

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

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

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9 **Southwest Economic Development Committee Meeting**

10 Thursday, September 26, 2013

11 9:00 P.M.

12
13 Holiday Inn Bristol Hotel & Conference Center
14 Bristol, Virginia

1 **APPEARANCES:**

2 Dr. David S. Redwine, DVM, Chairman

3 The Honorable Charles W. Carrico, Sr., Vice Chairman

4 Ms. Linda P. DiYorio

5 The Honorable Joseph P. Johnson, Jr.

6 Mr. H. Ronnie Montgomery

7 Ms. Beth D. Rhinehart

8 The Honorable Ralph K. Smith

9 Mr. John Stallard

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11 COMMISSION STAFF:

12 Mr. Timothy S. Pfohl – Interim Executive Director & Grants

13 Program Administration Director

14 Mr. Ned Stephenson – Deputy Executive Director

15 Ms. Stephanie S. Kim – Budget Director

16 Ms. Sara G. Williams – Grants Program Administrator,

17 Southwest Virginia

18 Ms. Jessica Stampler – Grants Assistant, Southwest Virginia

19 Ms. Caroline Bringman – Performance Data Analyst

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21 SENIOR ADVISOR:

22 Mr. Neal Noyes – Senior Advisor

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1 DR. REDWINE: Good morning. At this
2 time I'm going to call to order the meeting of the Southwest
3 Economic Development Committee of the Virginia Tobacco
4 Commission. We appreciate you being here this morning and
5 we have quite a bit of business to discuss and talk about and
6 go through some things and we'll try to do that efficiently.
7 We'll do our best to allow everyone here who wishes to speak
8 and address this Committee about any particular project to
9 have a few minutes before decisions are made but we
10 appreciate you being here.

11 That this time, Mr. Pfohl, if you'll call the
12 roll.

13 MR. PFOHL: Senator Carrico? Senator
14 Carrico is in the building. Deputy Secretary Carter? She
15 notified us that she is not able to be with us today. Ms.
16 DiYorio?

17 MS. DIYORIO: Here.

18 MR. PFOHL: Delegate Johnson?

19 DELEGATE JOHNSON: Here.

20 MR. PFOHL: Mr. Montgomery?

21 MR. MONTGOMERY: Here.

22 MR. PFOHL: Dr. Redwine?

23 DR. REDWINE: Here.

24 MR. PFOHL: Ms. Rhinehart?

25 MS. RHINEHART: Here.

1 MR. PFOHL: Senator Smith?

2 SENATOR SMITH: Here.

3 MR. PFOHL: Mr. Stallard?

4 MR. STALLARD: Here.

5 MR. PFOHL: You have a quorum, Mr.
6 Chairman.

7 DR. REDWINE: Thank you, sir. Ladies
8 and gentlemen, you've been supplied with copies of the
9 minutes from our May 22 meeting that's been published on
10 the website and you've had a chance to look at them.

11 DELEGATE JOHNSON: I move we adopt
12 the minutes as printed.

13 MS. DIYORIO: Second.

14 DR. REDWINE: We have a motion and a
15 second to accept the minutes as printed. Any other
16 discussion on that? Hearing none, all in favor signify by
17 saying aye. (Ayes.) Opposed? (No response.) All right, the
18 minutes are carried. We'll move right into the meat of the
19 business at hand today, which is our new applications. Are
20 you going to handle those Mr. Pfohl?

21 MR. PFOHL: I've turned those over to
22 Sara. Before we get into this, I just wanted to, I brought the
23 wrong spreadsheet and we'll have to work from the printed
24 material. But for the applicants, I wanted to make an opening
25 statement that you probably have seen we have more than

1 nineteen million requests and a four million dollar budget line
2 for this Committee this year. Until such time as we're
3 authorized to print our own money we're going to have to
4 make some tough decisions here today. And staff is ready to
5 work with any of the folks that don't get full funding or even
6 partial funding to perform those projects so they can come
7 back to us at some point in the future. With that, Sara, our
8 Southwest Regional Grants Administrator is going to lead us
9 through a list of applications.

10 DR. REDWINE: Sara, if we could go
11 through the entire list that the staff recommended and then
12 we'll come back and discuss the ones that have been
13 recommended and the ones that have not been recommended
14 and give those folks a chance to say something.

15 MS. WILLIAMS: The first one we have is
16 #2741, the Town of Abingdon Wolf Hills Brewing Company
17 Facility Expansion requesting \$500,000. This proposal
18 matches more than dollar for dollar with the company's
19 acquisition of the property, which is \$650,000. There was a
20 submission for the TROF request for \$500,000 that greatly
21 exceeded the formula and that was declined and that appears
22 to be more appropriate for small business programs. The staff
23 recommended no award.

24 Next we have #2727, AYT Institute
25 requesting \$1,550,000 for the AYT Institute Virginia. This

1 request appears to be from a DC based for-profit. They're
2 proposing to train local people in the field of auto repairs and
3 diagnostic. We requested additional information from the
4 applicant about job openings and also if they had attempted to
5 associate with local educational partners and community
6 colleges and we received no response and we're recommending
7 no award.

8 #2732 The Barter Foundation requesting
9 \$947,250 for expanding the production capacity of the Barter
10 Theater. This is to increase their production building and
11 expand it. The applicant stated their top priority was
12 construction of a new shop, it's a \$650,000 project of which
13 \$250 is requested from the Tobacco Commission and we are
14 recommending an award of \$250 for the construction project
15 that will be matched at least dollar for dollar.

16 #2561 Town of Big Stone Gap and this
17 was tabled in the FY13 cycle. The Town of Big Stone Gap
18 Visitors Center requesting \$433,260. This was tabled by the
19 Committee in September of 2012 to allow the Committee
20 additional time to pursue other matching funds. The
21 information provided this August indicated a substantially
22 lower renovation cost \$253,875 with a \$50,000 local match
23 from VDOT VHCD and additional money from the town for
24 other improvements. The staff is recommending an award of
25 \$200,000 for construction and renovations.

1 #2740 Flanary Historical Site requesting
2 \$193,000 for the Flanary Historical Site Reconstruction
3 proposing to preserve this 1830 two-story log house and brick
4 structure in Buchanan, Virginia. The Commission previously
5 supported this project with \$20,000 Southwest Economic
6 Development grant four years ago and that grant passed this
7 past July. Since minimum required matching funds are listed
8 as the value of the furnishings the project leader will provide
9 to the site, there's no indication that there's additional
10 matching funds and the staff recommends no award.

11 #2735 City of Galax requesting \$125,000
12 for the Chestnut Creek School of the Arts Woodworking
13 Studio. They'd like to expand the Chestnut Creek School and
14 add a woodworking studio. This is the last dollar request for
15 86% of the funding for the project has already been
16 committed. The applicant provided details and also provided
17 information about the economic impact of expansion. Staff is
18 recommending an award of \$125,000.

19 #2729 Lee County IDA requesting
20 \$1,250,000 for the Constitutional Oaks Access Road
21 Development. They'd like to develop an access road for a
22 commercial entrance into an existing shell building. The
23 engineers estimate for the project also included paving the
24 parking lot and sidewalks and other improvements.
25 Previously the Commission has supported the applicant with

1 \$2.75 million in 2001 for the development of Constitutional
2 Oaks including the shell building. The staff felt that without a
3 prospect and specific needs for this location that it was
4 premature to fund anything other than the basic engineering,
5 which will get the ball rolling should a prospect be identified.
6 Staff is recommending an award of \$60,000 for not more than
7 90% of basic road engineering.

8 Next #2736 Lincoln Memorial University
9 requesting \$5 million for the large animal teaching and
10 research center of the LMU College of Veterinary Medicine in
11 Lee County, Virginia. This was originally presented as a total
12 of \$15 million project and recent information indicates that
13 that has been substantially reduced. The school would be
14 located on a thousand acres of a farm in Lee County, Virginia.

15 LMU Board Chairman, there is a long term lease in place for
16 this school. Staff originally recommended this request be
17 tabled to allow the applicant to identify funding priorities and
18 additional funding sources. After the report was published,
19 we received information from the applicant saying the first
20 priority would be the main structure or the main building,
21 which will house classrooms and offices. They're requesting
22 \$537,000 for that building if you'd like to consider that.

23 Next we have #2728 Raven Theater and
24 Coal Museum requesting \$250,000 for the Raven Theater and
25 Coal Museum Restoration. The theater and ice cream parlor

1 secure additional funding through fundraising efforts. Since
2 the earlier request, staff recommends no award.

3 #2738 Smyth County Board of
4 Supervisors requesting \$180,000 for the Exit 39 Seven Mile
5 Ford Sewer Project. This project would provide engineering
6 and design and an environmental assessment permit
7 necessary to be ready to go for the extension of public sewer to
8 Exit 39 at Seven Mile Ford. This site is currently on the
9 market for around \$6 million. The staff felt that without a
10 preliminary engineering report it was premature to fund
11 additional engineering and staff recommends no award.

12 #2733 Southwest Regional Recreation
13 Authority requesting \$300,000 for the Adventure Playground
14 of the East Developing a Network of Sustainable & Profitable
15 Trail Systems. This would help establish the spearhead trails
16 \$806,609 since 2008 and there's a balance remaining of
17 \$267,310 for startup personnel and operating expenses. The
18 first section of trail opened in June and is already generating
19 significant permit sales. The trails have been featured on the
20 Outdoor Channel. This would help fund a comprehensive
21 multimedia advertising campaign. The proposal also argues a
22 need for staff to assist as additional trail segments are opened
23 up. Staff recommends an award of \$300,000.

24 #2742 Southwest Virginia Higher
25 Education Center requesting \$355,000 for Compressed

1 Natural Gas Public Fueling Station. They're proposing to
2 build a compressed natural gas public fueling station at Exit
3 7. A revised construction budget request was \$330,000 for
4 equipment. The application lacks a quantified assessment of
5 the potential user base and the viability and sustainability of
6 long term operational costs and definitive plans for site
7 leasing, fuel supply, operations, maintenance, revenues etc.
8 are not yet in place. No new jobs will be created and private
9 capital investment is limited not indicated. The proposal
10 therefore does not align well with the Southwest Economic
11 Development program objectives and staff recommends no
12 award.

13 #2734 St. Mary's Health Wagon
14 requesting \$500,000 for Building the Cornerstone to
15 Economic Development in Southwest Virginia. This project
16 would construct a special medical center in Clintwood,
17 Virginia. The majority of matching funds are not yet
18 committed. The staff felt that this with the Special Projects
19 program and access to healthcare and the staff is
20 recommending no award.

21 #2739 Virginia Heritage Music Trail – The
22 Crooked Road requesting \$208,000 and this would expand the
23 Crooked Road Brand. In 2010, the Crooked Road service area
24 expanded from a ten county three city region to a nineteen
25 county four city region including adding coverage to six

1 and the details in these grants.

2 Ladies and gentlemen of the Committee,
3 let's begin by dealing with only those grants that have been
4 recommended by staff first. I'll quickly go through those and
5 list the numbers so we're sure of the dollar amounts. So let's
6 deal with those first and then we'll come back and the projects
7 that are really recommended for no award or tabled and then
8 give those folks a chance to speak. Recommendation #2732
9 Barter for \$255,250; #2561 Town of Big Stone Gap, \$200,000;
10 #2737 Bland County Economic Development Authority,
11 \$700,000; #2735 City of Galax, \$125,000; #2729 Lee County
12 IDA, \$60,000; #2731 Rural Retreat Depot Foundation,
13 \$29,534; #2733 Southwest Regional Recreation Authority,
14 \$300,000; and #2739 Virginia's Heritage Music Trail,
15 \$208,000; and #2750 Virginia Department of Tourism,
16 \$200,000. Sara, did I cover those correctly?

