



SPECIAL PROJECTS COMMITTEE

May 29, 2002, 10:00 A.M.

Patrick Henry Community College
Martinsville, Virginia

Special Projects Committee

The Honorable William C. Wampler, Jr.,
Committee Chairman

Members:

The Honorable Allen W. Dudley
The Honorable Kathy J. Byron
The Honorable Gary D. Walker
Mr. Thomas W. Arthur
Mr. H. Ronnie Montgomery
Mr. William E. Osborne
Mr. Matt Erskine,
Deputy Secretary for Commerce and Trade

Also Present: The Honorable Charles R. Hawkins

SENATOR WAMPLER: I'll call the meeting to order; I'm William Wampler a member of the Tobacco Commission and Chairman of the Special Projects Committee. Good morning to everyone. I think we are actually in Senator Reynolds' district if memory serves me right. Roscoe, is this your district?

SENATOR REYNOLDS: Yes, it is.

SENATOR WAMPLER: I know that you would want to welcome us to your district.

SENATOR REYNOLDS: Yes, sir. Thank you for that opportunity, and I'd like to welcome everyone, and I hope you have a pleasant day. If there's anything we can do to help you by going your bond if you get caught or anything like that.

SENATOR WAMPLER: As always, Senator Reynolds cuts right to it. Thank you, very

much. I'm going to do this very quickly, because we have lots on the agenda today, and we're trying to make accommodations for folks to make it through. Senator Hawkins, we'll recognize you in just a moment as Chair, but the Commission Members, and I'll just start with Delegate Dudley and we'll go around the table for the Commission members to introduce themselves, and that'll also be roll call for you, Carthan.

DELEGATE DUDLEY: I am Allen Dudley, member of the Tobacco Commission and member of the General Assembly and House of Delegates and represent the 9th District, which is composed of Floyd County, Franklin County and parts of Pittsylvania County.

MR. OSBORNE: I am Bill Osborne from Tazewell County, and I'm an ex-dairy farmer, and I still raise tobacco. I'm the former Sheriff of Tazewell County.

MR. ARTHUR: I'm Tom Arthur, Pittsylvania County, citizen member of the Committee and Chairman of the Southside Economic Development.

SENATOR HAWKINS: Charles Hawkins, member of the State Senate, representing Franklin County, southern Campbell County, Pittsylvania County, City of Danville.

DELEGATE BYRON: Kathy Byron, House of Delegates, representing the 22nd District, which is all of Campbell County and parts of Bedford County.

MR. WALKER: I'm Gary Walker, and I'm Chairman of the Board of Supervisors of Charlotte County.

MR. ERSKINE: Good morning, I'm Matt Erskine, Deputy Secretary of Commerce and Trade, here to represent the Secretary of Commerce and Trade.

SENATOR WAMPLER: Most people know Carthan Currin, our Executive Director. We have members of the Attorney General's Office and also the Tobacco Commission Staff. We have a busy agenda, and I will be exiting about 12:15 because I have to travel to the east later on, and probably we can take care of our business in two hours, and that's what Delegate Dudley told me we have to do.

Carthan, on the Agenda we have an item that must be approved, the approval of minutes. Is there a motion to move adoption of those minutes?

It's been moved and seconded. Any further discussion? Hearing none, all in favor signify by saying aye. (Ayes) Opposed, nos. The ayes have it, and those are adopted.

MR. SHEPPARD: Mr. Chairman, that's the approval of two sets of minutes?

SENATOR WAMPLER: Dated October 26, 2001 and December 19th, 2001, as presented in the Agenda.

MR. SHEPPARD: Thank you, Mr. Chairman.

SENATOR WAMPLER: Carthan, you had a shift on the agenda, tell me what you want to do.

MR. CURRIN: Thank you, Mr. Chairman. Members of the Committee, I'd like to ask Mr. Doug Carter, Community Energy, Incorporated, to give a presentation. A central project that may be of interest to this Committee and the Commission at a future date.

MR. CARTER: Thank you, very much, Carthan. And thank you for having Community Energy to your meeting. Others will make the presentation, and I will run the slide show. It's an honor to have the opportunity to present wind and power projects into Senator Hopkins' chest here. I think I'll work around that.

SENATOR HAWKINS: I'll move, would that be a lot better?

MR. CARTER: If we can figure out how to turn this on, we'll move through this quickly.

MR. REYNOLDS: Good morning, I'm President of Community Energy, and we're based in Pennsylvania, and I appreciate the minutes to explain the kind of activities we've been up to in the mid-Atlantic in bringing wind energy to the region. It has taken us really very quickly in a year or so development into this part of the State of Virginia. So we appreciate the opportunity to give you a brief overview on what the industry makes available in this part of the country and the state. The kind of things

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we'd like to do here, and we're under way already, and that may develop a new energy resource in this region. I can start on the slide coming up, which makes the wind energy available in this part, not any longer just in California and Wyoming, the high wind states in the country. There are changes in the technology, and we're going to larger turbine sizes developed in Europe, and they're two hundred feet tall now. You need a lot fewer turbines, and they come on at about eight miles an hour, so you can generate an immediate wind resource in areas like the mid-Atlantic, where we couldn't as little as five years ago. The result is that the costs of wind energy have come way down from almost forty cents a kilowatt hour as recent as fifteen years ago to three to five to six cents per kilowatt hour now. What it does with the volatility of gas prices in some of the restructuring issues that we faced in many of these states. It's also come on as a valuable hedge value. So once the wind turbine is up there's no fuel, and you've got constant price power for twenty years.

A couple of things we look for in where these might be sited are elevations and receptivity of the area, what do people want. We found that it's a world product, and it's a new crop where you find receptivity, and that's where a product is most attractive. On a high altitude or ridge area farm, you might site these at about one per acre, or something like that, or maybe a little bit less. Each turbine is sited and takes up very little ground space, footprint space, very small, so farming goes on. The farmer generates about three thousand dollars a year in income per turbine. Might get thirty to fifty thousand dollars a year income from an average size wind farm to the farmer. It's also tax revenues for the township, thirty to eighty to a hundred thousand dollars a year in taxes, depending on the size of the wind farm. What we're finding in the sites that we put together in Pennsylvania, now we've got one in West Virginia, these are good neighbors. They're economic neighbors and new business, new resources. It's a future energy resource, and it's very compatible with states like Pennsylvania, West Virginia and Virginia, who have had energy resources over the years like coal, oil and natural gas. It gets into that same structure and brings in a new resource into the area.

The prospect way that new industry begins in an area like this part of Virginia is to measure the wind data. Searching for the oil or doing geological or seismic surveys. The first step on prospecting for wind is to put up about a fifty-meter tower with an anemometer on top of it and to measure that data over the course of a year. Wind is seasonal. Once you have a year's data of a particular site, then we can correlate that with whatever airport wind data you have in the area and very quickly start to see whether that is a viable wind farm potentially. There are some wind maps, which we'll provide some copies of. They have a broad perspective. They show that this part of Virginia, some of the counties that this Commission deals with, will be good prospects for wind energy. Our next step is to get the towers up, get up more than one, and get a twelve, and we'll get a project in this part of the state.

From the corporate perspective, what we want to do is take a look and see where we put up those first ten or fifteen, see what the investment is on those, we'll get a project in that area once the towers are up, and it's just about that simple, because we know enough where to place them to start with, and then the local weather data takes over after that.

Once that data is in place you can very quickly figure what kind of wind output you're going to get. You get, unlike a natural gas plant or a coal plant that might put out eighty percent or ninety percent of the time, wind technology is different. You've got about thirty-five percent of the time. The full capacity of this is a two-megawatt model, and you'll get twenty megawatts. In an average wind for Virginia that you look at here, you've got about a thirty-five percent capacity. Thirty-five percent capacity thirty-five percent of the time. Each one of those supplies electricity to about two thousand homes over the course of a year.

The first picture that comes up is the first project that we got up and marketed and sold in Pennsylvania, southwestern Pennsylvania, and that's the Mill Run Project. Those are 1.5 megawatt turbines and about two hundred feet tall, and that gives you an idea of the spacing of the new turbines. It's very compatible for land use, particularly farming. That's the second project along the Pennsylvania

Turnpike. We'll have two more coming on which will bring the total capacity in 2002 to a hundred and forty-nine megawatts. This one is under way, and that's projected visualization in the northeast part of the state. The next one is in West Virginia at the Backbone Mountain. That's a larger project. You can move along, where those projects are located, move along the ridge south and the ridge line and the house gives you an opportunity to see that on these slides.

The cost now really makes this a feasible technology east of the Mississippi. In 1999 it was six megawatts east of the Mississippi, now our projects alone are a hundred and fifty megawatts and another thirty or forty from other companies. The next slide, as a result of new technology worldwide wind energy is the fastest growing energy source. It just went ahead on the percentage basis of growth per year. It went ahead of nuclear about two years ago. Worldwide, this is a new industry. It's an economic opportunity for a state to take a lead on this. In the eastern United States you have to be concerned about where will the manufacturing facilities and the service organizations build up. The first plant located in the United States was a European manufacturer that led to the development and located in Illinois, certainly in the western part of the country. It's an opportunity to see which state leads and how we can start to build the industry east of the Mississippi, which is our goal. Here is a picture of how these go up. Once the wind data is measured here and we find the sites that are most acceptable to the community and offer the best wind resource, then we develop a market, and wind energy is a little bit more expensive. Let's go back to that slide for a minute. They go up in three to four months or six months at most from the time construction begins. A twenty megawatt project is a twenty million dollar construction project over about a six-month period of time, concrete foundations, steel fabrications. We're beginning to more and more do the steel fabrication locally, where we can. There's some high tech electronics involved, specifically, a gear box and a generator, and not that different than a lot of other motor technology and very adaptable in terms of local retraining and industry service organizations. Basically the way the wind turns the blade in the gear box with some sophisticated electronics, it's nice in terms of being able to adapt retraining in the local community.

Cranes put those up, and crane is the largest constraint on where we get these put up. You have to get the crane in there and get the turbine plugged in there, three or four months you have the towers up. The next picture shows the size of one of the blades. I don't know if there's a person in that picture, but it really is large scale compared to where we were several years ago. A hundred and twelve feet long, that's one blade, and two together is two hundred and some feet. The wind speed is what we measure first, and that shows why the cost of energy goes down if you find the right site. A twelve mile an hour site, and there's a sixteen mile an hour site average, and that makes a big difference in what cost of the energy is, and that's what that prospecting is, which I'll talk to you about next in this part of the state. The size of the wind farm makes a difference in the prices.

One of the driving factors is that this is clean in terms of emissions, because there's no smoke and no fuel, no imported fuel. It serves a lot of restructuring and environmental energy goals along with it. You feel it's simple to the public, and one of the things we do is there's marketing efforts involved in jobs, because the lead production of wind energy takes an initial buyers. James Madison University has been one of the leading universities to have a wind program. We've hired two graduates from James Madison up in Pennsylvania because they had a wind program. Universities have become the leaders in stepping up to buy the outfit from the initial project. I think Virginia or the university network can certainly be part of how this industry is built in the state of Virginia.

We can move on. That's the big wind map, and you can see how that follows the ridge down into this part of the state. The local meteorological data is way more important than, but this tells us where to start. Especially high elevation and the right constraints and topography helps. There's so many areas that we looked in the state and how it relates to this part of the state. Doug, who's here half-time and will be here shortly full time, will be in the process of seeing where we put those first ten, if we can get ten up, ten towers up. That's the prospecting data, and that's the catch. Whoever puts ten towers up first is most

likely to have the first project. In Pennsylvania there's two projects that got built as a result of wind data that was done about five years ago. There were five sites selected around the state. Two of them turned into projects and turned into the counties where the wind was sited. One of the reasons we wanted to come here today is we're looking for ways to see if we can get a jump on getting these wind towers up so we know what the resources are. That's some of our initial work. We'll be doing that over the next several months.

I'll wrap up quickly, but it's a diverse, innovative, competitive industry. It's got national growth and international growth and long term capital investments serves as a hedge on energy. This has to do with energy export. The land, the economics are good for the farmer, new crops for the farmer, and provides educational training. You can ultimately create a new industry somewhere along the east coast. How we move forward is start with the meteorological towers, start talking to land owners, Doug Carter will be doing that.

The last thing I'd say is that we would like to invite each of you to pass out these posters, and you can use it as a place mat or something, but it'll give you an idea what the sites in Pennsylvania look like, and it's similar to what would happen here. I extend an invitation to the Chair and each of the members to schedule with us to come see that site in the southwest corner of Pennsylvania. We'll give you a tour, and the time on the towers we'll make available to you, and it's a two hundred foot climb and takes about forty-five minutes, and it's one of the highlights of his life. You're a pretty small figure on top of that. This is all new technology. It's worked very well in the community. We look forward to working with you, and I'll stop there.

SENATOR WAMPLER: Does that complete your presentation?

MR. REYNOLDS: Thank you, very much.

SENATOR WAMPLER: Are there any questions from the Committee members? In reading the data that the staff provided to us, it's always interesting to learn what's going on in the region prospectively. I was a little perplexed as to why you're here this morning. I know this would bring an economic benefit during the construction phase, and if you had any manufacturing facility, perhaps, but we're kind of in the business of a legislative charge to create new jobs, and I'm just curious. Help me close the link as to why you're here this morning?

MR. REYNOLDS: Well, several things, and one, economic development for the region we're in, and we just wanted you to know that we're going to be here, or we hope to be here. Secondly, this is an opportunity, as I said, for some part of the region in the state if it's got the resources. It would become really the center of this industry east of the Mississippi. I mentioned the one plant located in Illinois, and there will be similar plants located in the east. There's income just from the wind farms themselves, and, of course, there's income for farmers and their jobs. Windsmiths is the name for the people that service turbines over a twenty year life of the project. There are windsmith jobs and wind marketing jobs. I think if you wanted to look at the plan in the big form and the long play, is there a possibility of a wind industry in this part of the country centering in some part of Virginia. Those are a couple of our thoughts. It's our intent to see if we can explore. It's more of a briefing at this point, and that's why we're here.

SENATOR WAMPLER: Okay, thank you. Any questions or comments from the Committee members? We thank you for your presentation. Next on the Agenda we'll hear from Virginia Tech. I'm not sure who all from Virginia Tech is going to be here. Oh, Dr. Steger is here. Ralph Byers jumps up every chance he gets. Dr. Steger, we're glad to have you, and excuse me, I didn't see you there. Dr. Steger, I see you have your University of Tennessee alumnus with you.

DR. STEGER: We recognize talent when we see it.

SENATOR WAMPLER: Thank you, very much.

DR. STEGER: I want to thank you all very much for the opportunity to come and make a presentation to you. We have presented to Senator Hawkins and Ralph Byers, who's distributing copies

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now of a funding request to the Commission. That's my purpose for being here, and I want to be clear. Minnis Ridenhour is here also, and he can answer any specifics on the financing and Bruno Sobral, who is the Director of the Bioinformatics Institute, is also here, and he can talk, and I'll call upon him in a minute to talk about some of the things we've been doing.

