that we were required to have for
16 the Community Development Block Grant process at the town
17 of South Boston. The first individual that stood up to speak
18 was the nurse manager at the Halifax County Public Schools
19 and the first thing that came out of her mouth was this is a
20 silent epidemic speaking to the lack of access for children that
21 needed healthcare in the community and support from the
22 medication program and Virginia programs as well. In the
23 morning when the Richmond Times Dispatch lands on my
24 driveway I try to scan through there real quick and look at the
25 headlines and see what's going on. I'll distribute here a copy of
26 an article entitled Demacare written by Dr. Roger Wood, the

1 President of the Virginia Dental Association, a pediatric dentist
2 in Midlothian. His quote was also related to this epidemic. He
3 also said in his article that the impact on people's quality of life
4 and education, the employment and work productivity oral
5 healthcare has. I'm kind of letting this out because it goes to
6 Special Projects, I hope you will take that under consideration.

7 Another point I want to make, Ms. Capps, with your
8 information is that we were successful in being awarded by the
9 Governor last summer a Community Development Block Grant
10 for the state for \$700,000 and that could fund the construction
11 portion of the clinic. We have requested an extension in that
12 contract and we're supposed to have that done with the
13 Virginia Department of Housing and Community Development
14 by December 1. We were approved for an extension until
15 March 31 because we need to have a contract in place for the
16 CDBG grant funding. Next week the Virginia Healthcare
17 Foundation and we're walking through this whole planning
18 process and they're recommending to their board three year
19 supportive funding for \$331,000 of operational support, not
20 capital but operational support. That's like 140 or 150
21 thousand they'll step that down for three years. There's other
22 grants in process, too. Now, with the Halifax Regional
23 Committee to support this ongoing financially and
24 operationally, the message on that is that a community based
25 project that has a partnership with many stakeholders. The
26 next point I wanted to make quickly but if you don't have a

1 dentist or professional providers in place, not like I hope we'll
2 build it and they'll come but in this case we have a person that
3 we need, Richard McDowell, who is a young dentist and Halifax
4 County native and went to Virginia Tech and has experience in
5 oral healthcare for children. We also have a young lady who is
6 the daughter of Mike and Wanda McDowell who has experience
7 and very committed and passionate in this planning right now.

8 So we have that person in hand to help make this project
9 move forward. This construction project is a two million dollar,
10 a ten thousand square foot expansion to Halifax Primary Care
11 existing building we've received support on previously. 3700
12 square foot would be the clinic and along with all the site work
13 and parking, et cetera, we've now planned a proposal for a
14 space at Halifax Regional and we're trying to build that out. I
15 bring this up because this is a taxable asset and personal
16 property is not exempt from taxes and South Boston and
17 Halifax County will benefit from that. You'll see the request is
18 \$400,000 and I just wanted to mention we hope in your eyes
19 we will be an excellent steward of the investment you've made
20 and the projects we've been involved with. Specifically, we've
21 had an expansion in Clarksville and that's been a very
22 successful project including employment and capital. Also, the
23 support concerning the Halifax Primary Care where we provide
24 services to low and moderate income families.

25 There is an immediate need so this is time sensitive
26 and we have a lot of the components in place and a key part of

1 that is the Community Development Block Grant, the Virginia
2 Healthcare Foundation. We appreciate your consideration
3 through this committee or the process that's being
4 recommended. We would be happy to respond to any
5 questions or anything that we can do, we're glad to do that.
6 We do appreciate you allowing us some time today, thank you.

7 MR. CANNON: Are we tabling this and is
8 it going over to Special Projects?

9 MR. OWENS: It's being tabled here to get
10 a recommendation from the Executive Committee on how we're
11 going to handle healthcare in the future and that sort of thing.
12 We're going to meet on this next week.

13 MR. NELSON: I don't want you to be
14 overburdened with paper but I'll just pass these out.

15 MR. OWENS: Thank you. Sarah?

16 MS. CAPPS: Moving on, the next project
17 for Halifax County is from the IDA Project Fan for Riverstone
18 Technology Center. Faneuil proposes to lease space at the
19 Riverstone Technology Center. Staff is recommending a
20 transfer of \$500,000 from the Halifax Southside Allocation to
21 the TROF program to provide that portion of an \$800,000
22 TROF commitment that was approved in November 2011.

23 The next project on the list is Lunenburg County for
24 the acquisition and renovation of existing manufacturing
25 facility, \$650,000 requested and the staff recommends
26 \$650,000. This relates to three different buildings. The

1 building is currently owned by the Lunenburg County IDA and
2 there's a need to expand. It involves 65,000 square feet that
3 Comfortex is in and that building is also looking to expand.
4 There's a possibility of a creation of 40 jobs. Right now the
5 Fellowship Chair business employs over 100 employees and
6 has a need to expand. The STEPS expansion is projected as I
7 said to result in the creation of 40 jobs but will require
8 substantial renovations that are expected to be funded in part
9 by a request to CDBG. Acquiring the Fellowship Chair
10 building by the IDA at this time helps to meet eligibility
11 requirements of the CDBG program improving likelihood for a
12 future award. Staff recommends an award of \$650,000 to
13 support acquisition and renovations to the building currently
14 owned by Comfortex in order to accommodate growth
15 projections for STEPS contingent on the purchase price not to
16 exceed appraised value and number two on a separate real
17 estate transaction providing for Comfortex expanded
18 operations within Lunenburg County.

19 The next project on the list from Lunenburg County
20 is a Shell Building Sitework Complications. There's a request
21 for \$90,000 and the staff is recommending an award of
22 \$90,000. This is to meet unanticipated costs for the location of
23 Project Safety. This is to create 46 jobs. The company is
24 currently on site to train the workers. As I said, the staff
25 recommends an award of \$90,000.