17 MS. WILLIAMS: I think so.

18 DR. REDWINE: And the balance?

19 MR. PFOHL: Mr. Chairman, just for
20 clarification, as opposed to the staff's written
21 recommendations on the Big Stone Gap movie, this additional
22 \$200,000 will be provided after production expenditures are
23 verified and that the staff recommendation is that we would
24 accommodate the production company's request to provide
25 this \$200,000 up front to help the cash flow of production

1 costs.

2 DELEGATE JOHNSON: Mr. Chairman, I
3 move that we approve the staff's recommendations.

4 DR. REDWINE: We have a motion to
5 approve the staff's recommendations of those grants that
6 we've the amounts listed. Do I have second?

7 SENATOR CARRICO: Second.

8 DR. REDWINE: Any discussion on any of
9 those? All in favor say aye. (Ayes.) Opposed? (No response.)

10

11 Now, the amount at the bottom, you feel
12 that's correct, we didn't have any changes in the amount? As
13 far as the balance available, the balance we've used?

14 MR. PFOHL: Yes, that's correct.

15 DR. REDWINE: Our balance available
16 before this meeting was \$4,537,572. We have now
17 recommended or approved \$2,097,784, which leaves
18 \$2,439,788 on the table. Ladies and gentlemen if we could
19 and members of the Committee if we could, I would request
20 that we hear from each of these folks before we take any
21 action or bring up any particular projects. I think it's fair to
22 all of them and give them equal time and then we'll come back
23 and give you a chance to bring back one to the table if you
24 want to.

25 SENATOR CARRICO: Just for

1 clarification, I think on #2736 was there a staff
2 recommendation after this was reviewed for \$539,000?

3 MR. PFOHL: We just received
4 information in the past few days from Lincoln Memorial that
5 they have revised their request and focused it on the main
6 building in the amount of \$537,000. We think that's
7 consistent with what the staff was doing as the first priority to
8 establish that main building where they would initially
9 conduct their classes' construction. That's the aspect of the
10 operation where most jobs would be centered as well as
11 allowing them to initiate the instruction, so I think we're
12 generally supportive of that.

13 DR. REDWINE: We'll begin with the, and
14 when I call on you if anyone is here that wants to support that
15 project and wishes to speak, I'd like you to come to the
16 podium and give your name and identify yourself and bring
17 anyone with you that you wish and then we'll go through them
18 one by one. When we get to the end, we'll come back and take
19 up anything remaining you wish to bring up. We'll begin with
20 #2741 Town of Abingdon Wolf Hills Brewing Company Facility
21 Expansion.

22 MR. JACKSON: Good morning members
23 of the Commission. My name is Garret Jackson, Assistant
24 Town Manager and Director of Planning for the Town of
25 Abingdon. I have with me Mr. Cam Bell, one of the owners of

1 the Wolf Hills Brewing Company as well as the Vice Mayor
2 Lowe. The Town of Abingdon supported this application
3 because it sees tourism and economic development as driving
4 force. The applicant provided a dollar for dollar match for the
5 application and fifty percent of the town's revenues come from
6 tourism. The brewing company is part of a creative economy
7 in Southwest Virginia; that's why Heartwood where this
8 product is sold and Heartwood sends visitors into Southwest
9 Virginia. It's part promoting and not just the brewing
10 company but also Abingdon and Southwest Virginia. The
11 brewing company also trickles into the region's restaurants
12 and provides product to as well as response from Richmond to
13 Knoxville. It touches both the region of Southwest Virginia
14 and Southside Virginia. The brewing company has entered
15 into agreement with a company from Southside, which would
16 provide canning operations for the company as well as Food
17 City, which is headquartered in Abingdon to sell the product
18 in its stores.

19 For those reasons, the town felt this was
20 a very strong application both for tourism and creative
21 economy, just economic development overall. I'm going to
22 turn it over to Mr. Bell and he can explain further details of
23 Wolf Hills Brewing Company.

24 MR. BELL: Thank you, Garret. I see
25 some familiar faces on the Commission. Normally, I'm a

1 lawyer during the day and I have some boring things to talk
2 about and I think I've got something a little bit more
3 interesting to share with you. Myself and three of my partners
4 started this little brewing company in a garage in Abingdon
5 four years ago and since then it has grown by leaps and
6 bounds and a lot of the things that it has developed into don't
7 really have anything to do with any expertise that we have
8 brought to the table but what the community has done for it
9 what is demanded. The law changed last July to allow us to
10 serve on premise so we have a tasting room at the brewery out
11 of which we can serve on premise and it's become really a
12 public house, a European model for the town. People come
13 from all walks of life, legislators, guys with names on their
14 shirts all come in to share in an experience there. We brought
15 Grammy winning artists, music, we have collaboration with
16 William King where we have art on the wall and new artists
17 every two months and all that together has really brought in
18 people from the area and it's been expanding into tourism.
19 People want to come here for that purpose.

20 The project we have in mind is to buy a
21 system as Garret mentioned from a company called SMT
22 Manufacturers and they have a manufacturing facility in
23 Ridgeway outside of Martinsville. We would buy this
24 equipment and we would install in Southwest Virginia and
25 spend that money in Southside and for the Tobacco

1 Commission in general that's real synergy for the two areas
2 that the Commission is supposed to be supporting. What we
3 will do with that is increase our production and right now
4 we're only in draft that goes out to restaurants. But we'd also
5 buy a canning line that would allow us to get into grocery
6 stores and convenience stores to sell throughout Virginia and
7 Tennessee. That in particular will increase our brand but the
8 brewery itself is called Wolf Hills as most of you probably
9 know the original name by Daniel Boone. The beers that we
10 brew have a historical background. Trooper's Alley ITA is the
11 can we intend to do first, which is named for the alley right
12 behind us. Penn Stewart that formed the colonial period we
13 also celebrate the Appalachian Trail and the Creeper Trail so
14 all of our ideas are really centered around this region and our
15 personal love for the Town of Abingdon in Southwest Virginia.
16 We think this is going to increase the brand of Abingdon in
17 Southwest Virginia and in general get that out to the far
18 reaches in grocery stores.

19 Steve Smith has been, who I'm sure all of
20 you know, the president of Food City has been begging us to
21 since we opened to be able to get some package that we can
22 distribute through the stores and so that's something we think
23 will be beneficial to Southwest Virginia and why the
24 Commission's grant would fit. One more thing I would
25 mention from a tourism aspect, there's a lot of young people in

1 the area who are dying to stay here and there are no jobs for
2 them here and there are not things for them to do here and
3 that's a lot of impact that we've got and our location has been
4 a place for them to gather and a place for them to meet their
5 friends and say there is something here that is culturally
6 relevant for us to stay. We have employees now that work in
7 our brewery and tasting room or Emory or Henry or VI and
8 King who can't get jobs and the best paying jobs they can find
9 are jobs with us. What we hope to do is continue the jobs for
10 those people and bring young people into work for us and also
11 give them an opportunity to have a job and have jobs in other
12 places. We also think if we can do this project it will help
13 expand jobs in other areas throughout Southwest Virginia and
14 restaurants. Heartwood for instance serves our beer that we
15 made a good segue way for someone staying here for the
16 weekend to go to the Barter and to the Heartwood and come to
17 see us as well. I appreciate your consideration and thank you.

18 MS. LOWE: My name is Kathy Lowe and
19 I'm the Vice Mayor of Abingdon, Virginia but I'm also a
20 member of the Southwest Virginia Cultural Heritage
21 Foundation. One of the projects for the Cultural Heritage
22 Foundation is a creative economy. I don't think that if you
23 don't live in Abingdon or Southwest Virginia people don't
24 understand most of our economy is based on music, the
25 Crooked Road, art and culture. This ties into the whole

1 initiative at Heartwood and the brewery has actually started
2 becoming another tool like the Barter Theater and the Virginia
3 Creeper Trail. This is not just a local brewery. As Camp they
4 are promoting and the musicians are feeding into Crooked
5 Road and it's vital to the initiatives that are going on around
6 us, not just in Abingdon but in the entire region as far as
7 helping to create or using this as a tool to create this economy
8 that we're all very interested in creating. Much like Bristol is
9 doing with country music.

10 DR. REDWINE: Thank you very much.
11 Ladies and gentlemen, we're going to move through these. We
12 want you to have every opportunity to present your case but
13 please be as concise as you can and we'll try to move through
14 them as quickly as possible.

15 #2727 AYT Institute. Anyone here to
16 speak to that? #2743 Buchanan County IDA Southern Gap
17 Development Project.

18 MR. HORN: I'm Craig Horn and I'm the
19 director of Buchanan County IDA and also the county
20 administrator for Buchanan County and I thank you for your
21 consideration and I understand what the issues are and I
22 understand this is a large amount of money. We're trying to
23 extend utilities to a part of the property that connects 460 and
24 that corridor. This is our trunk line. It is not a utility
25 expansion to the property and what we'll have then. We hope

1 we can work with you in the future to help us get that
2 additional million dollars that we need. We have invested
3 about \$25 million in that property. You've helped us in the
4 past and we're going to get \$3.6 VACEDA, \$3 million ARC and
5 we were hoping \$1 million from you so we could finish up the
6 utility project and hope we can work with you in the future,
7 thank you.

8 DR. REDWINE: Thank you very much,
9 sir.

10 MR. PFOHL: Just for information
11 purposes for the members of the Committee and anyone in the
12 audience maybe looking to request water and sewer funds.
13 The Executive Committee a year and a half ago directed the
14 staff to ask applicants to talk to water sewer lenders such as
15 the Virginia Resources Authority and the USDA, Rural
16 Development to assess the applicant's ability to take on debt
17 financing for these projects and that's when we're working
18 with Craig and folks in Buchanan. If we can open those doors
19 for that conversation and they can come back to us at some
20 point and let us know how much debt financing to take on on
21 these projects.

22 MR. HORN: Can I make one quick
23 comment? We have a decreasing revenue environment.
24 Buchanan County in the last two years we can't really take on
25 any debt any way for at least the next five or six years. This is

1 a large project for us; it's a forty to fifty year project and
2 maybe you guys can show the way the project will pay back
3 itself within five to ten years and it will be a long term
4 situation but right now we can't take on debt and that's our
5 position on debt. I guess everybody's in the same situation in
6 Southwest Virginia. We lost four or five million dollars in
7 revenue last year and we'll probably lose the same amount
8 this coming year. We'd like to put this utility in because 460
9 is coming and that's about two hundred and some million for
10 our county right now on 460 and we'd like to do this by the
11 time the road gets there. Thank you.

12 DR. REDWINE: Thank you, sir. We'll
13 move to #2740 Flanary Historical Site. Then we'll move to
14 #2746 Lincoln Memorial University.

