

**VIRGINIA TOBACCO INDEMNIFICATION  
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501  
Richmond, Virginia 23219

**Southwest Economic Development Committee Meeting**

Wednesday, May 23, 2012

3:00 o'clock p.m.

The Institute for Advanced Learning  
Danville, Virginia

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1     APPEARANCES:

2     Dr. David S. Redwine, Chairman

3     The Honorable Charles Carrico

4     Ms. Mary Rae Carter

5     Ms. Linda DiYorio

6     The Honorable Joseph P. Johnson

7     Mr. H. Ronnie Montgomery

8     Mr. John Stallard

9     The Honorable Terry G. Kilgore, Chairman

10         Tobacco Commission

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13     COMMISSION STAFF:

14     Mr. Neal Noyes, Executive Director

15     Mr. Ned Stephenson, Deputy Executive Director

16     Mr. Timothy S. Pfohl, Grants Program Administration Director

17     Ms. Stephanie S. Kim, Budget Director

18     Ms. Sarah K. Capps, Grants Program Administrator -

19         Southside Virginia

20     Ms. Sara A. Williams, Grants Program Administrator -

21         Southwest Virginia

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DR. REDWINE: Good afternoon, everyone. Thank  
4 you for taking the time to join us. We've got business to conduct  
5 right away, so the first order of business, I'll ask the Executive  
6 Director to call the roll.

7

MR. NOYES: Senator Carrico.

8

SENATOR CARRICO: Here.

9

MR. NOYES: Deputy Secretary Carter.

10

MS. CARTER: Here.

11

MR. NOYES: Ms. DiYorio.

12

MS. DIYORIO: Here.

13

MR. NOYES: Delegate Johnson.

14

DELEGATE JOHNSON: Here.

15

MR. NOYES: Mr. Montgomery.

16

MR. MONTGOMERY: Present.

17

MR. NOYES: Mr. O'Quinn is not here.

18

Dr. Redwine.

19

DR. REDWINE: Here.

20

MR. NOYES: Senator Smith.

21

SENATOR SMITH: (No response).

22

MR. NOYES: Mr. Stallard.

23

MR. STALLARD: Here.

24

MR. NOYES: Mr. Chairman, you have a quorum.

25

DR. REDWINE: Thank you, sir. Many of you may

1 have an agenda for today's meeting, and we'll stick to that  
2 agenda if we can. There's a couple of things I want to mention  
3 before we move to the next item. I want to begin by welcoming  
4 two new members to the Tobacco Commission and to the  
5 Southwest Economic Development Committee itself. We'd like to  
6 welcome Senator Carrico from Grayson County and areas around  
7 that area. Welcome, sir, we look forward to working with you on  
8 the Tobacco Commission and on this committee.

9 We also have with us on the committee newly  
10 appointed Senator Ralph Smith, and he's not with us here today,  
11 but will be working with us closely in the future. So welcome to  
12 all of you, and we look forward to your input and help on this  
13 committee.

14 The second thing I'd like to do today is recognize a  
15 gentleman who has given us many gray hairs in the Virginia  
16 Tobacco Commission, has been so, so valuable to the people of  
17 Southwest Virginia. He's fought for them and given them so  
18 much support and great leadership and been on this Committee  
19 for a long time. And we will miss him as he moves the  
20 Committee and Commission, so I want to thank Senator Phillip  
21 Puckett on behalf of the entire Commission and this Committee  
22 your many years of service, sir. Please stand up. (Applause).

23 Ladies and gentlemen, you've had a chance to go over  
24 the minutes, which are posted on the website and a chance to  
25 check them for any changes or additions. Any changes,

1 additions, or amendments to the minutes?

2 DELEGATE JOHNSON: Mr. Chairman, I move that we  
3 adopt the minutes as published and approval of the minutes.

4 DR. REDWINE: Delegate Johnson makes a motion we  
5 approve the minutes and seconded by Mr. Montgomery. All in  
6 favor signify by saying aye. (Ayes). Opposed? (No response).  
7 That motion is carried, and the minutes are approved.

8 We'll now move to the fourth item on our agenda. We  
9 are pleased today to have representatives from King College with  
10 us, and they have an ongoing project, and they're here today for  
11 an update on the status of that project. And I'll let them  
12 introduce themselves. So, gentlemen, welcome, and we look  
13 forward to hearing what you have to say.

14 MR. ZAIDI: Thank you, sir, we appreciate the  
15 opportunity to be here today and discuss this issue with you. My  
16 name is Tariq Zaidi, and I'm the newly appointed interim  
17 president of and chief operating officer of the King School of  
18 Medicine, and I was appointed yesterday.

19 DELEGATE KILGORE: I think we need to hear from  
20 Tim first. I'll think we'll get more information that way.

21 DR. REDWINE: If we could, go ahead and hold your  
22 position, and I'll recognize Mr. Pfohl for a brief presentation.

23 MR. PFOHL: Thank you, I'll be brief, and first let me  
24 give you some background. The discussion about Grant Number  
25 1958, approved in October of 2009 by this Committee and the

1 full Commission for \$25 million for capital expenses to help build  
2 the King School of Medicine. There's a report the Commission  
3 received dated March 19<sup>th</sup> that was emailed to the Committee  
4 earlier this week, and we have some extra copies if you need  
5 them.

6 Very briefly, I'll go over some of the highlights of this  
7 11-page report with several attachments. In terms of progress  
8 received recently, three guiding bodies have been formed. First,  
9 the Board of Trustees, 11 members for the King School of  
10 Medicine, and there's a regional committee on medical education,  
11 public health that has been meeting here, that has been meeting  
12 periodically, and that's a working group.

13 The King School of Medicine was incorporated as a  
14 Virginia corporation in October of 2011. They have been notified  
15 by the Liaison Committee of Medical Education that met the  
16 initial eligibility for an applicant to establish an accredited  
17 medical school. An engineering contract has been executed, and  
18 preliminary designs are underway. The scheduled outline  
19 suggests October, 2014 completion.