26 Next project on the list is Pittsylvania County the

1 Brosville Industrial Park Development Ready Sites, \$1,561,842
2 is requested. The staff is recommending \$141,986. This is
3 requested for engineering and grading. The county is focusing
4 on having development ready sites available. The staff
5 recommends that \$141,986 for final engineering of the
6 Brosville site. We observed that the county already has sites
7 available at the Cane Creek Center and Ringgold East
8 Industrial Park meeting the VEP designation as ready now
9 sites as well as parcels in the Gretna Industrial Park. The staff
10 further observes that a higher and better use may be to
11 prepare the requested grading funds for potential use in the
12 Berry Hill Megapark.

13 DELEGATE MARSHALL: May I request
14 that Mr. Greg Sides from the county speak?

15 MR. SIDES: Thank you very much. My
16 name is Greg Sides, Assistant County Administrator with
17 Pittsylvania County. I certainly appreciate the Commission's
18 consideration in trying to keep this project on track. As far as
19 the ready sites are concerned, we feel one of the better ideas
20 we've come up with and it's based on the fact that so many of
21 the individuals we deal with are on a very tight schedule.
22 When they come into the county, they're there for that one day
23 site visit and they want to see what you have available, like
24 graded pads and utilities and whether those places are ready
25 to go. In terms of Cane Creek, some of the information is a
26 little out of date. Some of that is outdated in terms of acreage

1 in Cane Creek. We have two pad sites that were recently
2 completed in Cane Creek. One is 14 acres and one is 35 acres.
3 We've had considerable interest in these two. We don't have
4 in Pittsylvania County any graded sites available at this time.
5 We do have through your generosity in the last cycle a pool of
6 two sites in Ringgold. We're proposing a 30 acre site and a 13
7 acre site in the Ringgold East Industrial Park and that's close
8 to Cane Creek. But right now there is no other sites in
9 Pittsylvania County. The Hurd Industrial Park is owned by the
10 town and there's no industrial sites there. The Gretna
11 Industrial Park, which is owned by the town of Gretna, there's
12 no graded pad sites ready to go in that park. Unfortunately,
13 both Hurd and Gretna have utility issues due to the lack of
14 water availability. One of the things we focused on was looking
15 at the areas where we do have water and sewer services
16 available and trying to contemplate pad sites there. The
17 Brosville site is one of those sites. We've made considerable
18 investment in Brosville in the past and we've put in some
19 industrial access roads off of 58 and water and sewer. And we
20 feel like there's twenty acres available at the end of that cul-de-
21 sac would be what we need to finish up that Brosville site.

22 One thing I wanted to mention in reference to
23 grading money possibly going into the Berry Hill complex. I
24 just want to make sure everybody realizes that the Berry Hill
25 project is special, unique and long-term project. We're in the
26 process of developing that. We've worked with North Carolina

1 Utilities and working with or talking with AEP on power
2 supplies. We're still several years down the road from actually
3 having that graded pad in place in Berry Hill. We have an
4 application to grade a 230 acre pad and hopefully we'll be able
5 to do a pad that size at Berry Hill. I just want to emphasize
6 that there's no overlap here and we can't put all of our focus
7 on 230 acre, 2,000 job project. We've got to have those 20 and
8 30 acre pads and have those sites available. Right now there's
9 no pad site from Ringgold east side of Danville all the way to
10 the end of the county line and all the way to Martinsville.
11 There's no graded pad site available at this time.

12 We appreciate you giving us some time and we feel
13 like with the money in the allocation now, it's a good
14 investment to have that graded pad in place in Brosville so
15 we'll have it when companies show up.

16 MS. CAPP: In terms of the availability of
17 graded sites, the Commission has supported a couple of
18 awards and the Commission has done that in the past
19 including matching funds. It's my understanding there are
20 graded pads available in the Cane Creek Center in Ringgold
21 East.

22 MR. SIDES: Right, that's the two I
23 mentioned in Cane Creek. It's either 30 or 35 or 14 acres.
24 And those were Tobacco Commission projects and those are
25 the ones that are existing and there is some interest in those.
26 In Ringgold, that's yet to happen. We will have a 14 acre site

1 and a 30 acre site in Ringgold but we don't have anything else
2 outside of Ringgold in the eastern Danville area. Nothing in
3 Brosville.

4 DELEGATE MARSHALL: Are we talking
5 about these sites anywhere from forty miles to sixty miles.
6 There's a request for a million five and we have that allocation
7 of \$2.4 million. The money is there, we could pull it out of the
8 block. I move that we fund a million.

9 MR. OWENS: Do you want to amend the
10 staff recommendation?

11 DELEGATE MARSHALL: Yes.

12 MR. OWENS: You want to amend the
13 staff recommendation for \$1,561,842?

14 DELEGATE MARSHALL: Yes.

15 MR. CANNON: I'll second it.

16 MR. OWENS: Any discussion about it?
17 All those in favor signify by saying aye. (Ayes.) Those
18 opposed? (No response.) The ayes have it.

19 MS. CAPPS: The next project on the list
20 is the Mid-Atlantic Broadband Southern Virginia Broadband
21 Expansion. As you recall the budget for the Southside
22 Committee including \$2.5 million. This is requested on the
23 availability of those funds. There's three aspects of the project.
24 There's a pilot wireless project backbone electronics project as
25 well as the new backbone electronics for layer two Ethernet
26 capability and the staff is recommending an award of \$2.5

1 million. Does anyone have a question for Tad?

2 DELEGATE MARSHALL: My question is
3 that in this package it says that we're going to expand in
4 Southwest and my question is why is Southside funding
5 Southwest?

6 MR. DERISO: Very briefly, I want to give
7 you a little bit of an update on what MBC has been doing over
8 the last couple of years. Many of you on this Committee have
9 been engaged in this process since 2001. I thought it would be
10 helpful just to show where we've come from and what we are
11 up to today. This whole project started back in 2001 and in
12 January 2004 we formed the Mid-Atlantic Broadband
13 Cooperative with the core mission of wholesale access to
14 services and a level playing field. That means trying to get the
15 private sector involved in broadband, bringing advanced
16 broadband to our region and staying in the wholesale
17 business. Back then we had no employees and we planned to
18 be a virtual company. We also had zero revenue, which
19 obviously we were a startup company for operational sake,
20 that was part of the plan.