15 MR. DEBUSK: My name is Pete DeBusk,
16 Rose Hill, Virginia and this is Dr. Jason Johnson. I also chair
17 the board at Lincoln Memorial University and Rural Industries
18 that I own and I guess we're still the largest employer in the
19 industrial piece in Lee County, Virginia and we employ several
20 people in Lee County and some other locations. I really need
21 to tell you what's going on here and it's a pretty full agenda.
22 LMU is an independent college put there by General Howard,
23 one of Lincoln's requests to serve Appalachian people. We've
24 been very aggressive with what you do with a liberal arts
25 college today in this state. Years ago we set out to go the

1 graduate program area and at that particular time it was on
2 MedPac in Washington and got an opportunity to bring an
3 osteopath school down here. A lot of people have no idea but
4 LMU is one of the largest medical schools on the east coast.
5 We take 243 students per class and to give you an idea about
6 four times the size of East Tennessee State. We've slowly built
7 it, we've been very aggressive. I think we're the fifth largest
8 physician's assistant school in the United States and certainly
9 Tennessee and the whole area we're the largest nursing school
10 and we have 700 enrolled. Our mission is Appalachia and
11 that's what we've done. We've been very aggressive about
12 taking people out of this region. What happened when we
13 didn't, we had a chance to give, we didn't think we had a
14 chance to, hey how about giving it a try, you know. So we got
15 in there, the first year we did what we told them; second year,
16 same thing; third year as well. We see there's only been three
17 veterinary medicine schools started in the last thirty-five
18 years. It's truly a fraternity, you just don't break in. Well, we
19 broke in. Two schools last year, Midwestern in Arizona and
20 they recovered money and they bought their way in. It wasn't
21 our case and that's for sure and we had to figure out how to
22 get in. We did not come to you folks and I have a very
23 personal reason for medicine in Lee County, Virginia and I
24 think you all understand that. We didn't come to you folks
25 until we got a letter of reasonable assurance and we wanted to

1 make sure we didn't embarrass ourselves and we wanted to do
2 it right and that's the way to do it. We did get the letter so
3 now there's thirty veterinary schools in the United States and
4 here in the Appalachians there's going to be another one. Big
5 league folks; big league. So as we go forward, we're going to
6 take students, we're going to student-wise absolutely, and I
7 know of so many students each year that cannot go to Virginia
8 Tech and we're working very closely with Virginia Tech and
9 please understand that there's a lot of students that just doing
10 get into veterinary medical school in the state of Virginia and
11 that are qualified. We'll set so many of those slots aside so
12 they will get in at least twenty. I think we really serve a
13 purpose there. There's a huge need and Jason, Dr. Johnson,
14 will speak to this. There's a much, much bigger picture here.
15 There's a thing called public health that's in all kinds of
16 trouble and it involves diseases both man and animal. There's
17 very little support in this region and that's what this bigger
18 picture of what we're going to be working on at a federal level
19 is what Jason is going to talk to you about and take a moment
20 and tell you about it.

21 DR. JOHNSON: Thank you, Mr.
22 Chairman. Thank you for listening to us here. I think we're
23 all aware of all the disparities in health that exists in
24 Appalachia when compared to the rest of the nation and some
25 of the diseases that Chairman DeBusk just mentioned.

1 Diseases transmitted from animals to humans. For example,
2 there was a recent report coming out from NIH entitled of a
3 disease that outlined two areas of the country in which we
4 were overrepresented for preventable parasites. And those
5 regions were Appalachia and the tribal grounds out west. So
6 we haven't done a great job on those levels. Veterinarians
7 have always played an integral role in animal health and also
8 in public health and really stand on the front lines concerning
9 food safety and security about various diseases and
10 investigating public health crises and conducting animal
11 disease surveillance and to maintain and prevent these
12 diseases from making entry. Also, remembering that Virginia
13 is a great travel corridor the threat of foreign animal disease is
14 something that we surely, surely not a capacity to mitigate in
15 the area of Virginia and Appalachia at all. We haven't been
16 doing a great job in these areas. If you look at the NIH report
17 and it speaks to that, that report speaks to that. As the
18 industry grows and consumer drive for small agriculture,
19 challenges of diseases arrive such as the elk being released in
20 Buchanan County bearing diseases. We think we stand in a
21 great spot equipped with medical doctors and nurses and the
22 physicians already at LMU and with the cohort of professors
23 who will be experts in animal disease diagnostics and I think
24 we stand on the precipice of really engaged regional, state and
25 federal stakeholders to take this to the next level. Thank you

1 so much.

2 MR. DEBUSK: Something I want to add
3 to that, the real desire would be to put out a diagnostic,
4 federal diagnostic lab in Lee County, Virginia and locate it
5 there and we will give them the land. If we can make this
6 happen, we'll give them the land support it in every way. We
7 have the faculty to support the pathology and we have
8 pathologists at LMU. So we're in good shape to do this thing
9 in Lee County and that's going to be big if we can pull that off.

10 DELEGATE KILGORE: Do we have any
11 questions? I think this could be very helpful for the farming
12 community and to Lee County and being able to see some
13 research that's going to be going on and I think it will bring a
14 lot of folks into the western part of Lee County. It's something
15 we need to develop long term. I think it's a good project and
16 the staff has said now it would be 537, which they could
17 allocate and a good way for us to get into this project and
18 hopefully we'll be investing more into the project as time goes
19 on and I think it's going to be a very positive project.

20 DR. REDWINE: Thank you, sir. Before
21 we deal with those, let's move to #2728 Raven Theater and
22 Coal Museum. Anyone here to speak to that? All right, no
23 one. #2730 Scott County Economic Development Authority
24 Riverside Development.

25 MR. FULLER: Good morning, Mr.

1 Chairman and the Southwest Economic Development staff.
2 I'm Joe Fuller, Chairman of the Scott County Economic
3 Development Authority. Earlier this week we presented a
4 proposal to the staff and Mr. Pfohl and we asked if we could
5 reconsider the figures we asked for. Initially we asked for
6 \$4,569,000 and we reduced that to \$147,403 and later
7 reduced it to \$548,493. The reason we did that is because we
8 were in the process of filing an application with the ARC to
9 help with funding on that so if you combine the \$497, what
10 we're now asking is \$548,493. What's happened is we got a
11 grant earlier of \$524,000 and change to build a road in there
12 and a building pad and the developer we were working with
13 was not satisfied with the road shown in the master plan. So
14 we had to have our engineers design the road differently or in
15 a different location and that cost in the neighborhood of
16 \$50,000 and we had some core drilling done and all that less
17 than \$60,000 came out of the \$524,000. We've had some
18 setbacks down there with the changes in the master plan. We
19 had a farm pond that we thought we could handle by draining,
20 turns out we had to get wetlands permission. All this has set
21 us back in our proposal. To give you some idea of the value or
22 the importance of that down there, let me read you a letter
23 that I sent to ARC will help. Chairman, Scott County
24 Economic Development Authority, we wholeheartedly support
25 this grant application for the proposed Riverside Development

1 road, which is located on US23 in Scott County. The Riverside
2 Development property is prime real estate located on one mile
3 from 526 and the Tennessee state line. It's an ideal location
4 for economic development opportunities and not only will
5 benefit Scott County but the entire region. Early on, county
6 leaders recognized the importance of this commercial retail
7 development possibility of this site. This farmland property
8 fronts on the north fork of the Holston River and became
9 available from the death of the last family in late 2010. It is in
10 a unique location, one of the last of its kind in the area. I
11 support this application. We'll entertain any questions you
12 might have and we're asking for \$548,493.

13 DR. REDWINE: Mr. Fuller, when will you
14 expect to get an answer from ARC?

15 MR. FULLER: I'm not sure how long that
16 will take.

17 MR. PFOHL: Typically a February to
18 March response. The ARC usually issues their
19 recommendations in late February or early March.

20 DR. REDWINE: Thank you, sir.

21 MR. FULLER: I think George Foresman,
22 who's president of Secure Mountain can tell you something
23 about his project. He's more familiar with it than I am.

24 MR. FORESMAN: Thank you, Mr.
25 Chairman. I'm George Foresman, president of Secure

1 Mountain and I want to briefly give the Committee a little
2 overview. Fortunately, we've had a number of you who have
3 had an opportunity to visit the site and it's a fairly unique
4 opportunity in the context of bringing regional economic
5 stimulation to Southwest Virginia from a technology
6 standpoint. Those that are not familiar with it, this is a former
7 limestone mine that's about a million square feet just to give
8 you a kind of a scope and scale and size of it. The ceiling in
9 this room is probably twelve to fifteen feet and the ceilings in
10 the mine we're talking about are about four times the height of
11 this room and roughly the same width down the main
12 passageway. Within that main square foot facility, you could
13 actually sit about seven super WalMarts, so that will give you
14 the scope, scale and size of the facility. The proposal we put
15 before you is to supplement private investment that has gone
16 into the Secure Mountain project. Roughly four to one to
17 government dollars to be able to support development
18 activities. A couple of unique characteristics associated with
19 this site as we have shared with staff and shared with the
20 local development authorities. The total square footage or
21 main square feet underground is 22 acres and the total site is
22 about 166 acres and sits just north of Duffield, Virginia. That
23 includes roughly a ten to twelve acre site that is a former
24 industrial complex site that was associated with the former
25 limestone mining operation. And as part of the proposal that

1 we put forward with the economic development authority and
2 forwarded to the Commission making that site available to
3 Scott County EDA for the purposes of a rail siding facility or
4 other industrial development to supplement the technology
5 park that they have there in the community.

6 Of particular interest and unique
7 characteristic to the site more from the site standpoint but
8 also potential utilization standpoint is a 120 foot waterfall,
9 which sits 200 feet below the earth's surface, which produces
10 about a hundred million gallons of water on an annual basis.
11 We see the water at the industrial site and other stimulating
12 activities, which are made available to support regional
13 initiatives. By way of comparison, typically data centers
14 you're talking about a million square feet. There's a lot of
15 characteristics that make this an ideal site for a data center
16 and technology park operation in and also to do it in an
17 underground setting. This provides free cooling associated
18 with technology and we have the ability to leverage previous
19 investments by the Tobacco Commission across Southwest
20 Virginia. We feel like this adds a great opportunity not only as
21 a stimulus to Scott County but to the region as a whole
22 providing additional avenues for young men and women who
23 were born and raised here to be able to remain here and be
24 part of the information age 21st century technology workforce,
25 which we think is important.

1 Two final points and I'll finish up here in
2 deference to time. The first point from a capacity standpoint
3 is power and communications. There are a number of
4 underground sites around America and very few underground
5 sites around that had the existing power capacity and
6 communications capacity both in speed and capacity to get
7 within the pipeline to give us direct linkages to Ashburn,
8 Virginia, to the major internet traffic across the globe,
9 Chicago, St. Louis, Atlanta. All characteristics that we really
10 didn't understand when we started this project but we
11 continue to uncover those things as we've gone forward. The
12 second point I'd make is that a lot of people say what is the
13 value proposition both in the context of direct jobs but also
14 spinoff jobs. That's hard to quantify because the technology is
15 evolving so quickly along with technology. When you look at
16 comparative types of facilities to be able to do high value
17 information storage, for every square foot of operational space
18 and we have about 600,000 of the million square feet available
19 for technology development but for about every square foot,
20 we'll produce \$400 per square foot per month. On roughly a
21 3,000 square foot facility, that creates \$1.2 million of revenue
22 on a monthly basis, which spills back into local government
23 and the regional economy and creates high tech jobs.

24 The final point I'd offer if you continue to
25 make significant investments, since we did the original

1 application with the EDA, we've contributed about another
2 half a million dollars of private investment and we have about
3 four and a half million in private investment that we've put
4 into the site thus far and we have a number of potential
5 clients and I'm certainly willing to talk to you about in a more
6 secure environment. Both government and commercial clients
7 who are interested in the site. The final point I'd offer to you
8 is as we've looked at the development timeline and part of the
9 importance of this for us and we feel like for the region is
10 about doing it quickly to be able to take advantage of the very
11 robust technology market right now in the data center space.
12 Any questions? If not, we'll let you get onto your next item.

