

1 **APPEARANCES:**

2 The Honorable Clarke N. Hogan, Chairman

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

4 Mr. L. Jackson Hite

5 The Honorable Edward Owens

6 Mr. Bryant L. Stith

7 The Honorable William C. Wampler, Jr.

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9 COMMISSION STAFF:

10 Mr. Neal E. Noyes, Executive Director

11 Mr. Ned Stephenson, Deputy Executive Director

12 Mr. Timothy Pfohl, Grants Program Administration Manager

13 Ms. Britt Nelson - Manager of Program Assessments

14 Ms. Sara Williams - Grants Coordinator, Southwest Virginia

15 Ms. Sarah Capps - Grants Coordinator, Southside Virginia

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18 OFFICE OF THE ATTORNEY GENERAL

19 Mr. Francis N. Ferguson, Deputy Attorney General, Counsel for the

20 Commission

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1 DELEGATE HOGAN: Good morning, everyone.
2 I'll call the meeting to order.
3 Neal, would you call the roll?
4 MR. NOYES: Ms. DiYorio?
5 MS. DIYORIO: (No response.)
6 MR. NOYES: Mr. Harwood?
7 MR. HARWOOD: (No response.)
8 MR. NOYES: Mr. Hite?
9 MR. HITE: Here.
10 MR. NOYES: Mr. Owens?
11 MR. OWENS: Here.
12 MR. NOYES: Mr. Stith?
13 MR. STITH: Here.
14 MR. NOYES: Senator Wampler?
15 SENATOR WAMPLER: Here.
16 MR. NOYES: Delegate Wright?
17 DELEGATE WRIGHT: (No response.)
18 MR. NOYES: Delegate Byron?
19 DELEGATE BYRON: Here.
20 MR. NOYES: Mr. Thompson?
21 MR. THOMPSON: (No response.)
22 MR. NOYES: Delegate Hogan?
23 DELEGATE HOGAN: Here.
24 MR. NOYES: You have a quorum, Mr. Chairman.
25 DELEGATE HOGAN: We have a couple of

1 issues to talk about this morning. Traditionally, we sort of split the money
2 up on this Committee between Southside and Southwest. Everybody has
3 certain needs, and I know we've had conversations back and forth. We
4 probably should try to develop that a little closer, and I would go ahead and
5 ask the people to come on up here and sit over here so we can have this
6 conversation, rather than you being in back of us. As I said, we traditionally
7 tried to split the money up as people needed it.

8 MBC has some specific needs, and we've had some
9 conversations back and forth. We've done the best we can to try to be fair. I
10 don't know if you want to go down that road or not.

11 Why don't we start with you, Sheryl?

12 MS. BAILEY: I've got a PowerPoint set up.
13 You'll see that we at VRA, we have over 25 years of underwriting
14 experience with localities to provide low interest loans to municipalities and
15 localities in the Commonwealth, and we provide low interest loans. We
16 have 14 project areas now, and the Broadband is one of the significant areas.
17 We have significant experience with localities working with their utilities, if
18 you will. You'll find that our experience working with water and waste
19 water, solid waste on a physical locality basis as well as a regional basis is
20 something we're very familiar with. We've got over 25 years and adding the
21 Broadband perspective to that portfolio. We've been making a difference in
22 Virginia, and we've invested over \$340 million dollars impacting 50
23 communities in FY2008, and we've supported over \$3.4 billion of
24 investment in Virginia's communities since 1984. We've funded more than
25 800 projects across the Commonwealth since inception.

1 Oftentimes VRA loans are gap-financing. If it weren't for these
2 funds, those projects would never have happened. We're very familiar with
3 working with the whole package of financing abilities to fill the gap and
4 make it happen. We have a couple of ways we do this. We have a revolving
5 loan fund, and in many communities that involves clean water, drinking
6 water, aviation, dam safety. So we've done all types of that work. I tell you
7 that the clean water funds are very important, and you'll see that that might
8 be high profile, and that has helped a number of communities. As such, with
9 those two programs, most of our loans are in Southside and Southwest
10 Virginia. We're in the loop all over Virginia, and we have lots of money, but
11 most of our loans and clients are in Southside and Southwest, and that's why
12 I'm out here today. We've figured out that's where we belong.