21 Back in January we received a grant from the DDA
22 and the Tobacco Commission was a matching grant, which
23 was a \$12 million total project and a 50/50 grant to basically
24 kick off the construction of this first project. As many of you
25 remember, it was called the E-58 project. One of our biggest
26 challenges is that we had a very skeptical private sector. Many

1 of you have been involved in several discussions back in the
2 day with private sector companies saying why in the world
3 would you want to do this, this doesn't make any sense.
4 There's already broadband here and there's already fiber here
5 and this does not work. Flash forwarding to this month in
6 December, we stuck true to these principles of having our core
7 mission of wholesale services and access network and leveling
8 the playing field. People thought that was kind of crazy back
9 in the day and we've shown it actually works.

10 Today we have eighteen full time employees based in
11 our office in South Boston, Virginia. Average wage is \$66,000
12 per year before benefits. Being a technology company, we have
13 to hire the best and brightest. We've been fortunate to
14 continue to grow our operations in Southern Virginia. Today
15 we're targeting about \$6 million of annual top revenue. If you
16 look at the annual reports that I've provided to you, this is
17 something we do every year and highlighting our financial
18 portfolio and our performance. And as a cooperative, we're
19 very open with financials and we share our audited statements
20 with staff, the Tobacco Commission and our members. What
21 we're finding is that continued growth of private sector
22 company, a billion dollar company doing business with little
23 old Mid-Atlantic Broadband Cooperative today.

24 Also, this is an interesting statistic in that the
25 Tobacco Commission is the largest grantor for our funds for
26 capital. When we finish our various broadband stimulus

1 projects with the federal side, over \$90 million of capital has
2 gone into the Southern Virginia region to expand the network.
3 Today we've been embraced by the private sector. I think
4 that's very apparent if you look at our current MBC formula,
5 there's over sixty companies here on this slide and you may
6 recognize many of these companies from the Southwest,
7 companies in New York City, Dublin, Ireland, California. Just
8 lots and lots of companies in Northern Virginia. This helps
9 make their business better and create those competitive access
10 projects here in the Southern Virginia region. This map shows
11 on the blue lines our existing network and the red lines on the
12 map you can see and those are currently projects under
13 construction. We have 800 miles of fiber in the ground today
14 and another 700 miles currently under construction and that's
15 for various projects we have ongoing. At the end of this
16 project, every single industrial park is connected and that was
17 one of our main goals when we started. Every community
18 anchor institution, every K-12 school, every single ISP cable
19 provider, telecommunications companies in the region is
20 hooked into our network and using it in various forms or
21 fashion. We're very excited about that project.

22 If you look east, the green line, that's a \$12 million
23 project and we received a federal broadband stimulus grant
24 including money for alternating universities and the Mid-
25 Atlantic Broadband Cooperative. I show that because there's
26 zero dollars of Tobacco money in that project and that's

1 something that we took off on as a need to get the Hampton
2 Roads area and connect it back to our network. The bulk of
3 Hampton Roads is connected to the Cox business, to Verizon
4 and some other folks.

5 As mentioned in our existing grant application, this
6 is probably an interesting success story we had from your
7 funds to help enable broadband. You have to remember, we're
8 not a retail provider and we don't provide those services. We
9 have utilized 50/50 matching funds over the last three rounds
10 starting in 2007 of the Tobacco Commission authorized pilot
11 project of a million dollars to go match the private sector
12 telecom providers and say what happened. If we are able to
13 lower the cost from the private companies and get them to put
14 that in. To date, there's been over \$4 million of Tobacco funds
15 invested in that project and leveraging a little over \$4.2 million
16 in private sector funds. According to our calculations and our
17 reports from our grantees, over 19,000 residential and
18 business customers now have access to broadband that never
19 had a chance to have it before. If you divide that number by
20 grant funds, that's about \$210 per customer of a grant to help
21 facilitate that connection. We see that as a huge success.
22 There has been wireless and all different types of technology
23 and a lot of good success stories have come along with that.

24 MR. OWENS: What is the saturation
25 radius of this area?

26 MR. DERISO: When we approve these

1 grants, there has to be no broadband available because they
2 can't go into the City of Danville and say we're going to put in a
3 matching grant funds. When you call something a penetration
4 rate, a hundred percent of the community available. Anywhere
5 from thirty to forty percent is what we're saying and it's called
6 a take rate, the customer is actually signing up for service.

7 DELEGATE BYRON: Do you have more
8 grants now or –

9 MR. DERISO: We have additional funds
10 from a previous grant award and we have some projects
11 underway with that. There is available money in those grants
12 but we have not received invoices back from our members to
13 process those. So those are for the new round that we're
14 requesting part of.

15 DELEGATE BYRON: Who's determining
16 where the additional pilot projects, the last mile project will go?

17 MR. DERISO: The members, we're asking
18 them to be able to show us, if they want to go into an area like
19 Campbell County, they have to show us on a map where that
20 is and that there's no broadband available and then we do, we
21 check on the back side to make sure there is no other MBC
22 member that someone is overbuilding to make that work. So
23 far, we haven't had any issues with that.

24 MR. NOYES: Is 19,000 the take rate?

25 MR. DERISO: That is the total available
26 households. We don't have them broken down between the

1 two groups. So when the digital says we're going to put two
2 towers in Appomattox County and we're going to serve X
3 number of people, they have their analysis with the way they
4 do their network and based on these two towers we can serve
5 approximately 2500 customers.

6 MR. NOYES: But maybe only 800 sign
7 up?

8 MR. DERISO: That's correct.

9 MR. NOYES: The nineteen reflects 2500
10 customers?

11 MR. DERISO: That is correct.

12 SENATOR RUFF: What do you do with
13 net earnings?

14 MR. DERISO: I'll get to that.

15 DELEGATE MARSHALL: Following up on
16 about the question about build up, do you have a plan as to
17 what you're going to look like in five years or ten years?