Let me take a couple of minutes just to establish the framework here. First of all let me say the Bioinformatics Institute would not exist were it not for the Tobacco Commission. It will be about two years old in July, and it has been an extremely successful effort on the part of all parties that are involved with it. We're in the process of growing an entity that does research, which we are confident will generate spin-off companies and employment opportunities. The Institute is in its early stages, but we are getting to the point where we think we're mature enough to start generating other economic activities in the future. So what we need to do is keep the momentum of this thing going. In Governor Gilmore's budget we attempted to get funding for the Institute. It was in the budget literally until the last hours. Unfortunately we did not get any funding. So our purpose is to continue to keep the momentum going to attract world class faculty members to the Institute, which we have been successful in doing so far, and to grow the business so that it will be competitive on a national and international scale. That's the competition that we're working with.

As you well know, we're also working on other fronts. One is helping to get installed a high band capacity so you can have internet access for businesses and industry in this region to enable the companies that we hope will be attracted to come here to be able to manage the huge amounts of data that modern communication technology requires, and particularly the research activities of bioinformatics. In thinking about the problem, we all have been talking about how you get business to locate in this part of the state for a long time. There has been more heat as of late, I guess, in that discussion. As we were thinking about this we were able to install all the broad band capability, but that still does not provide, necessarily, the compelling reason for a business to relocate here. In thinking about that problem, and I mention this to you, Senator Wampler and also Senator Hawkins, one of the issues you have is in terms of work force development and having the people that have the skill set to do the programming and things like that here. The second is to establish a track record so that a firm is willing to take a risk and locate some projects here. So we've done a couple of things that I'd like to mention to you in that regard.

First of all, Virginia Tech has retained a firm, Northern Virginia, but the principal involved in this is a former vice president of the Northern Virginia Technology Council. Go to software development firms and identify projects that we feel can be carried out in this region, that is under way right now. What Virginia Tech is doing in that regard is that we're going to take the risk out of the deal for the firm. Our proposal to the firm is that you identify the project, and we want to start with small projects. We're not sure how many people we have in this region that have these programming skills. I've been told, and our people are doing research on this, that there is some capacity. That we will guarantee the product. So our faculty will work with the group here. So the firm is basically making an investment. We're taking all of the risk out of the deal for them. We believe if we can do that we'll build a track record, and we can begin to grow other types of programming activity here in the area. That's under way, and we have hired a firm to work for us in Northern Virginia that knows a lot of these other software firms. I, personally, have met with the Vice President for Research for AOL and two other vice presidents. We're looking in ways that perhaps they can move some business. It's not going to be huge when you start, but we've got to get a track record going.

The second thing we've done in that regard is as the Virginia Bioinformatics Institute has grown, Dr. Sobral has also identified a software project he believes can be done in this area. We are now prepared to try to begin that as an experiment to see if we can, with this activity we're putting in place, begin to see some of these research activities and program activities that goes on in the Institute research program occur here.

Finally, some of you may be aware that I just returned last Saturday night from South Korea.

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There were a group of investors here visiting a couple of weeks ago, and I had an opportunity to meet with the CEO of the fund that's interested in finding ways to relocate and spur business development for Korean business in Virginia. They're very interested in what's going on. It's kind of a complex set of relationships, but let me only say that the Minister of Communications for Korea is a Virginia Tech alum, and they have made enormous strides. They have considerable interest in coming here and working. Also, the head of the Korean Telecom happens to be a Virginia Tech alumnus. They know a lot about what we're doing, they want to expand the opportunities for their companies in U. S. markets. I asked them specifically why, and that they could operate anywhere in the country, why are you interested in coming to Virginia. There's several reasons, one is that they already have an operation in Palo Alto, and secondly, they're interested in being in close proximity to Washington, D. C. Third, they're interested in coming to an area that has a stable labor market, people with good work values and, of course, they're interested in working with us in terms of research. Tentatively, the CEO of this company is planning to come to the United States in July, and I invited him to come and visit, and we'll bring him down here. This is not a fly-by-night operation, they're capitalized with billions of dollars. They have already taken fourteen IT companies, and they're now trading on the NASDAQ. This is a very serious enterprise, and they have a considerable success record, and they're interested in expanding what they do in the U. S. We don't know if it's going to produce anything or not, but we have some very, very constructive discussions. The people that were here a couple of weeks ago were very positive, and we needed to lay out a specific plan of action on that. That's sort of a general framework of what we're working with. I'm going to ask Dr. Sobral to talk about the specific accomplishments of the Institute over the past year or so. By any measure, it's really been a remarkable success. We have not only taken and used wisely the funds invested by the Tobacco Commission, we were able to get four and a half million dollars in Federal research monies to go into this. Virginia Tech has put a significant amount of investment in this facility. We're able to attract some really top notch people. We hope five or ten years down the road we're going to have an enterprise that generates tens, if not hundreds, of millions of dollars for Virginia. We're, in fact, ahead of our plan in that regard. With that let me call on Dr. Sobral to give us a summary of the accomplishments of the Institute, and we'll be happy to respond to any questions you may have.

SENATOR WAMPLER: Thank you, Dr. Steger.

DR. SOBRAL: Thank you, Mr. Chairman and members. I guess what I'd like to do is just very rapidly summarize to you some of the big picture achievements but more importantly focus on the relationships that we have been working around in this region.

At the very high level the Institute, as President Steger said, is going to be two years old on July 1st. We have so far been able to compete successfully for twenty-five million dollars of extra funding, and that is essentially leveraging the investments that have been made to create the Institute. For year two that means about a seven million dollar extramural funding expenditure rate. Our long-term goal over the next five or six years is to achieve somewhere between twenty-five and thirty million of extramural funding on a stable basis. The Institute also has approximately sixty people now, and we're currently looking to fill another thirty or so positions. Many of our more recent hires have actually come from the region that we're in, so that's obviously providing opportunities for people in that region as well for employment.

More specifically in the region, what we've been looking at is a number of interactions that we've been fortunate to have with the Institute for Advanced Learning in Danville. In terms of one of the specifics also Mr. Currin asked us to review some of the South Korean opportunities a while back. We got a preliminary indication as you heard from President Steger, it looks like there's some good opportunities there for the region. We've made ourselves available to Mr. Currin and anyone interested to give additional scientific and technical review to the merits and opportunities that might come down the line from that collaboration.

With the Institute for Advanced Learning we've also recently had the opportunity to talk to the
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NIEHS, which is Environmental Health Sciences. They are situated in Research Triangle Park in North Carolina but have a very strong influence and a need for bringing bioinformatics into the picture in some of the things that they're doing. In working with Virgil Goode, he has essentially established contact with them to go forward now and talk about how the Research Triangle Park concept can be expanded to include this region all the way through Blacksburg. And, also, they have some needs in northern North Carolina. So I think that's an opportunity where the head of NIEHS will be talking to us about how to leverage bioinformatics into this region for the greater needs of what's going on in that field.

As President Steger alluded to, we have defined our first software development project, and we want to engage with software capabilities in the region here, and we hope that's the first of many. This would be funded through a contract we have with the Department of Defense. So as we understand better the capabilities and opportunities of the region plan to grow on that model.

We also have been talking to the Blackstone Agriculture Research Center, together with Virginia Tech's horticulture department, to talk about how to refocus some of the efforts of that unit, which historically has been in tobacco, into new high value horticultural crops, including grapes for wine. We have a presence with the National Science Foundation and funding opportunities there. That model can be put forward, and we're investigating it, to provide additional federal leverage in funding for that kind of research that's going to be done local there.

Then I guess the final two points are, one is, you probably heard about this, high performance internet infrastructure in the region. We've now worked also with the super computer center in North Carolina to essentially start, and I'll be talking to the Director of the National Science Foundation tomorrow about this, seeing that the southwest region is a major player in bringing together biotechnology and information technology, which is what bioinformatics is about. We want to convince NSF that if they'd look at the national map, and if they only talk about California, Washington, D. C. and Michigan they're missing a big part of what's going on in bioinformatics research in southwest. We want to be leaders. We have the capability to be leaders. So I think that message is going to be very helpful in terms of getting this type of infrastructure built out into the region, which is going to be very important to the future.

Finally, with the educational leverage of the good projects that have already started in the region with community colleges K through twelve, we're very fortunate to hire someone that worked for the Director of NSF recently, and we are now going to NSF to request additional funding to build upon those programs and provide graduate level opportunities for people that come up through those programs, because as these opportunities come to the region we're going to need a trained work force. With this kind of integration and focus all the way through K through twelve, community college, graduate programs, we will have the opportunity to get individuals from the region trained through a pipeline where they would be able to provide capabilities for businesses that had an interest in moving to the region and make the region more attractive.

That's in a very quick nutshell, but the quicker side is that on June 12 through 14 I've been invited by Philip Morris to provide them some ideas about how they should invest in bioinformatics in Virginia. We hope to go to that symposium in Richmond, which is by invitation only, and explain to them what are some of the things that could be done. With that I'd be happy to answer any questions. I really appreciate the support that you folks have given this Institute, and we think there's a lot of opportunity coming out of what we are doing together.

SENATOR WAMPLER: Any questions from the members?

Senator Hawkins, do you want to provide some guidance to us as to how you see this project?

SENATOR HAWKINS: Well, let me start at the beginning, I suppose. The first thing we've got to understand in my mind, Mr. Chairman, is that the research component of this cannot be understated as far as its importance. As we try to determine how we can put in place a different sort of wealth structure on family farms, bioinformatic research is vital to that. That's one of our first charges,

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trying to stabilize the family farm. Also, if you look at the history of development throughout the country with the availability of a research component that a major university brings, things have a tendency to change. Virginia needs to be a world-class research state. To do that there has to be investments made in major institutions such as VPI that will bring about that sort of transition that the economies need.

Having said that, I also understand fully the restraints we're working under financially right now. I'm not sure how the monies will play out as the day goes on or at the meeting in June. This is too important, I think, to let slide. Hopefully, we can figure out something to do to work with Virginia Tech to make sure that this is an ongoing project, because it's awfully important to us, as you well know, Mr. Chairman. One of our first initiatives was investment in this Bioinformatics Institute, and I would hate to see us back off of that commitment. There are many requests that have a lot of merit today and very little money to deal with. So rather than having this sort of thing just disappear, I think probably it may be best to carry it over to the full Commission meeting and figure out what we can do with monies available at that point.

SENATOR WAMPLER: Any other questions or comments from Committee members right now?

DELEGATE BYRON: Can we be more specific? As it states in here that this one time contribution would allow the research facility to run the project on schedule. What happens if the money doesn't come?

SENATOR WAMPLER: Who wants to try to answer? I think Delegate Byron is asking a great question and one that I was going to ask. Normally Carthan will send you through this excruciating exercise of how you complete the application to say what you're going to spend, how you're going to spend the money and how you're going to leverage it further, and so forth. I think we need, in just a snapshot, please, how you would spend the proposed funding?

DR. SOBRAL: The Institute requires operational funds to basically continue its wrap-up and its attraction of world class investigators. For example, we have next month joining us someone that we attracted from the University of California at Davis, Dr. Brad Tyler. He is already bringing with him a 6.7 million dollar grant to work on agricultural research. Basically, it's to work on plants and interactions. We already have, and I collaborated with him, another four and a half million dollars of pending grants that he's already applied for. That's prior to actually starting here. So to attract those kinds of individuals we need to have a stable funding base; otherwise, they're just not going to come. That's the basis of making sure as President Steger alluded to earlier, that operational funding requested from Richmond, and given the financial times and the last minute it was not available. What we're trying to do is make sure that the Institute keeps growing on target, and this request would make sure that continues to occur. Have I captured the question well?

SENATOR WAMPLER: I think I heard you say it was to attract the best and the brightest and goes for general ongoing or operating support of the facilities.

DR. SOBRAL: That's correct. Making sure that we can continue to build the program as we had planned.

SENATOR WAMPLER: Kathy, does that answer your question?

DELEGATE BYRON: Yes, although I'm sure that Virginia Tech, being the wonderful university that it is, and I'm sure you planned everything way in advance, and I'm sure you wouldn't have invited him to the facility without realizing you would be willing to keep him there, I assume. You're talking about future people beyond that.

DR. SOBRAL: Also, as I'm saying as of July 1st, our original plan counted on the original budget from Richmond, which evaporated at the last minute. So that's part of what's going on. We also have other people that are joining us right now. I'm competing with Cornell, University of California at Irvine, we are competing with the top universities in the nation trying to recruit people. This is an incredibly rapidly moving field, and it's a huge opportunity. Other states recognize that as well, and we need to keep competitive and have to have the opportunity to make the kind of offers that will secure

these people for Virginia.

SENATOR WAMPLER: Senator Hawkins, do you have a point?

SENATOR HAWKINS: To underscore what you said earlier about attracting these individuals that have international reputations, bringing with them the monies that companies invest. Is it not true that companies have a tendency to follow personalities that they know and have worked with, and most of the money that goes into research work comes from private companies that invested in public institutions as they develop their research. So, in fact, you're talking about long term investments that will be coming based on these investments that are made up front.

DR. SOBRAL: Yes, sir.

SENATOR HAWKINS: But the three million dollar piece, Mr. Chairman, is the one that I think is a fairly substantial amount for us to try to climb right now. I don't know where it's going to come from.

SENATOR WAMPLER: I think our banker has a question on that one. Delegate Dudley.

DELEGATE DUDLEY: In the information we have reviewed, and I thank Ralph for giving me a fresh copy, I thought the first one had blood on it for me. Took the blood out, and this was the last time all over again. In there there was some information that maybe money was committed from the state for the following year, is that true or not?

DR. STEGER: We are working with the current administration to have the bioinformatics included in the Governor's next budget. In fact, we have a meeting in Richmond tomorrow. So what we're trying to do is keep the momentum of this enterprise going so that we can continue to be successful. It's certainly not our expectation and not our desire to be here today, quite honestly. We do have an enterprise that is very successful, and if we don't keep it going it's not going to succeed.

One other point I'd like to make, Mr. Chairman, is that all of these things, the competition is fierce and there are risks involved. We're building a twenty-four million dollar facility, which we have committed to pay for out of our research overhead earnings from this institute. There are some risks, and I wish we could have carefully planned it, but if you wait till that is possible you'll never do anything. So we're on the line to make this thing successful, and we think it will be a tremendous and positive factor for Virginia's economy. I hope the specific projects we mentioned will give you some sense of our intention to help and share that employment opportunity in Virginia and in this region. So that's what we're trying to do. We have a great track record. We're not just promising things, but we've demonstrated we can do it, and we would be most grateful for your support.