20 The report mentions that fund-raising commenced  
21 with \$36 million, and that includes anticipated \$11 million of  
22 locally-issued bonds from Abingdon and the County of  
23 Washington; four-million-dollar donated land value Abingdon and  
24 Stone Mill Technology Park. Five hundred thousand dollar  
25 Appalachian Regional Commission grant has been submitted, as

1 well as other fund-raising steps.

2 The report is that additional steps are underway to  
3 conduct a nationwide search for a founding dean. There's  
4 probably two small action items that we probably want to  
5 consider taking action today in terms of as far as receiving future  
6 update reports potentially at the January Commission meeting  
7 and then discussing some of the eligible uses of funds. Sara  
8 Williams has some expenses that the college is asking  
9 reimbursement for. We are suggesting you might want to take a  
10 little closer look at some of those and maybe tightening up the  
11 ability for some of those expenses as far as reimbursement.

12 That's all I have, thank you.

13 DR. REDWINE: Thank you, Mr. Pfohl. Appreciate  
14 that. And we'll touch on those two items before we close this  
15 meeting.

16 So, gentlemen, welcome, and didn't mean to cut you  
17 off or interrupt, that was my mistake. Thank you.

18 MR. ZAIDI: As I mentioned, my name is Tariq Zaidi,  
19 Interim President and CEO, and I was appointed yesterday. Just  
20 to update you a little bit, since that report has been submitted,  
21 significant changes have taken place at the School of Medicine.  
22 We are no longer in control or it is truly an independent entity.  
23 To the extent that new bylaws and new articles of incorporation  
24 were adopted on Monday week, last Monday. Part of that board  
25 currently is 11 members, and it's made up of four members that

1 are King College members, and the other seven members are  
2 independent members, and they are made up of people from the  
3 Washington County Board of Supervisors, representatives from  
4 the Town of Abingdon, Dr. Rachel Fowlkes from the Higher Ed  
5 Center, four new medically-oriented board members were  
6 appointed on Monday, this past Monday, and we have a doctor  
7 from VCU, Medical Specialist, Dr. French Moore from Abingdon,  
8 Dr. Fred Williams, and Dr. Strawbridge.

9 So what we have done is tried to take the next  
10 step and what was always intended is to launch the school as a  
11 separate entity, an independent board, independent of the  
12 college. From this point forward, it really is the King School of  
13 Medicine.

14 The first step in doing that was to bring me on  
15 as the person who is out representing the School of Medicine.  
16 Part of my job would be to manage the day-to-day operations,  
17 oversee the search, and to really bring to fruition the milestones  
18 we intend to hit, to go out and oversee the building and the  
19 construction and get that started, and raise some money and to  
20 really make this project a reality. And that's where we are.

21 We feel very good about the transition taking  
22 place. We feel like we're positioning ourselves very well to move  
23 in a much faster pace in order to bring this to a reality.

24 Mr. Kottkamp has some additional comments.

25 MR. KOTTKAMP: We know there are several

1 punch-list items we have to work on. New structure will allow us  
2 to move forward with that. I am counseling and have been  
3 communicating with anyone and I'm happy to serve in that role  
4 and I'll be glad to answer any questions you have.

5 MR. ZAIDI: Just to let the Committee know, I  
6 was appointed yesterday, been in this profession a long time,  
7 and I'm involved as a trustee. And I'm very familiar with the  
8 players, what needs to happen, and how to move forward.

9 DELEGATE KILGORE: Is it your plan to start a  
10 private fund-raising effort?

11 MR. ZAIDI: That's right at the top of my list,  
12 along with meeting with the partners and try to bring some  
13 credibility to the project and try to bring in some additional help  
14 in terms of searching for a dean and whatever you need to do to  
15 build a medical school. Having the right partners is critical.  
16 Assisting and also having access to people who are able to move  
17 the project forward in terms of the medical dean. We hope to  
18 hire a medical dean in the near future. That's one of the top  
19 priorities, along with that, to raise some money to start the  
20 project. Also have to get a dean that's medically qualified who  
21 can guide this project forward.

22 MS. DIYORIO: Do I understand that you're no  
23 longer with King College?

24 MR. ZAIDI: Only in the sense that we are  
25 currently. Bylaws provide that King College has a third of the

1 Board, and I believe that's a minority, so their voice wouldn't be  
2 a major factor.

3 MS. DIYORIO: Do you have an educational  
4 institution that you're working with?

5 MR. ZAIDI: Right now, it's King College, and still  
6 a partnership, but no longer would be, I'm a lawyer by trade, so.

7 MR. KOTTKAMP: One of the reasons for this rise  
8 from the accreditation system that all universities and colleges  
9 need to have, and that's accreditation. The choice was made  
10 several months ago that the accreditation for the new medical  
11 school would not fall within King College. Because of that, there  
12 are certain requirements of this accrediting body that needs to be  
13 set up in a manner that's truly as distinct.

14 The new composition of the board is consistent  
15 with what we know we've got to do for accreditation. There can  
16 be affiliation, but sharing staff in terms of control issues, in order  
17 to have separate accreditation, this is an essential piece.

18 DR. REDWINE: Do any other members on the  
19 Commission have any specific questions? Feel free, you have the  
20 floor.

21 MR. NOYES: Members of the Committee, it's  
22 come to my attention just today that there has been a change in  
23 the matching and financing, and you need to be aware. You will  
24 recall this was envisioned as a construction project building up  
25 the new facility to house the medical school and the associated

1 costs that are necessary to go forward with that involving certain  
2 legal expenses, engineering expenses, and those type of things.

3 My understanding as of earlier today is that the long-  
4 term lease arrangement with the Higher Education Center is not  
5 going to be continued, which leaves this grant short in terms of  
6 its requirement for a matched head of disbursement. So some  
7 administrative guidance to staff as to how to proceed with  
8 disbursements is in order at this meeting. We had it, we all  
9 agreed to it, and that portion has disappeared, and that  
10 requirement is no longer satisfied.

11 As you heard information from Tim, be thinking about  
12 what guidance you wish to give the staff in terms of our ability to  
13 be responsive to the request for disbursement.