13 We also have a revolving loan fund, which are state funds with
14 aviation and dam safety. Clean water and drinking water funds have federal
15 and state support, and aviation a revolving loan fund that the
16 Commonwealth established exclusively for that activity. We've got 28 or 29
17 airports all across the Commonwealth. We probably have one in Danville.
18 We have dam safety funds, and that's an effort between VRA and DPR for
19 dam safety projects. All these revolving loan funds supersede a partnership
20 basis, the clean water, drinking water and aviation partnership with the
21 Department of Aviation. So what I'm say is we're used to being in
22 partnership with other state entities and coming together in teamwork and
23 when it comes to leverage, using our capabilities and our expertise and
24 making something happen. All of these funds have a low market rate, and
25 they have federal and state support for the low market rate at different levels

1 of those rates --

2 DELEGATE HOGAN: -- What kind of basis
3 points in a normal bonding would you be talking about?

4 MS. BAILEY: The clean water and drinking
5 water, those are 100 basis points. In aviation and dam safety, 50 basis
6 points. It depends on how much capital is invested to buy down the interest
7 rate. These are permanent and perpetual sources of funding. That means all
8 the repayment goes back into the dedicated funds for certain purposes. All
9 the repayments come back into that fund and recycle that for future loans.
10 So dedicated and perpetual is all the same.

11 SENATOR WAMPLER: Ms. Bailey, what
12 indicated rate do you have in the market today?

13 MS. BAILEY: It's better every day.

14 SENATOR WAMPLER: What's better?

15 MS. BAILEY: We've had a major dislocation in
16 the bond market. The rates have really shot up in the investor issues, and
17 they have had to sublet some bond issues, so the market seems to be, or we
18 saw as of the last three weeks investors coming back. And rates, we're
19 looking at the long end of 30-year bonds being just around 5.17, 20-year
20 bonds just shy of 5 percent, which is very good. So, it's coming back down
21 as investors return. We're looking at a 20-year rate being shy of maybe the
22 high 40s. We have triple A ratings in our bonds.

23 SENATOR WAMPLER: What do you
24 contemplate with Broadband? Would that carry a triple A rating?

25 MS. BAILEY: It depends on a couple of things.

1 A stand-alone fund, it will probably be a triple A or double. It will be
2 combined tapping into the 70 percent triple A rating in the bond.

3 SENATOR WAMPLER: You're showing us your
4 portfolio?

5 MS. BAILEY: Yes, these are all VRA projects,
6 and this bond pool is over \$700 million, and we're talking about almost a
7 billion dollars with these bonds. It's established credit in the market, and
8 we're a natural triple A. A lot of these municipal bonds heretofore had an
9 artificial rating through the bond insurer. As a result there were some bad
10 investments in mortgage banking and security. Our bonds are very stable,
11 but they can stray. Some of those we're not able to offer in this market. We
12 have a natural triple A and double A rating and no bond insurance. We have
13 a unique state credit enhancement and ease of use. As such, as I said, we
14 have a natural triple A rating. That's the kind of prices we can bring to the
15 localities, and that's one of the reasons why we've had an avalanche of
16 requests, because of the ratings that we enjoy. We have expanded options
17 for terms anywhere from three to fifteen years and quick turn-around.

18 SENATOR WAMPLER: How much money are
19 you talking about from a practical standpoint, is what I'm asking?

20 MS. BAILEY: I wanted to let you know about
21 these three tools because, and this is our tool box, and you can use any of
22 these tools, and we'll bring our tool box and you can apply it anyway you
23 want to, and we have various financing terms. We have longer terms, we
24 have short terms. That's something we do, whether it's equipment,
25 whichever tool you want to use.

1 As far as the Broadband deployment, we have pooled financing
2 programs, or we have equipment and term financing, and as I said, eligibility
3 for all local governments and authorities.

4 Then, we bring internal underwriting. We underwrite all the
5 credit, and we don't pass localities over to the bank underwriting. We do
6 that in-house, internally, and we have a staff there, and we have information.
7 We work with the securities. That affects the ability to borrow and work
8 with the localities and structure it so it can be supported. Without that, the
9 role of VRA is different. I won't go into all the details, but we can do that.
10 In fact, I've got a team that can do the underwriting.

