

1 **TOBACCO REGION REVITALIZATION COMMISSION**

2 701 East Franklin Street, Suite 501

3 Richmond, Virginia 23219

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8 **Executive Committee Meeting**

9 Wednesday, May 3, 2017

10 1:30 o'clock p.m.

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14 Hotel Roanoke & Conference Center

15 Roanoke, Virginia

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1 APPEARANCES:

2 The Honorable Terry G. Kilgore, Chairman
3 The Honorable Frank M. Ruff, Vice-Chairman
4 The Honorable Charles W. Carrico, Sr.
5 Ms. Mary Rae Carter, Special Advisor for Rural Partnerships
6 The Honorable A. Benton Chafin, Jr.
7 The Honorable Daniel W. Marshall, III
8 Mr. Donald W. Merricks
9 The Honorable James Will Morefield
10 The Honorable Edward Owens
11 The Honorable Thomas C. Wright, Jr.

12

13 COMMISSION STAFF:

14 Mr. Evan Feinman, Executive Director
15 Mr. Christopher E. Piper, Deputy Executive Director
16 Mr. Timothy S. Pfohl, Grants Program Administration Director
17 Ms. Sarah K. Capps, Grants Program Administrator
18 Southside Virginia
19 Ms. Michele Faircloth, Grants Assistant
20 Southside Virginia
21 Ms. Sara G. Williams, Grants Program Administrator
22 Southwest Virginia
23 Ms. Jessica Stamper, Grants Assistant
24 Southwest Virginia
25 Ms. Stacey Richardson, Executive Assistant

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COMMISSION STAFF *(Continued)*:

Ms. Stephanie Kim, Budget Director

COUNSEL FOR THE COMMISSION:

Ms. Elizabeth B. Myers, Assistant Attorney General
Richmond, Virginia 23219

1 May 3, 2017

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DELEGATE KILGORE: Good afternoon, I'm going to
4 call the meeting together of the Executive Committee.

5

Evan, would you call the roll.

6

MR. FEINMAN: Senator Carrico.

7

SENATOR CARRICO: Here.

8

MR. FEINMAN: Senator Chafin.

9

SENATOR CHAFIN: Here.

10

MR. FEINMAN: Ms. Carter.

11

MS. CARTER: Here.

12

MR. FEINMAN: Delegate Kilgore.

13

DELEGATE KILGORE: Here.

14

MR. FEINMAN: Delegate Marshall.

15

DELEGATE MARSHALL: Here.

16

MR. FEINMAN: Mr. Merricks.

17

MR. MERRICKS: Here.

18

MR. FEINMAN: Delegate Morefield.

19

DELEGATE MOREFIELD: Here.

20

MR. FEINMAN: Mr. Owens.

21

MR. OWENS: Here.

22

MR. FEINMAN: Senator Ruff.

23

SENATOR RUFF: Here.

24

MR. FEINMAN: Delegate Wright.

25

DELEGATE WRIGHT: Here.

1 MR. FEINMAN: You have a quorum, Mr. Chairman.

2 DELEGATE KILGORE: Do I have a motion we approve
3 the January 10th, 2017 minutes?

4 SENATOR CHAFIN: So moved.

5 MR. OWENS: Second.

6 DELEGATE KILGORE: We have a motion and a second
7 we approve the minutes from January 10th, 2017. All those in
8 favor, say aye. (Ayes). Opposed? (No response). All right, the
9 minutes are approved.

10 Next we have the BVU and the CAER updates, and I'll
11 turn it over to Evan.

12 MR. FEINMAN: We went through some negotiations
13 for sizeable Commission assets. Any time we make an
14 investment in a physical piece of property, we retain a security
15 interest in that property so that when it is later sold, we need to
16 do a clawback and we have some interest in the way it's being
17 sold and we make sure it's serving our purposes.

18 I'll start with the CAER, that's quicker and simpler.
19 We invested in the Center for Advanced Engineering Research
20 building in Bedford County some years ago, and it was a very
21 ambitious project serving the nuclear industry in Lynchburg,
22 Virginia, part of the BAFT, been in and out of involvement over
23 the years. That project has been stricken, and they had come to
24 us multiple times and mentioned that they were in financial
25 distress and looking to get Federal designation and hopefully get

1 resources via the Fed for that project, and it was going to take a
2 while, and they weren't clear or if it would be shuttered
3 completely, which would completely end the value of our
4 investments.

