

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**VIRGINIA TOBACCO INDEMNIFICATION  
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501  
Richmond, Virginia 23219

**Technology Committee Meeting**

Thursday, April 26, 2007

9:00 a.m.

Wytheville Meeting Center – Meeting Room C  
Wytheville, Virginia

1    **APPEARANCES:**

2    The Honorable Kathy J. Byron, Vice Chairman - Southside

3    Mr. Thomas W. Arthur

4    Mr. L. Jackson Hite

5    The Honorable Edward Owens

6    The Honorable Thomas C. Wright, Jr.

7

8

9    COMMISSION STAFF:

10   Mr. Neal E. Noyes – Executive Director

11   Mr. Ned Stephenson – Director of Investments

12   Mr. Timothy Pfohl – Grants Program Administration Manager

13   Ms. Britt E. Nelson – Grants Coordinator, Southside Virginia

14   Ms. Sarah Williams – Grants Coordinator, Southwest Virginia

15   Ms. Stephanie Wass – Director of Finance

16

17   OFFICE OF THE ATTORNEY GENERAL

18   Mr. Francis N. Ferguson, Senior Assistant Attorney General

19                   Counsel for the Commission

20

21

22

23

24

25

1 DELEGATE BYRON: All right, let's get started. Would  
2 you call the roll Neal?

3 MR. NOYES: Mr. Arthur?

4 MR. ARTHUR: Present.

5 MR. NOYES: Delegate Byron?

6 DELEGATE BYRON: Here.

7 MR. NOYES: Mr. Hite?

8 MR. HITE: Here. .

9 MR. NOYES: Delegate Hogan?

10 DELEGATE HOGAN: (No response.)

11 MR. NOYES: Mr. Montgomery?

12 MR. MONTGOMERY: Here.

13 MR. NOYES: Mr. Owens?

14 MR. OWENS: Here.

15 MR. NOYES: Mr. Thompson?

16 MR. THOMPSON: (No response.)

17 MR. NOYES: Senator Wampler?

18 SENATOR WAMPLER: (No response.)

19 MR. NOYES: Delegate Wright?

20 DELEGATE WRIGHT: Here.

21 MR. NOYES: You have a quorum.

22 DELEGATE BYRON: I will say briefly that at the last  
23 meeting those of us that were present, we didn't have a quorum so what  
24 we're going to do is a brief overview of what we heard that day. We'll have  
25 a brief presentation of what we did last time and then we can decide what to

1 take to the full committee meeting. Now, I know you've all read the minutes  
2 so I'll entertain a motion for the minutes. It's been moved and seconded that  
3 we approve the minutes, all in favor say aye. (Ayes.) All right. That takes  
4 care of the minutes.

5 Now Tim, would you like to give us a brief overview on the  
6 presentation of these grants?

7 MR. PFOHL: Good morning, you have the documents in  
8 front of you and that says grant request April, 2007 and then under that it  
9 says revised 4-17-07. If you have that document, you'll have all the  
10 information you need. These are grants that were invited from the previous  
11 Southwest Broadband Grantees using funds that the Executive Committee  
12 transferred in January to the Technology Committee. The total amount of  
13 funds available was \$4 million of restricted funds and those can only be used  
14 for capital project expenses. The proposals we received from past grantees  
15 include three from Bristol Virginia Utilities and one from Lenowisco,  
16 Incorporated I, which is a subsidiary to the Home Broadband Fiber created  
17 by the Lenowisco Planning District Commission. We did have one other  
18 request came to us from iTown Communications, Inc. and I'll very quickly  
19 walk through those with you and then talk about a project that just came to  
20 us very recently.

21 On the three Bristol Utility proposals you'll see there was an  
22 original requested amount and then a revised reduced amount. To help you  
23 understand why that occurred, the grantees in Southwest including the  
24 Planning District, Lenowisco and the Cumberland Plateau and Bristol  
25 Utilities are cooperating to build a project that this Committee funded almost