14 DELEGATE KILGORE: The expenditures that we're  
15 going to be looking at now, between now and January, in the  
16 millions, would it be hundreds of thousands or is that correct?

17 MR. NOYES: That's correct.

18 DELEGATE KILGORE: Do you all think you ought to  
19 raise some money to match some of those expenditures you'll be  
20 incurring in the next six months?

21 MR. ZAIDI: We have some potential donors lined up,  
22 and that's given them a little comfort with this project. We'll  
23 expect maybe three to five hundred thousand that we're hoping  
24 to raise to match the expenses. We understand what you've  
25 asked of us and, hopefully, start raising some money.

1 DELEGATE JOHNSON: I want to know how long this  
2 project, it's been over a year, there's been a lot of talk about  
3 raising money. I see no concrete evidence that any money has  
4 been raised or will be raised.

5 MR. ZAIDI: I can't disagree that no money has been  
6 raised. What I can tell you is one of the reasons, and not just  
7 accreditation, we'll make a decision on accreditation as an  
8 institution. In order to separate the board's function, we have  
9 chosen to now or our understanding in the discussions that we  
10 have had with donors is that their comfort level rises when they  
11 recognize this is truly a Virginia entity and no longer a  
12 Tennessee/Virginia entity. This is completely a Virginia economic  
13 development health care enterprise. That aspect in and of itself  
14 for donors is significant. I can't tell you today we'll be able to  
15 raise a million dollars tomorrow, and I wish I could, but this puts  
16 us in a better position, pays the money in the State of Virginia,  
17 so that this project needs to go forward.

18 I fully believe we can do this. And one of the reasons  
19 I believe we'll do it is I've got to get paid, and I'm coming into a  
20 job today, and we've got to raise a staff to make this a reality.  
21 I've committed to this project, and I've committed my life to this  
22 project because I believe it's not only the right project for  
23 Southwest Virginia, but I believe it has a lot of merit, and I  
24 believe this is proper for us to go forward. And I can't argue  
25 about raising money in the past, but I fully believe we will do it in

1 the future. That's all I can give you right now.

2 MR. NOYES: We're delighted that you're going to go  
3 forward with the project. And I need to read for the Committee's  
4 notice what we did in the past.

5 King College, \$25 million, we approved that. The  
6 grant should be funded with restricted dollars. Twenty-five  
7 million will be used only for construction of that facility and only  
8 to be disbursed when there is the other half present.

9 What I seek from the Committee today is an  
10 instruction to change that so that we can support for some period  
11 of time, and that is suggested that be until our meeting in  
12 January, and necessary costs related to construction activity.  
13 That's the guidance that staff desires. We welcome that in a  
14 form of a motion.

15 DELEGATE JOHNSON: Would it be fair to ask why the  
16 Southwest Higher Education Center dropped out of this?

17 MR. NOYES: It would be fair to ask. Is Dr. Fowlkes  
18 here? I saw her a few moments ago.

19 DELEGATE JOHNSON: That's okay.

20 MR. NOYES: That's a significant portion of the \$25  
21 million match.

22 DELEGATE JOHNSON: I think until we get that in  
23 place. I don't know what prompted this or caused this, but there  
24 must be something else. I don't know what has happened here.  
25 But I don't think it's very wise to do this unless we know what

1 happened here. Something must have happened.

2 MR. NOYES: Delegate Johnson, I don't know either, I  
3 just was informed of the decision.

4 DELEGATE KILGORE: I don't know either, but we're  
5 not talking about a whole lot of money in the project. And I've  
6 been in contact and been briefed by a couple of game-changing  
7 opportunities, individuals that could partner. If that happened,  
8 that's very important to the School of Medicine, I would think.

9 I was thinking about continuing with the money, and  
10 you all continue with your money-raising, and if you can raise  
11 matched dollars, we'd disburse. Is that reasonable?

12 MR. ZAIDI: I think that would be very reasonable.

13 DELEGATE KILGORE: So if we're in for \$200,000,  
14 somebody else matches that \$200,000, it'll be a dollar-for-dollar  
15 match. These expenses, until we, how would we work it?

16 MR. NOYES: On a regular basis, the Commission  
17 agrees to provide some amount of funding upfront as an advance  
18 to get things moving to accommodate early stages of the project.  
19 And then we expect a report back that says, yes, it's happening.  
20 And then there's a certain comfort level on the part of the  
21 Subcommittee members and staff.

22 Having read what your instruction is, and that was in  
23 October of '09, I need an instruction from this Committee to  
24 continue to provide support through disbursement of funds so  
25 that otherwise it'll come to a screeching halt and give them time

1 to get this fund-raising in place and expecting a next report at  
2 our January Committee meeting, the Subcommittee meeting in  
3 January.

4 DELEGATE KILGORE: You're not talking about a huge  
5 sum of money?

6 MR. NOYES: I don't believe so, I think we've already  
7 disbursed 250 or 300.

8 MR. PFOHL: First payment was 244,000, around 400,  
9 maybe.

10 MR. NOYES: We'll be approaching a million dollars by  
11 January, at which point if there's not a match, and that's the  
12 opportunity to say you've got a match, and, if not, no more  
13 money. The way that works is that that second million dollars,  
14 assume the grantee has raised that second million, we would  
15 expect them to spend that million before an additional request  
16 documented satisfactorily by Sara, Tim, and myself, where we  
17 continue to disburse funds.

18 DELEGATE JOHNSON: I was one of the early  
19 supporters of the medical school and it's in my district and I  
20 certainly would like to see it go forward. This Commission also  
21 has a fiduciary duty and an obligation to spend the money wisely.  
22 I don't know what's going on with the fund-raising, but it looks  
23 like to me with all the time we've had, something positive should  
24 have been done and we shouldn't continue to put money into this  
25 if nothing is happening.

1                   If it's crumbling, I don't know why, but that would  
2 lead me to believe there's something not right and something  
3 isn't going on, but I'm curious to know why things are not going  
4 as planned, whether or not it's our fault or Higher Education's  
5 fault or whether, on the other end, but the dollar amount doesn't  
6 bother me as much as our obligation.