11 In terms of what we can do, like any projects, equipment,
12 technology, infrastructure, the question is, how do we use these tools,
13 Broadband, for the Tobacco Commission. I think it really comes down to
14 two options. Option 1, we can jointly establish a revolving loan fund for
15 Broadband projects for any combination, for any that you need a unique
16 design. A partnership, that's very important. Another option is jointly
17 establish direct loan program for Broadband projects. The eligibility for
18 either one of these options jointly created with the Tobacco Commission,
19 and you can capitalize on our track record.

20 With the revolving loan fund, here we can take and combine the
21 capital investment with the VRA pooled financing program, which has a
22 triple A rating. We ran this several times, and I had it checked as to the rate,
23 and we're talking about 50 basis points as we have done in aviation and dam
24 safety. We could leverage the money 10 times, \$10 million, and this is a
25 dedicated revolving loan fund, and the repayments are coming back in. We

1 could leverage it 10 times and have \$100 million low payment loan within 5
2 years, deployment in five years to get all this started. Two hundred million
3 in twenty years in a revolving loan fund all coming back in, that's
4 permanent. That's also assuming the rate by then of 50 basis points off of
5 the VRA rate. The better rates we get in the marketplace we would discount
6 50 basis points. Now, remember if you want a higher discount, that we were
7 using this as an example.

8 DELEGATE HOGAN: Are those progressions
9 reasonable? You put \$10 million in and you want to buy down 100 basis
10 points, does that mean \$50 million in three to five years? Does that work
11 out?

12 MS. BAILEY: Almost, without going through the
13 details.

14 DELEGATE HOGAN: That's close enough.

15 MS. BAILEY: If we look at the model, we have
16 the reserve fund and the investment and the payoff and so forth. This is how
17 you magnify and make an impact and create sustainable funding. We would
18 use that existing loan pool to leverage. That's an option.

19 Another option is the direct loan program for Broadband
20 projects. Here we provide a capital investment, a direct investment with our
21 pool and/or a direct loan and payments do not revolve. In that instance if
22 you created, or oftentimes the direct loan is a zero percent. These are zero
23 percent loans, the clean water and drinking water. In that instance you
24 wouldn't necessarily see this revolve and you don't get the same circulation
25 here, and you can magnify it eight times in five years. This is just 100

1 percent by then. In this instance we're also looking to get the VRA triple A
2 bond rating. We'll work with you to make it as easy as possible and to get
3 you the best rate, no matter which way you go. So this would also be
4 enhanced with a statewide impact. So the options are a revolving loan fund
5 or direct loans, but by using any one of our tools, and in this instance, we
6 can also use the equipment terms during financing for a short term like three,
7 four, or five years, and that's another option.

8 SENATOR WAMPLER: Your third bullet, \$50
9 million zero percent over five years. Is that the schedule or the years? Is
10 five years the same? Is that the length that you would --

11 MS. BAILEY: -- Every time you look at this
12 you're assuming you're generating some of the rate buy-down from this
13 investment. If you move it faster you need more money to cover 100
14 percent. You made an investment and you immediately start generating
15 earnings, and the interest is discounted.

16 SENATOR WAMPLER: The \$50 million, that's
17 the scheduled repayment in your model to understand your \$50 million zero
18 percent loan. What is the interest rate?

19 MS. BAILEY: The interest rate or repaying the
20 loan? That assumes five years, in that case a direct loan, in terms of a five-
21 year term loan.

22 SENATOR WAMPLER: Do you have an
23 opportunity to go a longer duration?

24 MS. BAILEY: In this particular case we assume
25 five years average. We would, we assume a five-year average built around

1 the pool bond program. We'd also do it in the equipment financing program.
2 What happens is you're not looking for a revolving or leverage, trying to
3 cover the interest rate costs for the equipment term financing. So without
4 the revolving factor we are not assuming that you're getting as much of a
5 discount, rather leverage factor. We find the best deal at the lower cost is
6 just fund or pay all the interest.

7 SENATOR WAMPLER: I suspect we'll need
8 much longer than five years to repay it. We wouldn't have the cashflow in
9 five years.