1 two years ago called the Virginia Coalfield Coalition. That project is under  
2 construction right now and has encountered some problems in the ballpark  
3 of \$1.5 million due to some rock conditions that they've run into. At the  
4 Committee meeting last week we saw a slideshow illustrating those  
5 conditions. What the staff did in consultation with these applicants is to  
6 suggest that they reduce their current request in order to allow enough  
7 money to be freed up from what's available now to add to the previous grant,  
8 grant 964 for that coalition. That explains why you have a reduced request  
9 from Bristol Utilities and Lenowisco. The three funding requests are the  
10 Town of Abingdon reduced their request to 400,000 to add five miles of  
11 fiber passing eleven commercial and industrial premises and 307 residents.  
12 The second request from Bristol Utilities is also a request for \$400,000 for  
13 the Town of Tazewell that would add 7 miles of backbone passing 43  
14 commercial and industrial premises including two industrial parks, five  
15 schools, the courthouse and the town and county offices. This project will  
16 create a redundant ring with an existing fiber build. The Commission and  
17 the Federal Economic Development Administration funded that previously.  
18 The third request from Bristol Utilities is for Washington County and that's  
19 been revised to 450,000. And that will add 111 miles of fiber passing 20  
20 commercial and industrial enterprises and 283 residences. The staff would  
21 recommend an award of \$1.25 million for those three projects as revised.  
22 That would allow an additional \$750,000 to be awarded from restricted  
23 funds to be added to grant number 964 for the Coalfield Coalition. The  
24 other invited application from Lenowisco I and that request has been  
25 reduced to \$1.25 million that would add up to 60 miles of fiber. We struck

1 through some of the Lee County area and that will reduce the request and  
2 they will not be able to reach Jonesville and the Ewing area but will target  
3 Appalachia, Coburn, St. Paul and Wise in Wise County. Staff would  
4 recommend an award of \$1.25 million on that revised project with an  
5 additional \$750,000 to be added to grant 964.

6 iTown Communications Inc. is a Vienna, Virginia based company,  
7 which has applied for \$1.25 million to construct a 47 mile fiber to the  
8 premise network with wireless overlay, to reach all 2200 businesses and  
9 residents in the Bluefield, Virginia area. In Bluefield, West Virginia. This is  
10 part of a larger \$26 million concept to serve also in addition to Bluefield,  
11 Virginia, I'm sorry if I said Bluefield, West Virginia before, they're asking  
12 for funds to serve Bluefield, Virginia and portions of Mercer County West  
13 Virginia. iTown has formed a Bluefield access company, which is a holding  
14 company to own and manage the network. They propose to form a Virginia  
15 based non-profit to facilitate and oversee the use of the grant funds. iTown  
16 is currently awaiting approval of a loan from USDA's Rural Utilities Service  
17 for a significant portion of the project funding. Based on other funds not  
18 being available yet, the staff recommended no award.

19 The last project is one that's just come up in the last two weeks.  
20 This is a Center for Innovative Technology, the University of Virginia, and  
21 the Office of Telemedicine. It's called the Virginia Telehealth Network.  
22 This application is to be filed May 7<sup>th</sup> with the Federal Communications  
23 Commission requesting \$5 million to develop this project. The partnership is  
24 asking this Commission for approximately 750,000 as a state match to the  
25 federal proposal. The requested funds from the Commission would be used

1 only within the Tobacco Commission footprint to provide broadband and  
2 equipment to connect the medical centers, clinics and hospitals in the  
3 Tobacco region of Southside and Southwest. Eighteen of which have been  
4 identified in the proposal that we received. This equipment and broadband  
5 would connect the tobacco region medical facilities with Virginia's top  
6 medical centers across the Commonwealth as well as the National Health  
7 and Research Center allowing folks to receive advanced diagnosis of  
8 treatment in the tobacco region without having to leave home. There's an  
9 aspect of this request and the Federal Communications Commission has  
10 asked for specific medical area of focus in Virginia focusing on stroke  
11 prevention and treatment. Karen Jackson is here who's heading up the  
12 state's broadband deployment and telecommunications initiatives and she's  
13 here and can address the rest of the proposal you have before you today.  
14 That's what we have on our plate.

15 MR. ARTHUR: Tim, how does this program sustain itself  
16 after the original, is this the last time we'll see this thing or are they coming  
17 back?

18 MR. PFOHL: It's a one-time capital expense that will put  
19 state of the art equipment and connectivity in the facility and from that point  
20 on, equipment and connection will be there and it will be dealt with as an  
21 ongoing operation.

22 MR. ARTHUR: They're not coming back to us?

23 MR. PFOHL: There are no operating requests for funds  
24 here. I'd turn to Ms. Jackson to see if there's any potential for future  
25 requests from the Commission.

1 MS. JACKSON: It's my understanding that those people  
2 that are going to utilize this service and the hospitals, they will be paying for  
3 the additional cost. This has come through the Governor's office for  
4 broadband assistance. This is a one-time request. There are no operating  
5 funds with it. The ongoing costs of the network will be covered by the  
6 interactions, and there won't be another request as I know of. This will span  
7 the entire medical network; this will cover physical education and patient  
8 education and related morbidity, high blood pressure. All of those are types  
9 of diagnosis and treatment to run across the network. Stroke is the focus.  
10 We had to pick one in order to go after the FCC grant. The connectivity is  
11 there, anything to do with healthcare and stroke prevention under the FCC  
12 rules. Payment for any kind of training or classes will be sustained by the  
13 clinics or hospitals and there'll be no further request for the Tobacco  
14 Commission.