7                   MR. NOYES: I understand that.

8                   MR. ZAIDI: I believe this project has always been a  
9 Virginia enterprise; however, the relationship with King College,  
10 tied to a small college institution in Tennessee, and I believe that  
11 has been a hindrance in raising money. I think the fact that  
12 everyone recognizes that, King College, itself recognized that,  
13 and this Board recognized that, in that being a Virginia entity, we  
14 need to be solely and completely a Virginia enterprise. We need  
15 to go out and raise money to say that that, saying that money is  
16 going to the School of Medicine, not going to King College and  
17 not going anywhere and it's going to be a hundred percent a  
18 Virginia school of medicine and it's going to create a tremendous  
19 economic development project and health care project.

20                   We believe by taking the action we did last week,  
21 separating out us an entity, separating the two, that that's going  
22 to be a tremendous stride for us.

23                   SENATOR CARRICO: My understanding, we've  
24 disbursed \$244,000, there's not a match at this point, there's a  
25 request for 400,000 more, and then we'll re-evaluate that at the

1 January meeting and you need a motion.

2 DELEGATE KILGORE: The 400,000 is a request, and  
3 some of that has not been approved.

4 MR. NOYES: None of that has been approved.

5 DELEGATE KILGORE: We'll take that up after.

6 SENATOR CARRICO: You can't do that in the  
7 language that you have.

8 MR. NOYES: That's correct.

9 SENATOR CARRICO: You need a motion to change  
10 the language or allow the staff to --

11 MR. NOYES: -- Need a motion to allow the staff to  
12 make disbursement consistent with the construction project and  
13 it continue and the expectation is that the match will be  
14 available.

15 SENATOR CARRICO: I'll make that motion.

16 DR. REDWINE: Senator Carrico makes a motion that  
17 we change the language to allow us to consider disbursements  
18 outside of construction in order to allow to get this project going.

19 MS. DIYORIO: I'll second that.

20 DR. REDWINE: Ms. Diyorio seconds that motion. Any  
21 other discussion?

22 DELEGATE JOHNSON: Is there a cap on the amount?

23 DR. REDWINE: There's not been a cap on that.

24 MR. STEPHENSON: Mr. Chairman, it might be helpful  
25 to follow the Committee's wishes. If the latitude given to King

1 College were time limited and dollar limited, time with respect to  
2 raising money and dollar limited with respect to disbursement, so  
3 that all parties will know what the standard is that must be met  
4 for the project to move forward.

5 DELEGATE KILGORE: What time period are you  
6 looking at?

7 MR. STEPHENSON: Depending on what the attorney  
8 says, just so staff will know and understand that there is a  
9 limited amount of time by which funds must be raised or the  
10 grant is rescinded and they can reapply based on then current  
11 circumstances. But we need a hard date.

12 DR. REDWINE: We expect it, and we're going to pass  
13 a motion in a few minutes and have them come back in January  
14 for a full report of their progress up to that date.

15 MR. NOYES: The Commission meeting in January, I  
16 think it's the day before the beginning of the session. Whatever  
17 the pleasure is of the Subcommittee in terms of the dollar  
18 amount, and I agree, we need it not to exceed time.

19 DELEGATE JOHNSON: Mr. Chairman, the reason why  
20 I mentioned that, I just think they need to know we're not going  
21 to write a blank check. I don't know what kind of things are  
22 being or funds are being generated, and we've talked about  
23 things like \$8,000 to pay for services. I don't think the Tobacco  
24 Commission should be paying that kind of fee for people, and I  
25 think we should have a set amount so that they, whoever they

1 are, they don't have a blank check and they don't run up a huge  
2 tab that we'd have to pay for before January.

3 SENATOR CARRICO: We already have \$244,000,  
4 before they can get --

5 DR. REDWINE: With the disbursements we've already  
6 made, not that we're going to approve all of them, but with the  
7 disbursements we're going to have in front of us later, we're  
8 going to be up to 750,000, and that's what's already been spent.

9 MR. ZAIDI: That's my understanding.

10 DR. REDWINE: It's what you've already submitted for  
11 reimbursement.

12 DELEGATE KILGORE: That was submitted.

13 DR. REDWINE: You anticipate other expenditures  
14 between, there's been expenditures.

15 MR. ZAIDI: Yes. Previously, King College was able to  
16 foot the bill. As an independent institution, now, we have to  
17 operate differently, and we don't have that financial support.

18 SENATOR CARRICO: If we amend this motion to  
19 exceed \$1 million, including the 244,000 that's already out there,  
20 they have to raise the money to match when we report back in  
21 January.

22 DR. REDWINE: So thank you, sir, you're making that  
23 as an amended motion?

24 MR. STEPHENSON: Maybe the end of calendar year  
25 date ask for reports and if staff needs some time to digest these

1 things before going into a meeting.

2 DELEGATE KILGORE: 12-31.

3 DR. REDWINE; All right. Senator Carrico has a  
4 motion, Ms. Diyorio has seconded it, with the dollar amount not  
5 to exceed \$1 million, and the date for the report back to this  
6 Commission in written form is 12-31 of this year, December 31,  
7 2012.

8 Any other discussion? We have a motion and a  
9 second. All in favor, say aye. (Ayes). Opposed? (Two no's).  
10 That was Mr. Stallard and Mr. Montgomery voting no.

11 Gentlemen, briefly, you'd have to be sitting where we  
12 are and be involved in this project from the very start to  
13 understand, and I'm sure you know the number of major  
14 changes that have been brought to us in this project. There's no  
15 one here that doesn't support this school as a major economic  
16 driver in our area, and we don't want to not support it, but  
17 there's major changes coming every day. And this kind of chills  
18 our confidence sometimes, and we need to see some stability. I  
19 will say this to you, that the questions will get harder.

20 MR. ZAIDI: I appreciate your comments on every  
21 level, and I do have a full appreciation of this project. And I  
22 think one of the reasons to bring in an individual, a day-to-day  
23 person, who's solely in charge, brings stability to the project. We  
24 appreciate your comments and thank you very much.

