

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                                   **Special Projects Committee Meeting**

10                                  Monday, January 6, 2014

11                                  2:00 P.M.

12  
13                                  Hilton Richmond Hotel & Spa/Short Pump  
14                                  12042 West Broad Street  
15                                  Richmond, Virginia 23233

1 **APPEARANCES:**

2 The Honorable Daniel W. Marshall, III, Chairman  
3 Mr. Kenny F. Barnard  
4 The Honorable Kathy J. Byron  
5 Mr. John R. Cannon  
6 The Honorable Charles W. Carrico, Sr.  
7 Ms. Mary Rae Carter, Deputy Secretary  
8 Rural Economic Development  
9 Ms. Sandra F. Moss  
10 Dr. David S. Redwine, DVM  
11 Ms. Beth D. Rhinehart  
12 The Honorable Ralph K. Smith  
13 Mr. Robert Spiers  
14 The Honorable Gary D. Walker

15

16 COMMISSION STAFF:

17 Mr. Timothy S. Pfohl – Interim Executive Director, Grants  
18 Program Administration Director  
19 Mr. Ned Stephenson – Deputy Executive Director  
20 Ms. Sarah K. Capps – Grants Program Administrator,  
21 Southside Virginia  
22 Mr. Benjamin Dawson – Grants Assistant,  
23 Southside Virginia  
24 Ms. Carolyn Bringman – Performance Data Analyst  
25 Ms. Stephanie S. Kim – Director of Finance

1 DELEGATE MARSHALL: All right. I  
2 welcome everybody to our meeting. Would everyone please  
3 take their seat? I'll ask Mr. Pfohl to call the roll.

4 MR. PFOHL: Mr. Barnard?

5 MR. BARNARD: Here.

6 MR. PFOHL: Delegate Byron?

7 DELEGATE BYRON: Here.

8 MR. PFOHL: Mr. Cannon?

9 MR. CANNON: Here.

10 MR. PFOHL: Senator Carrico?

11 SENATOR CARRICO: Here.

12 MR. PFOHL: Deputy Secretary Carter?

13 DEPUTY SECRETARY CARTER: Here.

14 MR. PFOHL: Delegate Marshall?

15 DELEGATE MARSHALL: Here.

16 MR. PFOHL: Ms. Moss?

17 MS. MOSS: Here.

18 MR. PFOHL: Ms. Nyholm can't be with  
19 us today. Dr. Redwine?

20 DR. REDWINE: Here.

21 MR. PFOHL: Ms. Rhinehart?

22 MS. RHINEHART: Here.

23 MR. PFOHL: Senator Smith?

24 SENATOR SMITH: Here.

25 MR. PFOHL: Mr. Spiers?

1 MR. SPIERS: Here.

2 MR. PFOHL: Mr. Walker?

3 MR. WALKER: Here.

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

6 DELEGATE MARSHALL: Thank you.

7 Now, do I have a motion to approve the minutes of November  
8 25, 2013, which are published on the website?

9 MR. WALKER: So moved.

10 MS. MOSS: Second.

11 DELEGATE MARSHALL: We have a  
12 motion and a second. All those in favor say aye. (Ayes.)  
13 Opposed? (No response.) All right. Let's go to the  
14 applications.

15 MR. PFOHL: Sarah?

16 DELEGATE MARSHALL: Ms. Capps, tell  
17 us about this emergency request for Cumberland County.

18 MS. CAPPs: We had a request from  
19 Cumberland County related to grant number 2590 and this is  
20 the Industrial Proposal from the IDA. It was a repurpose  
21 request from Cumberland County. This is \$185,600 grant  
22 that was made to Cumberland County IDA in September  
23 2012. The original funds usage was for construction of the  
24 access road into the Cumberland County Industrial Park. The  
25 Special Projects award was combined with Southside

1 Economic Development award, which the county also  
2 requested to be repurposed and the Southside Committee  
3 approved that. The revised use of the funds as proposed by  
4 the county is to be used to support water line construction  
5 into the Industrial Park and the staff has supported this  
6 request.

7 DELEGATE MARSHALL: Any questions  
8 of the Committee? Is there anyone in the audience that would  
9 like to speak in favor of this? You don't have to but if you  
10 want to, you can speak. All right, what's your pleasure?