18 MR. DERISO: Yes, our Board of Directors
19 is currently looking at as far as our long term growth where do
20 we go from here. We've connected all the community anchors,
21 all the business parks, a lot of work within the footprint. We're
22 not going to build out in North Carolina, we'll not build out in
23 non-Tobacco regions, help bring broadband to those counties.
24 We're building out to Hampton Roads so all of our members
25 will have access to those markets back and forth. As we go
26 along, we'll try and enable more broadband in the region and

1 we don't want to become a retail provider and we don't think
2 that will ever happen. We're going to reinvest our funds to get
3 the biggest bang for the economic development piece.

4 DELEGATE WRIGHT: We've talked
5 numerous times before about Southside and we've had this
6 DSL service and so forth. If the telephone company receives a
7 grant and so forth, can you give us an update on what's
8 happening as far as trying to improve the broadband in
9 Southside for the individual customers?

10 MR. DERISO: Sure. Bugs Island
11 Telephone has not been a grantee of the 50/50 matching
12 program. They received a \$26 million federal grant to get
13 broadband out and we are having conference calls with them
14 utilizing the MBC fiber network several towers that you've
15 funded and to connect the towers back to the network to get
16 connectivity. That's currently underway and I think there's
17 one or two towers that should go up within or one or two
18 communities that should be ready to receive services by the
19 end of the year. That may be Lunenburg County, I'm pretty
20 sure that's it. By fall of next year, they should be about eighty
21 percent complete with the project. They own spectrum, 700
22 Megahertz spectrum, it's a lot different technology than some
23 of our small wireless items.

24 DELEGATE WRIGHT: What would you
25 say the completion of this in Southside would be for the Bugs
26 Island project?

1 MR. DERISO: Probably at this time next
2 year most of that project will be completed.

3 MR. WALKER: Mr. Chairman, just as an
4 example a local ISP in Appomattox County, located on the
5 tower in Charlotte County in a 50/50 program and it's a very
6 rural area of Charlotte County and it wouldn't have been
7 possible if they hadn't received the 50/50 grant. It's beginning
8 to reach the retail customers so they'll have access to
9 broadband in these rural areas. That's coming.

10 MS. CARTER: We talked recently about
11 the pilot project. And I think you remember that. Can you
12 explain how this wireless project is different from the wireless
13 in that location, I don't understand.

14 MR. DERISO: Sure. The Climax project,
15 a local community organization set up a tower and needed
16 someone to come in and be a service provider. One of our
17 providers Gainwood Technologies, they're one of our members
18 in Danville, made that investment and they asked us for
19 matching dollars to put some wireless equipment on that
20 tower. Gainwood has technology vendors that may use
21 equipment for those projects. The wireless pilot project we're
22 talking about in the grant is not an ISP but an actual producer
23 of wireless equipment. Currently they manufacture and
24 produce this type of wireless equipment in Asia. They are
25 interested in bringing that technology to us and we want to be
26 a pilot project to be able to put that on some of our towers in

1 the region, partner with one of our member ISPs to use it and
2 see if it works. The idea is to see if it works, this particular
3 technology nobody else has and hopefully we can enable the
4 manufacturing facility to be part of that. The pilot project is
5 not necessarily providing services to end customers. It's a
6 service that will go up on a tower and as a member all the
7 receivers and technologies that they have will be able to assess
8 if that's a good technology, can it do something better, faster
9 and cheaper than what's out there today. That's part of the
10 pilot project.

11 MS. CARTER: So this group hasn't tested
12 the equipment?

13 MR. DERISO: In the United States, that's
14 correct.

15 MS. CARTER: Are they licensed or what
16 is their proposal?

17 MR. DERISO: It's my understanding their
18 company owns the licensing for that equipment and they
19 would do whatever they needed to do with the federal, I'm not
20 an expert on wireless. They're basically trying to see if they
21 can deploy that within the States. I don't believe it's a licensed
22 frequency but it's an unlicensed and there's products out there
23 that can do that. Apparently this has some type of technology,
24 maybe better technology.

25 MR. NOYES: The company is working
26 with the FCC. At this time we anticipate, the technology is

1 marketed and sold not yet approved for use in the United
2 States. This is a pilot with the FCC trying to get the green light
3 and that will tell us all the pertinent factors. If this is
4 successful, the company has indicated they are interested in
5 manufacturing this technology or equipment here in this
6 country. We won't know for eighteen months or two years
7 whether or not or whether the FCC, whether it works in other
8 words because this is a pilot and that's all we know.

9 MS. CARTER: So, there's a lot of due
10 diligence done this will –

11 MR. NOYES: That is correct. There's a
12 lot of due diligence that goes into the project.

13 MR. DERISO: Thanks to the new
14 technology, the wireless network still works. Real quickly, we
15 hired Chimera Economics and Analytics to measure some of
16 the progress we've been making. This slide shows some of the
17 progress we're making and some of the growth we're making.
18 Now, the financial performance, Senator Ruff you had a
19 question whether we do with excess earnings. As a
20 cooperative, those excess earnings are allocated back to our
21 members based on the percentage of revenue created for the
22 cooperative. Our Board of Directors each year considers
23 excess revenue. We reinvest it back into the network. We're
24 not doling out dividends to our members because at a young
25 age like we are company-wise, it's very important we keep the
26 network up to date and we have generator maintenance and

1 we fund group replacements, fiber repairs, if VDOT moves and
2 software prescription, the things your money doesn't pay for
3 are the things we have to do, as an operator to keep the
4 network as a carrier. We're also reinvesting funds back into
5 our communities and we're involved in several economic
6 development projects on a very small scale and we're investing
7 dollars and looking at scholarship programs. Our Board is
8 evaluating different things we can do to help reinvest that
9 money back into the region.

10 We had joined 26 Chambers of Commerce in our
11 region and we're actively participating and helping our
12 members to co-sponsor events. It's trying to bring the
13 business community up to speed on what we're doing. The
14 last slide is job investment success. And it's important and
15 this is why we were created. The three projects we've been
16 actively engaged in, in the report I handed out, we do have a
17 page that details all jobs and investments created for the last
18 twelve months in Southside Virginia. These are three projects
19 we were actively engaged in and with Microsoft, I think we
20 made six trips to Washington in five months to convince them
21 that the fiber network is of the caliber they needed. To date,
22 \$916 million of capital investments and over 700 jobs created
23 as a direct result of projects that we can define to the fiber
24 optic network. There's a lot of players and a lot of
25 communities have impacted to make these projects happen.
26 At least on the fiber side, we know that those decisions were

1 based on the network in place today.