10 MS. BAILEY: That's an average, some are shorter
11 and some are longer. If it's longer, you might get a little bit more --

12 SENATOR WAMPLER: -- I think we'd try to pay
13 it in five, but I'm assuming.

14 MS. BAILEY: That's an average. It can be scaled
15 to whatever you need. We can run the number scenario, ten or fifteen years.
16 We had an insurance provider that had 15 different rates, but we do have
17 these options available. We try to expedite these projects, and we can be
18 flexible, and we'll work with you any way you want to, and we can look at
19 these various options, and we're willing to do that. We are really interested
20 in helping out with this last mile deployment to fulfill those needs and get
21 things moving. With the localities, we can help facilitate that, and we're
22 used to dealing with multiple parties at the table, and we do this gap
23 financing, too. We have relationships with over 270 communities, and it's
24 growing. We can bring in any expertise that we need to help. We also have
25 a good team, and McGuire Woods is our bond counsel. We're also working

1 with Davenport and Company on strategic solutions, and U.S. Bank is our
2 trustee. We've had years of experience in doing this, and we're at your beck
3 and call in any way that we can help, and we look forward to having a
4 working relationship with you.

5 DELEGATE HOGAN: I guess at this point we
6 need to try to figure out whether or not we have an interest in pursuing this.
7 And, you do loan money to localities?

8 MS. BAILEY: In general. In specific legislation
9 we've done dam safety financing and we've helped homeowners and private
10 individuals. In our drinking water program also we're allowed to make
11 project investments because of the nature of the water systems. So there are
12 options in general. We've done some farmer loans.

13 DELEGATE HOGAN: Senator Wampler, how
14 would you like to proceed with this? I guess we need to get a sense of
15 whether our traditional grant recipient wants to pursue this in Southwest or
16 not.

17 SENATOR WAMPLER: One of the questions we
18 had, we've been around this a number of times, and I think you answered
19 part of the question. We have some federal money that has helped capitalize
20 the venture. There is a pretty strong school of thought that that federal asset
21 is, or the federal grant, the federal government would not allow it to be
22 subordinated or otherwise used as an asset within that structure. Do you all
23 have a view on that particular subject?

24 MS. BAILEY: That's where I mentioned we are
25 flexible with the localities about that. We're willing to look at other

1 collateral and trying to help communities get roads built, and we're willing to
2 work with the localities on these projects as long as the bond counsel lets us
3 do it, and they've been very helpful.

4 SENATOR WAMPLER: You underwrite it based
5 on the assets that could be pledged?

6 MS. BAILEY: If it's a new asset being acquired,
7 investment for new assets, we'll talk about what that new asset is. If they
8 find that the assets they have are already encumbered, then many times we'll
9 do a moral obligation.

10 SENATOR WAMPLER: What would be the basis
11 points? When it goes to the market, what would that be?

12 MS. BAILEY: Everybody would get the same
13 rate.

14 SENATOR WAMPLER: With the various folks
15 we have at the table, and some have been in the game longer than others,
16 some have larger debt structures. If one or the other entity wished to
17 refinance that debt, is that something you all would be interested in?

18 MS. BAILEY: Yes, we do it all the time. We
19 finance at a lower interest rate. Sometimes we'll refinance for more
20 affordable or manageable debt structure. We financed about 20 million like
21 that. We told them we'll give you an existing loan, and we had about 30 to
22 35 million that we refinanced in that deal.

23 SENATOR WAMPLER: I think I understood
24 your example of us providing, or the Tobacco Commission providing the
25 cash to buy down the interest rate. If we believe that some projects cannot

1 move fast forward for a couple of years and we provide additional payments
2 for the first couple of years, technically, you don't care, do you? Does it
3 make your prospect stronger?

4 MS. BAILEY: We do that all the time. With
5 clean water there is a capitalizing two years construction, and that's the
6 particular program's structure. We created that with DEQ for that program.
7 The waste water treatment plant was trying to get up and running. We
8 worked to capitalize the interest, the amounts being able to cover the funding
9 for that during that time frame. We have a revolving fund, and we have a
10 different variety, but again, we have these options, and we can work with
11 you and try to tailor it to your needs.

12 DELEGATE HOGAN: Here's a question I have
13 for the Committee, and I'd like anybody to speak to it. If you want to pursue
14 it, it's quite a bit of work, and I have some questions, and there are a lot of
15 ways to do it; that can be all laid out. Is this a route we want to pursue or
16 not? It seems to me that's the questions we should answer first before we
17 spend a lot of time making a proposal to these folks. Is that something you
18 would be interested in doing?