15 MR. ARTHUR: I support the program and I just wanted to  
16 clarify that so there's no operating expenses, you won't be back to us for any  
17 operating money.

18 MS. JACKSON: That is true.

19 DELEGATE WRIGHT: Tim said there were eighteen  
20 locations identified. How did you go about identifying those locations?

21 MS. JACKSON: There's a copy of the list in the proposal  
22 that was given to you. I don't have a list in front of me right now but I think  
23 there's five or six in Southside and the majority of them are toward the  
24 Halifax and west area. This was based on two factors. One is the greatest  
25 need because 25% of the population lives outside what would be considered

1 the response time for service and treatment. If anyone is identified with a  
2 stroke type symptom and they're without care for at least an hour's driving  
3 time to get back to the facility. All of these healthcare centers west of an  
4 hour's driving time we looked at and that's determined based on incidents of  
5 stroke and what's available.

6 DELEGATE WRIGHT: Do you think this pretty well  
7 covers the need or do you think more locations should be identified that have  
8 not been selected?

9 MS. JACKSON: I believe this is good geographic  
10 coverage. Are there other locations that could benefit from similar  
11 activities? Absolutely. Right now with a year's contract, we're just going to  
12 have to start somewhere. What this will do is we'll get some real good  
13 coverage then with the FCC money it will free up other monies, other  
14 opportunities to connect. So we're working sort of a tier system. Northern  
15 Virginia hospitals will be part of the network and actually provide some of  
16 the service and places like VCU and UVA will all be with us and will be  
17 responding to the calls of the centers across the state. We think we've got a  
18 real good geographic coverage as well as a crackerjack team to answer any  
19 questions.

20 DELEGATE BYRON: Any other questions?

21 DELEGATE WRIGHT: Tim, on these at Bristol, where  
22 these are being run by the home, the connections to the actual home and  
23 providing services to the home. What is the plan for getting service to the  
24 home?

25 MR. PFOHL: That's what Bristol Utilities has offered as

1 their matching component. They'll provide the physical connection to the  
2 residences. In these requests here, they're not asking for funds to connect  
3 the residences.

4 DELEGATE WRIGHT: What is it going to cost to connect  
5 to the homes?

6 MR. PFOHL: In a ballpark of several hundred dollars for  
7 high speed connection.

8 MR. KELLY: For residential customers it's about one  
9 thousand per residence.

10 DELEGATE WRIGHT: There's no way you can use the  
11 existing lines, go with what's used by the utilities to run that connection?

12 MR. KELLY: We don't do any kind of broadband over the  
13 power line.

14 DELEGATE BYRON: Any other questions? Is it the  
15 sense of the Committee to report that we recommend accepting the  
16 Committee's recommendation to accept all of these grants?

17 MR. ARTHUR: So moved.

18 MR. OWENS: Second.

19 DELEGATE BYRON: You've all heard the motion and  
20 the second. All in favor of accepting the Committee's recommendations as  
21 stated for the grants say aye. (Ayes.) Opposed? (No response.) All right,  
22 that takes care of that. Next is the presentation of Virginia Resources  
23 Authority request, Ned.

24 MR. STEPHENSON: Most all of you on the Committee  
25 are aware that the last mile problem that we face throughout the whole

1 region and the extensive cost of providing for that. Staff has been engaged  
2 in conversations recently with the Virginia Resources Authority and they are  
3 a bond issuing organization of the state. We have opened some dialog with  
4 them about the concept of asking VRA to issue bonds to raise money and use  
5 that money in loans to various enterprises to provide wireless last mile  
6 service throughout the region. The concept that maybe the Tobacco  
7 Commission could subsidize or buy down or underwrite the borrowing costs  
8 for all of those enterprises. It's obvious to most of us that the Commission  
9 does not have enough money to provide last mile service to everyone but  
10 this is a way that we could induce the market to do so. At the last meeting  
11 we presented this concept that seemed to meet with some favor with the  
12 Committee. The missing link at this point is what is the demand for the last  
13 mile services in terms of vendors who would be willing to borrow this  
14 money to provide the last mile. We agreed to undertake some degree of  
15 study to determine what level of demand would exist for a loan product of  
16 this type and if we find there is a material amount of demand, the staff  
17 intends to bring back to you a proposal to have VRA issue some bonds, lend  
18 the money and ask you to write down the cost. To quantify this for you, and  
19 these are discussion only numbers, if there were to be \$50 million worth of  
20 loan demand from wireless providers, the Commission could spend about \$8  
21 million buying down the entire interest cost of that loan. Those that  
22 borrowed the money would have to pay back the principal but the Tobacco  
23 Commission would cover the interest accrual during the time that the loan  
24 was outstanding. That kind of gives you the feel for the leverage that we  
25 have.