2 Now this slide, and this is the 625 plan, Vision 625
3 plan in Virginia, does anyone know why? June 25th, 1788,
4 Virginia was founded. This is our overall goal in the next one
5 to five years of things we want to do. 250 billion bits per
6 second and we run a provisional network and today 170
7 billion, \$2 ½ million of private investment. We want to be able
8 to show what we've been a part of. With that, we're at the slide
9 you saw earlier today, \$25 million in top line revenue and
10 that's where the MBC and groups we had, expansion,
11 acquisition, organic growth. The other \$25 million is a
12 benchmark that we're using to reinvest in our communities.
13 As our excess earnings continue to grow and we facilitate the
14 network and be able to reinvest in the region. 2500 is the
15 amount of jobs we would like to be responsible for helping to
16 create, 25 is just an outreach project for leadership in the
17 telecom industry rural market growth.

18 SENATOR RUFF: What percentage, if
19 Microsoft comes online, what percentage volume would that
20 increase?

21 MR. DERISO: Revenue-wise it's not real
22 big but from a bits per second perspective, it would be about
23 twenty to thirty billion bits per second of that network and
24 always looking at additional phases though. We're very proud
25 to be a part of that project.

26 MR. NOYES: The question that Delegate

1 Marshall had about you spending money in Southwest Virginia

2 –

3 MR. DERISO: I apologize, forgot about
4 that. The Giga Park Marketing Initiative, you all funded that
5 about two years ago and created a brand identity for that.
6 Giga Park signs in all the industrial parks in Southern
7 Virginia. We felt that was a Tobacco Commission project
8 because of our interconnection with Citizens Telephone
9 Cooperative, Bristol Virginia Utilities, Scott County Telephone
10 Cooperative and we felt it was important that we help brand
11 the entire region for Giga Parks. That's a Tobacco Commission
12 thing and not an MBC thing. Instead of being a grantee for the
13 Southwest grantor, we're not a Southwest company but we felt
14 that using those dollars to enhance Giga Parks marketing in
15 the Southwest part of the state makes sense coming through
16 you.

17 MR. NOYES: When these people go to
18 trade shows, we'll have Giga Parks in Southern Virginia in the
19 Tobacco Region.

20 MR. DERISO: Thank you, Mr. Chairman.

21 MR. OWENS: Thank you.

22 MS. CAPPS: We've gone over those
23 projects and whatever we had.

24 MR. OWENS: Oh, the staff
25 recommendations, do I have any that need to be taken out of
26 the block? Is there a motion to take it out of the block?

1 DELEGATE MARSHALL: Mr. Chairman, I
2 move we accept the staff's recommendation.

3 MR. OWENS: It's been moved and
4 seconded that we accept the recommendations or amended
5 recommendations of the block by the staff. Any other
6 discussion? All those in favor say aye. (Ayes.) Opposed, no?
7 (No response.) All right, we've accepted the staff
8 recommendations.

9 MS. CAPPs: We have four other business
10 items. The first two pertain to the Roanoke River Rails to
11 Trails extension that's requested on Grant number 1383. The
12 grant was awarded in July of 2007. The staff is recommending
13 a six month extension for grant 1383. An extension beyond
14 the fourth anniversary of award for Grant 1383 in order to
15 complete an appraisal of the property that would be sold to the
16 trail group at a fifty percent discount, a balance of \$29,806
17 remains on the grant awarded in July 2007.

18 SENATOR RUFF: I move we approve the
19 extension.

20 DELEGATE MARSHALL: Second.

21 MR. OWENS: Any other discussion? All
22 those in favor say aye. (Ayes.) Opposed, no? (No response.)

23 MS. CAPPs: Second proposal on the
24 Roanoke River Rails to Trails involves repurposing Grant 1780.
25 They're asking for a change of scope. The original application
26 was for design, the grant funds were originally awarded in

1 April of 2009 for design and construction of a trail segment
2 extending west of the town of Boydton. Due to the cost of
3 multiple stream crossings on the west segment, the grantee
4 now requests permission to use funds for a segment extending
5 one mile east of Boydton. The staff recommends approval of a
6 request to change the site of funds in Grant 1780 to the trail
7 segment extending east of Boydton. The original request was
8 for design and construction as I said for the segment west of
9 the town of Boydton. That's why a repurposing was requested
10 of those funds to focus on the trail segment east of the town of
11 Boydton. The reason for the change had to do with the costs of
12 crossing the streams as I previously mentioned.

13 SENATOR RUFF: I move we approve this
14 modification request.

15 DELEGATE MARSHALL: Second.

16 MR. OWENS: All those in favor signify by
17 saying aye. (Ayes.) Opposed, no? (No response.)

18 MS. CAPPS: The next item is
19 Cumberland County, an extension is requested on Grant
20 #1536, Water Service Extension Project. The county requests
21 an extension beyond the fourth anniversary of award for Grant
22 1536 in order to complete design and construction.
23 Reimbursements are currently ongoing. Staff recommends
24 approval of a six month extension, with unused funds to be de-
25 obligated by June 30th, 2012.

26 DELEGATE WRIGHT: Mr. Chairman, I

1 move we accept the staff recommendation.

2 MR. CUNDIFF: Second.

3 MR. OWENS: It's been moved and
4 seconded, any discussion? All those in favor say aye. (Ayes.)
5 Opposed, no? (No response.)

6 MS. CAPPS: The last project on the list is
7 Nottoway County, Nottoway Farm to Fuel Project 2460. This
8 was an application that was, came under the Agribusiness
9 Program. The request is for \$911,000. The Agribusiness
10 program has very limited funding. The project could receive
11 \$150,000 recommendation from Agribusiness to support the
12 equipment costs this project has to do with switchgrass as a
13 new alternative crop for local farmers. The request includes
14 \$732,000 for the building and site preparation. Staff is
15 recommending an award of the \$150,000 from Agribusiness.
16 The staff is recommending an award of \$732,000 total to
17 support the building.