11 MS. MOSS: I move we approve this.

12 DELEGATE MARSHALL: All right, I've  
13 got a motion and a second to approve the request. All those in  
14 favor say aye. (Ayes.) Opposed? (No response.) That passes.  
15 Next is the Massey Cancer Center.

16 MR. STEPHENSON: Mr. Chairman, I  
17 invite your attention to page 49 of your book. In September  
18 the Commission approved a \$2 million grant to VCU for the  
19 benefit of the Massey Cancer Center but that approval was in  
20 September contingent upon your seeing a Memorandum of  
21 Understanding or an agreement with VCU at your meeting  
22 today. The approval of that disbursement of the grant is  
23 subject to the approval of that agreement. The staff has met  
24 with representatives from Massey Cancer Center and we  
25 worked on this since September. I think the essence of this is

1 captured in Exhibit C. That starts out with a Memorandum of  
2 Understanding after much discussion we all realized we're  
3 probably best served by using our standard Tobacco  
4 Commission grant agreement, which is what appears before  
5 you in your book.

6                   Some of the issues that you may recall  
7 from back in September were surrounding the location and  
8 the use of the grant proceeds whether they be in Richmond or  
9 elsewhere in the Tobacco Region. We have representatives  
10 from the Massey Cancer Center here today if you need them to  
11 address the Committee. This is the agreement we have  
12 worked out for use in disbursing that grant.

13                   DELEGATE MARSHALL: Any questions  
14 for the Committee? All right, is there someone here from  
15 Massey who would like to speak in favor of this? You don't  
16 have to, but if you'd like to, we'll hear from you.

17                   DR. HOULIHAN: Good afternoon, Mr.  
18 Chairman and Committee members. I'm Dr. Robert Houlihan  
19 representing Massey Cancer Center. As Ned pointed out, we  
20 have worked very cooperatively with the administration of the  
21 Tobacco Commission in preparing this proposal for the  
22 Commission. I'd be happy to answer any questions that the  
23 Committee might have myself. The grant itself remains intact,  
24 the three initiatives. We hope the Commission is involved with  
25 the work that we've done as well as the approval of the grant

1 so we can begin the project and be ready to go.

2 DELEGATE MARSHALL: What we see  
3 before us is the grant agreement, Massey is okay with this?

4 DR. HOULIHAN: Yes.

5 DELEGATE MARSHALL: Any questions  
6 by the Committee?

7 DR. HOULIHAN: Thank you.

8 DELEGATE MARSHALL: Any further  
9 questions of Ned? All right, what's your pleasure? We need a  
10 motion.

11 MR. CANNON: Move for approval.

12 DELEGATE MARSHALL: We have a  
13 motion and a second. All those in favor say aye. (Ayes.)  
14 Opposed? (No response.) All right, that passes, thank you.  
15 Next we have our new Megasite prospect, Tim?

16 MR. PFOHL: There was a little bit of a  
17 misnomer there on the Committee agenda based on some  
18 misunderstanding we have a prospect that's working with  
19 Martinsville/Henry County the Economic Development  
20 Corporation and a new grant proposal we received in recent  
21 weeks. This is to accommodate a European industrial  
22 prospect. Before we get into the specifics of this summary and  
23 a grant request, which was emailed to you a couple of weeks  
24 ago. So I'm going to point you to page 42 in your Commission  
25 booklet. That is the CCAM Economic Development Annual

1 Report 2013 Executive Summary from Joe Anwyl. He is the  
2 Director of Economic Development for CCAM, which is the  
3 Commonwealth Center for Advanced Manufacturing. Joe's  
4 our representative recruiting companies in Europe on behalf  
5 of the Tobacco Region. At the bottom of page 42, Joe has  
6 provided a chart and the companies he's working with many  
7 in the Tobacco Region have narrowed down these sites and  
8 some of these companies are scheduled to come in January  
9 and February.

10 The first company listed has a company  
11 code name of, and this is a confidential project. They have  
12 visited the Tobacco Region in June and had a second visit in  
13 October. The potential investment is \$23.5 million and job  
14 creation includes 155 jobs. That is indeed the company that  
15 is the subject of Martinsville/Henry grant. The company  
16 called Bespoke will construct a 59,500 square foot facility on  
17 Track 17A at the Patriot Centre Industrial Park. This leading  
18 prospect emerged from the CCAM agreement effort with 155  
19 new jobs with an annual average wage of around \$31,000 per  
20 year, capital investment \$27.3 million, \$4 million in  
21 construction, \$23 million in equipment.