SENATOR WAMPLER: Any other questions? Dr. Steger, I'm going to take my hat off as Chair for the moment and say that I am favorably inclined to support your request. I concur with Senator Hawkins that I don't know where we're going to scrape up the three million bucks to do it, but I'll also say I'm going to stop trying to guess or predict what the full Commission will do. We have thirty some individuals with different ideas on how to reinvigorate the economies of southside and southwest. One of the concerns we have is that we still as of yet haven't seen jobs created in the heart of the growing regions. I think we do believe in the long term your program will yield dividends not just for the two regions but for the Commonwealth and something we can be proud of. I say this more to the Committee members now. We have a challenge today and we haven't even started the inside baseball exercise of how we're going to try to allocate our dollars and what our plans for the balance of the year will be. Senator Hawkins, Mr. Chairman, I don't know that, I'm not going to send the beach ball over to the next beach, but we cannot get critical mass today to do what we need to for Virginia Tech. I don't know what opportunities there are to restructure their requests. We simply, I don't think, have the cash or the will to give all of it to one entity, which basically is the decision we're faced with.

SENATOR HAWKINS: Yes.

SENATOR WAMPLER: I think our investment today goes to good faith that we believe in the project, but I just quite frankly in fairness to the folks from Virginia Tech, and we need to give

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them some indication today of what we are or we're not going to do, and that's kind of where I'll leave the discussion right now to the Committee. Mr. Chairman.

SENATOR HAWKINS: Well, I think your point is well made, Senator, and I wish I had a good answer for you. I think that the ongoing discussion is important enough that we need to have some understanding of some type of commitment at a juncture, and I'm not sure today is a good day for it. We've got to have a better grasp of the commitments that we're looking at around the table from other interests as well that we talked about today. Also, what we can do long-term with those things that we can do this year and those things we may be able to do next year. It's just difficult right now to make a decision based on this, but I would like to have the opportunity to work with Carthan and his staff and have some sort of understanding about the projections and revenue and cash flows and where we are and what's going on long term, which I do not feel comfortable with right now.

SENATOR WAMPLER: Mr. Chairman, I read some of the proposed restructuring and organizational matters of the Commission, that we will have an educational entity. We have yet to decide how much we will deposit in that fund. That perhaps is in conjunction with maybe some of the dollars that we have here to cooperate with the other entities to try to find, the other committees to try to find dollars that might be best addressed on Virginia Tech's request. That's just a thought of where we are today, because I think I've sensed everybody's feelings not wanting to write one check to one entity in terms of the meeting today.

MR. OSBORNE: May I tell a story for just one minute?

SENATOR WAMPLER: Sure.

MR. OSBORNE: In Millertown, Pennsylvania there's a dairy farm operated by a graduate of Virginia Tech. Everywhere you look on the barn windows and the milk and dairy farm windows it has VT stickers. It's on the tractors. Two weeks ago this visitor came by and wouldn't get out of the car, and the hired hand goes down to see what the problem was and looks at all those stickers and says, well, is that some kind of disease. And the hired hand looked at him and said, well, it is around here. So you have support out there in the boondocks.

SENATOR WAMPLER: Okay. I don't know that we need a motion on what I'm getting ready to suggest, but perhaps, the Executive Committee will meet Tuesday preceding the Wednesday full Commission meeting. Mr. Chairman, perhaps when the report is given from the Special Projects Committee we would say we need to look at twelve-month funding and a budget of how many dollars we're going to allocate and we'll take it up for consideration. Quite frankly, I don't know if we'll be in a position on June 4th or 5th to make or let Virginia Tech know what we're going to do. At least let them know we're trying to find a way to address part of their concerns.

SENATOR HAWKINS: Mr. Chairman, I think that's probably the best thing that you've said at this point, because you said no one has an appetite to write one check because we have so many other applications we have to look at.

SENATOR WAMPLER: Any other discussion on that? Anyone from Virginia Tech want to ask any more questions? Did you all get an idea of what we're doing here?

DR. STEGER: I just want to say we do appreciate the difficulty and the challenge the immediate economic crisis this region is in. We realize you're facing some tremendous problems today, not two or three years from now. So I just want to thank you for taking the time to consider our request. Regardless, I want you to realize that we'll continue to work as diligently as we can to help economic development mature in this region.

SENATOR WAMPLER: Thank you, President Carrier, never coming back again
(laughter).

SENATOR HAWKINS: Before you all leave, if, in fact, for some reason the momentum stops because of the lack of these monies how far behind would you all be in pursuing the ultimate goal for being a research facility, what does that do to you all long-term? Does it put you off a year, two years

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or three years?

DR. STEGER: It's really difficult to assess, quite honestly. When you look at the competition, the state of New York has just made a five hundred million dollar commitment to their life sciences research, so this type of faculty are being recruited by everyone around the country. It'll slow us down, but we're not going to give up, because we're very determined, but it's hard. I can't predict in terms of time whether it will slow us down. It affects our ability to get the critical mass and really attract the companies and things that we want to have for the region.

SENATOR HAWKINS: It may be helpful if you all would go back and have a recalculation of the three million dollars, see if we can maybe find something a little under that.

SENATOR WAMPLER: To come to closure on that then, without a motion we would defer to the Executive Committee for joint consideration with the Education Committee, and we'll take it up for further discussion at the full Commission meeting on June 4th or 5th, whatever day is, June 4th. Without any further discussion, we thank Virginia Tech and everyone for traveling to visit with us, and we wish you well in the Holy City tomorrow, that being the City of Richmond.

I think we're at the point, and we're behind schedule, but I'm going to ask Carthan to illustrate what he believes our capitalization to be in the Special Projects Committee. I'm going to tell you what I think he's going to say, and then he can clean it up. We're carrying a balance of about six hundred thousand dollars today in Special Projects. You will learn later that we will have a request for perhaps as much as four hundred thousand for deal closings. Without having to break the group up and go into executive session, and we won't be making a decision today on allocating those dollars to the project, but I would say those are two that are very close to signing the paper and saying that we're ready to close the deal. I would say that even though we have a six hundred thousand dollar balance we probably only have at our discretion about two hundred thousand or something along those lines. That's a good problem to have to create jobs as a result of it. Trying to predict what the full Commission will do and how we will allocate those dollars, we shouldn't be held to this, but I would predict we'll do something about eight or nine million dollars, should we follow the formula that the Executive Committee will adopt and recommend to us. From that nine million dollars e 58 is a project that will be funded out of this particular capitalization, which is about five million dollars. So we're going to have something between three and four million dollars perhaps to work with for the balance of the year. Senator Hawkins, if I misspeak you put me back on track. It would be the Executive Committee's proposal that deal closings would come out of yet another source of funds so we would not have to hold any dollars back for potential deal closings.

SENATOR HAWKINS: That's true.

SENATOR WAMPLER: So the question --

SENATOR HAWKINS: -- I think, Mr. Chairman, at this juncture to emphasize the importance of this Special Projects Committee, which we chair, we're looking at, as you well know, an overall restructuring to put more emphasis on this type of investment long-term. I think as we start evaluating our commitment and our charge we're beginning to understand that Special Projects Committee probably is in the best position to have the most positive impact across regions and working in partnership with other localities. Special Projects can probably do more to have a positive impact, because we can do things across lines better than the other sub-committees. With that said, Mr. Chairman, I hope that you will find that this sub-committee will have more assets at its disposal as time goes on, but that's not yet.

SENATOR WAMPLER: Which leads me to a great point where you interrupted me, the question for this Committee today is we really ought not to be taking action but on two hundred thousand dollars worth of items. That's all that we have remaining in this fiscal year, and should we wish to obligate ourselves into the next fiscal year, I'd ask for you all to stand shoulder to shoulder with me as we brief the balance of the Commission that we're spending next year's money. My point is this, as we consider the projects today what do we feel comfortable in doing, allocating twenty-five percent of next

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year's capitalization, a third of it, a half of it? I know we will all be back with other projects that have a lot of merit. So I'm just saying that we need to be cautious and careful how we move forward today. I also want to say we don't want to be so cautious that we fail to invest in areas that we need to. That's just the Chairman's guidance. Mr. Director, how far off base was I?

MR. CURRIN: You're right on base, Mr. Chairman.

SENATOR WAMPLER: Anything you need to clean up?

MR. CURRIN: Not really. Just that this fiscal year coming up, the Commission as a matter of policy has deal closings and special projects to come out of one pocket. What I will be proposing to you all next week is to split that. We have monies dedicated for deal closings where companies are coming to us and we're working in partnership. For example, we have monies for just special projects. Senator Wampler gave you the prospective of that balance.

DELEGATE BYRON: Do you have a figure on what the deal closing fund has spent?

MR. CURRIN: I don't have it right with me. Stephanie may have it.

MS. WASS: I will bring it.

MR. CURRIN: Delegate Byron, I am recommending that approximately seven million or so dollars be dedicated to that fund for the next year, the upcoming fiscal year which begins July 1.

MR. OSBORNE: For deal closings?

MR. CURRIN: Yes, sir.

MR. WALKER: Mr. Chairman?

SENATOR WAMPLER: Mr. Walker.

MR. WALKER: This deal closing, two items that we're going to deal with today, would it be inappropriate for us to deal with those so we know exactly where we stand?

MR. CURRIN: Under current guidelines Senator Hawkins and myself worked with the partnership in Secretary Schewel's office, and we're responsible for signing off on those, so we don't intend to have to take action on those. I can't say at this point who those are.

MR. WALKER: We're at two hundred thousand?

SENATOR WAMPLER: I think the philosophy of the Commission has been, and I think rightly so, that if we have a deal that makes sense, creates jobs, we'll find the cash in whichever account we have to go to to make it work. I'm just saying for cash flow purposes, these deals are close to closing. It would be for hard infrastructure that upgrading to existing or horizontal projects make it vertical, and we need that cash. Whether it comes out of this one or something else, I don't know, but it seems to me like they're so close. Maybe, Mr. Chairman, by next week we'll be able to --

MS. WASS: -- Today it's netted about 4.4 million on deal closings.

MR. CURRIN: For this fiscal year, Stephanie?

MS. WASS: Today, today, last fiscal year.

SENATOR HAWKINS: I think you need to emphasize in my mind that that money that we set aside for deal closings complemented those funds that were already available and made things happen that would not have taken place without these monies being available.

MR. WALKER: Except I'd say that I would agree with you a hundred percent, deal closings. I'd like to say that I don't want to spend next year's money until next year, spend what we have.

SENATOR WAMPLER: I think some of the applicants today can get of what we're perhaps willing to move forward with.

DELEGATE BYRON: I don't recall the question, but to clarify that, when is the next year, again?

SENATOR WAMPLER: July 1st.

DELEGATE BYRON: July 1st, so it's not that far away, what we're looking at. The thing that I would like --

SENATOR WAMPLER: Let me interrupt you, but from a cash flow the deposit base is
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what, Stephanie?

MS. WASS: January and April.

SENATOR WAMPLER: So we have to be cautious. I think we can obligate ourselves within a reasonable range, but we have to be cautious how we spend cash, because if the entity needs it and we don't have it, I don't want to do a treasury bond.

MR. CURRIN: We're operating a securitization in the next fiscal year. This upcoming fiscal year, 2003, we're going to operate as we always have. We get two payments, one in January and one in April. Then if the Governor concurs with the securitization, we plan to implement that process in 2004.

DELEGATE BYRON: Follow up so we can have a better understanding when we look at all these projects which right now are in excess of eight million dollars. As we look at these projects and as people come to us, an example would be the Chair's question about what figure they might be able to deal with and maybe less than what they allowed for, yet we also have to have an understanding of certain projects that are not fully funded that's going to be a benefit or that's going to stop the project until they get the rest of the funds, but are they going to be able to complete what they're already started. So I think there's a lot of information that we need to be aware of. On some of the projects that are on here, are they aware that the money is not available until January and does that still fit in with the time frame of what they're looking for?

SENATOR WAMPLER: Some probably do feel like the beach ball getting passed from one committee to another. Let me say this again, that there are in southwest at least half a dozen projects that are not matured and ready to come to the Commission, although I predict they'll be here within six months, and I suspect in southside you could probably double that number, another twelve applications throughout the balance of the year. So that's the balancing act we have and what we feel comfortable in reserve. I would hate to say, sorry, we already gave on July 1st and we don't have any more money. Therefore, no more projects move forward.

DELEGATE BYRON: It reminds me a little bit of our transportation issues. We have a priority list here, and when the funding comes through and if somebody else gets knocked off for another one. I think we have to keep that in mind if we look for projects that we don't have money for.

SENATOR WAMPLER: Okay, we're at the point on the agenda if we don't have any more on what we think the cash flow, depending on the full Committee's actions. We need to hear from the folks who traveled distances today to present. The first one on the agenda would be Mr. Keith Boswell. Keith, I saw you earlier. Do you want to tell us, I'll tell you what, it's 11:15, and we're going to try about ten minutes, plus or minus with emphasis on minus, making your point.

MR. BOSWELL: My name is Keith Boswell, and I'm with the Virginia Economic Development Partnership. I work with another gentleman named Tom Kincaid, who's actually a project manager, and who's on my team. I'm the team leader for the Information Technology Electronics Group. I've been with the partnership, I guess, a total of about five and a half years and worked on a lot of bio-technology projects for about five years on information technology.

We have come across a project that we brought to Carthan and his organization to consider. We have a relationship that we've established over time, probably in the last six or seven years, with the country of Korea. The Virginia Economic Development Partnership has an office in Seoul, Korea. We've been minding relationships with that country. This project I'm about ready to talk about is out of those relationships. We have established the Korean Venture Center with Korea up in northern Virginia, and a Mr. Stein Woo was with them and has formed a company called, Asia Venture Partners. Asia Venture Partners has a relationship with the Korea Tobacco and Ginseng Corporation. They're proposing to establish a venture capital fund concentrating tobacco-producing communities in Virginia. This fund will be approximately twelve million dollars. Korea Tobacco and Ginseng Company would put in six million dollars, Asia Venture Partners would establish five million dollars, and they've asked the Commonwealth

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of Virginia to put in one million dollars, but since the Commonwealth of Virginia doesn't do these types of things, the most likely organization would be the Virginia Tobacco Commission. The fund would be established to help Korean companies establish relationships in the Commonwealth of Virginia and ask the Virginia Tobacco Commission for the one million dollars, and they would commit to putting those types of relationships and companies into tobacco-producing communities. It would be the very areas we're talking about here. Also on the other side if there were Virginia companies that wanted to have relationships with Korean companies on the reverse side, actually the fund could be used for those types of companies as well.

That's the project in a nutshell and I'm sure there's some questions. Carthan, did I cover enough?

MR. CURRIN: Yes, thank you.

SENATOR WAMPLER: Those businesses would come exclusively to the two growing regions?