18 DELEGATE WRIGHT: I move we accept
19 the staff's recommendation.

20 SENATOR RUFF: Where is the money
21 coming from?

22 MS. CAPPS: Southside, Nottoway
23 County. The County is aware of that and they volunteered it.

24 SENATOR RUFF: How much do they
25 have available?

26 MR. NOYES: \$1.2 million.

1 MR. OWENS: Any other questions?

2 MR. WALKER: How many jobs are
3 involved?

4 MS. CAPPS: Five part time jobs with the
5 possibility of, this benefit goes to the agriculture producers and
6 with the geriatric hospital alone and the adjacent behavioral
7 rehabilitation sites, with those two sites alone, 3600 tons of
8 switchgrass that will be required annually involving 1200 acres
9 that would be planted. All this is going to help create that
10 market.

11 DELEGATE WRIGHT: I'd just add that I
12 met with Nottoway County officials and those at the facility
13 and they started using switchgrass last year saving a lot of
14 money, they're phenomenal apparently.

15 SENATOR RUFF: Just to add on to that,
16 I think last winter they saved about a thousand dollars a day
17 using switchgrass.

18 MR. OWENS: How many jobs does this
19 translate to?

20 MR. PFOHL: Mr. Chairman, if I may, I
21 think Mr. Walker was perhaps leading up to the project fits the
22 objectives of the Economic Development Program, new job
23 creation, private capital. Admittedly, this facility will be a
24 small job creator, private capital investment will mostly be in
25 the equipment. The business FDC Enterprises and what they
26 bring to this project and they will be leasing the building from

1 the county. The staff felt like this aspect of the request,
2 building might be a fit for economic development that this is
3 an example as we've seen in many other cases where the
4 county asks for economic development funds to construct a
5 building it would own on property for the business and could
6 be leasing the building and could eventually and we don't know
7 it yet but it's been alluded to, the company may be interested
8 in buying the building sometime in the future but that's not
9 written in stone.

10 MR. OWENS: We've heard the motion
11 and the second, all those in favor say aye. (Ayes.) Opposed,
12 no? (No response.) All right. Today we've handed out some
13 information on the allocation formula and the
14 recommendations were formula.

15 MR. NOYES: Everybody should have
16 received these, Stacy's passing them out again.

17 MR. OWENS: These are not in stone.
18 What we have here is recommendations that I'd like to go over
19 briefly if that's possible. If it's not the will of the Committee to
20 change this, I don't want to waste time going over it. If it is the
21 will of the Committee to make changes or make modifications,
22 then it would be time well spent.

23 MR. WALKER: The title of our committee
24 is Revitalization and Indemnification. My concern about the
25 possibility of doing away with the formula, how can you be
26 indemnifying if the counties that lost the most, doing away

1 with the tobacco money. The ones that lost the most should be
2 the ones that are benefiting the most from the funds. I need to
3 be educated on how we can still take care of the
4 indemnification people by indemnifying the people that had the
5 loss and not the people that just make the best presentation to
6 the Committee.

7 DELEGATE BYRON: I think that goes
8 back to what, 1998 was it? So we've been looking at this thing
9 for what, about twelve or thirteen years now. I agree with what
10 you're saying, our region benefits by creating jobs and
11 opportunities not right outside the front door. We need to
12 understand that things change over time. We should be
13 looking at the merits of these applications by allowing
14 opportunities for the region to look at bigger and possibly
15 better applications, even a visionary that can look at working
16 with government. Mary Rae is looking for other opportunities.
17 It's a way to look at other objectives for various localities. I
18 think the bottom line is we need to be open minded in
19 whatever we do.

20 DELEGATE WRIGHT: I've been a
21 proponent for the formula and I'd certainly like to see it stay
22 like it is. When you take the counties that have been adversely
23 affected, and an assurance that they're going to have some
24 money coming in for economic development, I personally can
25 understand why we wouldn't write a check and get the
26 Committee approves it, and what I'm saying is I don't see a

1 thing wrong with the process we have currently. I think a lot
2 of projects like the one in Nottoway, it boils down to it's money
3 the localities know that they can have and all this money that's
4 being asked, it's still got to pass the staff's recommendation
5 and this Committee and the full Commission. This morning in
6 the Agribusiness Committee, they had a wonderful program
7 dealing with livestock enhancement and it applies to about ten
8 or fifteen different counties. Part of the problem is some of the
9 counties don't have the staff available to really get in there and
10 compete with the larger ones. Some of them as a result of all
11 of this can't take part in the program or an opportunity. The
12 one we have in Southside assures the small counties that they
13 will have something coming in and that's based on the tobacco
14 raised or the total they had. I think that's an important
15 consideration we need to take into account. There's also other
16 Committees like Special Projects that these localities can go to.
17 I'd just like to make a motion at the proper time where
18 everybody has a chance to speak. I'd just like to see us keep
19 the program we have now.

20 DELEGATE MARSHALL: I want to
21 associate my comments with Delegate Wright and when you
22 take the localities getting larger shares because they had the
23 largest losses. I raise my hand and agree with what Tommy
24 said. I know the counties to my west and I've only been a
25 member of this board for four years but looking back on those
26 four years, the amount of money that has been created and

1 especially some of these localities don't have a big allocation,
2 they can do things through Special Projects and R&D and
3 other ways. There's other ways that these localities can receive
4 money. I know in Henry or Martinsville and I'm not sure about
5 the others, I worry about them because I represent them but
6 they haven't gone without stuff that they need in order to get
7 what they wanted. They didn't always get what they wanted.

8 MR. OWENS: Did everybody get one of
9 these and read it before today? All right, I just wanted to make
10 sure.

11 SENATOR RUFF: I probably am the only
12 one at the table that was here when we came up with it at the
13 time, that everyone needed to be treated fairly and that was
14 the purpose. I know the larger counties with more staff, better
15 trained staff have been able to do a lot more with this
16 Committee or any other Committee and still we make a
17 commitment to the smaller counties and how can they be more
18 professionally dealt with in this process but I think there's still
19 a structural problem here. If you're bigger and better or if
20 you're in a bigger community you can do bigger things a bigger
21 way but you can't do that in some counties that we're
22 supposed to be representing.