1 MR. NOYES: An important aspect of this is that VRA  
2 would be responsible for the due diligence on the application for the loan.  
3 They would look at the business plan and that sort of thing and that would  
4 not be a matter that was handled in-house by the Commission staff.

5 DELEGATE WRIGHT: This sounds very interesting and  
6 I'm glad to hear some discussion about the type of seed. We've been talking  
7 about this backbone for some time now, it's like we're getting different ideas  
8 on how to do the last mile. The problem you have identified seems to have  
9 some solution, people out there that do the work. I think it's time for us to  
10 move forward and try to get this job done. I know the backbone itself is a  
11 tremendous asset to us but I know in Southside we've got an industry in our  
12 county. The only reason they are there is because of the backbone, and that's  
13 a big deal. I think the idea is a good idea.

14 MR. ARTHUR: What happens in a default case?

15 MR. STEPHENSON: If VRA issues the bond, does the  
16 credit underwriting and makes the loan and in the event of default it would  
17 not be an expense back to the Tobacco Commission.

18 MR. ARTHUR: Our interest stops?

19 MR. STEPHENSON: That's right and that was a key tenet  
20 of our discussion that we did not want the risk of default and that would pass  
21 to the Virginia Resources Authority and the bonding issuer. I think it should  
22 be noted Madam Chairman that the Virginia Resources Authority is  
23 empowered by statute to make these kinds of loans but only for wireless  
24 deployment. Wireless is not the solution in every case but it has broad  
25 applications in our region to get the job done quickly for a lot of last mile

1 needs.

2 DELEGATE BYRON: I want to point out that Ned was  
3 explaining to us or asking what the Committee's interest was to give them  
4 some direction and proceed or not proceed. We need to make a decision  
5 today whether we want to give the staff some guidance in this area.

6 MR. STEPHENSON: Correct.

7 DELEGATE WRIGHT: I can give you an example in my  
8 hometown. We've got DSL down in Victoria but the surrounding areas don't  
9 have it.

10 MR. STEPHENSON: Conceivably there would be a  
11 lending source that would provide capital to local entrepreneurs to get that  
12 signal out and we would bear the interest cost during that time to give them a  
13 chance to get his revenue stream up and make it.

14 DELEGATE BYRON: Ned, how long do you anticipate  
15 getting information together, would you have that by our next meeting?

16 MR. STEPHENSON: That's a good question. My  
17 hesitation is concerning this study to try to determine the demand. To my  
18 knowledge, nobody has such a study or such statistics so we'd have to try to  
19 determine that in some fashion. There is the concept of skipping the demand  
20 study and engaging VRA to start this program and see how it goes. It can be  
21 constructed in such a way that if the demand is limited the Commission  
22 would not be exposed. It's a question of whether we want to take the steps  
23 required to determine the demand study first and launch the program later or  
24 move directly into the program, that's a matter for this Committee to advise.

25 DELEGATE WRIGHT: To do this study, maybe the

1 demand will be marginal and then what's the next step?

2 MR. STEPHENSON: We would have to then decide  
3 whether there was enough demand to justify moving forward with the  
4 program.

5 DELEGATE WRIGHT: What other options would we  
6 have other than dealing with these private enterprises that we talked about  
7 and can we make it attractive enough to lend the money, if that isn't then  
8 what do we do?

9 MR. STEPHENSON: That's the nut we're trying to crack.

10 DELEGATE WRIGHT: It seems to me maybe the study is  
11 just an extension of the time before we get started.

12 MR. ARTHUR: We've jumped into several things quickly  
13 trying to get there faster and we've gotten burned on some of them. I don't  
14 see moving forward unless we have the study to prove its value. I like to be  
15 prepared before I jump into something.

16 MR. STEPHENSON: I think the Executive Director is  
17 equipped under his authority to spend a few dollars to try to obtain a study  
18 that would be our next step.