MR. BOSWELL: That's correct. The idea behind the fund is the fund is a twelve million dollar fund. A good question to ask is why the tobacco-producing community when maybe there's not as much Korean population in those communities? Well, the fund is established for that purpose to get companies to come there. They feel like there's enough relationship with Virginia in general, and also the area itself reminds them of some parts of Korea. The idea would be that twenty percent of that fund would be invested in the tobacco-producing communities of Virginia. Our one million dollar piece would remain under Tobacco Commission control at all times. The funds would sit in the bank that the other funds reside in. There's no commitment to give this money to Asia Venture Partners group, which would manage the funds. But the idea is that at least twenty percent of that fund from their side would go in. If a million dollars was spent on our side, that whole million dollars could only be used in Tobacco Commission funds. Did I cover that?

SENATOR WAMPLER: So the guarantee of return on our investment is the million dollar piece, is that right?

MR. BOSWELL: No, twenty percent of the eleven would be 2.2 million. The guarantee of the fund would be, I guess, a total of 3.2 million for any one particular project. It could be up to the whole twelve million, the whole twelve million dollars.

SENATOR WAMPLER: Was this the same group that Dr. Steger was speaking of?

MR. BOSWELL: Dr. Steger, it's not the exact same group, no. Asia Venture Partners has a relationship with some of the people Dr. Steger was talking to. I'm not sure the exact extent of it, but he helped introduce some of those relationships that he met in Korea.

SENATOR WAMPLER: Is this a brand new venture, the seed money for this venture, has it been capitalized previously?

MR. BOSWELL: This particular fund is a new fund and yes. Asia Venture Partners is a group that started in May of last year.

SENATOR WAMPLER: Do you know if the million dollar capitalization request from the Commission could be carried over a period of time?

MR. BOSWELL: I'm not sure.

SENATOR WAMPLER: Can we do a slug of two hundred and fifty thousand now and some later, or what is the cash need?

MR. BOSWELL: My understanding of the requirement is that a million dollars would remain in the Tobacco Commission's hands, and so there's no real outlay until the project has been brought before the Tobacco Commission to fund. At that point in time it's the understanding that the Commission will say yes or no to the project, which would not endanger our relationship with the fund. They could bring a project to the fund, the Tobacco Commission could say yes or no for any project that they particularly bring.

SENATOR WAMPLER: Questions from the Commission, I think that's a fairly good

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snapshot of what.

SENATOR HAWKINS: Mr. Chairman?

SENATOR WAMPLER: Senator Hawkins.

SENATOR HAWKINS: My understanding then is that we make an obligation of a million dollars at some point in the future for some project that we either approve of, and if they approve it and it is more than that and we go to two point some million using some other investments?

MR. BOSWELL: Let me add just one piece. This fund with the Korean Tobacco and Ginseng Tobacco Company would be part of that fund. They're interested in establishing a relationship also with another additional project, which is still in the works. I really don't want to say too much about it, because it's kind of fuzzy. I don't want to promise that possibility. It's sort of a first stage step to take.

DELEGATE DUDLEY: The venture capital funds requires some ownership or something is paid back, these are not grant funds, is that what we're looking at?

MR. BOSWELL: That's a good question, and I'm not sure I can answer that. I'm sure there would be some kind of return promised. My understanding, these are not grant funds.

SENATOR WAMPLER: That raises a few antennae around the table. We have difficulty from a statutory level of participating in a for-profit venture, but there are other ways to do that. I'm sure there are plenty of non-profits that would be glad to be the depository of those dollars.

SENATOR HAWKINS: Mr. Chairman, how much ginseng production do you have in your area of the state? Franklin County and Henry County.

SENATOR WAMPLER: Let me see if I can get this in the context to get off the point. I think we have to commit to an amount of one million dollars. The question is from a cash flow standpoint when do we have to actually expend those dollars. I think the biggest challenge you present to us once we have committed the dollars who has to be the recipient of them to, actually, we're setting them up in business, and how we, Senator Hawkins, I'm sure there's a foundation that we can participate in.

SENATOR HAWKINS: I would like to ask counsel to at least give us some guidance in this, Mr. Chairman, before we get into waters that we shouldn't be in.

SENATOR WAMPLER: Frank, can you do that between now and next week at the Executive Committee, give us an indication?

MR. FERGUSON: Yes, sir. I'll ask Keith to help me, not being a business developer. Let me get an understanding how the process would work.

MR. WALKER: Mr. Chairman, what would keep this from going into the same guidelines as deal closing money? If they're going to bring a project to us for approval or disapproval and we evaluated it as a deal closing.

MR. CURRIN: Mr. Chairman, I think Mr. Walker has a point.

SENATOR WAMPLER: At some point we have to pay the piper here, Mr. Walker, but according to him we can accept or reject the proposal.

MR. BOSWELL: The way it's presented to Carthan.

SENATOR WAMPLER: That's a very good point. Mr. Chairman, let's do this. I think there's an indication that we like the concept but the big question is how do we get around with the fact that the Tobacco Commission cannot be in business and have that report back to the Executive Committee and we'll take it up. Whether it's properly before this Committee or another one, we'll try to decide, but I'm intrigued and encouraged. I think it has some possibilities.

SENATOR HAWKINS: From a deal closing aspect.

SENATOR WAMPLER: Any other questions? We'll load the Executive Committee up for another meeting. Next we have STEPS, Inc. Is there anyone from that organization here?

MS. HARRUP: Good morning, and thank you for taking a few minutes and I'll be brief. First of all, STEPS is a non-profit corporation, and we've been in business since 1976.

SENATOR WAMPLER: I'm sorry, your name again is?

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MS. HARRUP: My name is Sharon Harrup. We provide job training and employment to individuals with disabilities, welfare recipients, and in our geographic area people that are unemployed. Back in 1997 we opened a plant in Lunenburg County, and in that plant we were very fortunate to secure some grant fund. What I'm coming to you for as a request today is a last piece to fully fund the operation. The project itself is a four million dollar project, and our request to you is less than five percent of that four million dollar project. It happens to match the money that you have left today to fully fund it. We have been very diligent in trying to procure work that will be long-term employment for people in our geographic region. The first contract we procured was the manufacturing of the BTU jacket for the Department of Defense. We make a hundred thousand of these a year. As a result of our quality standards and our production criteria, we've also recently started working with NADEK, which is the research arm of the Department of Defense. We are now manufacturing a level eight military uniforms for the special operation forces. They actually leave our plant in Lunenburg County and are shipped directly to the front lines in Afghanistan.

In addition to this, we are currently negotiating also to manufacture a set of long underwear for these gentlemen and ladies that are serving our forces. My request to you is very concrete. It is to provide us the opportunity to put a new floor in this building. It is very unlevel, and it used to be a plastic manufacturing company, and there was a service tunnel in the middle where they could service their hydraulic machines underneath. As a result of us employing people with a disability that access up and over the tunnel then throughout the plant is very hazardous. That's the first piece. The second and probably the most important piece is that this building was built in the early '60's and it is not air conditioned. There are periods of time during the summer that the temperature raises in excess of a hundred and twenty degrees. Now I don't want to work in an environment where it's a hundred and twenty degrees and also borders on a physical danger for individuals that have medical problems. We have seventy-five people that are currently employed at this site. Our fear is that if we continue to manufacture in this plant the heat is going to continue to be adverse for us. I would respectfully like to request that if there is money available in your allocation, whether it be this year or next year, that you would consider the small request to assist us and at the very least air conditioning the floor. I would be willing to negotiate in a crisis trying to pull other funds to leverage any monies that you all would see fit.

I would also like to invite you to tour our facility. Gary, Mr. Walker, is very familiar with our operation. We have one in Lunenburg County and one in the Town of Farmville in Prince Edward County. We're serving ten geographic areas. We pull from a very vast area to provide employment. Just as a little statistic there are forty-three million Americans on disability and less than two percent of that population is employed. We feel like we are contributing to the global environment in our area in addition to providing a product for our military. In addition to that our folks are paid, so they're paying back into the community. They come off of welfare and social service rolls, so they're paying taxes back into the community.

I'd be happy to answer any questions. I would like to invite you to tour if you have the time.

SENATOR HAWKINS: Have you talked to the Department of Defense, would they be willing to fund some of this?

MS. HARRUP: They have been willing to fund some equipment. They have been less open to actually doing building renovations and modifications. Actually, we haven't had any direction.

DELEGATE DUDLEY: In line with that and the contract and something over two million dollars, I'm assuming there's some profit margin.

MS. HARRUP: Yes, there is a profit margin in the contract. We're estimating it costs approximately a hundred and twenty-five thousand to put air conditioning in the building. To be honest with you, the start-up of this project cost our company well in excess of a half million dollars just to start up and training wages and things like that. So we're still carrying that debt load, and it's prohibitive for us to do a capital outlay at this point in time.

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MR. ARTHUR: Where is it reflected in your proposed operating budget?

MS. HARRUP: We filled in, this operating budget does not actually show you the profit line across the bottom.

MR. ARTHUR: It's not a true operating budget, it's a cost budget.

SENATOR WAMPLER: Thank you, very much. I think I should have said this before we got into the individual proposals. I think we ought to hear all of them before we start making our mind up on what we do and get a sense of where we are. Having said that, next will be Virginia's Region 2000, Mr. Stanley Goldsmith.

MR. GOLDSMITH: Mr. Chairman and members of the Committee, I appreciate the opportunity, and it's hard sitting and listening to the requests and the amount of money available and not be intimidated by that. However, in the interest of fair play I think we need to make sure that we stay on the drawing board for this project. By the way, Region 2000 is comprised of Appomattox, Amherst, Bedford, City of Lynchburg and Town of Altavista. Not long after Dr. Stot became President of the community college he made an effort to determine the needs of our existing businesses with regard to training that the college is able to provide. We learned as an economic development marketing organization two-thirds of the jobs created in our region are similar as they are in the rest of the country. That is, that sixty-six percent of the jobs created come from our existing companies. In order to determine what their needs are and in order to ensure that they continue to survive and have a viable ability to provide necessary things, since our region is predominantly manufacturing, over twenty percent, which is greater than the state average and the federal average. These companies needed the support of the community college, which is the foundation of our economic development efforts, to be able to continue to develop the skills and training necessary to enhance the changes in technology and future of these companies.

To make a long story short, the needs were generated in a project that involved the building of a new facility. That facility will be a manufacturing technology center. Within the last three years now we've been trying to draw funds from different sources in order to be able to fund that facility. The legislature in their ability to develop a bond issue has agreed to fund the building itself to the tune of about four and a half million dollars. We're very grateful for that, and we've been working on that for the last two years or so. However, the rest of the budget leaves us wanting. We've been able to develop funding from localities, which has come to 1.4 million, and we have a major fund campaign of 1.6 million, and where the college itself has been able to put a half a million into the project, but we still have a shortfall of two and a half million dollars. This is primarily for the equipment that's necessary to make that facility a reality. That's our existing need, and that's what we're trying to raise. We realize it may not come all at once, and it may not come from one particular source, but nevertheless that's the source we need to be able to fill, and that's our request.

We have an immediate need to be able to satisfy the needs of our existing companies in order to be able to continue to grow and create jobs. That's where the bulk of our jobs come from. We'd like to be able to have the deal closing and say that this facility will also help new companies coming in, and it will. Primarily we're working trying to satisfy our current needs with companies that we have. Basically what it does it will improve the skill levels of the employees that we have, but also provides the training that we need in specific categories, and there are six that are necessary to train the incoming work force as they develop the skills from where they were as they're retrainable and become the work force of the future. That's the critical element we're dealing with here, because people that are available to us have a great work ethic, and they're willing to work, and they need to have the skills. Particularly in the areas of the program we're generating.

Dr. Stot is here and Don Sutton from the college. I will defer to any specific questions about things the college will do in their support for this discussion. I'll be happy to answer any questions also.

SENATOR WAMPLER: I think Senator Hawkins has a question.

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SENATOR HAWKINS: I think this project we're very familiar with, and the effort the college has put in work force training. This is to put equipment into the building that will be built by the bonds that are issued by the General Assembly?

MR. GOLDSMITH: Yes, sir.

SENATOR HAWKINS: What are the time frames that you're looking at that you really need monies to be able to complete the project?

DR. STAAT: The building is scheduled to be completed in the summer of 2004, so we're two years out.

SENATOR WAMPLER: Before Delegate Byron asks her question, normally when we did the Southwest Virginia Higher Education Center we built the building and had no line items for equipment, and we went back to the General Assembly and they said yes, this state building will now have equipment. Tell me what's wrong with that thought process here?

DR. STAAT: When I began work on this one of the things that I learned talking to our delegation was that they did not want the college coming and asking for everything and wanted the college asking for part of it. We've made a very definite effort in the 10.5 million dollar project to find funds from other places besides the General Assembly. The General Assembly has really done its part, if you will. We're still out trying to raise, we're short 2.5 million dollars. Could we go back to the General Assembly, I suppose we could.

SENATOR WAMPLER: I hate to interrupt but this is a state facility, is it not? It's a general obligation bond project to build the facility, right?

DR. STAAT: Yes.

SENATOR WAMPLER: I'm thinking of the right project, am I not?

DR. STAAT: Yes, this is, this is a project that was in the jump start. There's never been any equipment money in it right from the start, and we were told not to do that, so we did not.

DELEGATE BYRON: I didn't plan on this question, and maybe I can ask it, and it's important to send it to the General Assembly next year.

SENATOR WAMPLER: If we build a correctional facility, we're going to staff it, and we're going to put the necessary equipment in it. Actually, we have had to do some bond issuance on equipment on a five-year note for some of those facilities, too. I suspect this equipment has a fairly short life span.

MS. WASS: It'll be on the Master Equipment Leasing Program.

SENATOR WAMPLER: I kind of think that's how this shoe fits.

DELEGATE BYRON: My real comment actually was one of support. I understand what you're saying as far as the state's responsibility. I personally talked to Dr. Stot at the very beginning of this project and toured. What we're trying to do is creating jobs and having training facilities and proper things to be able to have a business partnership with the college. They've done an excellent job in forming partnerships. AM Tech is located right in the college right now, and they're doing wonderful things. The equipment was so outdated that I'm not certain how they were able to offer courses at the college with what they had in the first place. The only thing I would say is that in keeping in line with where you're going with this that if we can't wait upon the General Assembly whose business it is to do this, this is a tremendous potential for economic development in jobs, just through what it'll bring to Region 2000 alone, along with the studies and things that Region 2000 has done to find out the needs at this point. So, I just want to lend my support to the project.

SENATOR WAMPLER: I need to ask another question, because I think I'm, I think I'm in the right city when I ask this. Isn't this beside the Erickson, what facility did you take me in to tour where they had like --

DELEGATE BYRON: -- AM Tech.

SENATOR WAMPLER: This is when the Finance Committee did their tour.

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SENATOR HAWKINS: We did Erickson and two of the buildings as well.

SENATOR WAMPLER: I saw state of the art equipment.