23 MS. NYHOLM: If Barney Day were here,
24 he could speak more eloquently than I can. If our main job is
25 Southside Virginia and creating jobs and have more
26 investment, that will largely be determined by the projects as

1 we move forward in creating more business and ultimately
2 economic development and success. That always involves
3 larger projects.

4 MR. CANNON: If it's not broke, why do
5 we want to fix it?

6 MR. OWENS: Let me say this as
7 Chairman of the Committee, let me just say we need to do
8 something. We don't have to abandon it, but we may need to
9 tweak it in some form or fashion. JLARC has looked at this
10 and this is one of the points we need to address. As far as I
11 know there's no community large or small that has a project
12 that I can think of of any kind that was viable that we did not
13 fund or that the Commission did not fund. I can't think of one
14 large or small community that had a project that created jobs
15 and investment and was a good project that we did not fund.

16 DELEGATE BYRON: With the balance on
17 hand.

18 MR. OWENS: With what they had left,
19 the Commission actually gave special appropriations.

20 DELEGATE MARSHALL: When you look
21 at the allocation and then TROF and other funds – and
22 brought a lot of jobs and a lot of capital.

23 MS. NYHOLM: I don't think it's just small
24 counties, not when you're speaking to the allocation, I think it
25 goes across the board, big and smaller jobs and return on
26 investment and things like that are important to consider.

1 MR. OWENS: When you consider the
2 large counties or where these megasites are in places like
3 Emporia, I do agree that some of these recommendations need
4 to be considered. There are some things in this that we do but
5 to scratch the whole allocation system, I'm not as far as at this
6 moment, I don't know that we need to spend any more time on
7 this today but I think we need to go through these
8 recommendations.

9 DELEGATE WRIGHT: I'd like to mention
10 you want to see some changes.

11 MR. OWENS: Yes.

12 DELEGATE WRIGHT: As far as the Board
13 getting this done away with but if it's the will of this Committee
14 not to do so then I think we should vote on that. So I would
15 make a motion that we leave everything like it is. I've spoke on
16 this many times before, even the small and large, I think we
17 need to vote on this before we go forward.

18 DELEGATE MARSHALL: I'm going to
19 second that motion.

20 MR. OWENS: This Chairman has been
21 through the JLARC report. We can do something here or
22 depending on you people in the General Assembly to decide our
23 action. I can understand your motives and your motion. If
24 there's no other discussion, if we're not going to change
25 anything.

26 MR. NOYES: We have gone over some of

1 these priorities and measurable outcomes, especially
2 employment outcomes, I think we need to do that ahead of
3 those that JLARC provided.

4 DELEGATE BYRON: Are you talking
5 about direct jobs? Are those being changed but not the
6 allocation?

7 MR. NOYES: You have the allocations,
8 you get applications from the jurisdictions, which pointed out
9 earlier today they've got the money that was given to them
10 through the formula. Private sector capital investment, direct
11 jobs, are not the primary driver of the decisions. It is the
12 allocation that drives the decision whether or not the project is
13 one that has direct employment outcomes and capital
14 investment.

15 MS. NYHOLM: When we looked at that,
16 it's my understanding that direct employment is, it also
17 considers employment down the line, is that what you're
18 referring to?

19 MR. NOYES: Indirect induced
20 employment question but that it will happen and it's driven my
21 an econometric model. The econometric model pays no taxes.

22 MS. NYHOLM: I understand that,
23 utilizing a shopping center is an example, you might do
24 something special to get Wal-Mart there, it will attract smaller
25 stores, direct employment of capital investment, we've got a
26 different situation than you in Microsoft for example versus

1 econometric model?

2 MR. OWENS: We're not going to make
3 any changes on this today. We did have a motion and a
4 second. Since we do have a motion and a second, we have to
5 vote on it. All in favor signify by saying aye. (Ayes.) Opposed,
6 no? (Nos.) All right Mr. Noyes, let's have a roll call vote.

7 MR. NOYES: Delegate Byron?

8 DELEGATE BYRON: No.

9 MR. NOYES: Mr. Cannon.

10 MR. CANNON: Yes.

11 MR. NOYES: Deputy Secretary Carter?

12 DEPUTY SECRETARY CARTER: No.

13 MR. NOYES: Mr. Cundiff?

14 MR. CUNDIFF: Yes.

15 MR. NOYES: Delegate Marshall?

16 DELEGATE MARSHALL: Yes.

17 MR. NOYES: Delegate Merricks?

18 DELEGATE MERRICKS: Yes.

19 MR. NOYES: Ms. Nyholm?

20 MS. NYHOLM: No.

21 MR. NOYES: Mr. Owens?

22 MR. OWENS: No.

23 MR. NOYES: Senator Reynolds?

24 SENATOR REYNOLDS: (No response.)

25 MR. NOYES: Senator Ruff?

26 SENATOR RUFF: No.

1 MR. NOYES: Mr. Walker?

2 MR. WALKER: Yes.

3 MR. NOYES: Delegate Wright?

4 DELEGATE WRIGHT: Yes.

5 MR. NOYES: The motion succeeds six to
6 five.

7 MR. WALKER: I wanted to comment on
8 what Mr. Noyes was saying and I agree very much with what
9 he said but I think it's incumbent upon us as Committee
10 members and as a Commission to do just what we did with the
11 Keysville project today. We said it wasn't ready, it's not time
12 and we said no. If there's not direct jobs tied with these
13 projects that is going to employ people right away then we need
14 to start saying no more often.

15 DELEGATE MARSHALL: We approved a
16 couple of grading projects for industrial parks, that could
17 happen next week or happen next year or happen two years
18 from now. If you don't put water lines and sewer they won't be
19 there.