19 MR. CARTER: I'd like Stacy to speak to that.

20 MS. BRIGHT: We've been in this municipal bond
21 market. With the bonds we have out there now, about \$28 million in bonds
22 out there. Independent of the Tobacco Commission we're not in a position
23 that we want to go back and refinance those. We've got to make sure we
24 know what the package is going to be, who and how we partner with and the
25 Virginia Tobacco Commission with VRA and the Broadband deployment.

1 If you'll look at this independently, we don't need that now, to go back and
2 refinance it. We have tolerance levels with our cities on our debt possibility.

3 I don't think we're in a posture to go back for any kind of debt issues.

4 As far as our bonds go, I think we're in a great place, four
5 percent or 4.25, a 20-year amortization schedule. I think we'd only be
6 interested if there's a package with the Commission that they're willing to
7 come in with us and help us and encourage maybe more debt with a
8 refinance in order for Broadband deployment. We'd have to really discuss
9 how we'd want to package this deal. We're not adverse to entertaining what
10 the package might look like.

11 DELEGATE HOGAN: The difference between
12 Southside and Southwest as far as the bond issue, Southwest they have the
13 planning districts, and Southside we have done it with a cooperative
14 program, not a specific sort of thing, really a different model. That's why I
15 asked you to discuss about the money, but we'd take a different approach.
16 We don't want a single provider; that's the difference in the structure. It's
17 difficult to work with; it may work with Southwest. Is that your answer to
18 that question without the specific legislation intent, am I right?

19 MS. BRIGHT: If you were trying to work through
20 an entity that's not governmental and it's more regional wide for Southside.

21 MS. BAILEY: As a technical matter in terms of
22 legislation, perhaps. In terms of what we can do, we're using to dealing with
23 regional authorities. If there is a regional authority we are very, we've
24 worked with people to get them up and going, and we do it on a regular basis
25 with water and waste water and landfill areas. If there was a regional

1 authority that had come together, if it's an existing entity and not a regional
2 authority in Southside, we would need some help on that legislatively. If it's
3 any kind of regional authority, and we work with them all the time, and we
4 get new regional authorities all the time.

5 DELEGATE HOGAN: Do we want to look at
6 other options?

7 MR. SKINNER: Mr. Chairman, I'm Skip Skinner,
8 and Ms. Bailey has worked with my predecessor. We firmly believe in order
9 for our network to be truly successful we need a financing program to get
10 fiber to the premises to get that last mile done. What I think you proposed
11 here through Virginia Resources is a very valid option, and we're prepared to
12 move forward to do some type of a debt structure.

13 SENATOR WAMPLER: I'd be so bold to say that
14 I don't believe a loan pool will answer the challenge. I thought I found the
15 same thing as Southside where a loan just doesn't work and you have to have
16 a cash grant to make it work. I'd say it's worth trying to spend some time to
17 determine how you blend the two over a period of time. The only way I
18 know how to do it, we might as well address it. We would have to invade
19 the corpus to get critical mass to do what we want to do. That's easier said
20 than done. Over a period of time I think that's the only way we're going to
21 be able to properly capitalize it. Everybody needs something different. I
22 think it's worth spending some time on. I'd have sticker shock on this piece
23 of paper that was passed out on total capital needs. If we as a Commission
24 participated 100 percent or 50 percent or 25 percent, I don't know if that's
25 what the need is. I think somebody else can speak to that. The point is that

1 when you get into Grayson County and Galax and Carroll County and those
2 citizens, and you start blending the two regions together, there's no clear
3 bright line as to how we do it.

4 DELEGATE HOGAN: Would this be a good time
5 to hear from Karen?

6 MS. BAILEY: With regard to the loan, we do that
7 combination on a regular basis where we would work with you in terms of
8 the criteria that we have, and I don't think the template there would apply
9 directly. As far as the percentage on the loan, the loan is 100 percent
10 discounted, or some loans are three percent or a combination.