25 DR. REDWINE: Thank you.

1           Mr. Pfohl, you have two orders of business, one, the  
2 reports, which we've taken care of.

3           MR. PFOHL: Yes. The second was clarification to the  
4 staff about reimbursing expenses. The second request for  
5 reimbursement that Sara had, \$489,000, services, and we  
6 signaled that earlier to the college. It was an eligible expense to  
7 pursue accreditation, the size of the school and so forth. There  
8 are significant dollar amounts within the 489,000 for operating  
9 expenses and marketing expenses, and then in September, there  
10 was a ground-breaking ceremony, and we're being asked to pay  
11 for food and beverages, banners, and that type of thing. That I  
12 think would suggest limiting reimbursements to those  
13 architectural and legal expenses that are necessary to construct  
14 the building to achieve accreditation, to hire a dean, and  
15 suggesting to you that we not be involved with covering the  
16 marketing expense and fundraising activities, et cetera. And we  
17 stand ready for your guidance.

18           DR. REDWINE: Thank you, sir. General guidance as  
19 to what is a legitimate expense and what is outside of our  
20 guidelines.

21           MR. NOYES: Yes. You're going to establish those  
22 guidelines in this committee this afternoon, because an argument  
23 could be made, and the staff is not entirely comfortable with  
24 some of these requests.

25           MS. CARTER: I wasn't here when the \$25 million was

1 obligated for the College of Medicine. My understanding is that  
2 \$25 million is for construction.

3 MR. NOYES: Construction of the necessary expenses  
4 and engineering and also accreditation. The request was made,  
5 and I spoke with members of the Southwest turning the new  
6 dean and something has to happen for there to be a medical  
7 school. And that would probably have to happen in order to get  
8 the accreditation, and my guidance was, yes, that would be an  
9 eligible reimbursement.

10 DELEGATE KILGORE: We're having to use restricted  
11 dollars when we can pay for legal and engineering and those  
12 salaries.

13 MR. NOYES: We have to adhere to those bond  
14 requirements.

15 MS. CARTER: Do you need a motion for that?

16 MR. NOYES: That would be welcome.

17 DELEGATE KILGORE: I don't think we have to act on  
18 that until January.

19 MR. KOTTKAMP: I've never been involved in hiring a  
20 dean, but my guess would be it wouldn't be any engagement of  
21 the dean, at least until January. One thing I need to clarify, and  
22 we talked about salaries, as I understood it, that was  
23 reimbursable, and we want to be sure that's on the record so  
24 that Mr. Zaidi can get paid.

25 DR. REDWINE: I don't want to cut anyone off. I think

1 one of the ways we discussed we can possibly do this, to have a  
2 motion that would authorize staff is their discretion what would  
3 be allowable and allows staff to go through those, to keep this  
4 committee out of trouble, to make sure we spend only what  
5 we're allowed to spend, and not those items outside of our scope.  
6 That's just one possibility.

7 MR. STEPHENSON: This grant having been funded  
8 with restricted dollars, and it's governed by the bond indenture  
9 as to exactly what can and cannot be paid for, salaries cannot.  
10 Architectural and engineering in preparation for construction can.  
11 Legal expenses or organizational purposes cannot. The restricted  
12 dollars must go to hard assets for capital expenses. We don't  
13 control that, and that is our obligation to the bond trustee.

14 DELEGATE KILGORE: We have unrestricted money we  
15 could substitute to allow certain expenditures to be made.

16 MR. STEPHENSON: If it is the will of the Commission  
17 to do that, there is a path by which it can be done, but it would  
18 be a separate grant coming from another line item from  
19 Southwest restricted dollars and would have to be outside of the  
20 existing \$25 million.

21 DR. REDWINE: I'll entertain a motion to allow staff to  
22 interpret these, to determine what can and cannot be paid within  
23 the guidelines up to the limit of the \$1 million and the previous  
24 motion.

25 SENATOR CARRICO: I so move.

1 DELEGATE JOHNSON: Second.

2 DR. REDWINE: Delegate Johnson seconds that  
3 motion. Any other discussion? Those in favor say aye. (Ayes).  
4 Opposed? (No response). Thank you, gentlemen.

5 We'll now move to grant request, Virginia Coalfield  
6 Coalition, Mr. Noyes.

7 MR. NOYES: Thank you, Mr. Chairman. There is a  
8 request that was authorizing an application authorized by the  
9 Committee's chairman and my instruction delivered to us for  
10 \$6 million in support of wireless tower broadband project  
11 applicant, who is the Virginia Coalfield Coalition. It contains two  
12 components. One is re-purposing of a million dollars from  
13 previously awarded funds requiring \$5 million already in two  
14 grant cycles in support of this project. There is \$2.5 million that  
15 is already authorized for this project in the FY13 budget and  
16 already been considered by the Executive Committee and will be  
17 assumingly adopted tomorrow at the Board meeting.

18 There is a third component pending request for  
19 \$3.5 million from the Southwest Virginia Economic  
20 Development Committee allocation that will enable the Virginia  
21 Coalfield Coalition to meet the requirements of Verizon and this  
22 matter which has a commitment date, contractual date of 31  
23 October. It's necessary for this project to be considered, acted  
24 upon at this time while they still have cash flow from the  
25 previous two --

1           What you're doing is you're replacing a million dollars  
2 that was administratively reallocated to allow to purchase, to get  
3 that first, not to wait until September to do that and have it in  
4 the ground in October, and that's the reason this obligation is a  
5 very substantial portion of the funds that are available,  
6 Southwest Economic Development projects and go towards FY13,  
7 and we've got an application date in July for that round.

8           We are accumulating additional funds through  
9 clawback projects that haven't used them. There'll be some  
10 amount of monies available for new projects that have been  
11 carried forward. Absent this Committee's agreement to go  
12 forward with that project that you have supported before, it  
13 becomes impossible to complete. The staff recommends an  
14 award of \$6 million, and the funds will not be disbursed until July  
15 1<sup>st</sup>, and they can get through until July 1<sup>st</sup> in order to accomplish  
16 the objectives that have been agreed to and to be able to do this  
17 now.