13 DR. REDWINE: Thank you very much.
14 Scott County Keith Memorial Lighting Project. All right, Smyth
15 County Board of Supervisors Exit 39 Seven Mile Ford Sewer
16 Project.

17 MR. SIMPSON: Good morning,
18 Committee members. I'm Scott Simpson, County
19 Administrator for Smyth County and I'll try to be brief. The
20 recent closing of two plants in our county resulted in the loss
21 of several hundred jobs and it has had significant impact on
22 the county as far as financial resources and quality of life of
23 our citizens. We've had several visits for prospects in different
24 areas of the county that are interested in new facilities in the
25 county and that includes sewer available and that's a huge

1 reason why they have not listed Smyth County in some of
2 these areas. The Seven Mile Ford area there's currently sewer
3 on the north side of the interstate, also the north side of the
4 river crossing the river and the interstate is the hindrance to
5 providing sewer on the south side of the interstate. There is
6 some developable land for industrial economic development
7 regions as well as for our citizens. The \$180,000 funding we
8 asked for included a preliminary engineering report and
9 environmental surveys as well as preliminary design and final
10 design funding. We've responded back to staff and broken the
11 project down into a two phase project for a total package of
12 \$93,000, which we had about a ten thousand dollar match
13 committed to the project. Then we'd be able to perform the
14 preliminary engineering report and go through the
15 environmental report and about a thirty percent schematic
16 design, which is necessary for some of the environmental
17 reporting for the crossing of the river or I mean the interstate.
18 We tried to break the project down into something that may
19 be more feasible for the Committee. Our goal at the end of
20 this process is to have a construction ready project that the
21 next industry visit we have in that area and we can show them
22 the project and allow us to have sewer availability and we'd be
23 several steps closer and we could try to seek multiple other
24 sources to supplement the construction funding.

25 DELEGATE JOHNSON: Sir, one of the

1 difficulties in situations in Smyth County and courthouse
2 construction and there's other problems there, too. What if
3 you had \$40,000 would you be able to do the survey that
4 needs to be done to get the funding to complete the project?

5 MR. SIMPSON: We believe the
6 preliminary engineering report and the environmental survey
7 can be done for approximately in the \$60,000 range without
8 the schematic design with some of the matching funding that's
9 already committed to the project somewhere in the forty to
10 fifty thousand dollar range from the Committee would be able
11 to be put to good use.

12 DELEGATE JOHNSON: Another
13 question. If you had the funds to complete this first phase,
14 then you can get financing can use to go forward?

15 MR. SIMPSON: Our board of supervisors
16 is committed to doing whatever they need to do to spur
17 economic development in the county. If we had the full
18 funding in order get to it and a design where we had a
19 construction ready project that would help us to seek other
20 funding to go forward in the construction but we don't have
21 that bird in hand for the construction as it sits right now
22 without the preliminary engineering report or the design.

23 SENATOR CARRICO: You were talking
24 about the north side Seven Mile Ford, how far does that
25 extend, the Seven Mile Ford, isn't there a new school there on

1 the north side?

2 MR. SIMPSON: The new school is east of
3 this location and the way the land lays the sewer that falls
4 back toward the town of Marion. The school's sewer falls the
5 other way Preston Hill right there on the interstate where the
6 hump is. The sewer in this area, which is roughly Exit 39
7 area and we have the trade school there and that is the end of
8 the current sewer system and that's on the north side of the
9 interstate and there is no sewer on the south side of the
10 interstate where we have residential areas and some industrial
11 land.

12 SENATOR CARRICO: So with the
13 \$83,000 how far would that get you to the?

14 MR. SIMPSON: \$83,000 would allow us
15 to complete the preliminary engineering report and the
16 environmental report we assume with river side and we're
17 going to have to have several surveys. That would allow us to
18 get into about thirty percent design state which would then
19 allow us to try for the funding or find funding for the balance
20 of the design.

21 DR. REDWINE: Thank you very much.
22 #2742 Southwest Virginia Higher Education Center
23 Foundation.

24 MR. RODGERS: Good morning, my
25 name is Ed Rodgers, I'm representing the Higher Education

1 Foundation this morning. My colleague Duffy Carmack, who
2 is the CEO of the Foundation is passing out a short handout
3 that will inform the discussion. I will briefly speak about the
4 merits of the project and then suggest a philosophical shift
5 that you might consider in analyzing this proposal. We're
6 talking about building the first public compressed natural gas
7 fueling station in Southwest Virginia. In fact, we'd be the only
8 one in Virginia that's west of Richmond. First, I want to talk
9 about the importance of natural gas in region. The natural
10 gas industry supports 3,000 jobs in the region and those are
11 direct jobs producing \$75 million in revenue for royalty
12 holders in Southwest Virginia and produces \$18 million in
13 taxes to the counties of Southwest Virginia. Natural gas is
14 used for vehicle purposes is not a new thing. It's not some
15 newfangled thing that's been around for a long time and it's
16 really starting to take off because of the price advantages.
17 Every major car manufacturer has several vehicles that run on
18 CNG. There are even some local businesses Range Resources
19 and Appalachian Natural Gas in Abingdon that have CNG
20 vehicles. This is used for trucks and trains and buses and
21 school buses and other things. It's not a newfangled thing. In
22 fact, there's a manufacturer of fuel tanks that hauls natural
23 gas for these vehicles that's based just five miles from where
24 we're sitting today. He's sitting in the audience back there
25 somewhere. So Southwest Virginia is really taking part in this

1 whole movement. We've got the gas in Southwest Virginia and
2 we've got the manufacturer of the fuel tanks, we don't have
3 any fueling stations that the public can use. If that wall
4 weren't there, you can probably see where the station would
5 be. There's a grocery store, which I won't name but right
6 down the hill and you'd be able to see the CEO of this store,
7 which is one of the major employers in the region providing a
8 strong letter of support.

9 The reason natural gas is doing so well
10 nationally and even in the state is because of the price
11 advantages about a \$1.50 a gallon less than gasoline. It
12 fluctuates. I filled up this morning. Gas is lower than the
13 national average that's shown on the sheet but advantages is
14 they're \$1 to \$1.50 less per gallon. The problem is the access
15 is in the city. Richmond's got two stations and Hampton
16 Roads has got or is getting a station and Dulles airport has
17 one but nothing happening west of Richmond right now. I
18 have tried and I probably know the fuel corporation the
19 company that was started by Boone Pickens the major
20 developer of CNG stations. We probably have a better
21 relationship with them than anyone in Virginia. I've beat them
22 up about bringing a station to Southwest Virginia and they are
23 receptive to the idea but their attention is drawn to the cities
24 because that's just the way it's going to be, just like
25 broadband. Verizon is not necessarily want to come to

1 Southwest Virginia and clean energy is not necessarily going
2 to want to come to Southwest Virginia until for the leadership
3 role or with the leadership backing, there's a role here for the
4 Tobacco Commission.

5 Now on your handout it shows some good
6 financials and there's been good interaction with the
7 Committee up until now and those financials are good looking.
8 There's jobs being created both with the company that
9 convert these vehicles over to run on CNG and with the
10 company I mentioned. Somebody's got to make the fuel tanks
11 and somebody's got to convert the vehicles over. There's also
12 a great deal of savings for the companies and individuals that
13 use natural gas vehicles and that savings can be used for
14 reinvestment and other opportunities for those companies.
15 Those can also be used in the places like VDOT and used for
16 other projects and in the end a tax savings. Also the natural
17 gas sales and that could be used to fill these cars and some
18 projections are shown on there. The increase in natural gas
19 sales, everybody in the rate base.

20 Further and finally on the merits,
21 Wiretough has an opportunity to develop a new product line
22 things that they are currently putting on vehicles and use
23 them at the stations to hold the gas at the station and this
24 would be a demonstration of that. Wiretough tanks could be
25 used at that station and this would be an opportunity for

1 Wiretough to show off what they could do in that area. Finally
2 and I'll ask you about a philosophical shift and I'm wrapping
3 up now, and there's a lot of great projects you're considering
4 and I understand there's 21 and I understand there's a lot to
5 reflect on some very good projects and you have hard
6 decisions to make. The model that the Commission you
7 donate money to these projects and money essentially goes in
8 as a gift or as a grant and hopefully good things happen and
9 many times they do. Even if those things happen, at the end
10 of the day the Tobacco Commission does not have anything
11 tangible to show the monies that it gave. The money is gone
12 and maybe some good things happened but there's nothing
13 tangible there and your balance declining. What we're
14 proposing is an ownership model where the Tobacco
15 Commission would be an owner of the project with the
16 foundation or perhaps a hundred percent owner for this
17 project and returns would come from the earnings of this
18 project and return to the Tobacco Commission. Then the
19 balance would not be declining and perhaps it would even go
20 up. So we're proposing that you think like an owner and not
21 like a donor and hopefully you would give us support that we
22 are requesting. Thank you.

23 MR. PFOHL: Can you start printing the
24 T-shirts with that slogan?

25 MR. RODGERS: I'd be happy to transfer

1 that to the Commission in exchange for funding for this
2 project.

3 SENATOR CARRICO: Ed, I know you
4 were talking about Range Resources, do they have a fueling
5 station?

6 MR. RODGERS: They do Senator. It's
7 very small and my understanding is it fills slowly and is not
8 set up for the public. The IRS Center even has its own
9 vehicles and CNG and there's logistical issues trying to figure
10 out how that one vehicle will be able to fuel at Range's small
11 stations.

12 SENATOR CARRICO: I know the
13 governor had signed a bill to convert a lot of the state fleet to
14 CNG natural gas. How many do we have that you're aware of
15 in this region and how will they fuel their vehicles?

16 MR. RODGERS: The governor signed
17 that last October and we were involved in that process.

18 SENATOR CARRICO: That was Danny
19 Marshall's bill?

20 MR. RODGERS: Yes. We worked very
21 closely on their proposal and we put Southwest Virginia at the
22 forefront on that proposal and that was really the reason why
23 the governor signed that because of the importance of natural
24 gas for the Commonwealth but unfortunately it's the chicken
25 or egg. There aren't very many stations. Clean Energy has

1 two in Richmond and Hampton Roads and Dulles Airport.
2 Around here VDOT is the biggest one. I think there's about
3 200 vehicles with VDOT just about a mile from where we're
4 sitting right now. There's a state police facility there and
5 there's also a UPS facility. UPS National is using natural gas
6 to a great degree. We've shown some projections and the
7 number of vehicles we think will move over to CNG just based
8 on the population but the problem in this region that would
9 convert based upon that location of that VDOT facility.

10 SENATOR CARRICO: My point being
11 that if they have their own fueling station and the state has
12 their own, how many other people are going to use it?

13 MR. RODGERS: The state is acting on
14 had a call right now not now but with this one being located at
15 a grocery store and currently as a fueling station, traditional
16 fueling station this is an opportunity for the regional public,
17 people coming off the interstate to use it as well as VDOT.
18 They don't have to put in their own money and usable only by
19 them.

20 DELEGATE JOHNSON: Mr. Rodgers,
21 looking at the printout, \$1,159,000 cash flow \$1,612,000.
22 Economically speaking it's a winner.

23 MR. RODGERS: It's a winner if it works.

24 DELEGATE JOHNSON: Okay, my
25 question is who came up with these figures and are they

1 reliable?