5 Liberty University came unsolicited to CAER, which is
6 really just down the road from their main campus, only about 15
7 minutes, saying they were very interested in building an
8 engineering campus with the building in hand and a reactor
9 simulator as a centerpiece through their engineering campus.
10 We had some concerns with that in terms of the current tenants
11 as a going concern and our clawback. We ultimately landed on,
12 and their proposal was not particularly interesting and included
13 no clawback to us, and that was a nonstarter.

14 So, where we landed was essentially a \$2 million
15 payment to the Commission and a \$2 million payment to CAER
16 for them to take title to the building. The actual reactor
17 simulator will be negotiated later, and currently remains BWXT's
18 property, and they have an easement, and the CAER affiliated
19 university will retain an easement so they can access that reactor
20 simulator. We will take our \$2 million and place that in the
21 Southside allocation for Bedford County. The thinking behind
22 that is that the various resident companies at CAER were paying
23 about \$125,000 to \$150,000 a year in property taxes, and that
24 will make significant local taxes to Bedford, and Liberty takes title
25 to the building, and they're a nonprofit. And as a result, the

1 county won't be receiving the taxes.

2 So, we're going to hopefully use that \$2 million
3 proceeds from this award to serve as repairs from the damage of
4 the transfer to the Bedford County tax base. And we'll remain in
5 contact with Liberty, and that will create the kind of engineering
6 campus that they're talking about in Bedford, and that'll be a
7 very strong addition to the Workforce Development universe and
8 infrastructure that we have in Central Virginia. So, I feel pretty
9 good about that.

10 DELEGATE MARSHALL: So, a recommendation is to
11 leave it to Southside Economic Development in Bedford County.
12 So, that one originally, that came through Special Projects?

13 MR. FEINMAN: It did.

14 DELEGATE MARSHALL: So why would the money not
15 go back to Special Projects?

16 MR. FEINMAN: Because we also need Bedford County
17 to get on board with us.

18 DELEGATE MARSHALL: Well, that would be good.

19 MR. FEINMAN: These are all complicated
20 negotiations. This was the deal that we reached.

21 Any other questions about CAER?

22 Then I'll move on to BVU. For some of you that don't
23 recall, the Commission, as well as local and federal agencies and
24 the City of Bristol and some other actors, met at the very
25 beginning and invested very significantly into this build-out of the

1 broadband network in Southside Virginia administered by Bristol,
2 Virginia Utilities. They underwent some difficulties, a way of
3 putting it mildly, resulting in a number of people under federal
4 indictment and going to jail. Their network was very significant
5 in peril. As you know, access to broadband is a utility like water
6 and electricity, and you just flat out can't attract business if
7 there's not a broadband network. Even worse, BVU had 28
8 million in Commonwealth-backed funds that were tied to
9 revenues from the network and there was some indication that
10 either the Commonwealth's credit rating would be imperiled or
11 the governor would need to call the General Assembly back for a
12 special session to address those bonds, which I don't believe
13 anybody wanted.

14 So, we needed to reach a deal to solve those
15 problems. And there was a buyer, Sunset Digital, which is a
16 former grant recipient of this Commission, as well, and
17 broadband-based in Duffield. They went and found a financier, a
18 capital company out of Miami, and made a proposal to purchase
19 the network for \$50 million. BVU was very excited about that
20 purchase proposal. However, because there were a number of
21 people that funded into this system, each of the seven parties
22 had to agree to the ultimate deal.

23 So, two Federal agencies, the Commission, BVU, CTC,
24 which is a partial owner of their network, and a holding company
25 had to agree. So, there were very contentious negotiations,

1 which took about 15 months from start to finish. I would point
2 out that they're not technically finished, and ink has not been put
3 to paper.