11 DELEGATE HOGAN: Let's hear from Karen.

12 MS. JACKSON: I'm Karen Jackson, and I run the
13 Governor's program, as far as the Broadband. The sheet you have in front of
14 you that outlines the year one through year five and projections, this was
15 done at the request of Neal. He asked me to come in and work with
16 providers to see what the total need would be to do not only the remainder of
17 the backbone but make sure that if there's a redundancy, the needs of all the
18 networks that Senator Wampler was talking about. You have some areas in
19 the Citizens area that meet your needs as well as Citizens to really network
20 together and make sure that the redundancies were in place. What you have
21 in front of you is a result of a couple of meetings we had discussing with all
22 the providers who are listed there. This is what their estimation is to do the
23 job you set out years ago to do, that is to wire the majority of homes in
24 Southwest and Southside and affordable last mile. You're looking at about
25 \$76.2 million over the next five years to do the buildout. That includes the

1 last mile and the middle mile and distribution from the backbone out to the
2 actual communities, as well as the remainder of the backbone redundancy.

3 DELEGATE BYRON: Karen, can you tell me
4 why you don't have some of the other telecoms, like Verizon, here?

5 MS. JACKSON: These were people whom you
6 have funded through direct grants for telecom in the past. Embark got their
7 grant through the MBC process and a second layer, so to speak. We're
8 dealing with the main folks who had been at the table previously. MBC was
9 the one who passed that fund to them. We were the only tier one so people
10 could receive money from the Commission.

11 SENATOR WAMPLER: For the record, I would
12 say from the outset we asked for participation, and they declined.

13 DELEGATE BYRON: We came up with another
14 model so that we could do what we're doing today and try to fund projects or
15 accomplish that last mile, and that was the reason I asked before.

16 MS. JACKSON: I believe part of what you have
17 here, if I'm correct, is that to do additional programs like you did before and
18 being able to use the last mile project?

19 MR. DERISO: Not totally, we have proposed for
20 this new round additional funds to match what we did for the last mile, a
21 million one. But we generated 5,000 new people who have access. Those
22 numbers, we hoped to have some sense of those in the November time
23 frame, and we have a new meeting going on, on the 13th, and we're going to
24 talk about the program, and we'll have all our servers there, hopefully. What
25 you need to do is get that Broadband where it needs to be so that number

1 could be increased significantly.

2 DELEGATE HOGAN: What I'm trying to find
3 out, and we can do this a couple of ways, you can do what you've been doing
4 and come in and we'll give you a grant. In Southside we're at a place where I
5 think we need to do a very small, maybe something like so many businesses
6 and 15 houses here and there. It's my hope that we can come up with a
7 program where we're not sitting here saying, yes, we'll give you money and
8 go down the street and do this house and do this one here. Is Southwest in a
9 similar posture?

10 SENATOR WAMPLER: No, we're still mega
11 chunks. What we want to do is not, that's not the technical term, but our
12 capital needs are still great, and we still have a very large area to cover.

13 DELEGATE HOGAN: So your answer is, it
14 depends. Do you want to try to pursue these folks and look at a package that
15 would be of some combination of grants and loans?

16 SENATOR WAMPLER: I'd say that at the end of
17 the day VRA might be able to put together a list of customers from Mid
18 Atlantic and other providers come forth. I don't have the answer to that, and
19 I don't know. I think it's worth pursuing. I'd like to direct one approach
20 better than the others. I don't know if that helps or hurts on the underwriting
21 side. If you aggregate all of it and put it in a big pot, I don't know if that
22 would survive. If everybody would agree to that, that might be like a third
23 option, but something tells me we'll have a hard time getting everyone to
24 agree to that.

25 DELEGATE HOGAN: Does anybody have an

1 opinion about this before we decide what to do?

2 MR. OWENS: Mr. Chairman, I think what we've
3 heard today would help expedite the deployment and encourage participation
4 in the project and the planning of it.

5 DELEGATE HOGAN: Can you do this rather
6 quickly, make a proposal that lays out the options and figure out how you'd
7 like to do this? I suggest you talk to Tad Deriso, Southside. Who would be
8 the appropriate person to talk to in Southwest?

9 SENATOR WAMPLER: I think their needs are
10 all different, and you'd have to talk to each one, and they'd be the ones who
11 would have to figure out what they want to do.

12 DELEGATE HOGAN: Then we can take a look at
13 this proposal. From the Southside's standpoint, I'd like to have answers to
14 how would you work with MBC and what would we have to do to make that
15 possible? If you'd be kind enough to do that, I think that would be helpful.
16 Is that the consensus or the will of the Committee so far?