2 MR. RODGERS: Those figures are based
3 upon and there's a breakdown on page two. I came up with
4 these figures based upon the number of vehicles that we
5 expect to be running on CNG. The natural gas costs under
6 the expenses is based upon at most tariff for CNG. The
7 number to be used on their tariff. The electricity costs are
8 based upon 1kwh and per gallon of CNG and that's pretty
9 standard for the kwh and the rest is good solid numbers. You
10 may be thinking if it's such a great deal, why isn't somebody
11 else doing it because their attention is drawn to the market in
12 the bigger cities and there is some risk here. We think this is
13 an appropriate thing for the Tobacco Commission to be doing
14 and take that risk as an owner of this project.

15 DELEGATE JOHNSON: The amount that
16 you're seeking \$350,000 what would be the lowest amount
17 that it would be possible for you to use.

18 MR. RODGERS: The amount is for the
19 equipment necessary. There's no cost for land and there
20 would be no cost for the land and based upon the
21 arrangement with the grocer. There's no out of pocket costs
22 for the land. A lower amount would be acceptable but the gap
23 would have to be filled from some other source, perhaps
24 Washington County, perhaps private sources. We don't want
25 to look at this as an all or nothing. If the Commission has an

1 appetite for a lower amount than what we requested, we'd be
2 appreciative of that.

3 DR. REDWINE: Mr. Noyes?

4 MR. NOYES: Just to remind members of
5 the Committee, this is not the first time the Commission has
6 been approached for a filling station. This has happened
7 before. The issue or discussion previously had to do with this
8 type of project whoever it's for and if you fund one, a need for
9 one in Smyth County and a need for one in Washington
10 County and one in Scott County and one in Danville. It was
11 decided by the Committee back I guess a couple of years ago
12 not to begin down that path or you might be setting a
13 precedent that would cause us to be invested historically in
14 the private sector everywhere it happened. It's just a reminder
15 we've heard this type of approach before and it failed.

16 DR. REDWINE: We have one final grant
17 #2734 St. Mary's Health Wagon. Anyone here?

18 MR. SMITH: Good morning, Mr.
19 Chairman, my name is Ed Smith from St. Mary's Health
20 Wagon. I could speak all day about the healthcare in
21 Southwest Virginia but we'll go straight to this project. We
22 wanted to build a 5,000 square foot facility and then it's a
23 3,000 square foot facility. Currently the IDA and the County
24 and we have \$125,000 committed to the project. The final
25 papers with the Virginia Healthcare Foundation after

1 preliminary discussion which is favorable to this accepting the
2 grant funds so we expect to get \$100,000 soon. We think we'll
3 have a thousand new individuals in the first year and we've
4 been a training spot for years for new healthcare professionals
5 and we expect this year fifty healthcare professionals ready for
6 employment in Southwest Virginia. We've also had other
7 discussion with the Blue Ridge College of Dentistry. We're
8 going to train new students. So that leaves us with about
9 \$375,000 needed for this building that we anticipate. Thank
10 you.

11 DR. REDWINE: Thank you very much,
12 sir. Any other questions? Ladies and gentlemen, we've got a
13 little time but we need to move through these rather quickly if
14 we could. With regard to members of the Committee I'll open
15 the floor to any consideration for any project that you just
16 heard from.

17 MR. MONTGOMERY: Mr. Chairman, I'd
18 like to talk about Lincoln Memorial University. I think that's a
19 worthwhile project not only for Southwest Virginia and for
20 Southside. As I understand it what LMU will do is set aside a
21 certain number of applicants who are interested in large
22 animal veterinary to come from those areas. They want to
23 open it up to people that are interested and this has, I had a
24 friend of mine it took three years to get into veterinary school
25 and it's difficult to get into those schools but this has potential

1 of opening up the state lab as well as federal lab. There's only
2 two federal labs in the Appalachian region one in New York
3 and one in Pennsylvania. In this area, they have plans to
4 work on the state and federal level and I don't know how many
5 additional but this initial project is very worthwhile. I think
6 overall it's a very worthy project. Because they're a private
7 university and their own construction company, they can
8 build buildings that cost about half of what the state can build
9 a building for. I think it's like 45% because they don't have to
10 go through states request for proposals. As I understand the
11 project now it's more like a seven or eight million dollar project
12 rather than fifteen. I think this has lots of potential to the
13 agricultural community of Southside and Southwest. I'd like
14 to recommend, I don't have a figure in mind but I think that
15 the \$537,000 –

16 DR. REDWINE: That's a request.

17 MR. MONTGOMERY: If anyone has any
18 questions, I'm sure Mr. DeBusk or Dr. Johnson can comment.
19 I've been very impressed and Dr. Johnson has a master's in
20 board certified veterinarian and taught at Auburn. He also
21 practiced veterinary medicine over in Greenville, Tennessee
22 and now he's up here and I think he's a great addition for this
23 area. I think there's plans for a hundred students per class
24 and they're going to concentrate on large animals, which a lot
25 of veterinary schools don't do.

1 SENATOR CARRICO: If that's a motion,
2 I'll second it.

3 MR. MONTGOMERY: Yes, I'll make that
4 motion.

5 SENATOR CARRICO: I'll second that
6 motion. I know Lee County can really benefit from this and
7 our region as a whole can benefit from it so I'd second that
8 motion that we approve \$537,000.

9 DR. REDWINE: The motion is for
10 \$537,000 to fund Lincoln Memorial University grant #2736. I
11 have a motion and a second. Any other discussion? All in
12 favor signify by saying aye. (Ayes.) Opposed? (No response.)
13 All right, others please.

14 SENATOR CARRICO: Mr. Chairman
15 #2738 Exit 39 Seven Mile Ford Sewer Project. As we heard
16 from Mr. Simpson, this is a project that's seeking to get some
17 environmental review and surveys done. For my
18 understanding, that \$83,000 will get them into the first phase
19 of this. I think it's a total of \$93,000 to do, or \$10,000 to
20 apply towards that and I would make the motion that knowing
21 the economics of Smyth County now with the loss of business
22 if we could approve this \$83,000.

23 DELEGATE JOHNSON: Second.

24 DR. REDWINE: I have a motion and a
25 second. The motion is for a partial funding in the matter of

1 \$83,000 grant #2738 Smyth County Board of Supervisors. A
2 motion and a second. Any further discussion? All this in
3 favor say aye. (Ayes.) Opposed? (No response.)

4 MS. RHINEHART: I'd like to move
5 application #2730 Scott County EDA Riverside Development
6 Phase I that that be tabled.

7 DR. REDWINE: The motion for #2730
8 Scott County Economic Development Riverside Development
9 Phase I, that project instead of being zeroed will be tabled at
10 this time to allow Scott County EDA to secure their ARC
11 funding, that's not in the motion but that would allow them to
12 get some other funding in mind. The motion is to table the
13 project.

14 SENATOR CARRICO: Second.

15 DR. REDWINE: We have a motion and a
16 second. All those in favor say aye. (Aye.) Opposed? (No
17 response.) This might be putting you on the spot Sara, or
18 anyone, do you know what the total is at this point?

19 MR. PFOHL: Jessie, can you plug in
20 Lincoln Memorial and Smyth County? I see we're just over
21 two million.

22 DR. REDWINE: That will leave at this
23 point roughly \$2 million left. I would like to remind the
24 members of the Committee, we have several projects here that
25 have a whole lot of merit to them and a lot of value but for one

1 reason or another they may not be quite ready or up to the top
2 of the priority list today. You have the option of leaving this
3 \$2 million or some amount of money in the fund and then
4 come back at another time.

5 DELEGATGE KILGORE: The staff has
6 made a recommendation on some of these grants and I would
7 urge the grantees to get with staff between now and January
8 and they will help you get through some of this because
9 there's some really good projects. So I think staff would really
10 help you out. There's also Special Projects and the healthcare
11 that could be moved over to Special Projects.

12 SENATOR CARRICO: Mr. Chairman, I'd
13 make a motion that #2734 be moved over to Special Projects.

14 DR. REDWINE: The motion is for #2734
15 St. Mary's Health Wagon that project moved to Special
16 Projects where it fits a little bit better rather than having it die
17 here on the floor. I have a motion and a second. All in favor
18 say aye. (Ayes.) Opposed? (No response.)

19 SENATOR CARRICO: Mr. Chairman,
20 #2756 Secure Mountain.

21 DELEGATE KILGORE: We decided that
22 would be better for TROF.

23 SENATOR CARRICO: Which one?

24 DELEGATE KILGORE: #2756 that was
25 tabled but we also said TROF would be ready, that's a

1 possibility.

2 DR. REDWINE: Do we have to vote on a
3 recommendation to table?

4 DELEGATE KILGORE: No, but we might
5 want to do it.

6 SENATOR CARRICO: I make a motion
7 that we table #2756.

8 DR. REDWINE: #2756 and nobody wants
9 to see this die and we need to get some kinks worked out and
10 make sure that you qualify and explore all the options and all
11 of our funds so we can find some money in the best possible
12 way. TROF is one possibility. At this time in this Committee
13 there's a motion to leave it tabled and continue to work with
14 them. There's a motion and we have a second. Any further
15 discussion?

16 MR. MONTGOMERY: Second.

17 DR. REDWINE: All in favor say aye.
18 (Ayes.) Opposed? (No response.)

19 DELEGATE JOHNSON: Mr. Chairman, I
20 move that we table Southwest Virginia Higher Education
21 Center Foundation for the Compressed Natural Gas Public
22 Fueling Station. Natural gas is very important to our area and
23 the byproducts also bring economic development and that's
24 something we should consider in the future. So I would move
25 that we put it on the table, talk about it between now and

1 January and maybe we can come up with something because
2 this is important.

3 DR. REDWINE: Delegate Johnson makes
4 a motion that we table #2742 Southwest Virginia Higher
5 Education Center Foundation and the Natural Gas project. I
6 have a motion and a second. Any other discussion? Anything
7 else? If there's any other comments or any other action on
8 any of these, let it be heard because we're going to move. We
9 have someone that wants to speak for just a moment on Big
10 Stone Gap Motion Picture.

11 DELEGATE KILGORE: That's Adriana
12 Trigiani, bestselling author, movie producer, director, she's
13 here for the Big Stone Gap.

14 MS. TRIGIANI: Just a moment. First of
15 all, we're so grateful to you for working so hard and so long to
16 make that movie happen in Southwest Virginia. I want to give
17 you a very quick and I'm sorry my back is to you and that's
18 terrible and I know that it's important in a room like this. I
19 only --- to get the movie in Southwest Virginia and said you
20 can rent a 747 at the airport and they figured out yesterday
21 they couldn't and now we say what everybody said that before
22 you get to heaven you have to go through Atlanta or Charlotte
23 to get our actors here, I'm really kidding now. Maybe a movie
24 in Southwest Virginia has tiers of effect already. We could
25 have made it anywhere in the world but the program for the

1 state tourism with the help of Pat Murphy and the town of Big
2 Stone Gap and beyond that all the surrounding communities.
3 We have come down here to really try to carve a path to make
4 a great movie, set in the place that the story was written about
5 and the people that it was written about. This is very rare
6 now. You have countries in Europe trying to be Virginia and
7 you have Canada trying to be Virginia and other states in the
8 United States trying to be Virginia. So what we did was
9 through the course of time we've been trying to get the movie
10 here we would actually make it happen is that the producer
11 came on board, the academy award winning producer of
12 Shakespeare In Love, Borderline, Playbook, Donna Gigliotti
13 understood the mission and she got it. When Donna got it,
14 Patrick Wilson who's starring as Jack Coalminer, he got it and
15 then from there every actor that's signed on really to work for
16 scale. We're going to treat them right; we can't pay them too
17 much. They're going to come and tell the story. And that's
18 one tier, the actual storytelling.