DR. STAAT: You did, and all that equipment is now part of the college. We will continue - you were saying, what is the life span of the equipment. One of the ways we will keep right on the front edge of the latest equipment is to expand AM Tech so you won't just have machine tool equipment but you'll have equipment for all six of the technical areas. We need a base under that, and the base under that is so old. Most of it quite frankly was bought in the 1970's and has not been upgraded since.

SENATOR WAMPLER: There must have been federal money floating around at that time.

DR. STAAT: Maybe there was back then.

SENATOR WAMPLER: I'm sorry, sir, did I interrupt you, I didn't mean to.

MR. GOLDSMITH: No, the first part of this process was try to find money for building and not to ask for equipment until the building was built. Now that the state has assured us that the building will be built we're being faithful to our original funding development and will continue to follow our, we'll continue to do that.

SENATOR WAMPLER: The Appropriations Act can release you from that commitment, perhaps.

MR. GOLDSMITH: It will be a pleasure, sir.

SENATOR HAWKINS: Mr. Chairman?

SENATOR WAMPLER: Senator Hawkins.

SENATOR HAWKINS: I think probably what you suggested is certainly an avenue that we could pursue. We have another session of the General Assembly coming up before they meet the need of this facility. I'd like to try that avenue and then use this as a fall-back position if we can't get through this. This is important, but we need, the state has an obligation. We built the building, we can put the equipment in it.

SENATOR WAMPLER: It makes sense to me. Okay, thank you, very much. Are there questions? Let's do the next presenter. I'm going to change the, Senator Reynolds, I know that you have things you spoke to me about, but are you here on a particular project you wish to speak to, Roscoe?

SENATOR REYNOLDS: After they make their presentation.

SENATOR WAMPLER: We'll take them up now, or do you want to do that?

SENATOR REYNOLDS: Yes, sir.

SENATOR WAMPLER: Which project are you speaking to?

SENATOR REYNOLDS: Wytheville Community College.

SENATOR WAMPLER: If Wytheville wants to come up to the batter's box, we'll do that, and then I think Senator Reynolds wanted to say a few words about it also. This'll be on the second page, Crossroads Rural Entrepreneurial Institute.

MR. JOHNSON: This is our presentation. I'm going to condense this, and I'm going to go.

SENATOR WAMPLER: Would you tell us your name, please?

MR. JOHNSON: I'm David Johnson, and I'm Executive Director for Crossroads Rural Entrepreneurial Institute. Just to clarify quickly, this is not the Wytheville Community College project. This is a CREI project that comes before you today. We'd like to propose to you something that's been in our hearts and minds for about a year now, and this facility will be located in Galax, Virginia. Briefly I'll paint a bleak picture for you and one that you already know. Due to economic downturns and the moving of companies to other states, actually a foreclosure, we've lost well over three thousand jobs in that specific region. The job market is in a state of transition with the decline of textiles, furniture and family farms as well. Although the region shows about seven percent unemployment we've been told by VEC that the real unemployment is somewhere in the neighborhood of seventeen percent. We are

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economically distressed, as are many of the regions. We are here to propose to you a very vital concept in which we can propose business diversification in the area through new and small and medium size businesses where we can retain our youth so we are not losing our brightest and best and they are remaining with us to start jobs and start businesses and create jobs.

When a company comes to your area to look there's two things they ask us about. They ask us about an available work force and they ask us about training, and both of those are available in our area. However, which comes first, do we have training before the jobs, or do we have jobs and then do the training? What we are proposing is a very comprehensive effort of economic development and educational opportunities so that we can do both. Provide the training for the jobs and the businesses. The purpose of the project then is to improve lives in our region, and the only way we're going to grow is to do that. Then couple economic development with education to do so. We propose to do that through the Crossroads Rural Entrepreneurial Institute.

The next two slides on Page 3 outline for you quickly the three centers within that Institute. If, however, you go to the back page in your presentation, I believe it's in blue, you will see a conceptual framework, and we've actually been working on that now for over a year. That's the blue page in the back. That better designs for you what we are about. The Southwest Regional Enterprise Center, coupled with the Smyth Enterprise Center, are two incubators; one is located in Marion and one is in Galax, which will work together in order to provide an environment for entrepreneurs in our area so that we can be about creating medium-size to small businesses. Many of you know our statistics, that eighty percent of businesses which start in an incubator survive. Eighty percent of those which do not start in an incubator do not. So we feel like this is a very critical point for CREI.

In addition to that we've got down in the left quadrant of your schematic drawing the Center for Technical and Entrepreneurial Studies. That will be a system by which we will create many of those or all of those curricular areas that you see in support of job market transitions, programs that are in high demand in our area and ones in which we can entice folks to come to the area in order to start a business or obtain employment. In the right hand quadrant you see the Center for Lifelong Learning, and that is our continuing education area and lifelong learning development. We have a rising population of Hispanics in our area, and ESL English is a second language in our area. We see this as a very synergistic approach to economic development in our area. It's one that's very comprehensive, and it certainly will be about job creation and training all at the same time.

Where will we do that? You will see on the bottom of Page 4 a picture of a vacant Lowe's facility located on Highway 58 in the central portion of the region I'm discussing with you. Our organization has an option on that building current through August 1st of this year. We hope to go into that sixty thousand square foot facility and provide what you see on Page 4 in the top half upfitted to about eighty thousand square feet including all three of the centers that I just described for you. Important to comprehend here is the fact that this will be technologically advanced. We have fiber running right down the road in front of us and a large pipe line, and we hope to connect to all regions including high schools, incubators. We think we'll have plenty of access and opportunities to hire technology. I'm reminded of the quote or the terminology that Bill Gates uses sometimes, ubiquitous technology. We will hope this operation will have technology dispersed throughout the region so that people have access to training opportunities and jobs regardless of where they are in the region.

The facility will house the incubator, which is about thirty thousand square feet plus some shared space in the area. The computer area will be there with about a hundred computers available for public and student access. The technology spaces will be available for training and education. The incubator clients will also have an opportunity to utilize the facilities throughout and not just in their isolated locations. Each classroom will be wired and not wired. We hope to utilize the wireless technologies that are available to us now, and again propose that broadband with access. Continuing on Page 6 there are a lot of benefits that I'd like to propose to you. Obviously, the mixed-use business incubator is critical for

our region. One of the leaders in our area has harped on the fact for the last several years that business diversification is what will spur his community forward, and the community has not accepted that, and because of that we are dealing with this high unemployment now. We're looking to transition through this economic engine, transition the textile industry, agriculture industry and the furniture industry into new, successful business starts.

We have submitted a grant to the EDA, and as part of that EDA grant application we were required to do a job creation analysis utilizing some services from Virginia Tech and empirical data from several of the incubators in our region. We determined that within five years we feel like this project will create forty new businesses, two hundred new jobs, with approximately nine million dollars of private investment for our area. Additional benefits will include opportunities for people to have greater access to our Small Business Development Center personnel, to our Manufacturing Technology Center personnel, and these are individuals who work as engineers and have worked as engineers and will continue to do so with new companies in our area. Our Manufacturing and Technology Center actually has a connection with the Virginia Philpot Manufacturing Extension Partnership, and they receive some funding through the partnership and collaborate with training in these programs that they produce. We feel like the CREI will allow both the SPAC and MTC to create a stronger alliance within the Galax and Smyth County area by having a presence there.

The region will grow its own entrepreneurs, because we will have less of an out-migration of individuals and young folks and brain drain-out that I mentioned earlier. We hope that this will begin to span the digital divide that exists and, in fact, as part of our support the Northern Virginia Technology Council has reviewed our project and considers this something they'd be very interested in working with us in order to bring businesses and industries into our area.

You'll see at the bottom of Page 8 what we mean. We have had studies done and countless meetings and estimated a total project for construction of five and a half million dollars, and that would purchase the property, outfit the eighty thousand square feet and purchase most of the equipment needed to get started. Beyond that we consider about four hundred thousand dollars a year operating budget would be needed.

SENATOR WAMPLER: How much again?

MR. JOHNSON: Four hundred thousand.

SENATOR WAMPLER: The localities are assuming that, they're underwriting that portion of it?

MR. JOHNSON: They will be asked to do so, and at this point many of the localities are committing to do that. When I say localities I include folks like the community college and others.

SENATOR WAMPLER: But there is local buy-in?

MR. JOHNSON: Yes, sir, there is, and we'll see that as well as we go along. Currently we are a 501 (c 3) operation. I am the Executive Director, and a Board of Directors has been formed, and I'd like to introduce quickly Dr. Oliver McBride over here. He is our Board Chair and also serves as the Superintendent of Schools for Carroll County. Behind me and serving as our Treasurer is Dr. Ann Alexander, who is also President at Wytheville Community College. They have come to lend me moral support this morning. The Board is outlined for you at the bottom of Page 9. You have Ed Greer, who is an entrepreneur; Mr. Charles Crockett, a local leader in our area; Jonathan Sweet, who is an economic development director in the area; and Sam Cook, as well, who is a division superintendent. This Board is the implementation board and it will increase to twelve as we get into our first years of operation, and the Board will represent the entire region that CREI represents.

Page 10 indicates really the crux of why I'm here. We need you to help us leverage four million dollars immediately.

SENATOR WAMPLER: I'd ask the Committee to pay attention to this particular point, because this is where the rubber meets the road.

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MR. JOHNSON: Thank you, Mr. Chairman. We have been invited to submit an application to the Economic Development Administration for two million dollars, and that application has been sent to Richmond and it's been sent back to me to add the final touches, and then be sent to Philadelphia for final approval. We've also submitted an application to the U. S. Department of Agriculture Rural Development for an additional two million dollars. Our project is 5.5 million dollars to start and construct CREI. We need the 1.5 committed by June 5, and oddly enough that corresponds with some upcoming meetings, but that's what our EDA representative has told us, in order to leverage both RDA and EDA monies. Those monies are available now, and they may not be, or probably will not be available again for two years.

In addition to that we haven't been sitting back and waiting. We've written a grant to the Virginia Department of Housing and Community Development for a distance learning construction portion of our project. That's to the tune of about seven hundred thousand dollars, and we're very hopeful in that regard. Nothing yet from the Governor's Office, and nothing has been announced, but we're very hopeful, as well as a U. S. Congressional allocation has been appropriated, and that's a shot in the dark, as you all know, but at least it's there and we hope can help with some of the operational support down the road.

MR. WALKER: That seven hundred thousand, is that the CDBG?

MR. JOHNSON: Yes.

DELEGATE DUDLEY: Is the seven hundred thousand part of the five and a half million?

MR. JOHNSON: No, no, sir. It can be, and I'll show you how that relates in just a moment.

SENATOR WAMPLER: I think I'll modify your response and say that would help buy down the cost of what the Commission would have to eventually come up with to make the deal pass?

MR. JOHNSON: Absolutely. That's the way it is a part.

SENATOR WAMPLER: Delegate Dudley.

DELEGATE DUDLEY: I'm a little confused, and I'm looking, and I guess this is what we previously mailed out. On Page 6 and looking at Page 10, it looks like the numbers don't quite match up.

MR. JOHNSON: That was an earlier version when we sent the application material to Mr. Currin back in March. What specifically is not there?

DELEGATE DUDLEY: I'm trying to place the seven hundred thousand, because I didn't see it over here.

MR. JOHNSON: It was not in at that point. It was not actually submitted until the latter part of March or first of April.

SENATOR WAMPLER: Let me go to the bottom line on this one. You need a commitment from some entity, and right now the only game in town is the Tobacco Commission.

MR. JOHNSON: Yes, sir.

SENATOR WAMPLER: To hold the federal funding of some four plus million dollars.

MR. JOHNSON: Right.

SENATOR WAMPLER: Your cash flows could be spread out over a two-year period as long as the Federales see that there is a commitment. In speaking with Secretary Schewel yesterday, while the Governor's Office has not approved, and Mr. Deputy Secretary, I'm not anointed to say what may or may not happen. But I think the administration is looking very favorable at CDBG, if for no other reason to look at the tremendous leverage we get from this project. Potentially Appalachian Regional Commission dollars to go to this project and other sources if you want to call it, local support or winning the lottery or whatever you do to raise the money. I think, and perhaps, Mr. Loop, you want to stand and tell me, because we visited on this one on some more dollars. The dollar amount you actually need instead of the 1.5 million, Delegate Dudley, which is where I think you were going. It's closer or less than a million dollars, and it's probably four hundred in a given year plus four hundred the second year.

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MR. JOHNSON: Mr. Chairman, if you'll look on Page 13, I have it outlined for you there, specifically what we need at the bottom of the page there. One, we need the commitment for the 1.5, and two, we can't spread it out as indicated there. Three, should CDBG come through we can and will reduce about five hundred and fifty thousand dollars. One of the reasons it's not the total amount of CDBG, because some of that money is earmarked for some specific kinds of things that were not in the 5.5, some infrastructure kinds of opportunities. Then Secretary Schewel has promised to work continually with Lowe's to try to reduce the purchase price of the building. If that actually happens then there again we can reduce our request to the Tobacco Commission.

SENATOR WAMPLER: What happened to the Appalachia Regional Commission grants? I thought that was in the mix here.

MR. JOHNSON: That round doesn't even come up until this fall.

SENATOR WAMPLER: Let me ask it another way, should you receive an ARC grant you would buy down the cost or the commitment of what the Tobacco Commission would capitalize it.

MR. JOHNSON: We would certainly look at it that way and hope that we could. The problem with that is that the, the way that money comes, because it takes so long in getting it. Even if we write the grant this probably won't be available until 2004 or 2003. But yes, the short answer to your question is yes, we're trying to do that.

SENATOR WAMPLER: I think we're trying to help, and we're trying to put together as many funding streams as we can to buy down the costs and still achieve your objective in having a commitment to close the gap.

MR. JOHNSON: We understand and appreciate that, and we will not cease our looking for additional funding just because we did this, because we've got a lot more to do.

MR. LOOPE: Senator, on the ARC fund, if they make an application in August or September the Department of Housing and Community Development will probably review those into November, then they will go to Washington and be voted on by the Appalachian Governors. So the earliest we're looking at is probably late spring or early summer of 2003 before they would know definitively. Even after the Commonwealth has blessed it it has to be blessed in Washington. That puts us pretty deep into next year before they would know ARC shook out. In that regard, it's not my position to speak for them, it could be a caveat, but it's kind of a big question mark.

SENATOR WAMPLER: The dollar amount is a big amount, and what we're trying to do, I'm trying to move us to find a way to accomplish what you want to do, realizing that there's other funding sources and should they become available you would buy down the costs of the project. That's the commitment I'm trying to get from you right now. If you're going to spend it on something else that's not in the proposal that's another issue, but should ARC become available I would think you, I'd want to reduce it, and that's what I'm trying to move towards right now. If it becomes available would you use it toward that 5.5?