17 MS. BAILEY: Be happy to.

18 DELEGATE HOGAN: Thank you.

19 MS. JACKSON: Mr. Chairman, in all of the
20 things we are talking about here I think there needs to be a prioritization in
21 some of things and a phasing in what needs to be done when. Some
22 communities are ready to be brought on sooner rather than later, and some
23 providers will be ready to roll out sooner than others. There are pieces in
24 here if you don't get the redundancy done sooner rather later, it could be a
25 death knell. We have three independent networks that are not fully

1 integrated, so no matter how much backbone you put on in Southside or
2 Southwest, it's not going to be worth it. So I think that when you start to
3 look at some of these, there needs to be some focus on the backbone and
4 what needs to be finished. Focus on the last mile, because there are some
5 imperative parts that need to be addressed to make sure that the whole
6 network is working together. As you go through it, I think it would be
7 helpful, and there's a division with funding, and I understand that. I think to
8 have a master plan for all of Southwest from stem to stern as to what's going
9 to be covered and who is going to cover what, what pieces are imperative.
10 That's one thing we attempted to do that we need to do, but we didn't get
11 there. We should lay out what's currently there and what pieces need to be
12 identified and laid out to connect everything together, and then with the
13 funding that VRA would put up, what additional communities would be
14 covered.

15 DELEGATE HOGAN: Let's take a stab at that.

16 MR. NOYES: Mr. Chairman, we will have some
17 type of plan at some point in December, or that's the expectation right now.
18 We will have the establishment of priorities, and as we go forward, the
19 question of integration.

20 MS. JACKSON: There are two different types of
21 maps. The first one is the initial one that we're doing at the state level.
22 We're collecting the provider data at an NDA level and actually identify
23 holes. The other map I'm talking about is taking what Tad has and what
24 BVU has and what everybody has already gotten laid out and then
25 overlaying the pieces that will be funded through VRA. Then start to take a

1 comprehensive look at where we were, once we have the state backing,
2 identify the whole, overlay this on top of it, say we've got all this in the
3 ground, and where are the pieces that we need to make sure get built and that
4 the networks are connected together and what communities will get overlaid
5 on top of that and will be served to cover up the holes on the state plan.
6 There are really two levels, and I think the Commission itself would have a
7 comprehensive map that would show what's already been funded and what's
8 going to be funded. It will give the constituents a good idea of where
9 everybody is headed and how soon they can expect this to be accomplished.

10 DELEGATE HOGAN: Would you like to work
11 with us and see how soon we can get there?

12 MS. JACKSON: Yes.

13 SENATOR WAMPLER: The point I'm making in
14 the process, there are two major points. The first is what are we going to ask
15 the applicants to send us, and I don't know right now.

16 DELEGATE HOGAN: I don't know, either.

17 SENATOR WAMPLER: That goes to the
18 deadline. The second point would be I don't know that we would get our
19 best work product from either applicant and/or VRA and Staff if we don't
20 give them a dollar amount for a target to work within. I said it earlier, and if
21 we want to be bold, we would really set ourselves apart from the rest of the
22 world and accept the requirements from the applicants, we're going to have
23 to invade the corpus. I guess we need financial modeling based on, are we
24 going to go along with \$10 million a year spread over the two regions, or are
25 we going to take a big chunk out of corpus over a year or so to achieve what

1 we intend to achieve. I suggest if we're going to do VRA's approach, from
2 the beginning we're going to have to invade the biggest amount up front so
3 they can get to the market and do the other things that need to be done.
4 Again, I'm not trying to persuade anybody. I think we owe it to have a
5 couple of models and decide what are we going to do.

6 MR. STEPHENSON: It would seem to be helpful
7 to VRA if this Committee could set some beginning parameters, such as a
8 100 percent rate buy-down in terms of approximately 10 years, whether it's
9 direct or revolving, and the size of the anticipated transaction, \$50 million or
10 \$100 million or whatever. That way they would have a point of beginning to
11 frame something that might be attractive to you. Otherwise, you're throwing
12 15 models out here, and I don't know what you'd have. I put those numbers
13 out as a suggestion for the Committee to help make or refine that.