4 Every identified issue has been resolved to the various
5 parties' satisfaction, and the Commission has approved the
6 transfer, CTC has approved the transfer, BCC has approved the
7 transfer, and EDA has approved the transfer, MBIA has approved
8 the transfer. So, what we really need now is just for all the
9 attorneys to write up all the documents and get us there.

10 One of the primary sticking points was, because
11 there's been a long and contentious history between CTC and
12 BVU, and I won't delve into that. Both sides say the other
13 treated them poorly and that they were wronged by contact with
14 the other lasting years and years. That did not help us get to a
15 meeting of the minds, but we eventually did reach a deal.

16 First, the division of proceeds are going to be pretty
17 strong. BVU's debt, both their debt to the Commonwealth and
18 their debt to their regulated electric utility division will be retired.
19 They will save money depending on how the bonds shape up,
20 walk away with a little of the capital, and, if so, it will be very
21 little. CTC will be receiving about \$3 million cash payout at the
22 signing of the deal. The Commission will receive a \$1 million
23 cash payout at the close of the deal and a \$5 million note.

24 One of the reasons that the note would be a useful
25 instrument was they were, the buyers were not extremely happy

1 about the amount of capital that they were having to lay out
2 upfront. And they were willing to give us a note at market rates.
3 I will point out that the market interest rates are higher than the
4 interest we received from the State Treasury. As a result, we'd
5 actually be better to have all of our funds in a note and to
6 actually get cash at close, so that was an area where we were
7 able to make some headway.

8 In addition to that, Sunset pledged \$10 million more
9 and would not ever be deposited into our account or in CTC's
10 account, but the CTC could direct \$6.5 million of it, and we could
11 direct \$3.5 million of it for the purpose of making broadband
12 connections. This is a new outlay for them, but the outlay will
13 determine the direction and structure of it. We will probably
14 need to create a subcommittee so that request for connection to
15 the network and we can authorize those connections to be made
16 until we've spent down our \$3.5 million from Sunset. That's an
17 additional benefit the Commission gets.

18 MR. OWENS: Is this Last Mile?

19 MR. FEINMAN: It is the Last Mile. That'll be direct
20 connection to the towns or schools or public buildings or
21 whatever. It'll be ours to direct, and I think that's to the
22 advantage of the Commission. If we had received more money
23 back, we would have granted it out to go to the Region 8, but, in
24 my mind, this is a very similar benefit.

25 The second thing that needed to be resolved was --

1 DELEGATE MARSHALL: So, there would be a million
2 dollars in cash, so that goes back to Special Projects where it
3 came from?

4 MR. FEINMAN: That's up to the Committee, but that
5 would be the way we would do it if we got no recommendation
6 from them.

7 DELEGATE MARSHALL: A \$5 million note, how are we
8 going to handle that note? Will we get paid interest?

9 MR. FEINMAN: Yes.

10 DELEGATE MARSHALL: Do we get eventually get the
11 \$5 million.

12 MR. FEINMAN: They will pay over a term, I believe
13 it's a five-year term, \$1 million a year.

14 DELEGATE MARSHALL: It's a five-year term?

15 MR. FEINMAN: Yes.

16 MR. MERRICKS: Per annum?

17 DELEGATE MARSHALL: That's a good question.

18 MR. FEINMAN: Stephanie has talked about how we
19 might do that in terms of accounting on our books. I think that
20 the simplest way is to remember that we have that. And then in
21 future budget years, we could roll each receipt payment into
22 Special Projects if we wanted to or we could wait until all five
23 have landed and then roll that in. We're earning money on it
24 better than we would be if it was in our account. How it's
25 handled down the road, I'll leave to the Commission to spend.

1 The second big issue that we had was creating a
2 performance agreement and operating agreement between
3 Sunset, the buyer, and CTC, which is going to remain a partial
4 owner of the network. That took some doing, as well. They also
5 had some bad blood, and that seemed to be a fairly common
6 situation between organizational leaders in Southwest Virginia, as
7 I'm learning. That took a fair amount of negotiations, as well.
8 And after a couple of big scares in which various parties said that
9 they would walk away from the deal, we were able to bring
10 everybody back to the table and get across the finish line. Last
11 week, I was down in Lebanon for the CTC vote, a 20 to 8 vote,
12 and we were able to get across the finish line.