19 The next tier we're dealing with is the
20 music. Rosanne Cash and Jon Leventhal are scoring the
21 music and we're pushing together to be the chorus that
22 extends beyond the borders of Big Stone Gap so that we create
23 a soundtrack that celebrates the music of where we come
24 from. That will be something that will endure long beyond the
25 movie. The other thing we're doing is taking it very seriously,

1 we reached out to the University of Virginia-Wise and also
2 Mountain Empire Community College. On the college level
3 we're interning for part of the movie and we're really not
4 kidding not that the kids are not just going to get coffee.
5 They're going to be painting sets and learning lighting,
6 learning writing from me, directing, acting, in every
7 department as many kids as we can take. The next level will
8 be the high school level. This leads me to something I haven't
9 said yet and I will announce it right here because I find it very
10 exciting. Southwest Virginia, east Tennessee our area is really
11 suffering and we know that and we heard it today. And we
12 want to leave something behind and providing energy and
13 goods and services in Southwest Virginia and this is the idea
14 we came up with. My friend David Baldacci, a great author
15 and we wanted to see programs in schools so we're going to
16 bring two professional writers to Southwest Virginia starting
17 this year to work with the teachers, two writers come in and
18 we're calling it the Origin Project because we feel we have a lot
19 of talent in our area and generations of storytellers who
20 haven't had an opportunity to get published and to be heard,
21 to get the feel that they need to have a professional writing
22 career or beyond writing if they want to become a teacher or a
23 lawyer or a small businessperson and give them some solid
24 interaction what they could do for a living. We're going to
25 start that this year under Nancy Bowmeyer-Fisher and she'll

1 be down in a couple of weeks and because of you and your
2 large incentive we were able to go to Hollywood and raise some
3 money to make the movie in Southwest Virginia. They are
4 totally on board and thrilled about it. Patrick Wilson is living
5 in his grandmother's house. I'm staying with my mother;
6 that's a treat and we're rolling up our sleeves. I want to
7 assure you that homemade quilt as it is Hunter's Cross it will
8 be as beautiful as any major movie that comes out of the
9 studio and that it will sound better and be better. And
10 because of your incentive, we hope there will be many, many
11 more of this kind of project in Southwest Virginia.

12 Finally, and before I go, I've taken more
13 than a minute that I promised, we're not using any of the
14 traditional company to house, feed or do the laundry. We're
15 employing locally every job on the movie. This is a challenge
16 but it's a challenge we're thrilled to meet. We're not shipping
17 anything in and we're going to find the goods and services
18 locally. You have to be sure that every dollar that you have
19 granted us will be spent on the ground in Southwest Virginia
20 with an eye always toward the future and bring folks in to see
21 this movie that we come from. I thank you and I see no ugly
22 or unattractive people here, which means you can be in the
23 movie and everyone come and see what we're doing and enjoy
24 the progress with us.

25 DR. REDWINE: Mr. Chairman, we may

1 have found something you can do.

2 DELEGATE KILGORE: A man looking
3 on.

4 DR. REDWINE: We move today a report
5 from the King School of Medicine. Mr. Pfohl, I'll turn the mike
6 over to you.

7 MR. PFOHL: Thank you, Mr. Chairman.
8 The Committee several years ago recommended funding to
9 establish the King School of Medicine in Abingdon and over
10 several committee meetings you've heard status reports and
11 you have offered extensions to the leadership of this project in
12 order to chase some other funding and go through
13 accreditation steps and design steps and so forth. So the
14 interim president of the King School of Medicine now doing
15 business as the Southwest Virginia School of Medicine is here
16 to provide you an update today and seeks a further extension
17 to combine with other extensions he has received from
18 funding partners. There was a report sent to you by email a
19 few days ago and we have copies of that if you don't have it
20 with you. The staff is recommending an extension through
21 January be provided which would align with the extension
22 that have been approved by the two localities funding this
23 project. It would allow King School of Medicine to complete
24 the preliminary architectural program that they had
25 contracted with Thompson and Littman to complete by

1 December. Mr. Zaidi is here although we're running a little
2 short on time with the Commission meeting in about ten
3 minutes.

4 MR. ZAIDI: Thank you, Mr. Chairman,
5 the Commission and members. As I was reflecting on this
6 report, there are three things that come to mind and I will be
7 brief. And that is how far we've come especially just this year
8 and immeasurable sacrifices have been made and need to be
9 made for a project of this magnitude. Since January, we've
10 been able to put together an agreement with ETSU that we
11 hope to finalize by November. Not one but potentially two
12 partners by the end of this year. A defined role for Emory &
13 Henry Virginia Highlands Community College. A fully
14 sustainable performer by ESTU the experts in the industry. A
15 preliminary architectural report, which will detail project costs
16 and a reduction, which we expect will bring amendments and
17 private sources. A project of this magnitude takes a
18 significant amount of time, a lot of work and a lot of sacrifices.
19 I don't think we can ignore the fact that this project has been
20 made on the backs of people like Jeff Mitchell who has worked
21 for a year and a half with no salary, McGuire Woods and back
22 to Bill Canto, who have all contributed to this project but have
23 not been fully remunerated but they are okay with that
24 because they have faith and confidence in this project.

25 As I stand here today, this is the first

1 time I can look at this project and I can see what's going to
2 happen and the first time I really feel very confident that this
3 project is on track for success. What we're asking for is an
4 extension of time through January as Washington County and
5 Abingdon gave us. In that time, the project will succeed in
6 great part or will stop because we have to have those things
7 come together but we're at the point where it either will
8 happen or it will not but I fully believe that we're at the point
9 where it's going to happen.

10 SENATOR CARRICO: Correct me if I'm
11 wrong but you said that you want an extension as Washington
12 County gave you.

13 MR. ZAIDI: Washington County and
14 Abingdon gave us an extension at their last meeting of their
15 grant agreement through January the first week.

16 SENATOR CARRICO: Our meeting, that
17 meeting is before the extension when you go back to
18 Washington County?

19 MR. ZAIDI: I don't know the date.

20 SENATOR CARRICO: I know that you've
21 been before us several times and asked for an extension and
22 the last time we were here we asked for some document
23 evidence that you needed to produce at the last meeting and
24 we asked for some concrete information about how far you
25 had gotten in the investments and so forth and this bill. Do

1 you have anything different that you could show us today
2 than what you showed us at the last meeting?

3 MR. ZAIDI: In terms of partners we have
4 a deadline set and a commitment from East Tennessee State
5 and we will have an agreement by November of this year. We
6 don't have an academic medical school partner and if we don't
7 we can't move forward. We'll have a decision made by
8 Johnson Memorial Hospital in the next couple of weeks and
9 that will solidify either we have a credible academic partner or
10 we don't. The same goes for Emory & Henry. We've had
11 discussions with donors where we feel confident we're in the
12 half million - \$750,000 range; I don't know if that answers
13 your question.

14 SENATOR CARRICO: Mr. Chairman, the
15 dilemma I have, I'm sitting here trying to decide whether to
16 extend this or not and I don't see anything different other than
17 you telling me that you're waiting for a commitment from
18 these JMH or ETSU. The last meeting we had, you had the
19 same things to offer to us and we agreed to extend it until this
20 point in time and we haven't seen any change in that.

21 MR. ZAIDI: I know a lot of times things
22 come in or they come in absolute deliverables in hand, a piece
23 of paper that says we have a final agreement. The reality of
24 this project and the reality of the situation we're in, we've had
25 to reinstitute and reengage partners. This project, I believe if

1 it were being built in a manner that it is now three years ago
2 when it first began it would be monumental but we don't have
3 that benefit. So what I'm working with an institutional
4 partner like ESTU, that doesn't come overnight. The fact that
5 ESTU is still committed and has gone to the chancellor and
6 gone to the board of regents and still moving forward and
7 expanding their resources on this project. The fact that in the
8 history of this project, we're not a first time we've had
9 meetings with Johnson Memorial Hospital and their board and
10 that never happened before. I personally worked for a year
11 and a half on it and it only happened in August. The fact that
12 we got Lightpoint coming in and they're local Southwest
13 Virginia and Southside hospitals that want to work with us.
14 We had a meeting Friday and that was mark ably different.
15 The fact that I'm telling you this and we do not have an
16 agreement with ETSU in November and all those things and
17 I'm sorry, I get passionate about this. All of these things have
18 to come into place before we're able to fully say we're there
19 and I recognize that. This is a very different way that we've
20 had to go with this project and we've had to build confidence
21 and build relationships before we can get there but it's worth
22 it. I do disagree that there are not significant changes since
23 we met in May.

24 SENATOR CARRICO: Also, is there
25 currently a negotiation going on with Emory & Henry?

1 MR. ZAIDI: Yes, we've been talking to
2 them about bringing them into the project.

3 SENATOR CARRICO: Is this something
4 recent or something that just came about that we were not
5 aware of at the last meeting?

6 MR. ZAIDI: Well, because of the change
7 in ownership, and Emory & Henry just installed their new
8 president and we've been working with the new president and
9 the board and board members to try to talk about what role
10 they could have and that's part of our commitment to the
11 Tobacco Commission and Washington County to make this a
12 Southwest Virginia project and one that is anchored here and
13 that we could feel comfortable it's here for the region.

14 SENATOR CARRICO: Mr. Chairman, I'll
15 quit with this. At the end of this extension and Washington
16 County already saying that they're going to give you until
17 January to come up with something and we meet prior to
18 Washington County's board meeting are you in agreement that
19 this next meeting we have in January that if nothing
20 materializes, we walk away?

21 MR. ZAIDI: Absolutely. Every project
22 has a shelf life and this one has probably had a little bit more
23 thanks to you all and I truly appreciate that very much, very
24 sincerely. These are large projects and that take a number of
25 years to come about but there's also a time when there's a

1 realization that there's either an agreement or a red light. For
2 the first time, we're at a point where I can see what is real and
3 what can come together but it all has to happen in the next
4 quarter before this next meeting. If we don't have firm
5 partners and not able to get agreement done with ETSU and if
6 we can't nail those things down in January that's a non-issue
7 for this Committee.

8 DELEGATE JOHNSON: Sir, if you would
9 speak into the microphone, I have a couple of questions. I
10 notice on page one that the verbal support for the project.
11 Could you tell us please who has agreed to support this
12 project?

13 MR. ZAIDI: I can't give you names.
14 They've asked me not to but we're looking to solidify but
15 there's four core individuals and two institutions.

16 DELEGATE JOHNSON: Sir, another
17 question. You understand the Washington County Board of
18 Supervisors voted four to three to continue support. Now, we
19 have an election in November suppose the vote changes. New
20 supervisors are elected and Washington County does not
21 continue to support and suppose it's three to four again
22 what's going to happen?

23 MR. ZAIDI: At that time we have to
24 reassess where we are. What's happening right now with this
25 project are two things or rather three. Number one is the

1 preliminary architectural plan, the building itself and as I said
2 here and before, that will significantly reduce the cost, which
3 then we would ask the different constituents that supported
4 us would have a distinct commensurate with their
5 commitment. That's number one. So we'll know on the
6 building side how much that's going to be and that will play a
7 great role and if everyone's still with us in Washington County.