18           Two point five of the six is in the budget for FY13, and  
19 one million is refocused, because we took one million out of the  
20 3.5, and that 3.5 is necessary. And I think the staff  
21 recommendation addresses the issue of why this additional 3.5,  
22 is because of ongoing difficulties with LENOWISCO, the  
23 contractor subset, we have to overbid, and there's no options  
24 because of the contractual dilemma, \$6.5 million.

25           DR. REDWINE: I guess we'll consider an approved

1 some sort of budget later today or tomorrow, but the budget for  
2 this whole committee for the next cycle is \$6.5 million. The  
3 request today, as you can see, the lion's share or significant  
4 chunk, is a project we've already invested in and very important  
5 for that area. It's important to mention that we anticipate  
6 money coming back into the pool from clawbacks and other  
7 projects that have failed to use their funds, so there will be some  
8 undetermined amount of money for other projects, and we hope  
9 that'll be something over a million-and-a-half dollars when we  
10 get all this put together.

11 Discussion on this particular project?

12 MR. NOYES: Mr. Chairman, Delegate Kilgore has  
13 asked me to, \$6.5 million is recommended, and the  
14 Executive Committee for the FY13 Southwest budget. This will  
15 take \$6 million of the 6.5. The staff is in the process of clawing  
16 back to another half million.

17 MR. PFOHL: One grant in particular, 450,000, though  
18 the 500,000 is proposed, it's approaching a million.

19 MR. NOYES: Approaching a million between now and  
20 September, we'll have to see.

21 DELEGATE KILGORE: Already included in the 6.5 was  
22 the 2.5 payment to the next --

23 MR. NOYES: Yes. Four million, the 2.5.

24 MR. STEPHENSON: Is this a hard 6 million approval  
25 today, contingent on anything? This is a \$6 million commitment

1 in addition to one other commitment we have outstanding.

2 MR. NOYES: We don't have any other commitments  
3 on the FY13 budget.

4 MR. STEPHENSON: We have other commitments  
5 through the project.

6 MR. NOYES: That's correct, irrespective of the last  
7 two years.

8 MR. STEPHENSON: This is a \$6 million commitment.

9 MR. NOYES: Yes, sir.

10 DELEGATE JOHNSON: Mr. Chairman, what area does  
11 this cover?

12 MR. NOYES: Mr. Skinner, Delegate Johnson has  
13 asked what areas this project covers through the 5 million that  
14 you've already received?

15 MR. SKINNER: This covers the LENOWISKO area in  
16 the county.

17 MR. NOYES: What's the largest project?

18 MR. SKINNER: The largest project, there's one or two  
19 exceptions, Tazewell, some areas of Scott County, but basically  
20 Lee, Wise, Dickenson, Russell, Buchanan.

21 DELEGATE JOHNSON: Mr. Chairman, my only thought  
22 would be this was a normal grant project, what would it be in  
23 competition with as far as other grants?

24 MR. NOYES: That's a good question. There's no way  
25 of telling how other grants would be competing for the same fund

1 and we won't know that until the applications are in. However,  
2 this is extremely unusual and the first time in my experience with  
3 the Commission that this situation has come up. The salient  
4 issue this afternoon, is this grantee going to be able to meet  
5 their obligations, its contractual obligation to Verizon, a project  
6 that we've already committed to do and budgeted to do? And  
7 we've had a situation develop where we've had to act differently  
8 than we have ever acted in this committee before.

9 DELEGATE JOHNSON: Do you feel comfortable with  
10 this going forward?

11 MR. NOYES: I believe this is necessary for us to do  
12 this, in order for this grantee to meet its contractual obligations  
13 and provided the services that you had wished to be provided.

14 DELEGATE JOHNSON: Mr. Chairman, I'm going to  
15 support this, but I hope the beneficiaries will remember this, new  
16 grants come out, some of us poor country boys have some  
17 requests and special consideration for.

18 DELEGATE KILGORE: The 2.5 is already budgeted for,  
19 but I do have a concern that we're eating up every bit of the  
20 Southwest allocation for this one project.

21 MR. DIYORIO: Would you tell us one more time what  
22 happens if we don't do it.

23 MR. NOYES: If we don't do it, the grantee will be in  
24 breach of its contract with Verizon, and I don't know what  
25 Verizon would do, but they have every right to pull the plug on

1 their very substantial investment, and we would be further  
2 behind in delivering broadband to the rest of the businesses of  
3 Southwest Virginia than we will be, than if we go forth.

4 DELEGATE KILGORE: You might want to tell them  
5 what Verizon is doing on the project.

6 MR. NOYES: The 4-G Demonstration Project, Verizon  
7 is serving Southwest Virginia for that initiative and to  
8 demonstrate 4-G, that's the new technology.

9 DELEGATE KILGORE: It goes from Buchanan County  
10 down, and you can see it on the map here.

11 MR. SKINNER: This will provide internet coverage  
12 throughout the region, and that includes wireless. Four-G  
13 coverage will be available in the major metropolitan areas, and  
14 it'll be a game changer for us. I think we'll meet the  
15 expectations as far as what we'd like to see in terms of  
16 technology out in these rural areas, and especially with the  
17 wireless.

18 MS. CARTER: Will this complete the agreement or  
19 satisfy it?

20 MR. NOYES: What will satisfy the agreement is all of  
21 the elements in that agreement like the number of towers and  
22 the connectivity to the towers, all of that will be accomplished  
23 and things will be up and running. The period necessary to do  
24 that, and it's not possible to do it between the end of September,  
25 normal approval time for a project, October 31<sup>st</sup>, fiscally not

1 possible to do. This will get it done so long as they perform, as  
2 long the contract is performed.

3 MS. DIYORIO: If I understand correctly, so I'm going  
4 to make a motion that we accept the staff's recommendation.

5 DR. REDWINE: Ms. Diyorio makes a motion that we  
6 accept and approve the \$6 million request for Project 2539.

7 SENATOR CARRICO: Second.

8 MR. MONTGOMERY Mr. Chairman, for various  
9 reasons, I'll have to abstain from this vote.

10 DR. REDWINE: The record will show Mr. Montgomery  
11 has abstained from this vote. We have a motion and a second,  
12 any further discussion?