13 So, I can now report that unless something very
14 unusual happens, this deal is completed, and the Commission will
15 be in receipt of the funds over the next couple of months. And
16 the network will grow dramatically. The other positive thing is
17 while the buyer is committed on paper to expend \$10 million in
18 network improvements, their business plan is to spend \$40
19 million initial dollars. So, at the end of the day, the BVU sale
20 represents a minimum of a \$90 million capital infusion in
21 Southwest Virginia, \$90 million gain for us.

22 DELEGATE MARSHALL: Suggestion that you might
23 think about is the million dollars and the five million dollars, and
24 we have about three million dollars right now in the megasite
25 prospects. Maybe we ought to just put that money into that

1 fund, Megasite Prospect Incentive Fund.

2 MR. FEINMAN: The fund was initially created as a
3 windfall, if I recall correctly, and it is an additional amount of
4 money that we could use to close very large projects. Currently,
5 we have eight million in funds, allocated to Maymac, which we're
6 not quite ready for clawback yet. They tell us that deal is still
7 alive, it's been a while, we may be de-obligating those in the
8 relatively near future. But those would be very sizeable projects.

9 So, without revealing any specific details, the reason
10 we were willing to spend that extra money was for a \$2,000 job
11 property facility, which was very large, and that was the nature
12 of that fund.

13 DELEGATE WRIGHT: In discussing possible uses of
14 those funds, there's a pilot project of broadband for certain
15 counties in Southside, and that needs to be expanded, because
16 it's just killing us, and the Last Mile is just something we've got
17 to have and we need to keep that and consider that.

18 MR. FEINMAN: Well, to get into some additional Last
19 Mile funding, because I don't think we had R&D, but for purposes
20 of this meeting and this budget, I don't think we should, we need
21 to reach the question of where specifically to deposit those funds,
22 but if we get the infusion of those funds and we have everything
23 else in our account, and maybe at the next meeting we could talk
24 about where we're going to put it. Let's just get it first. Let's be
25 in receipt of funds before we start spending them. I think that's

1 about it.

2 DELEGATE KILGORE: Let me just say that Evan has
3 done a great, great job on this project and these negotiations.
4 We sent Evan into a room with a bunch of high-paying lawyers, it
5 was very intense negotiations, and I got nothing but praise back
6 from people that were involved in these negotiations and lawyers
7 that were involved, as well as the parties. Suffice it to say, Evan
8 did a great job for us in keeping everybody together, because
9 two or three times, I'd get a text from this one or that one, we're
10 going to walk about from this deal, and Evan got them back in to
11 work on this deal. I just want to commend him on the work that
12 he did, all the hard work he did. If he'd been getting paid like an
13 arbitrator or mediator, he would have made a fortune doing this
14 deal, and we appreciate all that work that you did.

15 MR. FEINMAN: There were a number of times I
16 looked around and I was the only person in the room not billing
17 by the hour.

18 DELEGATE KILGORE: Welcome to my world. Anyway,
19 we want to thank you, Evan.

20 Now, I thought we were going to have a new website
21 update.

22 MR. PIPER: Mr. Chairman, the website works, we
23 need to just get the rest of it here, I'll be happy to show it to
24 you.

25 DELEGATE KILGORE: All right, we'll do that later.

1 Next is the Southside Economic Development Formula
2 revision. And I think everybody is pretty much on board with
3 that.

4 MR. FEINMAN: Yes, Mr. Chairman. I don't expect this
5 to be a number one conversation at all. Let me start by saying
6 before I took this job, I sat down with Neal Noyes and I sat down
7 with Carthan Currin and they both told me this is a wonderful
8 job, you can do a lot of great work with a lot of great people, but
9 the one thing they both agreed with, don't try to do anything
10 with Southside Allocation Formula. And each of them
11 independently shared that with me.

12 The reason I bring this up knowing all of that is that
13 we have an obligation to grow and revitalize the economy of our
14 entire region and we're committed to do that and we've
15 committed our values to that. There are counties in the
16 Southside Region that are being left behind. So, what I don't
17 want to do is have a contentious vote right now where we do just
18 away entirely with the Southside Allocation Formula. I think that
19 is throwing the baby out with the bathwater, does not accomplish
20 anything.