22 Virginia submitted a comprehensive  
23 incentive package to the company several weeks ago and the  
24 company said it falls about a half a million short and then  
25 they'll make an announcement in the next few weeks to locate

1 in the Tobacco Region. The TROF is involved and the staff is  
2 recommending \$500,000 grant award and complying with the  
3 final TROF incentive performance agreement. That's  
4 conditioned on the company accepting the TROF and the  
5 special projects incentive agreeing to the TROF agreement.

6 DELEGATE BYRON: Is this what we're  
7 talking about here?

8 MR. PFOHL: Yes, the project is Bespoke.

9 DELEGATE BYRON: And Southside  
10 Economic Development. Martinsville/Henry doesn't have a  
11 sufficient allocation and we needed the Southside Economic  
12 Development program to accomplish this. Are they going to go  
13 forward?

14 MR. PFOHL: By rights they're allowed to,  
15 they approached Special Projects and the allocation is not  
16 sufficient.

17 DELEGATE BYRON: It's good to know.

18 MR. PFOHL: All right.

19 DELEGATE MARSHALL: Are there any  
20 other questions? Mark Heath, do you want to come up and  
21 speak?

22 MR. HEATH: I'm Mark Heath, Economic  
23 Development Martinsville/Henry. With this project and what  
24 you've heard, there's really not a lot more to say other than we  
25 do believe that support of this project will let us finalize this

1 deal CCAM has generated this prospect and we've had a lot of  
2 meetings and a lot of traffic. We believe this will really be  
3 beneficial to our area. This is one of the biggest projects in  
4 our area and this will certainly help us and we're ready to go.  
5 We're very excited about it.

6 DELEGATE MARSHALL: We understand  
7 this involves aerospace?

8 MR. HEATH: Yes.

9 DELEGATE MARSHALL: Any questions  
10 for Mr. Heath? All right, thank you Mark. Any other  
11 questions by the Committee?

12 DELEGATE BYRON: Is this location  
13 within the park?

14 DELEGATE MARSHALL: The location is  
15 an existing spot, spot 17A in the Park in the Patriot Centre in  
16 Henry County.

17 DELEGATE BYRON: But making an  
18 investment in the Industrial Park, we've made some  
19 investments there in the past.

20 DELEGATE MARSHALL: There has been  
21 and there's been support.

22 MR. HEATH: In the past, you have  
23 supported us.

24 DELEGATE MARSHALL: I think the  
25 allocation for Henry from Southside is about \$100,000, it's not

1 really a lot.

2 MR. HEATH: For Henry County this  
3 particular go around, \$1.5 million we had to that way, Henry  
4 couldn't do it on their own.

5 DELEGATE MARSHALL: I think this is a  
6 real win for everyone and putting up money to hire Joe at this  
7 point and putting him in the field around Europe and asking  
8 him to go find prospects for us and that's what he did and  
9 now we've got one.

10 MR. HEATH: I don't believe if it wasn't  
11 for him, we would have had this.

12 DELEGATE MARSHALL: Yes. Senator  
13 Wampler, you stand up in the back, do you have something to  
14 say?

15 SENATOR WAMPLER: I wish you all  
16 amazing success.

17 MR. STEPHENSON: Mr. Chairman, for  
18 clarity, I understand this grant that's being contemplated,  
19 these dollars are to be added to the TROF dollars already  
20 approved and all captured under a TROF agreement with a  
21 clawback provision.

22 DELEGATE MARSHALL: That's what I  
23 understood, I believe Tim said that in his opening remarks.  
24 Are there any other questions? We operate on a motion.

25 MR. WALKER: So moved.

1 MR. CANNON: Second.

2 DELEGATE MARSHALL: We have a  
3 motion and a second, all those in favor say aye. (Ayes.)  
4 Opposed? (No response.) I believe that completes our  
5 business. Is there any public comment about the Special  
6 Projects, is there anyone that would like to come up and tell  
7 us how the world should be?

8 MR. STEPHENSON: Mr. Chairman, let  
9 me apologize. We do have an existing grant, which was made  
10 to the REDC Capital Group. The purpose of that grant was to  
11 provide money to that group and for them to make microloans  
12 with the grant proceeds. They have come to the Commission  
13 to ask the Commission to allow them to pledge or hypothecate  
14 which loans that they're making to the USDA to get more  
15 money to make still other loans. So the request before the  
16 Committee is that it's for your grant funded asset loans be  
17 pledged to another party, risk of loss, that is the request being  
18 made by this group.