20 MR. NOYES: The full Commission has
21 heard recommendations from outside sources that you don't
22 need to keep adding resources, inventories within commuting
23 distance. The issue today in Pittsylvania County is staff didn't
24 want to go forward with the engineering part so we could hit
25 the ground running within 30 minutes away in Surry County,
26 30 minutes away in Henry County you had some site and you

1 had two sites that we already paid for in Pittsylvania County
2 within fifteen miles, another 30 or 35 minutes away in Halifax
3 County had sites. The issue is how much inventory is
4 necessary in order to deal with businesses. The Committee
5 has made recommendations and that was the rationale the
6 staff had. It's not just the inventory within a county, the
7 inventory within a region.

8 DELEGATE MARSHALL: The problem
9 with that is Greg Sides may want to respond. His job is grow it
10 for the county and he's hired by the county, his job is to help
11 Pittsylvania County. It's wonderful from Henry County's point
12 of view but he's focusing on one county, he is supposed to be
13 doing this for Pittsylvania County.

14 DELEGATE MERRICKS: This sheet that
15 was passed out wasn't numbered but I was sort of surprised I
16 think it's six from the bottom, those six bottom items are you
17 saying we aren't doing that? No disbursements will be made
18 until all financing identified in an application is committed to
19 in writing. Are you saying we're not doing that now?

20 MR. NOYES: No.

21 DELEGATE MARSHALL: Why aren't we
22 doing that now?

23 MR. NOYES: Nothing to do with the
24 allocation. I just think that those bottom six items.

25 SENATOR RUFF: Is that a motion?

26 DELEGATE MERRICKS: I would think

1 those bottom six items would be, I just move we make that
2 part of our procedure, to me that would be good business. I'd
3 move that.

4 MR. OWENS: It's been moved and
5 properly seconded. Discussion?

6 DEPUTY SECRETARY CARTER: The six
7 things Delegate Merricks you're talking about are not done
8 with the locality but done with –

9 MR. NOYES: That's correct.

10 MR. PFOHL: The locality is operating
11 under the, we're not empowered to do this because you
12 directed it to control the purse strings. We really don't have a
13 leg to stand on unless you give us that direction.

14 DELEGATE MERRICKS: JLARC is saying
15 in a way you've got to give us good business practices and I
16 think those last six items are really good business practices.

17 MR. NOYES: Go up to the sixth one up.
18 No applicant may have more than two undisbursed grants at
19 any point in time. I can tell you that there's four or five
20 counties in Southern Virginia that have more than two or three
21 that are not disbursed that don't start for a year after and then
22 two more in one of those counties were recommended today. If
23 you adopt this, what you're saying is that the staff would not
24 be able to disburse or do a grant until they spend the money
25 on the other grant.

26 DELEGATE MERRICKS: When you say

1 undisbursed grant, do you mean pre-disbursed?

2 MR. NOYES: I mean less than ninety
3 percent disbursed. Ninety percent, that's where you get your
4 disbursal, commitment.

5 DELEGATE MERRICKS: That's
6 substantial completion. When I see undisbursed, I think about
7 a grant and you haven't drawn on it. If you've got the grant
8 and drew twenty percent it's a disbursement, not ninety
9 percent complete. I don't think that's what this is saying.

10 MR. OWENS: Delegate Byron?

11 DELEGATE BYRON: The last one, monies
12 are to revert to the Southside Economic Development pool at
13 the time a project has reached substantial completion. Are
14 you talking about the allocation?

15 MR. NOYES: In anticipation that we
16 would have a full rather than allocation funds. Funds from
17 Southside Economic Development always go back to the
18 jurisdiction who receives the allocation, that's been our
19 practice.

20 MR. CANNON: I have a little problem
21 with this. In Halifax County, several out there for perhaps four
22 months are ninety percent complete, a little bit left over,
23 there's a problem or something and need to get it done but
24 there's a problem, how do we get the money back. Some of
25 these things do drag out. If you have an application for a
26 million dollars and you haven't touched it for three years and

1 it's still sitting there and you drew that down, would that kick
2 that out?

3 MR. NOYES: After everyone reads this
4 and digests it, we'll have another meeting or have a called
5 meeting.

6 DELEGATE MERRICKS: I would
7 withdraw my motion provided, I just think that from a
8 business practice, some of these items need to be followed up
9 on.

10 MR. OWENS: So you're withdrawing your
11 motion?

12 DELEGATE MERRICKS: Yes.

13 MR. OWENS: We'll have a called meeting
14 dealing with this. I'd like everyone on this Committee to take
15 an opportunity to go through this list, get your own thoughts
16 together on it and when we next convene, I'd like to have a real
17 positive dialogue to thoroughly go through these. I'd like to
18 have your thoughts.

19 DELEGATE BYRON: The staff can
20 probably give us hundreds of reasons as to why some of these
21 things go the way they do.

22 DELEGATE WRIGHT: We voted today to
23 keep the formulary as it has been and there's been some good
24 points made in how to improve the allocation process and then
25 we're talking about the application process. I'd hope we don't
26 get the two things intermingled but the formulary has already

1 been voted on today. I agree that we can improve the
2 application process.

3 MR. OWENS: We will announce the next
4 application deadline in the next meeting.

5 Now, public comments, would someone from the
6 public like to speak?

7 MS. HAWTHORNE: I'm Beverly
8 Hawthorne from Lunenburg County. I'd like to thank all of you
9 for all the grants we have gotten and I can assure you we'll try
10 to put them to good use. I'd like for the list you all are looking
11 at to be made available to those that are making the
12 applications because we might have some suggestions that
13 would make sense and if you could make that available online
14 I would appreciate it and we'll go to our respective
15 representatives with our ideas if that's possible.

16 MR. OWENS: Yes, we can do that.
17 Thank you very much. Anyone else wish to speak? Any other
18 public comments? If not, we're adjourned.

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20 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 **Southside Economic Development Committee meeting when held on Tuesday, December 6, 2011 at 12:00 NOON at Roanoke Higher Education Center in Roanoke, 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 20th day of December, 2011.

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Medford W. Howard

4

Registered Professional Reporter

5

Notary Public for the State of Virginia at Large

6

7 My Commission Expires: October 31, 2012.

8 Notary Registration Number: 224566