13 MS. DIYORIO: I would just say that it wasn't for any  
14 other reason --

15 DR. REDWINE: -- Thank you, it does make a  
16 difference. A motion and a second. And any other discussion?  
17 All those in favor, say aye. (Ayes). No? (No response). We  
18 have one abstention.

19 MR. SKINNER: I'd just like to say that I appreciate it  
20 and thank you from my heart for the confidence you have shown  
21 in the Virginia Coalfield Coalition. We certainly thank you for  
22 your support, and we intend to complete this project.

23 DR. REDWINE: Thank you, Mr. Skinner.

24 All right, let's move on to the next item. Mr. Pfohl.

25 MR. PFOHL: I hope you all can see this screen here.

1 We have some proposals that were submitted nearly a year ago  
2 at the beginning of this fiscal year and were tabled in September  
3 by your committee. Those applicants have been contacting the  
4 staff, probably contacting yourselves, as well, to get some  
5 updates and clarity on the status of their proposals. I hope you  
6 can see these on the screen.

7 Starting with the Town of Abingdon, the Artisan  
8 Center, late spring a trail, the outdoor park, the retreat house,  
9 and the community medical facility, UVA Telemedicine. The  
10 conversations in the strategic planning process with the  
11 Executive Committee has designated the Special Projects  
12 Program as our sole venue for dealing with health care proposals,  
13 so staff is recommending that the Nickelsville Medical Facility, the  
14 UVA Telemedicine proposal be referred by your committee over  
15 to Special Projects so they can be considered there when the new  
16 fiscal year begins.

17 We're suggesting the remaining projects just remain  
18 tabled in Fiscal Year 13, Southwest Economic Development  
19 Program, and then we can tell these folks, yes, your application  
20 is still alive and will be considered by the Committee in  
21 September. We seek some direction on that.

22 DR. REDWINE: Discussion. Are you also referring to  
23 the two you're recommending to go to Special Projects or just  
24 those that are tabled?

25 MR. PFOHL: A motion would be to accept the

1 recommendation.

2 DR. REDWINE: Any discussion?

3 DELEGATE JOHNSON: I move that we accept the  
4 staff's recommendation.

5 DR. REDWINE: Delegate Johnson makes a motion  
6 that we accept that recommendation.

7 SENATOR CARRICO: Second.

8 DR. REDWINE: Senator Carrico seconds that motion  
9 to accept the staff's recommendation, to accept the staff's  
10 recommendation and move those projects to Special Projects  
11 that need to be, and deal with the others as listed on the screen.

12 Any discussion? All those in favor, say aye. (Ayes).  
13 Opposed, no? (No response).

14 MR. PFOHL: As most of you may recall, and for  
15 Senator Carrico's purpose, our policy is that a grant has three  
16 years from date of Commission approval to use the grant funds.  
17 In the fourth year for using grant funds, that can be authorized  
18 as far as a grant extension by the Executive Director. Once the  
19 project reaches the fourth anniversary, those funds need to come  
20 back to the committee that initially approved those funds, that  
21 they seek additional time to use the grant funds.

22 We have several projects in front of you today, and I'll  
23 try to move quickly through these. These have been in front of  
24 your committee in the past, and they're seeking other  
25 extensions. Some are approaching four years since date of

1 award. The first one is the Town of Abingdon Technology Park  
2 Generator. The project was approved in July, 2008 and  
3 approaching its fourth anniversary, to provide an emergency  
4 generator in the Technology Park at Stone Mill and Abingdon.  
5 The town seeks a one-year extension to retain the grant in  
6 support of college medicine, and we heard about that earlier  
7 today.

8 The staff's position is that we have a \$25 million  
9 capital expenditure to the King project, which should be adequate  
10 for construction and emergency generators. And staff is  
11 recommending no further extension. The \$200,000 balance  
12 should be rescinded and funds referred to your committee.

13 The next one is the grant awarded also in July of 2008  
14 to Scott County Economic Development Authority. This was a  
15 \$70,000 grant. The Scott EDA, those funds haven't been used  
16 since then. There's a Tobacco Commission reserve, which is set  
17 to expire on this facility. Staff published a recommendation that  
18 the balance be rescinded, returned to your committee budget,  
19 and the Scott County EDA director is here today. He's told me  
20 that the \$70,000 grant award that is the subject of this  
21 conversation to be used to match other grant funds. So, John  
22 Kilgore can come up and tell you further about this.

23 I'll continue to move through the list until you stop  
24 me.

25 Smyth County Board of Supervisors, Grant 1635, that

1 was granted in July of '08, an award for \$250,000. The funds  
2 haven't been used yet, and the county lost the previous Federal  
3 grant and rescinded, but they have subsequently secured a VEQ  
4 loan or allow construction to begin this year. Final design is  
5 underway and the project should begin this summer. So, staff is  
6 recommending a one-year extension through July 31, 2013.

7           Smyth-Washington Regional Industrial Facility  
8 Authority is the grantee for 1353, that's a workforce  
9 development initiative. That grant was awarded in April, 2007  
10 for \$100,000, and a third of that balance remains. They're  
11 asking for an extension only to August 31<sup>st</sup> of this year, at which  
12 time all used funds will be gone, and they have provided us with  
13 a plan, which is consistent with the original intent of an award.

14           The Southwest Virginia Community Foundation,  
15 Incorporated, the Gate City Performing Arts Center, Grants 1368  
16 and 1426 and 1911, three grants totaling \$700,000, and that  
17 was to be used to construct a performing arts center. And some  
18 of the funds from an earlier grant would be used toward  
19 preliminary designs for the new performing arts center. They  
20 came back to your committee a little over a year ago and asked  
21 the site be changed to the historic Gates City Theater. Your  
22 committee authorized that. They're now asking that all three  
23 grants be transferred to the Scott County Economic Development  
24 Authority.