19 DELEGATE MARSHALL: So those loans  
20 you're saying are at risk of loss?

21 MR. STEPHENSON: Yes, we have  
22 granted the money to this group and they have in turn loaned  
23 it to many different people. They hold those notes. If the note  
24 payer agrees, then the money does not come back to the  
25 Commission but your grant agreement provides that they

1 cannot sell or hypothecate or otherwise dispose of any of those  
2 notes without your permission. They want to.

3 MR. PFOHL: For the benefit of any new  
4 members, this was a grant that was approved in the regular  
5 Special Projects cycle in September and that was a \$500,000  
6 grant to REDC to establish a small business loan fund in  
7 Southern Virginia.

8 MS. RHINEHART: Are they talking about  
9 a portion of those loans or are we talking about a portion of  
10 that?

11 MR. PFOHL: I don't have any specifics  
12 on that.

13 DELEGATE MARSHALL: If we only  
14 approved it in September, it's not actually approved because it  
15 hasn't been before the full Board.

16 MR. PFOHL: It was approved by the  
17 Commission.

18 MR. STEPHENSON: They may not have  
19 loaned all of the half million dollars yet but anticipating that  
20 they will and seeking permission to then hypothecate those  
21 notes.

22 DELEGATE MARSHALL: Why do they  
23 want to do this?

24 MR. STEPHENSON: The request says  
25 this would enable them to get still more money from the USDA

1 which they would use to make still more loans. They will  
2 leverage their lending portfolio by pledging these notes?

3 DELEGATE MARSHALL: Any other  
4 questions? All right. So the request is to allow REDC to  
5 pledge –

6 MR. STEPHENSON: To allow REDC to  
7 pledge or hypothecate grant funded loans.

8 DELEGATE MARSHALL: Do we have any  
9 question about the request before us. All right, what's your  
10 pleasure? I need a motion.

11 MR. SPIERS: I think if it would enable  
12 them to make more loans with the money we've given them, I  
13 would be in favor of that. So therefore, I would make a motion  
14 that we allow that base selling their loans in the secondary  
15 market to make more loans all the time and that's done. So I  
16 would assume that if USDA has procedures in place that they  
17 would protect the money and allow them to make more loans.  
18 So I move we allow them to do that.

19 DELEGATE MARSHALL: We have a  
20 motion, do we have a second?

21 MR. BARNARD: Second.

22 DELEGATE MARSHALL: Any  
23 discussion?

24 MS. RHINEHART: Mr. Chairman, is this  
25 something we've done before?

1 MR. STEPHENSON: Not in my memory.  
2 Tim, do you remember?

3 MR. PFOHL: Not at the moment.

4 MR. WALKER: If I understand correctly,  
5 we made a grant, which is not, we're not getting any of that  
6 money back. Selling these notes and getting more money?  
7 Our position hasn't changed.

8 DELEGATE MARSHALL: That's the way I  
9 see it. Is there any other discussion? We have a motion and a  
10 second, all in favor say aye. (Ayes.) Opposed? (No response.)  
11 Anything else?

12 MR. STEPHENSON: Thank you, Mr.  
13 Chairman, I apologize for bringing that up late.

14 DELEGATE MARSHALL: That's no  
15 problem, thank you. All right, then we're adjourned.

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17 PROCEEDINGS CONCLUDED.

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## 1 CERTIFICATE OF THE COURT REPORTER

2  
3 I, Medford W. Howard, Registered Professional  
4 Reporter and Notary Public for the State of Virginia at large,  
5 do hereby certify that I was the court reporter who took down  
6 and transcribed the proceedings of the **Virginia Tobacco**  
7 **Indemnification and Community Revitalization**  
8 **Commission Special Projects Committee meeting when**  
9 **held on Monday, January 6, 2014 at 2:00 p.m. at the**  
10 **Hilton Richmond Hotel & Spa in Short Pump, Richmond,**  
11 **Virginia.**

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

15 Given under my hand this 22<sup>nd</sup> day of  
16 January, 2014.

17  
18 \_\_\_\_\_  
19 Medford W. Howard

20 Registered Professional Reporter

21 Notary Public for the State of Virginia at Large

22  
23 My Commission Expires: October 31, 2014.

24 Notary Registration Number: 224566