14 SENATOR WAMPLER: Mr. Chairman, maybe a
15 \$50 million increment is a good figure to work with. I'd also say to all of the
16 applicants you can't look to us to pay for 100 percent of the deployment.
17 You've got to find other sources of funds, your customers or federal grants
18 or whatever financial instrument you wish to apply. Now, that's only my
19 thoughts, but I think maybe \$50 million, and I say I'm not as much interested
20 in a revolving fund as I am getting money to the entities as quickly as
21 possible. There may be different views on that, but we need to get on with
22 it.

23 DELEGATE HOGAN: We've got a November
24 14th application deadline. Is that going to matter? Would that help or not
25 help? Does it make any difference?

1 SENATOR WAMPLER: I think the question is
2 how much time the Staff needs.

3 MR. PFOHL: We'll turn it around as fast as
4 needed; holidays are overrated First week in December, maybe.

5 DELEGATE HOGAN: You probably know what
6 you want to do next. I'm sure Tad knows what he wants to do next. Maybe
7 what you should do is go ahead and apply for what you want to do next, and
8 in the meantime we'll look at these options and then maybe come back with
9 how we're going to do it, versus what we're going to do. In the meantime,
10 get a plan. If we're going to use it, we'll need it pretty quick; otherwise,
11 we're going to keep on piecemealing. I don't know really what to tell you,
12 but do the best you can. Does that make sense to everybody? All right.

13 Tad, do you want to talk briefly about what your issues are and
14 what you need to get done in terms of your next phase?

15 MR. DERISO: Our next phase, or our Board has
16 allocated or approved a \$4 million capital budget, and that includes several
17 of the counties and helping some of our K through 12 schools. It includes
18 some construction, and we've been helped with getting Broadband out into
19 areas that don't have it. It includes electronics to the data center in our
20 region, that's not only generating a substantial amount of revenue for MBC
21 but creating economic development in the region. The capital requirement
22 we have for MBC for the backbone towers. On top of that we're requesting
23 a \$2 million last mile project for our members. This is a program similar to
24 what we did in the first go-around and to go out to the private sector to our
25 members asking what is the best model for Broadband. That program has

1 concluded, and we felt that was successful, because a company like Embark
2 and others. We were able to award a grant of 50 percent, or whatever the
3 capital was required to get the Broadband in that area or these areas and buy
4 down that cost, and the provider has it available up and running on the
5 access network. We feel that's going to be the largest push in our region, the
6 20 counties and 4 cities that we're in and help expand the Broadband
7 coverage. We've just got to make the numbers work and have a buy down
8 on capital and have access to the network where anyone can use that
9 program the way we want to do it. We're asking for \$2 million because
10 we're seeing how the other program worked. After our meeting on
11 November 13th we'll have a little better idea of the areas in Southside you
12 don't have coverage on. Those numbers could be a lot more down the road,
13 we don't know that at this time. That's what we're looking to accomplish this
14 year. The \$2 million would be allocated to our members in the form of
15 match grants.

16 DELEGATE HOGAN: Anyone have any
17 questions for Tad? All right, why don't we do this, then? With Karen and
18 our Staff and put together and get these applications in, and maybe they'll
19 need to be modified, and then hopefully we'll be ready to go in the next
20 phase.

21 MR. NOYES: The Staff will publish a due date
22 after looking at the legislative calendar.

23 DELEGATE HOGAN: Are there any questions or
24 comments? Everyone comfortable with where we are and where we're
25 trying to go? All right.

1 We need to approve the Minutes from last time.

2 MR. OWENS: So moved.

3 DELEGATE HOGAN: It's been moved and
4 seconded we approve the Minutes from last time. All in favor? (Ayes.)
5 Opposed? (No response.)

6 Are there any public comments? All right, since there are no
7 comments, we're adjourned.

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9 PROCEEDINGS CONCLUDED.

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22 CERTIFICATE OF THE COURT REPORTER

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I, Medford W. Howard, Registered Professional

1 Reporter and Notary Public for the State of Virginia at large, do hereby
2 certify that I was the court reporter who took down and transcribed the
3 proceedings of the **Virginia Tobacco Indemnification and Community**
4 **Revitalization Commission Technology Committee Meeting when held**
5 **on Thursday, October 30, 2008 at 11:00 a.m. at The Institute for**
6 **Advanced Learning and Research, Danville, Virginia.**

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

9 Given under my hand this 15th day of November,
10 2008.

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20 My Commission Expires: October 31, 2010

21 Notary Registration Number: 224566