MR. JOHNSON: I'll have to speak before my Board, because I'm not authorized to do that. We have our Board, they're here, but I think if we're to the point of getting that commitment from you, then my answer is yes.

MR. LOOPE: Obviously the Committee would have the purview to make that recommendation.

SENATOR WAMPLER: There's a lot of if's here but, Senator Hawkins, I apologize. Go ahead.

SENATOR HAWKINS: You're on target, Mr. Chairman, but I heard the date of June 5, which is coming up next week, and what I'd like to know, Mr. Chairman, is how much money do you need June 5th. Do you need a check by then?

MR. JOHNSON: No, I need no money by June 5, I need the commitment.

SENATOR HAWKINS: For four hundred and seventy-five thousand dollars?

MR. JOHNSON: No, sir, I need the commitment for 1.5 million.

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SENATOR HAWKINS: One point five million over what period of time?

MR. JOHNSON: Two years.

SENATOR HAWKINS: Would that be decreased by the amount of commitment that you would have from other funding sources?

MR. JOHNSON: Yes, sir.

SENATOR HAWKINS: That you're in the process of talking about and negotiating?

MR. JOHNSON: Yes.

SENATOR HAWKINS: Thank you, Mr. Chairman.

SENATOR WAMPLER: Delegate Byron.

DELEGATE BYRON: Are these figures correct? On Page 11 you have one, two, three, four counties and two towns that are contributing approximately twelve thousand dollars each for this economic development project.

MR. JOHNSON: These are dollars that have been committed through the past two or three years when the incubator was actually the first project that began to be developed. The counties there have put in hard dollars. The Smyth Enterprise Center and the Southwest Regional Enterprise Center have been in operation together over the past couple of years, and they have sought grant funds through ARC, RCP and RDA actually, and they have put in hard dollars in order to promote and push this forward. The City of Galax is our EDA co-applicant, and they are our CDBG applicant, they have to be the applicant in that regard. The community college system put up about fifty thousand dollars in order to be part of the project. The John Hughes Foundation just presented, a project in Nevada, and they wrote a check for five thousand dollars. Hey, this is something we want to be part of.

SENATOR WAMPLER: Delegate Byron, I think the point is that the operating expense after you turned the lights on and handed the keys to the entity, that's where the huge local support comes from, and the operating budget is close to four hundred thousand dollars a year to maintain.

MR. JOHNSON: No, we're not anticipating coming to the Tobacco Commission for operating funds, that's not our intention.

SENATOR HAWKINS: If, in fact, we obligate to the full amount, do we take away some incentive from other groups to offer monies that they know that you have a funding source obligated to you?

SENATOR WAMPLER: I'm going to answer part of that question, and we have the Deputy Secretary here, and we talked. And the commitment from Secretary Schewel on the CDBG is that he will look at it very strongly, the whole list is yet to be announced.

MR. ERSKINE: We're looking on the grant favorably for CDBG.

SENATOR HAWKINS: Mr. Chairman, during the course of discussion, if you determine we had made a bona fide obligation to these funds would that put less pressure on you to meet an obligation outside of this funding formula, or would you all go ahead and try to find monies the best way possible to offset some of this?

MR. ERSKINE: I'm sorry, I want to make sure I'm clear.

SENATOR HAWKINS: If we obligate these monies does that relieve you all of some pressure of finishing out the project, knowing that we have made an obligation?

MR. ERSKINE: No, I think we would want to pursue full speed ahead.

SENATOR WAMPLER: We're twenty minutes into this project. I think we see it's a regional project. It's an incubator, and the intent is to create jobs, and you will perform training. The operating support will come from localities once the building is up and running. You have an opportunity to leverage times four, I guess, of what we ultimately would do. I want everybody at the table to understand that what they're asking for is a commitment from us to underwrite 1.5 million dollars over a two-year period with the expectation that that would be reduced to something under a million dollars, between nine hundred to a million, depending on the various sources that would come forward.

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MR. JOHNSON: Quite frankly, that's already done with the CDBG.

SENATOR WAMPLER: Ann, is there anything else you wanted to add to that?

ANN ALEXANDER: The context that this was originally designed in, Grayson County, Carroll County, and the City of Galax, were in desperate and dire conditions. Since then Smyth County has also come under that economic tragedy. We wanted to make real clear that because there's a Smyth County Education Center in Atkins, Virginia, and this is all going to be technologically connected together and the services that can be offered from CREI can be offered in the satellite education centers, and so we're having a satellite economic development effort that can happen in Smyth County immediately because of the infrastructure that's already there. There's a small incubator project. We also have Smyth County Education Center facilities to do this in. So it's very easy to regionalize this even further to Smyth County.

SENATOR WAMPLER: Senator Reynolds, did you have any comments? You have been waiting.

SENATOR REYNOLDS: Mr. Chairman, thank you, very much. The only thing that I would like to say is that when you asked the question I saw four heads. I saw David's and Dr. Alexander and Ollie and all nodding their heads yes. I think the answer to that question is a pretty definite yes. This is a great regional project, and I support it, and I urge you to give favorable consideration to that request. Thank you, sir.

SENATOR WAMPLER: Any other questions from the Committee?

MR. WALKER: There's one statement in here, I guess, that maybe needs clarifying for me, because I'm not too sharp on some things. CREI Board of Directors will own, operate and maintain this?

SENATOR WAMPLER: Yes, sir, it's a 501 C3.

MR. WALKER: The corporation will own it, not the Board of Directors?

SENATOR WAMPLER: That's true.

MR. JOHNSON: The corporation owns, but the Board represents the corporation.

SENATOR WAMPLER: I didn't catch that, the deed would read to the 501 C3.

MR. JOHNSON: The Board has to manage the facility.

DELEGATE DUDLEY: I'm a little bit confused again on the grant request that's here. Were you all late in getting that in, or were they late reviewing that? The June 5th deadline date has been looming for some time.

MR. JOHNSON: No, we had everything in in the appropriate time. There's not a late issue there. I think part of the problem was that the EDA regions, they had money left over, and they had to isolate projects in order to appropriate those monies. We wanted to be a part of that now, and if we can't get that money now, it'll go to somebody else who's ready to roll, and we will lose that for this year.

DELEGATE DUDLEY: What was the June 5th date?

MR. JOHNSON: Because it's got to go to Philadelphia for them to review and give their okay, and if it's not acceptable then they've got to appropriate that two million dollars to somewhere else in the nation.

SENATOR WAMPLER: I think the way to answer that is that you're working on a 1 October deadline or end of federal fiscal year, and if not expended it's going somewhere else.

MR. JOHNSON: That's right. I know that our EDA representative told me that we have it committed by the 5th so that that can take place by that October time.

ANN ALEXANDER: It's this year's funds that are available, and because of September 11 Virginia was allocated a little more money. So they want to expend that money in this fiscal year.

MR. ERSKINE: I think it was the unfortunate layover of the schedule, DHCD was in on the schedule with regard to CDBG grants, but given the imperative of the June 5th deadline the two just fell very close together.

DELEGATE DUDLEY: I didn't see a reference to that at all in this March paper.

MR. LOOPE: Actually, the federal government in this very rare instance was trying to work on our time table instead of their own. They'd prefer us to be back on closer to the time of the Tobacco Commission's April meeting. But the Philadelphia regional office had not acted on the pre-application, which is invitation to the federal dollars by the time of your April meeting. They had to act on that. Actually, we asked the federal agency to hold up any action until this Committee and the full Commission could meet this month. So they were trying to do us a favor by waiting until June 5th, or this would only have been acted on at the federal level.

SENATOR WAMPLER: An editorial note from the Chair, Smyth County job losses went over two thousand job losses two weeks ago, and I don't know how many plant closings, thirteen or so. They've been hit very hard, Senator Reynolds, like what we unfortunately experienced in this neck of the woods two years ago. That's the bad news. Senator Hawkins.

SENATOR HAWKINS: Our charge is economic development, and this falls under the purview of that charge. We need to give some consideration to this.

SENATOR WAMPLER: Any other questions from the Committee members? There appear to be none. Anything else you feel you want to add?

MR. JOHNSON: No, thank you for your time.

SENATOR WAMPLER: Senator Reynolds, again, thanks for your patience.

Let's move on to the next item. Where is the Floyd application? Yes, sir, thanks for coming back for round two. Round one was in Abingdon, I guess.

MR. NESTER: Mr. Chairman, thank you, my name is George Nester, and I'm the County Administrator in Floyd County. I came today to provide both a status report and a request. The status report being to first thank you for contributing twenty-five thousand dollars for a feasibility study for us to evaluate an incubator project. Second was to ask this organization to contribute two hundred thousand dollars toward a two and a half million dollar project. I'm going to help your task today, I'm going to withdraw a project. We understand that the Cross Creek building which we've been working on is being negotiated for sale by the Russell Corporation. We still think the concept we had was a good idea, and we very much intend to reapply. A good idea doesn't carry hazard, and I think we've got some good ideas from the feasibility report. I felt personally I needed to come and thank a lot of you all for taking the time and initiative to forward this progress to this stage. I'll let you know, we will be back, but thank you for your help.

SENATOR WAMPLER: Let me ask you this, sir, and we certainly appreciate that commitment on your part to come here. I thought you had already created jobs, you were in the business already.

MR. NESTER: Yes. We had a commitment from a fifty-family co-op that would have created initially ten jobs and would have increased to twenty jobs, but unfortunately, we did not have control of the building. Part of this money was to be used for acquiring the building, and unfortunately the building had been sold out from under us.

SENATOR WAMPLER: I would you say you stay after it and you continue to communicate with our Director and Staff and make sure that when a suitable location is there that if we need to work with you or the state officials need to work with you we will keep in the loop.

MR. NESTER: I'm so appreciative of the efforts you all made and I thank you for that.

SENATOR WAMPLER: Thank you, very much, sir. Any other questions or comments? Thank you for your patience in coming here today.

Next the Lake Country 2003 Regional Fishing Tournament Series. Anybody to present on their behalf? Carthan, we have a proposal, and I could probably speak to it, but you are our Director. I'll let you give your own pop quiz and tell us what's in the application.

MR. CURRIN: Which one are we on, I'm sorry.

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SENATOR WAMPLER: The fishing tournament. Ninety thousand bucks for the fishing tournament.

MR. CURRIN: No one's here? It's a marketing effort, and I met with representatives of the Chamber like the mayor and other visitor enterprises. This project is to ask us to support marketing efforts for this bass invitational tournament, which does bring thousands of people to the South Hill area where these tournaments take place and where a lot of money is spent in the local economy of that area, Mecklenburg County. That's the area. That's what it's all about.

SENATOR WAMPLER: Anyone else want to add anything?

MR. WALKER: It's a major project for us.

SENATOR WAMPLER: Okay, next item on the agenda will be Holiday Lake 4-H Educational Center, Mr. Preston Wilson.

MR. WILSON: Thank you, Mr. Chairman. I joined the Board of Holiday Lake 4-H Educational Center in 1976 when 4-H camps became educational centers. After retirement in '95, I joined the staff as Development Director. All of us are aware of what 4-H does and that sort of thing, but I'm here today to talk about what we do in addition to that. There's six 4-H centers in this state, and all of them are different, depending on our location and what our niche is where we located.

We were built in the late '30's by the WPA, and we have a very rustic situation, and the best sleeping facilities that we have right now is a bunkhouse. However, we have many programs, and some of them reach statewide, and that's what I wanted to speak to you about today, especially in this region. Our particular counties within the cooperative extension are in the tobacco-producing counties with the exception of Henry, Franklin, Pittsylvania and Halifax.

In 1994 we started conversations with Jim Garner, State Forester, about the need for additional facilities there for training and different programs that were taking place. We're located in the twenty thousand acre state forest, Appomattox-Buckingham State Forest. Our greatest asset is location, and our greatest liability is location, because nobody knows where we are.

After speaking with State Forester Jim Garner, and negotiations on what we could do as far as additional facilities was concerned, we proceeded along the lines of developing a natural resource center. The first building would consist of forty-eight rooms housing forty-eight people and an educational activities building with meeting rooms.

Now, we have developed a real working relationship with the College of Natural Resources at Virginia Tech. All 4-H centers are connected through cooperative extensions. In our situation we're working closely with the College of Natural Resources. We're doing that because every April, and that's been fifteen to twenty years, the College of Natural Resources brings their forestry students there for the month of April, and professors from the classrooms come to the woods. Each year for the past fifty-five years, and this is the fifty-sixth year coming up, there's an academic forestry camp at the center. It's like a boot camp because of the structure and type of training that these folks go through, and I'll show you a result of that in just a moment.

As we have developed our program and developed the expertise and natural resource education, and I have Mike Haislip here, our natural resource educator with us today, who will speak for a couple of minutes. There is much greater need to branch out and try to help landowners within the southern region of the state do a better job of managing their timber. Your question to me at the end of this is going to be, if not already, where are the jobs. Our approach is to help individuals who own land and timber land, agricultural land, to better manage the property so they will not become the person that is looking for a job off of their land. To date we've done a lot as far as our infrastructure is concerned, but we still need the buildings necessary to carry on the conferences and overnight situations that we need to have there.

We've gotten five hundred thousand from non-state agency funds from Virginia, and we've matched that. We've spent that. We have design study, architectural drawings, construction drawings ninety-five percent complete on both buildings. We brought in four miles of tree-based power, site work

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done on six acres and two building pads and a parking lot for a hundred and twenty-five vehicles, a new water system and completed new sewer system, which is the largest in the region, this past February. That's capable of handling fourteen thousand three hundred gallons per day of sewage.

So we're asking the Commission for help if it's possible to help us build the natural resource center whereby we can bring in the folks we need for conferences to do the studies in the forest that we're located in. In that forest we have demonstration sites that the Forestry Department has kept together and continues to do scientific work for many years.

Another important part of what we're doing is dealing with our youth, which we have discovered, and I think it's in the proposal, because of the internet, and because of digital entertainment, and because of the mall, have little or no understanding or appreciation of the land on which they were raised, and which they can easily give up if they don't have that appreciation.

I have a closing statement but I'll ask Mike Haislip to say a few words about what his participation is.

SENATOR WAMPLER: Mike, good afternoon and welcome.

MR. HAISLIP: Thank you, very much, Mr. Wilson, and good afternoon I guess at this point to the Ladies and Gentlemen of the Committee, and I appreciate the opportunity to address you. I'd like to build very briefly on Mr. Wilson's comments by speaking very directly to Virginia's children. Specifically to the youth and youth education services that we use to serve the central and southside part of Virginia.