21 What I am instead proposing is that the Executive
22 Committee direct the Southside Economic Development
23 Committee and the ones most focused on it to come up with a
24 solution to get expertise and resources to the counties that are
25 not receiving significant Southside Economic Development funds.

1 Some of them have balances less than \$20,000, even though
2 they let their allocation grow for several years. We don't see
3 requests from them and don't have the expertise to formulate
4 strong grant proposals to us and we're not serving all the folks
5 we're supposed to serve.

6 What I'd like to do is ask the Executive Committee to
7 ask the Southside Committee to have some meetings over the
8 summer so that in the September meeting we can come to you
9 all with a plan for making sure that we're serving those
10 communities.

11 DELEGATE KILGORE: Well, since he solved this big
12 BVU, he thinks he can do anything.

13 DELEGATE MARSHALL: I came on this Commission in
14 2007, and there are some people here that have been here a lot
15 longer than I have, but talking to the former chairman, Senator
16 Hawkins, and the question is, is why do we have Special Projects.

17 The Special Projects Committee was set up to fill in
18 the holes where in Southside and Southwest something that
19 didn't fit at Southwest Economic Development, or something that
20 didn't fit at Southside Economic Development. So, Senator
21 Hawkins asked the question of me, he said, find me a project for
22 any locality in Southside that is a worthwhile project that wasn't
23 funded. I looked, and I couldn't find any. So, if you look
24 throughout all of our part of the state and Southside, Special
25 Projects, if you look at my district, Henry County has a small

1 allocation, but if you go back and look at, we funded a megasite
2 in Henry County, I think to the tune of \$9 million. If we would
3 have allocated, Danville and Pittsylvania Counties would have
4 only had to do their allocation, they would have never had the
5 amount of money to fund that. To me, it's not broke.

6 DELEGATE WRIGHT: I agree with Danny a hundred
7 percent. I think we're coming at this in the wrong direction.
8 Southside has been doing this since the Commission was formed,
9 and we're satisfied with it. It's been voted on time and time
10 again, and I would request that you leave Southside Allocation
11 and the Committee alone. If there is a specific complaint, then
12 we can address it and we don't want to change the allocation.

13 As far as the counties that don't have an allocation,
14 that's the way it is and the way it was set up. Southside had it
15 set up based upon the communities, those that are on the
16 Tobacco. As Dan said, there are other committees that are
17 available, Special Projects, for those that did not.

18 What we really need, as Danny pointed out, there's
19 not a lot of unfunded programs. We need some expertise from
20 the Commission to go out and let these counties know what's
21 available for them, the counties like Cumberland and even
22 Lunenburg, there's a fair amount of allocation. That's what we
23 need to do is to help these counties that don't have personnel to
24 do it, and a lot of counties are struggling in Southside. I think
25 it's the wrong approach to ask us what to do as far as the smaller

1 counties are concerned.

2 I think if they decide to do that, and projects, I think
3 money could be found. I think this might be the wrong
4 approach.

5 DELEGATE MARSHALL: So, Tommy and I and James
6 Edmunds and Wes Adams attended yesterday, GO Virginia,
7 Region 3, the largest geographic region in the state. I think it's
8 15 localities that are, and I don't know if all of them are in the
9 Footprint, most of them are. One of the things that they talked
10 about at GO Virginia was that, or the question asked is, can one
11 locality approach GO Virginia and look at getting funded, and
12 they said, no, you have to have at least two localities, and if you
13 had three, if you had four, you'd get more checks. That's what
14 we ought to be looking at, is to try to follow what GO Virginia is
15 looking at, so that's my first point.

16 My second point is that I think you ought to look at all
17 three, but originally, according to Charles Hawkins told me that,
18 that the original allocation of funding supposed to be, was it like
19 70 percent is supposed to be spent in Southside and 30 percent
20 supposed to be spent in Southwest.

21 DELEGATE KILGORE: Seventy-one twenty nine.

22 DELEGATE MARSHALL: We want to look at that, also.

23 MR. FEINMAN: If I can respond. I know that other
24 people have proposed and tried to move votes and create a
25 situation, as was mentioned, to do away with the allocation, that

1 is not what I'm proposing.