8 Number two, is the performer as we work
9 with ETSU and we've got that down to where we're trying to
10 fine tune it and as part of the agreement we would have a
11 viable, sustainable project. Otherwise, it makes no difference
12 if we can build a building and if we sit down with ETSU and
13 the other groups and say it's not going to take place; that will
14 take care of itself.

15 Number three, we're going to be looking
16 at the economic impact analysis. All these things
17 unfortunately take time but we're moving as quickly as we can
18 and we're at the mercy of the process. If Washington County
19 decides not to support us, we'll make a decision at that point
20 in time if we're able to generate additional private support,
21 which I hope we will. That certainly would create a significant
22 hurdle for us if not. This project is full of hurdles but we're
23 pretty determined trying to make it come to fruition.

24 DELEGATE JOHNSON: One of the
25 objectives you stated to us in the beginning is that you were

1 going to raise money.

2 MR. ZAIDI: That's correct.

3 DELEGATE JOHNSON: How much
4 money has been raised?

5 MR. ZAIDI: In the private sector, we
6 haven't raised money in the private sector. We've had your
7 support. We've had Abingdon and Washington County, the
8 Commonwealth \$250,000 grant.

9 DELEGATE JOHNSON: Sir, I'm talking
10 about private money.

11 MR. ZAIDI: We don't have that. We
12 haven't received the funds.

13 DELEGATE JOHNSON: Sir, I've had a lot
14 of complaints about salaries being paid and what the Tobacco
15 Commission has done and not done. Would you feel
16 comfortable having your salary tied to this amount of money
17 you raise?

18 MR. ZAIDI: Well, for eight months of this
19 project in May and to the end of January, I didn't receive a
20 penny in salary. I carried all the expenses for the medical
21 school out of my own pocket in excess of probably around ten
22 thousand dollars and I carried that myself. Since that time, I
23 know there's been a lot made of the public salary and my
24 contract, which the board negotiated. The reality of it and the
25 way I see it, the salary is only as good as what you get paid

1 and I've been paid a fraction of what that number is, probably
2 less than half. So when we talk about the salary, what is
3 there and what was promised and what I received is a
4 different number and probably not far off with the suggestion
5 you made.

6 DELEGATE JOHNSON: Sir, it's been
7 reported you made more than the agency heads. As a
8 Commissioner, we've got the responsibility to look out for the
9 best interests of our funds and be a good steward of what we
10 spend and we want to make sure that this is successful. It
11 seems to me there's been a lot of promises made and maybe
12 nothing is happening and now we're coming up with Emory &
13 Henry being involved and I feel comfortable with Emory &
14 Henry and their work.

15 MR. ZAIDI: I feel very comfortable with
16 the work we've done with everyone and we've formed very good
17 relationships. I completely understand the consternation and
18 we don't have a signed document and when we got a new
19 president at Emory & Henry we had to reestablish a
20 relationship along with Mountain State and those institutions
21 were probably our greatest critics and now they're the ones
22 we're sitting down talking to about doing this project together.
23 And that's a big difference when you talk about people in the
24 industry and people that know academic medicine and they're
25 the ones now sitting down at the table and saying let's figure

1 out how that we can make this work and in my opinion that's
2 a marked difference. If ETSU had not agreed to work with us
3 and try to make this work, then we wouldn't be here. That's a
4 pretty powerful statement when they want to work with us to
5 put their accreditation together and their entire university on
6 the line and get involved in this project and ensure that it
7 works and that's strong.

8 DELEGAGE JOHNSON: Sir, you're a fine
9 gentleman and you're a hard worker. You're honest, you're
10 truthful but people in our community say the Tobacco
11 Commission paid up to \$25 million and they want to see some
12 results and we're counting on you and depending on you and I
13 hope in January you'll have a great report, not a good report
14 but a great report for us.

15 MR. ZAIDI: Well, sir, I appreciate your
16 compliment and your comments. I take them very seriously.
17 It won't be a great report in January. It will have to be a
18 spectacular report and that we will have done what
19 everybody's waiting for and unfortunately it takes time to put
20 it together and all these questions and all the concerns are
21 valid and reasonable and I appreciate the questions and it's a
22 big project and needs to be questioned. The potential
23 ramifications of this for Washington County and Abingdon and
24 the Southwest region and Southside and we're going to do
25 what we can and give it a heck of a shot. I think we're going to

1 be really able to show you that we've done a tremendous job.

2 DELEGATE JOHNSON: Thank you, sir,
3 and thank you, Mr. Chairman.

4 DR. REDWINE: Mr. Zaidi, there's
5 certainly everything in place and if you're ready to go do you
6 have to get a certificate of need request or what?

7 MR. ZAIDI: No, ETSU is all fully
8 accredited and it's a long-standing medical school and get an
9 extension of their accreditation across to our program. It's a
10 very different process than if we'd been, the original program
11 they had to get their own accreditation and that could take in
12 the neighborhood of eight years.

13 MR. MONTGOMERY: I know this last
14 year and this year both you put your reports in about two
15 days before our meeting and would it be reasonable to request
16 that you do your reports into the staff so they could vet them
17 for us rather than, we get everything that they've already
18 reviewed.

19 MR. ZAIDI: I'll be happy to report in any
20 fashion and sit down at any point in time and talk about the
21 project individually or collectively.

22 DR. REDWINE: Thank you, Mr. Zaidi.
23 Making a point of clarification, the \$25 million has not been
24 sent down to this project but it's been set aside for the project
25 and should the project fail, the money is not going anywhere

1 so we're still taking care of that. I want to be clear on behalf
2 of the Committee, Mr. Zaidi, that absent a recommendation
3 from staff today that this be extended, I don't think you
4 survive today. This Committee went out on a limb before and
5 gave you an extension and asked for results and there's been
6 changes and I'm not sure about significant improvement but
7 there's always changes. January is going to be a very
8 important meeting and I do not expect another extension in
9 January. I think we'll take action on what we've already seen
10 then. The things we talked about that you would be putting
11 together for us and expect to have happen and be concrete by
12 January, the members of this Committee will expect that and
13 then we'll move ahead but I just wanted you to understand
14 that, sir. So, thank you.

15 DELEGATE JOHNSON: Mr. Chairman,
16 may I ask a question? Money has gone from the Tobacco
17 Commission already?

18 MR. PFOHL: Yes, sir last year in May
19 your Committee authorized up to a million dollars of the \$25
20 million grant to be released for project development expenses.
21 There's been partial reimbursement for salaries, for
22 consultants, for legal fees and other expenses.

23 DELEGATE JOHNSON: Tobacco
24 Commission money has been paid out at this time?

25 MR. PFOHL: Yes, up to a million.

1 DELEGATE KILGORE: Not the whole
2 \$25.

3 DELEGATE JOHNSON: I understand
4 that. I just wanted to make sure that people understand that
5 that we have put money in it already; money has been paid
6 but the bulk of it hasn't been paid. I think that's part of the
7 complaint that money has been spent that nothing has been
8 accomplished and I'm not going to be two-faced about it but
9 some money has been spent.

10 MS. RHINEHART: As a follow up to
11 Delegate Johnson's question is there an anticipated amount of
12 money that would be spent, how much money would be
13 expended between now and January.

14 MR. PFOHL: There's already a cap at a
15 million dollars and I think we have released about \$650,000
16 and about two-thirds of that went to King College, who is the
17 original applicant and a third has gone to the current project.
18 So we're in for two-thirds of a million so far, roughly. I'm sure
19 there will be some other expenses from the past quarter as
20 well as the upcoming quarter that we'll be asked to cover.

21 DR. REDWINE: Thank you, ladies and
22 gentlemen.

23 DELEGATE JOHNSON: I didn't mean to
24 insinuate that we're totally wrong on that and I'm glad you
25 cleared that up. Some of it has been but by the same token, I

1 didn't want it to seem like the entire amount had been spent.
2 Thank you.

3 DR. REDWINE: Ladies and gentlemen,
4 we're over our time limit and we need to move to the other
5 meeting and we do want to offer public comment. We'd ask
6 that based on the time that you keep your comments very
7 brief like a minute or less but we'll now open the floor for any
8 public comments.

9 MR. NOYES: I was out of the room
10 briefly but was there a motion to extend?

11 DR. REDWINE: There was not but we'll
12 catch that.

13 MR. HINES: Good morning ladies and
14 gentlemen of the Tobacco Commission and any other
15 dignitaries that I need to recognize. My name is Larry Hines
16 and I'm a member of the Industrial Development Authority of
17 Washington County, Virginia. I have done extensive research
18 on the possibility of establishing a medical school in
19 Washington County, Virginia for over a year. My research has
20 shown this is not a feasible project economically for our
21 county. If my research had shown it to be economically
22 feasible, I would be gung-ho about it because we need all the
23 economic development we can and we can possibly get in
24 Washington County. My research as well as the research
25 done by the consulting firm from the original King's College,

1 which spent nearly a million dollars on this project over a
2 period of four years because this project was dropped because
3 it was economically infeasible. The study done by the
4 Washington County Board of Supervisors by consulting Mr.
5 Frank Kilgore, P.C. concluded the doctors in Southwest
6 Virginia appears to be facing a surplus of doctors within the
7 next several years. There are twelve medical schools that I
8 consider to be in the greater Appalachian area. I have spoken
9 to representatives of all these institutions and they have
10 furnished me with predictions of their graduates from 2013
11 through 2017. The prediction is that in 2013 they will
12 graduate 1347 graduates. In 2014 they will graduate 1389
13 graduates, in 2015 the number is 1547 and in 2016 it's 1622,
14 in 2017 it's 1772. This is an increase of 31% over the next
15 four years. This supports Mr. Kilgore's conclusion. Dean
16 Rawlins from the College of Osteopathic Medicine made a
17 presentation to the Washington County Board of Supervisors
18 on September 24th, 2013 to express one of the main problems
19 that they are experiencing is having enough physicians so
20 their interns in Southwest Virginia. She said that interns and
21 residencies and fifty percent of those doctors will locate within
22 an hour's drive of that location. Since the original King
23 College stopped this project because of the feasibility, the new
24 King College of Medicine has spent money trying to make this
25 a viable project. I think it's time we quit spending good money

1 after bad because some things are just not economically
2 feasible no matter how bad we wish they would be.

3 Another factor that is considered is that
4 our Washington County Board of Supervisors has raised our
5 real property tax 65% and our long-term debt 310% over the
6 last several years. We as taxpayers can only be obligated for
7 so much indebtedness and Dr. Rawlins said that with 150
8 students, it took them six years to coming close to breaking
9 even.

10 DR. REDWINE: Sir, I'll give you thirty
11 seconds.

12 MR. HINES: Well, that's fine, sir. With
13 all these facts, I am respectfully requesting the Virginia
14 Tobacco Commission withdraw their pledge of \$25 million for
15 this project. So hopefully there will be some project in the
16 future that has more economic feasibility that we come back
17 and request your assistance for in the future. I just want to
18 remind you that the gentleman that is making this decision's
19 salary is \$1,000 a day. Upton St. Clair said it's difficult to get
20 a man to understand something when his salary depends
21 upon his not understanding it. Thank you for your time.