The Holiday Lake 4-H Educational Center has been carrying on for sixty-one out of a hundred years now the 4-H educational tradition. As Mr. Wilson pointed out, there are six, and of those six Holiday Lake's niche has become natural resource education based on the needs that we receive in the region that we serve. We have a tremendous and old tradition of agricultural economy there, and we also have extensive forests which provide an important economic platform for that area. In terms of the services we provide for the youth, we serve the public school systems of a seventeen-plus county area and host thousands of individuals each year. In addition to coordinating our services with the Virginia Standards of Learning, we also provide a very unique learning experience that teachers are typically unable to provide in the classroom setting. In addition, we serve as private educational organizations and right up through adults with this same program, including the teachers of those students. Much of the activities we do help to increase the training in those teachers so that they too are causing students to have a greater understanding of the importance of natural resources to their life style and to their communities and local communities.

In addition to us using the outdoor classroom, as Mr. Wilson pointed out, we also utilize current technology as part of our teaching curriculum. One of the things that we are keenly aware of is the need for, and I'll borrow off of an earlier statement, balance the ubiquitous technology that are in children's lives today. As an educator of youth I'm keenly aware of the disconnection that youth have today with the traditional rural life style and with natural and wild landscapes in Virginia. Not only in terms of their leisure utilization of the landscape but really, more importantly their connection to the land in terms of their heritage and in terms of their future. How they might utilize the land as part of their future life style. One of the important principles in our mission is reconnecting youth appreciation and understanding of the land and its importance to their future.

In terms of vocational connections to that mission, in addition to what Mr. Wilson said about training adults in ways that can more efficiently utilize the landscape so that they don't have to get rid of it and so that they can remain on the family farms as it were and make it more productive. It is reconnecting youth with the importance of maintaining the family farm or of maintaining uses of the land that are more consistent with the way the families did or their fathers did. With many of these youth, we are in some respect the first vocational counselors that they may encounter. As we extend our teaching into their particular understanding of their local landscape, be it timber or agricultural uses, we are serving as a

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vocational guidance role in helping them to reconnect the values of the land and of the rural and wild landscape so that we will help to influence their job choices for the future. But again, help in this effort to preserve the family farm, if we were to use that phrase.

So with the addition of the resources that Mr. Wilson has pointed out, the natural resource center will help us to expand this program to reach more of the youth throughout the region that we serve and to reach their teachers and help to give their teachers skills in communicating these same principles. So that when they are entering the job market, part of that consideration will be utilization of their own properties that they will inherit and how those uses of the land will affect the over all economies of the areas they live in. Thank you.

SENATOR WAMPLER: Let's see if there's any questions or comments.

MR. WILSON: Just one statement, please. In the proposal there's a paragraph that indicates how we try to bring together state agencies, colleges, the private sector, children and so forth to produce the best kind of learning situation that we can. This is the annual report from last year's forestry camp, fifty-five years of forestry camp. On Page 8 of this report, I would ask you to take a look at the forest industry, the soil and water conservation district, the consulting foresters, the agencies that all come together to make this kind of thing possible, and this is what we try to do and want to do on a much larger scale and affecting many more people in the area.

SENATOR WAMPLER: Any questions or comments from the Commission?

MR. WILSON: I'll point out one thing, excuse me. That in working with students and science teachers through the schools in their groups to come, everything he does supports the SOL's in the science class.

SENATOR WAMPLER: I will observe to the Commission I had a thought last night driving up the road on this particular project. It seems to me that the Southwest Economic Development Group actually funded in part and a very small smidgeon, however you spell that, towards the 4-H center. It had a very strong component of job creation to it. Southwest did it out of its own funding, and you probably feel like the beach ball, getting it passed around in a football stadium from one section to another. I'm just not sure how this really creates jobs. I think you're meeting your mission, certainly, but I'm not sure when you look at all these other competing needs how this ranks with those. But that's just a thought from the Chair, so any questions?

SENATOR HAWKINS: Dealing with the forestry component. Have you had any conversations with Westvaco or other private companies on some funding for this sort of thing?

MR. WILSON: Yes, we have. I think if we can get, they tend not to be starters, and if we can get some seed money to have an ending date and we can get the building built I think we can get on board. The one that had was Chesapeake, but since that time they have broken up.

SENATOR WAMPLER: Does that complete your question, Senator Hawkins?

SENATOR HAWKINS: Thank you.

SENATOR WAMPLER: Any other questions or comments?

I think we're at the point on the agenda where we have one more presenter, and that'll be Mr. Yeatts. What are you trading as today, Mr. Yeatts?

MR. YEATTS: Sir, today I'm here with a joint request from Danville, Pittsylvania County and Halifax County.

SENATOR WAMPLER: The three entities which we will define as a regional initiative today, right?

MR. YEATTS: Yes, sir. Last October when the Tobacco Commission met they approved a 1.4 million dollar loan and grant to the Halifax Service Authority for an upgrade of the wastewater treatment facility at Virginia International Raceway to connect back into the City of Danville. The contingency that was placed upon that loan and grant was cooperation of the three local governments. Since that time one other issue has come up. Danville and Pittsylvania County have recently developed a

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joint industrial park, and it's an eight hundred acre mega site located on Route 58, west, leaving the City of Danville. It's basically right across from the three hundred plus acre joint cyber park, that Danville and Pittsylvania County cooperative venture there.

Why we're before you today is to ask two things. First, a million dollars toward a six million dollar wastewater sewer upgrade. That wastewater sewer upgrade will meet the contingencies that were placed on the money for the Halifax Service Authority for VIR's wastewater and sewage needs. It will also serve the upgrade of five million dollars which remains to be split by the governments between Danville and Pittsylvania County to run the infrastructure needed for that new joint industrial mega site and the cyber park.

With me today is the County Administrator, Mr. Joe Morgan, from Halifax County to voice his support. I'm obviously here for the City of Danville and Pittsylvania County. In your package you received a resolution from the County Board of Supervisors supporting this project. Also with us today is Connie Nyhume from Virginia International Raceway. I will make it that brief.

SENATOR WAMPLER: Let me see if I got this straight, you're going to do the major expansion of infrastructure water and sewer capacity, you will open up a development corridor that otherwise could not be served, and you've got three local governing bodies who have agreed.

MR. YEATTS: That's right, yes, sir. In addition it'll meet the needs of Virginia International Raceway.

SENATOR WAMPLER: As an anchor tenant?

MR. YEATTS: Yes, sir.

SENATOR WAMPLER: You did it because Senator Hawkins didn't get involved in the project?

SENATOR HAWKINS: They told me to stay home, behave myself, and I did that.

SENATOR WAMPLER: In part, and no comment required. We'll clean that up in the minutes of the next meeting. Questions of the Committee? Delegate Dudley.

DELEGATE DUDLEY: I'm a little bit, and I thought I understood this when I read it, and now I'm a little bit confused. The 1.4 million was to do what?

MR. YEATTS: The initial request that came before, under the background in the letter you'll see that on November, 2000 a report went to Halifax County outlining options for wastewater disposal for VIR and allowed that facility to grow. In October the following year a request came before the Committee, and the Commission approved funding for that with the contingency that local governments work together. At the time that was done there was excess capacity in the City of Danville sewer system, but that entire amount of excess capacity is taken up by the industrial park in the new eight hundred acre mega site. It was not part of the study that was done in November of 2000.

DELEGATE DUDLEY: What was the 1.4 million for?

MR. YEATTS: The 1.4 million will allow VIR's expansion and run the line to Danville. The upgrade will allow the city's sewer system to have the excess capacity to handle it and also the water.

MR. WALKER: Mr. Chairman, I have had the same question you had about Holiday Lake. Why is this not in Southside Economic Development?

SENATOR WAMPLER: I don't know, somebody from southside, Mr. Chairman, do you want to try to respond to that?

SENATOR HAWKINS: This type of project is one that meets all the criteria for one of the special projects, we talked about it. It's regional in nature, it brings together two counties and one city, it puts in place basic infrastructure that would not be there without these monies, and by doing that you open up a corridor down 58 that provides development opportunities for Halifax, Pittsylvania and the City of Danville to share resources and do things long-term. It meets all the criteria for a regional project.

SENATOR WAMPLER: It seems to me that VIR came out of Special Projects.

SENATOR HAWKINS: When we started this project it was Special Projects, and that's

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where it started.

SENATOR WAMPLER: Let me try to address part of that, Gary, the point you're trying to make. Whether it's e58 or whether it's a water and sewer pump or fiber that's been lent, moving data, or whether it's industrial access road, a hell building that's dark or occupied or whichever you want to say, that's seems to be the criteria that comes into special projects. Part of the problem is looking at a piece of art and trying to determine and interpret what it is. I guess you could say that certainly if the region wanted to do that they could fund it and make it a priority. Southwest has said on e58, to a certain extent we spend our economic development dollars to do it because we felt it was so important to jump start it and not wait on the nuclear treaty to be signed and so forth. I think when you look at job creation, this is hard infrastructure. It certainly meets the definition of special projects, and your point is a good point. It could very well be in deal closing if you had another tenant that agreed to occupy the industrial site. So I guess the short answer, we could fund it out of anything we wanted to, but this happens to be the way the dance card is set today.

MS. NYHOLM: Actually, we can't continue to grow VIR without the utility infrastructure, and we do have tenants waiting for commitments to continue.

SENATOR WAMPLER: Just for the record, would you tell us your name?

MS. NYHOLM: Connie Nyholm from VIR.

SENATOR WAMPLER: We know that, but we have somebody over here taking copious notes.

MR. ARTHUR: Mr. Chairman, what they're doing at VIR and what this project would do to open up 58 east can hardly be measured at this point. When they built Lowe's Motor Speedway Danville, they're doing a better job. That's a two times a year deal, and they're doing something every weekend here. You cannot get a room in Danville on weekends now hardly at all. When they open that infrastructure up on 58 east, there's already three hotels waiting to be built down that way toward the racetrack, plus the food and stuff that it brings. She's got three races coming that are going to be nationally televised, and we can't buy that type of exposure. If we don't do this those races aren't coming, and that comes every weekend, and it's not just twice a year. This is every weekend. It's a wonderful opportunity to expand 58 east.

SENATOR WAMPLER: Mr. Yeatts, before we let you sit down and before you move from your place of importance there, has the preliminary engineering taken place on this project?

MR. YEATTS: Yes, on the sewer upgrade, the wastewater sewer upgrade system to increase the capacity.

SENATOR WAMPLER: What I'm trying to get to is, is the project in a ready to go status? Are you ready to drive the first stake in the ground and say this is the --

MR. YEATTS: -- No, we're looking for the commitment today to the project. No, construction is not ready to start tomorrow.

MS. NYHOLM: The construction is ready to start at VIR on the on-site collection system the water distribution. The engineering is done.

SENATOR WAMPLER: How much is this and that's part of the proposal.

MS. NYHOLM: That's the 1.4.

MR. YEATTS: We're asking for it to be released and contingency, again, is working together.

SENATOR WAMPLER: Let me cut right to it. What are your cash needs in the next twelve months?

MR. YEATTS: We would like the monies to the Halifax Service Authority to be released that were approved last year and in the next year the commitment for the new capacity.

MR. CURRIN: Mr. Chairman, if I may.

SENATOR WAMPLER: Mr. Currin.

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MR. CURRIN: Thank you. When this was approved, and in the minutes from the Special Projects Committee at Virginia Tech and then the full Commission meeting, the motion that was passed by this body and the full Commission stated that the City of Danville would have to participate in the sewer project of a million four. If they could not make that work under those current conditions it would have to come back to this body to recommend to the full Commission to release a million four to be used for an on-site sewer facility. So that would have to be addressed. In the meantime, this other development has taken place where Halifax County, Pittsylvania County and the City of Danville with an extra million dollars they can tie in the issue with VIR but expand it as Mr. Arthur and Senator Hawkins stated, it would expand so many more opportunities on 58 on that corridor.

SENATOR WAMPLER: Mr. Ferguson.

MR. FERGUSON: Mr. Chairman, I think maybe to help clarify my understanding, and it will help me if I'm wrong. Carthan, I think what you're saying is 1.4 million is already spent, that's not money that is being appropriated today or recommended to be appropriated today. Really the only decision that needs to be made by the Commission in that regard is if the contingencies were met, and I think basically it's been indicated that it has been, but that's for the Commission to determine if they feel it has. A separate question about the additional funding for the project that would expand the capacity and so forth.

MR. CURRIN: That's correct.

SENATOR HAWKINS: Mr. Chairman, I think if you look at this now, the initial agreement has been met, and we do that, and it does basically what we talked about. If you tie the other million with it rather than just having this disconnect with the VIR, what you're doing is tying in all the 58 projects that could eventually take place, such as the motels, and would not take place without the million dollars and other types of infrastructure improvements and economic opportunities for Halifax, Pittsylvania and the City of Danville. This million dollars invested at this point will allow for these pipes to be increased and the capacities to be increased. This is up and beyond those requests we've already approved. It adds icing to the cake to the point that it will make it more appetizing for people to look at this area.

DELEGATE DUDLEY: I'm in agreement with most of what the Senator says by chance this time. I think the conditions were met, and then what happened is when you opened the new industrial park that's where your capacity needs to increase, is that right?

MR. YEATTS: Yes, it's either/or. We could either take in the new industrial park or take in VIR, but the increase will allow both capacities.

DELEGATE DUDLEY: So the situation has changed.

SENATOR HAWKINS: It's either/or.

DELEGATE DUDLEY: Since we approved the other?

MR. YEATTS: Yes.

DELEGATE DUDLEY: At what point then, you're talking about a year from now. I'm assuming that capacity is used up when you fill the industrial park.

MR. YEATTS: That is correct. In the interim we would connect VIR to the existing infrastructure, and the new six million dollar upgrade is being completed, and then they'll be switched into the new upgraded system.

MS. NYHOLM: What the new proposal allows for VIR is for us to be able to hook in more quickly, and we can accelerate our growth while they match your one million with an additional five that would serve the big industrial park and what they're currently pursuing, but they're not then afraid to release that remaining capacity for our immediate needs because the bigger picture is on the way.

SENATOR WAMPLER: I think everybody understands the issue now. The last question I have is your need for cash, and we're trying to structure our payments. The 1.4 million would be released in as much as you've met the term of the condition previously appropriated authorized

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expenditure. We've obligated those dollars and you've met those conditions. The question on the million dollars from the Commission is if you need two fifty this year and seven fifty next year, we need to know that, and I'm not sure you're in a position, talking to your engineers.

MR. YEATTS: I'm not, and I know we don't need the entire million right now.

SENATOR WAMPLER: Senator Hawkins, we need that before the Executive Committee, even if it's your engineers' best swag.

MR. YEATTS: I'll have it prior to Tuesday.

SENATOR WAMPLER: All right. Any other questions? Thank you, very much and we appreciate both of you having the patience to stick around with us.

MR. YEATTS: I would add that one of the issues that has come up in other discussions, the easements, of course, that we obtain for the waste water sewer line down 58 can also be used for the e58 corridor project.

SENATOR HAWKINS: I would also make the suggestion that the pipeline is put in place, the water sewer, the culvert for the e58 corridor would be put in too, I would hope.

MR. YEATTS: Yes.