19 DELEGATE WRIGHT: What time frame are you talking  
20 about for this study?

21 MR. NOYES: We really can't begin until July 1<sup>st</sup>, so I  
22 would think by our October meeting and there is a meeting of this  
23 Committee that the staff recommended for the 11<sup>th</sup> of October, next  
24 committee meeting. By that time, we should have completed the research  
25 piece and be prepared to report back to the Technology Committee on

1 funding.

2 DELEGATE WRIGHT: Taking this to the logical  
3 conclusion if there's an opportunity and whether the demand is there for this  
4 in Southside except for the backbone, if it's not there then it's a failure. But  
5 at this point I'm not sure whether people in Southside would want to pursue  
6 it. I think obviously, the demand is there but making a commitment so it's  
7 better to do the study but that would be part of the due diligence before we  
8 proceed with the project.

9 MR. OWENS: We don't know if they want wireless; some  
10 people wouldn't want wireless. If you ask the private sector, they'd like to  
11 maximize the investment.

12 DELEGATE WRIGHT: But this would be a pilot project,  
13 we need to get the report back.

14 MR. OWENS: We'd have to get the report back to see  
15 what interest there is from the private sector.

16 DELEGATE WRIGHT: I agree with what Ned said –

17 MR. OWENS: There's some mix.

18 DELEGATE BYRON: I would think the study we have  
19 with regard to that and then the pilot project that's underway and then both  
20 of those combined would be helpful to us.

21 MR. HITE: Madam Chairman, since we've got all this  
22 money invested in broadband in Southside, what else can we do but go  
23 forward? How much is invested?

24 MR. TAD DERISO: The Tobacco Commission has spent  
25 about \$34 million.

1 MR. HITE: Well, \$34 million, we should do everything  
2 we can do to enhance upon this investment, we've gone this far and spent  
3 that much.

4 DELEGATE BYRON: I don't think there's any  
5 disagreement in that regard. I think the question is how do we proceed as far  
6 as the study. Should we get this study and report about VRA and that benefit  
7 and then we'll understand this lending business and the lending power and  
8 what this will do for us.

9 DELEGATE WRIGHT: The point I was making is that I  
10 thought we had made a decision long ago for wireless in Southside. We've  
11 looked at several situations of doing it, and then we talked about towers and  
12 the density. I'm not opposed to the study but at the same time the study, we  
13 should know if the demand is there and what the demand is. We should  
14 know why we built it in the first place. If the demand wasn't there, then why  
15 did we do it in the first place, is my point.

16 DELEGATE BYRON: I don't disagree with you on the  
17 demand. If you look at technology, everything about it tells us that we need  
18 wireless and that's why we spent money to do that. What I'm hearing from  
19 the staff and from the director is that it is needed for other reasons, no matter  
20 whether or not we utilize the service. I think that's what you're referring to  
21 or that's my feelings. Do you want to expand on that?

22 MR. NOYES: VRA needs to know how much money  
23 we're in the market for, this Committee and the full Commission needs to  
24 know what it may cost the Tobacco Commission to write down the interest  
25 for whatever that amount of money that VRA would borrow and then

1 provide to the local governments. That's what we're doing the study for to  
2 see what would be the level of demand. If we find out it's \$10 million, it  
3 means a different number in terms of any commitment in financing than if it  
4 was \$100 million. We need to find that out over the next couple of months  
5 and then come back to this Committee and further discuss how you would  
6 wish the staff to proceed.

7 DELEGATE WRIGHT: With that explanation, I  
8 understand what the study is for, thank you. I think it's a good idea.

9 DELEGATE BYRON: We don't need a motion. We can  
10 give you the verbal direction to go ahead.

11 MR. STEPHENSON: That's what I need. Thank you.

12 DELEGATE BYRON: Any other comments from  
13 members? All right. Any public comment? Well, then, we'll proceed for  
14 the full Commission meeting with the applications that have been presented.  
15 Applications will be due, I believe, August 31 and the next meeting is  
16 October 11<sup>th</sup> of this Committee. So, without anything further, do I hear a  
17 motion that we adjourn?

18 MR. ARTHUR: So moved.

19 DELEGATE WRIGHT: Second.

20 DELEGATE BYRON: We're adjourned.

21

22 PROCEEDINGS CONCLUDED.

23

24

25 CERTIFICATE OF THE COURT REPORTER

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Virginia Tobacco Indemnification and Community Revitalization Commission Technology Committee Meeting when held on Thursday, April 26, 2007 at 9:00 a.m. at The Wytheville Meeting Center, Wytheville, Virginia.**

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

Given under my hand this 2nd day of May, 2007.

---

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

My Commission Expires: October 31, 2010.