22 DR. REDWINE: Thank you, sir.

23 MR. BARGUS (sp?): Good morning, my
24 name is John Bargus (sp?) and I live in Abingdon and I'm on
25 the Washington County Planning Commission, Chairman of

1 the Southwest Virginia Washington County and I thank you
2 all for having your meeting here and for the opportunity to
3 speak to the Commission. As Larry said, last Tuesday night's
4 meeting of the Washington County Board of Supervisors
5 meeting and the dean of the Edward Via College of
6 Osteopathic Medicine in Blacksburg made an excellent
7 presentation. This medical college is dedicated to an excellent
8 medical education program and emphasizes using modern
9 scientific and in order to promote health and disease
10 prevention to diagnose and treat people with optimal
11 conditions for good health. This college is a success story and
12 does not receive government funds. In agreement with
13 Virginia Tech, use some of Tech's facilities and bringing money
14 through Virginia Tech. Via College originally was set to train
15 doctors to set up a practice primarily in Southwest Virginia
16 and western North Carolina and the Appalachian region and
17 certain poor counties. In 2011, Via College started a branch
18 campus in Spartansburg, South Carolina. Now, South
19 Carolina and Southside Virginia. The college is a success but
20 took over six years before it broke even. Dean Rawlins stated
21 that she found that most new doctors do not set up practices
22 within fifty miles of where they get their intern residencies.
23 She said we have enough medical school graduates in the area
24 that need more residency programs. They're planning on
25 setting up another residency program at Johnson Memorial

1 Hospital in Abingdon to serve Southwest Virginia. The
2 Southwest Virginia School of Medicine does not have any
3 private investors and is relying on money from the town of
4 Abingdon and Washington County, the Commonwealth of
5 Virginia and the Virginia Tobacco Commission. King College
6 has withdrawn from the program. Two separate studies say
7 the college is unfeasible. The seven and a half million dollar
8 original investment both the town of Abingdon and
9 Washington County totaling \$15 million is a large burden on
10 the taxpayers of Abingdon and Washington County.
11 Unfortunately, it will take six to ten years at least continuing
12 to ignore the studies that say that this school of medicine is
13 unfeasible and research that shows that we have enough
14 medical school graduates in our area is not feasible at best.

15 DR. REDWINE: Thirty seconds, sir.

16 MR. BARGUS (sp?): I see no reason to
17 pour taxpayer money into a program that looks to be a failure
18 before it even gets started. Perhaps the people of Southwest
19 Virginia would be better served reinvesting taxpayer money in
20 scholarships and facilities some of the community college have
21 in our area. Thank you very much.

22 DELEGATE JOHNSON: Mr. Chairman,
23 the word tax has been used many times. This is not tax
24 money. This is not taxpayers' money, this is money that was
25 received from the tobacco buyout and has nothing to do with

1 taxes on individuals or factory owners.

2 DR. REDWINE: Sir, before you begin,
3 we've been very cordial and this Committee has been very,
4 very, very, we've extended a large effort to make sure
5 everybody gets a voice but please get the comments in, stick to
6 the time limit and we'll move ahead. We've got a lot of
7 business to do and we're trying to be as nice as we can.

8 UNIDENTIFIED: Sir, what is the time
9 limit?

10 DR. REDWINE: Well, we set it at one
11 minute about fifteen minutes ago.

12 UNIDENTIFIED: Sir, talk about the tax
13 money, the town of Abingdon and Washington County that is
14 taxpayer money. We're not referring to the Tobacco
15 Commission money, they were referring to local money.

16 MR. GIBSON: My name is Bill Gibson
17 and I'm a member of the Washington County Board of
18 Supervisors and more importantly I'm a taxpaying citizen of
19 Washington County, Virginia. I'm here to ask the Tobacco
20 Commission to hold firm your words and your statements that
21 you made on May 23rd at the Danville, Virginia meeting in
22 reference to the King School of Medicine. It's clear from
23 reading the minutes of the meeting that the school did not
24 come here today with a substantial private amount of
25 contributions in the back or the Commission would pull their

1 support of the project. The Commission has been more than
2 fair and patient with the project and already granted three
3 extensions. As you're aware, the project first began in 2009,
4 four years ago and has never generated any private sector
5 support, not even from the King College alumni. Mr. Zaidi
6 from the King School of Medicine has been before our board
7 on three occasions besides January 2012. Each time I've
8 asked him many questions and a lot of them are yet to be
9 answered but one question he has answered consistently and
10 I've asked him how much private sector money do you have in
11 the bank and every time the answer is the same as it is today,
12 the answer is zero. The amount of concern is the performance
13 that he mentioned today and he presented to our board at the
14 September 10 meeting, which he may have filed with your
15 board, I'm not sure what he claims to be an operating budget
16 for the King School of Medicine will be \$9 million. ETSU told
17 our county administrator the night of the meeting that he was
18 upset because he had not seen these figures, they were in
19 great error and that the school's operating budget is closer to
20 \$16 million for 42 students. He has presented no plans thus
21 far how the \$16 million is going to be paid annually. The state
22 of Virginia appointed a workforce study group and the
23 healthcare association to release later this month or maybe
24 next week but Virginia's problem is not that there's not
25 enough physicians being graduated but there's not enough

1 residency programs for the new doctors. The report does not
2 address the need for new medical schools in Virginia. Another
3 reason is that Virginia has reduced the graduation rate 15% to
4 410 from 675. The answer to more doctors in Southwest
5 Virginia and Southside Virginia at no cost and no risk to the
6 taxpayers of Abingdon and Washington County, Virginia. I
7 invited Via College to come before our board this past Tuesday
8 and the Dean of the college gave an impressive presentation
9 and they're trying to get a residency program at Johnson
10 Memorial in Abingdon. They plan to build a science and
11 research center in Washington County. Right now they have
12 ten in Abingdon. King School of Medicine will be five years
13 graduating the first doctor. Imposing the town of Abingdon
14 and Washington County, Virginia to not fund this project
15 without raising taxes on the people, let's tell King School of
16 Medicine good try and come back when you have support.
17 Thank you for your time and consideration.

18 SENATOR CARRICO: I'd like to make a
19 motion that since the extension from Washington County will
20 be before the Washington County that we offer the extension
21 with some stipulations. No more dollars are expended beyond
22 what is currently owed at this time until the King School of
23 Medicine tells us that this project is moving forward and that
24 it's in the process of having partners ready to go.

25 DELEGATE JOHNSON: May I ask a

1 question, if there's an extension in January, this motion can
2 be overruled and more money spent, it's just until January.

3 SENATOR CARRICO: January until they
4 show us.

5 DELEGATE JOHNSON: And then a new
6 approved or scuttle?

7 SENATOR CARRICO: This prevents us
8 from spending any more money on no work.

9 DELEGATE JOHNSON: Until the next
10 hearing.

11 SENATOR CARRICO: Until the next
12 Commission meeting.

13 DELEGATE KILGORE: The extension
14 and the expenses –

15 SENATOR CARRICO: We'll pay our
16 expenses to date and then the money is frozen until we hear
17 what progress is made from the King School of Medicine. We
18 want to know that by January or we're out.

19 MR. MONTGOMERY: I would like to have
20 a provision included that staff needs time to give a deadline to
21 get everything into the staff and the staff can vet it and report
22 to us and even when it's mailed to us at the last minute, it
23 should come in in enough time for staff and for us to know
24 what's going on.

25 DELEGATE JOHNSON: Mr. Chairman,

1 how much money is left in the one million?

2 MR. PFOHL: Roughly \$350,000.

3 DELEGATE JOHNSON: There's still
4 money to be paid for expenses?

5 MR. PFOHL: Yes.

6 SENATOR SMITH: Mr. Chairman, I want
7 to make sure I understand the Senator's motion, as you
8 present it in your motion preventing them from running up
9 additional bills between today and January, is that right?

10 SENATOR CARRICO: Correct. We'll pay
11 the expenses to date but from that point forward, they can't
12 run up any more expenses.

13 SENATOR SMITH: The idea is that the
14 \$650,000 of the one million has been expended and there's
15 still a balance.

16 SENATOR CARRICO: Correct.

17 DR. REDWINE: Mr. Montgomery, did you
18 want to put a date on that?

19 MR. MONTGOMERY: I thought the staff
20 would have time to look at these things and check the
21 information out. I don't know how much time they need.

22 DR. REDWINE: December 15th?

23 MR. MONTGOMERY: That would be fine.

24 DR. REDWINE: We'll attach that to his
25 motion.

1 DELEGATE JOHNSON: There's still
2 money that's been approved, what's left, that can be spent up
3 to January? Because expenses don't stop.

4 MR. PFOHL: I believe Senator Carrico's
5 motion said expenditures that we would reimburse stop as of
6 today.

7 DELEGATE JOHNSON: But from here on
8 until January 1.

9 MR. PFOHL: The intent of the motion is
10 they would not be reimbursed from our funds after today.

11 DELEGATE JOHNSON: There's still
12 money in the pot we approved to pay up until, those expenses
13 would be allowable? I don't feel right that we should say today
14 no more money can be spent and we've already obligated,
15 morally obligated to pay up to a million dollars. Once the
16 million dollars is spent whenever, once that is spent, then
17 there's no more money.

18 SENATOR CARRICO: The moral
19 obligation was that we would spend up to a million dollars. It
20 doesn't say we have to spend a million. The purpose of my
21 motion is that we are able to capture the remainder of
22 whatever those expenses were if it's \$150,000 to date we'll pay
23 the \$150,000 and then we're in with \$800,000 and we can
24 capture the remaining \$200,000 and just never materialize.

25 DELEGATE JOHNSON: Mr. Chairman, I

1 think morally we're obligated to spend up to a million dollars.
2 And even though I'm not happy with it, I think we made an
3 obligation to people they can spend a million dollars if needed
4 then it would be morally wrong for us to say today to say stop
5 today and we still have \$200,000. I think they should have
6 been given notice, not today, even though I agree.

7 DR. REDWINE: I'm sitting here thinking
8 about how both of the comments and I understand where
9 you're coming from. I do want to say since we're sitting here
10 talking about it what we're doing is asking them to do more
11 and show us more in the next four months than they've done
12 in three years and do it with no money. They're ability to
13 come to us with –

14 DELEGATE JOHNSON: My answer to
15 that is that if I was in the shoes of that person I'd sit down
16 and walk out today if I don't get paid. You promised me you'd
17 pay me a certain amount of money, now you're saying no pay,
18 I'd see you; I'd walk out. I wouldn't do another moment's
19 work.

20 SENATOR CARRICO: If I could ask the
21 staff this question. If we agree to one million and we agree to
22 my motion today to materialize and all the information we
23 need to say that this is being successful, what limits us in
24 January when they show us they're ready to move forward for
25 the remainder of one million?

1 MR. PFOHL: I think it's the element of
2 risk if they take on expenses after today not having assurance
3 that we're going to reimburse them.

4 DR. REDWINE: I tell you what, we've got
5 a motion on the floor and we'll have to see how it flies. We've
6 got a motion and a second. This is Senator Carrico's motion
7 and amended by Mr. Montgomery that we set the deadline for
8 the reports to be in on December 15th. We have a motion and
9 a second. All those in favor of the motion signify by saying
10 aye. (Ayes.) Opposed?

11 MR. REYNOLDS: No.

12 DR. REDWINE: All right, ladies and
13 gentlemen, anything else to come before the Committee this
14 morning? It's been a long meeting and a lot of things going on
15 and appreciate you being with us. We're already thirty
16 minutes behind our next meeting. At this time we'll adjourn
17 the meeting and take five minutes.

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19 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 Thursday, September 26, 2013 at 9:00 a.m. at the Holiday Inn Bristol Hotel & Conference Center in Bristol, Virginia.**

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

Given under my hand this 5th day of October, 2013.

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

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