MR. WALKER: If we had followed the original time line that we had agreed to in Blacksburg in the fall of the year, when would the target be for the hookups, VIR to the sewer? Would the schedule be this summer?

MS. NYHOLM: The very best case would have been 2003.

MR. MORGAN: We're basically on track. I want to say we appreciate all the support. After the decision last October, a lot of work has been done, and the county has moved forward with developing the site, and buildings are going up and things are happening, and we're depending on that commitment. Engineering work is done on the offsite activity, so we are ready to move forward, and I don't think we've lost anything.

MR. WALKER: Is the new proposal going to get it hooked up quicker?

MS. NYHOLM: Yes, through the proper wastewater, then we won't have to build the on-site lagoons, so that won't be money thrown away.

SENATOR HAWKINS: The point I think we need to understand is that without these capacities we are talking about now, they would build a lagoon on-site, and they would not meet future needs. By doing this you eliminate that part of it, and you build the capacity that they need for future growth as well as 58. So everything ties in place with this additional allocation.

MR. MORGAN: I think the proposal would make 2003 a much firmer reality.

MR. ARTHUR: In the meantime you've agreed to pump it all, right, so they can move forward?

MS. NYHOLM: In our calculation when they meet our needs we're going ahead with three new projects right now, and we're starting a fourth one in the fall.

SENATOR WAMPLER: Okay, thank you, very much. We're at a point on the agenda where it's time to make some decision, don't get your keys out ready to leave just yet. Mr. Chairman, I'd ask if you could pull your agenda out, because there's a couple of things I'm going to recommend that you toss to the Executive Committee, and you're probably not going to like it, but that's kind of, I think, where we are. If I could start at the beginning with Virginia Tech Bioinformatics Report. I think the intent of the Chair was to bring this Committee up to date. I think it's beyond the financial resources of this Committee. I think when we report to the Executive Committee that we generally like what we have heard and are sympathetic to what they want to do, but we're going to have to work in conjunction with the entire Commission to find funding for whatever level we have there. Let's kind of do this on an informal basis unless there's an objection to that, we would move forward.

The next item was Community Energy, Inc. I think that one needs to mature a little bit more.

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They will continue to work with Staff, I suspect. There's no specific request.

Next was the Korea Tobacco and Ginseng Corporation.

MR. ARTHUR: I don't feel we have enough information.

SENATOR WAMPLER: I think the biggest challenge is first, with the Attorney General's Office advising us on what participation role we have or how we fund a suitable joint venture partner that we can help capitalize, the same challenge we had with Tobio. That has to be the first point. Mr. Chairman, I don't know if we're going to be ready for that by the Executive Committee or not, but I'd say it's probably more akin to deal closing.

SENATOR HAWKINS: But the Attorney General's opinion is what drives that.

SENATOR WAMPLER: Is there an objection other than performing as Mr. Arthur says, more due diligence? Is it something Special Projects wants to continue to look at in conjunction with deal closing, or do you want to toss it all over to deal closing?

SENATOR HAWKINS: I move we put it in deal closing.

MR. FERGUSON: Mr. Chairman, on that point that may be appropriate. I understand deal closing goes through the Governor's Opportunity Fund right now, but there'd have to be some mechanism. We'd still have the same problem without having that intermediary. Whether it's there, here or somewhere else, the central issue to talk about, I think, would remain the same.

SENATOR WAMPLER: The Governor is a pretty good venture capitalist, last I heard.

STEPS, Incorporated, any thoughts on where we go from there? Mr. Arthur, yours was perhaps through profits of the entity to reinvest.

MR. ARTHUR: Right.

SENATOR WAMPLER: Senator Hawkins, you suggested some federal funds.

SENATOR HAWKINS: I think they need to look at some other options, plus it's a for-profit entity, and we've been very cautious with that sort of commitment.

MR. ARTHUR: Their profits are not reflected in how much it is.

SENATOR HAWKINS: I think we need to see those figures by June 30.

SENATOR WAMPLER: Okay, Virginia's Region 2000. I didn't chime in, but I should have said that it's not just the legislative branch that can influence the master lease but the executive branch, but I guess we would want to say in a very strong sense, we hope to see on December the 19th when his Excellency, or December 20th, presents a budget with regards to retrofitting, buying new equipment, state of the art and whatever else we need to do with it. Senator Hawkins, you still have time to address that in case that's not the case.

Next was the Holiday Lake 4-H Educational Center. What is the pleasure of the Committee?

SENATOR HAWKINS: There's a lack of jobs created there, and I applaud the effort, but I would like to see some private entity work with this stuff, particularly with the forestry part. There's got to be something they can do throughout there. I'm not sure this falls under our criteria, I don't know.

SENATOR WAMPLER: I think the previous Chair of Special Projects made this the depository of that particular application.

MR. ARTHUR: Speaking privately with Mr. Wilson, I told him before that I didn't see that there was any job creation here at all. They do a wonderful job for the kids, perhaps may keep some on the farm, but I'm not sure that this is within the purview of what we're to do, in my opinion.

SENATOR WAMPLER: Any other comments?

MR. WALKER: I think this speaks to a heritage and a way of life that's important to us, but given the limited amount of funds we have to work with, I just don't think we can do it.

DELEGATE BYRON: Looking as to why this is not in the educational thing and switches to Special Projects, and I know it's been tossed around. Maybe it's not getting the same attention because it's not in the right committee. Perhaps it could be reexamined in another area.

SENATOR HAWKINS: Put it back in education?

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MR. CURRIN: Prior to this the Education Committee had X number of dollars for the community college, and that's all they had. There was no money there.

MR. ARTHUR: We gave it a chance, but it's got to go somewhere else. No question about it being a good idea.

SENATOR HAWKINS: I'm in favor of the concept, and I wish there was something we could do.

SENATOR WAMPLER: Mr. Chairman, it seems to me that the Executive Committee still has to develop guidelines for what the Education Sub-Committee will look at, and when it becomes --

SENATOR HAWKINS: -- We're working on that issue as we speak. Mr. Chairman, why don't we make a recommendation that this be carried over and referred to the Education Committee and let them look at it, because there'll be a restructuring of that committee.

SENATOR WAMPLER: Without objection we'll move it to the Education Committee for further consideration.

Floyd County Venture Center. The only point I would summarize there is that they have invested local dollars and the fact that their facility is not totally secure and they lost it. I still think we'll be hearing from them again. I've asked them to keep in mind and work with the Director so we don't lose touch with them if we need to front something so that they can secure a new site. Delegate Dudley, that's your neck of the woods, is that okay?

DELEGATE DUDLEY: I would add that I was impressed by the percentage of cash they were putting into it compared to the amount of request that they had initially, and I thought that was a strong point.

SENATOR WAMPLER: Next was Lake Country 2003 Regional Fishing Tournament Series. I didn't sense much support for us setting a precedent with those type of activities.

Without objection we'll move forward to Crossroads Rural Entrepreneurial Institute, which is referred to as Crossroads. Let me try to structure the discussion this way on Crossroads. They need a letter from the Tobacco Commission saying that they will, or we're good for 1.5 million dollars as the payer of last resort. Secretary Schewel doesn't call me all that often to tell me he thinks something may or may not happen. In this case, he says he thinks this has a lot of merit, and as the Deputy Secretary said, they looked very strongly at the application. What that means is I think that the buy down ultimately will be in the range of nine hundred thousand to one million dollars, and it could be spread out over a two-year period. It's an incubator and it's regional in scope. The medium payback even in the best scenario is probably two hundred jobs. The question is what are we comfortable in doing. I've seen the Commission take a bigger bite at riskier projects before. Here again, I would say much like the remaining item on the agenda, we have regional activities that's going to be expanded further and that's more inside baseball for those people that don't live in southwest. What does the Commission feel comfortable in doing?

DELEGATE DUDLEY: I'm in favor of this and move approval, subject to some contingencies. All of these other pieces have to fall in place to make it work, and I think that included economic development grant in place of a couple of million dollars and the Rural Housing Association loan of a couple million dollars, and then I want some tie-in with what's happening with the Community Housing group. Even though there's no approval I want something tied in with that. One thing that did concern me, although we hear there's going to be promises of support from a number of localities have put very little up front into this on the capital component. I think certainly it has to have a strong commitment for future funding and ongoing funding for them, but we don't want to end up with a situation again, having them come back to us. With that said, I support this.

SENATOR WAMPLER: It's my understanding, and I have not churned the numbers, it seems to me our potential outlay is four fifty to four hundred and seventy-five thousand in each of the two years, assuming everything you said comes forward. That's where we would have to have Crossroads work with the Director between now and the Executive Committee meeting. We want to make sure we

have that in a memorandum format before we take it to the full Commission. I think that's your point, Kathy.

DELEGATE BYRON: Is it also possible to have some type of reference to staying within that 5.5 million range, or if they go beyond that is that going to come back on us, because they haven't even done the engineering study on it. So we're really just guessing or estimating what the costs would be.

SENATOR WAMPLER: I think what he told me is that we would be obligated for no more than \$1.5 million, but ultimately we want to consider all of the other grant sources to be used as a buy-down against the two federal numbers. We're limited to the amount he told you, that's the safeguard you're looking for. I'd agree with you.

I think then for the motion, and I'll ask for one on this one, 'cause it's a little bit complicated.

MR. OSBORNE: I'll make the motion based on what you said.

MR. ARTHUR: He stated it for the minutes.

SENATOR WAMPLER: Let's keep it this way, that we would make the recommendation that we would underwrite and obligate ourselves in the amount not to exceed 1.5 million dollars. That's the first point. The second point, that the Crossroads will develop the memoranda or memorandum of understanding with our Executive Director as to outlining all other source of funds, that other grants that may be made available would offset the Tobacco Commission's liability. And, the third and last point would be we anticipate our expenditure to be four hundred and seventy-five thousand dollars for the next two years for each, four seventy-five in FY03 and four seventy-five in FY04. I believe that's what we've all been talking about here at the table. Now we'll do, since we had a motion, you made the motion, is there a second?

MR. ARTHUR: As stated by you.

SENATOR WAMPLER: As stated by me.

MR. ARTHUR: Second.

SENATOR WAMPLER: Is there discussion, clarification, any other deliberation?

Hearing none --

DELEGATE DUDLEY: -- The only other point is Kathy's point that the total project costs not exceed the preliminary cost estimate.

SENATOR WAMPLER: That's not part of the motion, however, it's a valid point. But as I see it our role is just to underwrite the 1.5 million or an amount less than that. If it's beyond that, they have to find the money to do it.

DELEGATE BYRON: You do not want an incomplete building, though.

SENATOR WAMPLER: If we did it in chunks of four seventy-five and four seventy-five, I don't think it would happen. It's a valid point. All right, any other questions or comments on the motion? Hearing none, all in favor of the motion signify by saying aye. (Ayes) Opposed, no. (No response) Ayes have it. That motion is carried.

Next is the Virginia International Raceway. The request is for one million dollars. There was discussion around the table about validating the contingency of the previously allocated \$1.4 million. I would respectfully suggest that on the Director performing his due diligence making sure that has been met, that we recommend to the full Commission that the \$1.4 be released or that they have met, we'll set the threshold that they have met their obligation. Stephanie.

MS. WASS: The \$495,000 of that are part of the loan. The terms of that loan need to be determined or approved.

SENATOR WAMPLER: All right, I'll tell you what we'll do with that, subject to, without you all's objection, we're going to toss that to the Executive Committee and let them make rates. I don't know that we need to make rates here today. I didn't bring my book with me.

SENATOR HAWKINS: Also, we need to have preliminary estimates on the amounts of
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money they need, the extra million.

SENATOR WAMPLER: Let's make it clear, and again without a motion, we'll just make sure that the Director brings it to the Executive Committee with our recommendation that the obligation is met on the 1.4 million and the remaining balance that's a loan the Executive Committee recommend what terms will be attached to that loan. Yes, that's what I was thinking about, and that's my story, and I'll stick to it.

The second point is, what do we do with the remaining request of one million dollars. I think the only issue left was how much was needed in the first year and how much was needed in the second year, and we should know that by the Executive Committee meeting with the full Commission.

DELEGATE DUDLEY: Any other source of funding, we should know that, too.

SENATOR WAMPLER: Senator Hawkins, do you think we need to do that in the form of a motion, or how do you want to present it?

SENATOR HAWKINS: I think just refer it to the Executive Committee with a recommendation that the criteria are met on the 1.4 we proceed also with the million dollars once we find out what funding is actually needed, but not to exceed the request of the one million.

SENATOR WAMPLER: One million dollars is too much to do without objection, so we're going to make a motion. This Committee recommends that in the aggregate one million dollars will be expended through the joint efforts of the localities mentioned and Virginia International Raceway, with the discretion to the Executive Committee of how we allocate the dollars in a given year. Is that fair with everybody? Who wants to make that motion?

MR. ARTHUR: I'll make the motion.

DELEGATE DUDLEY: I'll second it.

SENATOR WAMPLER: Mr. Arthur makes the motion, seconded by Delegate Dudley. Without further discussion, all in favor signify by saying aye. (Ayes) Opposed, no. (No response.) The ayes have it, motion carries. That is the balance of the agenda items. I have the furthest to travel today, but bear with me for two or three more moments. On the agenda we have an area or a thing called public comments, is there anyone who wishes to make a comment? (No response.) When we meet with the full Commission I encourage you all concerning any projects that may be pending in your localities for purposes of planning, so we can see from the budget what we have to work with.

DELEGATE BYRON: My understanding is that we did not find the two hundred thousand that's in the balance, is that correct today?

SENATOR WAMPLER: I would say we have carried forward over six hundred thousand. I think you need to understand that we may have an immediate request for, or on two applications for two hundred thousand each, and that we will carry forward what the balance was to the next fiscal year. If the projects are ready, get them together, and Mr. Chairman, the guidelines will tell us what should be done. I would suggest Special Projects --

SENATOR HAWKINS: I would suggest that probably we notify people that the Executive Committee meeting will be held at the Danville Airport on the 4th of June.

SENATOR WAMPLER: Is there any other business to come forth?

MR. SHEPPARD: This will be my last meeting with this body, this will be like a summer retirement for me. It's been a pleasure working with this body for two years and working with the Staff. Wish you all the best of luck.

SENATOR WAMPLER: Talking about an incubator, there are very few such as this that have been created with this type of budget, and we thank you for your patience and guidance in walking us through this mine field. We wish you well. We can either write a letter for you or against you, whichever you think will help the most. If there's no other business to come before the Committee, the meeting will be adjourned.

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PROCEEDINGS CONCLUDED.

CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, was the court reporter who took down and transcribed the **Minutes of the Tobacco Indemnification and Community Revitalization Commission Public Meeting, Special Projects Committee, on Wednesday, May 29, 2002 at the Patrick Henry Community College, Walker Building Board Room, Martinsville, Virginia.**

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

My Commission Expires: October 31, 2002