25           Staff notes that we have not seen evidence that the

1 foundation has met their match requirements from the largest of  
2 those three grants, and that is the \$500,000 grant awarded in  
3 2009, which requires a dollar-for-dollar match. We haven't seen  
4 a budget or development plans for the project of the Gate City  
5 Theater.

6 The staff is recommending that the balance in all  
7 three of the grants be rescinded back and the grants closed.

8 The Southwest Community Foundation, Incorporated,  
9 this project was approved in July of 2008. This was to renovate  
10 the historic mill and the foundation has been successful in  
11 obtaining more than \$323,000 from VDOT, and it took VDOT two  
12 years of funding cycles to get that. Funds are committed, and  
13 we heard today the project has been bid, contractors selected  
14 subject to VDOT's approval. Staff would recommend a one-year  
15 extension to July 31, 2013.

16 That's our list for today, Mr. Chairman.

17 DR. REDWINE: Thank you. Ladies and gentlemen,  
18 we discussed earlier the fact that if we approved that last grant,  
19 that would get us to \$500,000 left in the 2013 budget, and we'd  
20 try to recoup some more money to fund whatever projects may  
21 come down the line that have merit. In the list that Mr. Pfohl  
22 just went over, there's roughly \$850,000 in funds that are  
23 recommended by the staff to be de-obligated and put back in the  
24 pool.

25 There's also 500 that would be left in the budget from

1 another project as 450,000. That would get us up close to 1.75  
2 million. There may be some others before the deadline, and  
3 there's a possibility we could get up to two million funds for  
4 future projects. Any discussion?

5 DELEGATE JOHNSON: The money not used, who's  
6 been getting the income from that money?

7 DR. REDWINE: It has not been disbursed to the  
8 grantees. It's still in the treasury. These grants have been  
9 approved or these funds approved for these projects, but they  
10 have not submitted any request. The money hasn't been drawn  
11 down. I think it's in our account.

12 DELEGATE JOHNSON: I'll make a motion to accept  
13 that.

14 DR. REDWINE: Delegate Johnson makes a motion  
15 that we accept the staff recommendations as presented.

16 MR. STALLARD: Second.

17 DR. REDWINE: We have a motion and a second. Any  
18 further discussion?

19 DELEGATE KILGORE: 1642, that's 500, and we use  
20 that to match a \$250,000 grant. We still have that, and we still,  
21 we can use that money however for a reserve grant, we didn't  
22 get a match for that one. Those are funds you could keep.

23 Southwest Community Foundation down in Gate City,  
24 and they have a new manager. One of them passed away, and  
25 he was working on the project. And we applied for a grant last

1 year, 500,000 to match this, and I know they intend on applying  
2 again this year. And I don't know if they'll be successful or not  
3 and giving them until January. They applied one time, and they  
4 liked the project. I'm talking about ARC, a \$500,000 match.  
5 And if that works out, Gate City would be the owner of that  
6 project.

7 Bush Mill, that's being worked on now. We were  
8 working with VDOT. We did have a contractor on board.

9 DELEGATE KILGORE: We extended that.

10 MR. JOHN KILGORE: That's all of them.

11 DR. REDWINE: Mr. Kilgore, if we de-obligate that  
12 564,000 for the Performing Arts Center, they're still going to go  
13 ahead with their request for ARC funding?

14 MR. JOHN KILGORE: They can on a dollar-for-dollar  
15 match.

16 DR. REDWINE: They cannot even apply for it if we  
17 de-obligate it, is that what you're saying?

18 MR. JOHN KILGORE: That's my understanding, and  
19 Tim might know more about it.

20 MR. PFOHL: They have to show a proposed match.

21 MR. NOYES: The project or the Performing Arts  
22 Center, it was originally envisioned as a stand-alone building that  
23 would host a variety of events. What does that project look like  
24 now?

25 MR. JOHN KILGORE: That's downtown, Southwest

1 Community Foundation would do that.

2 MR. NOYES: Members of the Committee, it's now, in  
3 my opinion, that you've changed the scope of this project and it  
4 is not the project that you heard and approved and at the point  
5 you made a recommendation to the full Commission, it's  
6 changed. On that basis, it would seem to me that basis by itself,  
7 irrespective of the Committee, or it would seem to me to be  
8 reasonable to return the money and re-apply at the point where  
9 you're ready to go so we can see what's involved in the project.

10 MR. JOHN KILGORE: Could we re-apply, get the ARC?

11 MR. PFOHL: They're certainly welcome to re-apply,  
12 and I would assume by going through a historic downtown, there  
13 would be some tax credits as part of the new financing package,  
14 so I think the Tobacco Commission needs to see what the  
15 program is.

16 MR. JOHN KILGORE: I'm just reporting.

17 DR. REDWINE: We appreciate your enthusiasm, Mr.  
18 Kilgore. This is not opinion, a million dollar project that has now  
19 changed locations, changed the scope, and the driver of it has  
20 passed away, it's involved with a town that now has a new mayor  
21 and new town council, it's a whole new project, call that as a  
22 fact.

23 Based on the discussion we had earlier today and the  
24 way the money is going to be handled, this may very well be the  
25 best project we have, may get funding. But what I'm hearing

1 from the temperature of this committee, they wanted to re-apply  
2 with all the other possible grantees, let's see where it falls.

3 We've had a motion and a second to accept the staff's  
4 recommendation. Any other discussion? All those in favor, say  
5 aye. (Ayes). Opposed, no? (No response).

6 MR. NOYES: The next application deadline is July 6<sup>th</sup>,  
7 2012, applications for Southwest Economic Development  
8 Committee. And we'll advise you of the Committee meeting site  
9 and date sometime before the September meeting.

10 DR. REDWINE: Thank you all. Do we have any public  
11 comment, anyone in the public would like to make any  
12 statements? If not, hearing none, we are adjourned.

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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, Southwest Economic Development Committee Meeting**, when held on Wednesday, May 23, 2012, at 3:00 o'clock p.m. at The Institute for Advanced Learning, Danville, 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 8<sup>th</sup> day of June, 2012.

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

MY COMMISSION EXPIRES: October 31, 2014.