2 I like that idea about GO Virginia and developing some
3 structure. The reason I'm here is because there are because, as
4 I understand our mission, is to serve all the counties in our
5 Footprint, and there are some counties that not being served.
6 The solution might not be to monkey with the formula at all and
7 the solution might be to set up a subcommittee that supports
8 grant applications or to fund them and hire outside expertise or
9 to create a special set of circumstances wherein three or four
10 different counties could come together. What I'm hoping we can
11 do though is to get other Southside counties being like Economic
12 Development, is the right venue for this, but to have some
13 meetings to come up with a solution so that they're taken care
14 of.

15 DELEGATE KILGORE: Here is what I would suggest
16 you do, not having a dog in this race, but I would suggest that
17 you all meet and first determine is there a problem. And,
18 number two, if there is a problem, just come up with some way
19 of saying, okay, these companies aren't doing it because they
20 don't, maybe don't have the expertise, maybe they don't know
21 about the grants, the whole grant process, just come up with a
22 solution. Do you think you could do that?

23 DELEGATE WRIGHT: I think the Southside
24 Development Committee are doing a good job with this, but I
25 think the answer to the problem you discussed. There's no

1 question that there are some counties that aren't submitting
2 applications, but what are we supposed to do about that? But I
3 believe our allocation is fair.

4 DELEGATE KILGORE: What I would like to see is
5 instead of this being staff-driven, is for it to be committee-driven.
6 If you all are happy and you actually come up with a solution
7 going forward, is what I would like to see. You may not like what
8 the staff comes up with, and then we'll be right back up here in
9 September doing, going through this discussion. I'd prefer that
10 you all do it yourself.

11 MR. FEINMAN: I agree. I don't want to be in the
12 position of making policy for you all.

13 DELEGATE KILGORE: That's a policy change, you
14 should be doing that.

15 DELEGATE WRIGHT: Well, it's been about 15 years,
16 and we've done this many times, but that's the formula we've
17 used, but I'll be glad to work with it.

18 DELEGATE MARSHALL: I'm sure he was in the room
19 when Tommy talked about, and as we go forward with Region 3
20 GO Virginia, and one of the things I heard yesterday is that some
21 of the localities in Region 3 don't even have Economic
22 Development. If the locality hadn't wanted to invest time and
23 resources to hire an economic developer, the other problem is
24 economic developers in certain areas, and some localities they
25 might have that job and can do something else, maybe

1 Thursdays and Fridays. But I think with GO Virginia that we
2 ought to look at this and see how we could put all that together.
3 We talked about it at the meeting yesterday, at least provide
4 expertise.

5 SENATOR RUFF: Virginia Go is to look at things
6 regionally, and you're right, it created Special Projects, and that
7 may be where we end up saying go back to Special Projects.

8 DELEGATE KILGORE: I think if we go that way, we're
9 going to have to come up with a plan to better serve, because in
10 the last two or three cycles, we haven't really funded Special
11 Projects, but we'll have to do something.

12 MS. KIM: Back in the early days, we were distributing
13 money through the Southside Allocation Formula, we had a lot of
14 money to distribute, 20 to 25 million going through that formula.
15 When you divide that, that this county gets two percent, that
16 county gets three percent, it makes more sense. Now, we're
17 talking about distributing three-and-a-half million among 32
18 counties. And just to give you some perspective, the unobligated
19 balance in Southside right now is more than our proposed FY18
20 budget for the entire Commission. Times have changed from the
21 beginning when we were allocating through that formula county
22 by county.

23 DELEGATE MARSHALL: Some of the localities are
24 squirreling money away --

25 DELEGATE KILGORE: I understand that.

1 DELEGATE WRIGHT: Not only maybe squirreling
2 money away, but they don't have anything that's come before
3 them to make an application that would fit the guidelines, and
4 that's part of the problem, and maybe we need expertise to help
5 these counties. We need to do what we can to see that this is
6 doable for these locations.

7 DELEGATE KILGORE: Are you all against trying to
8 have it, I mean, listen, I don't, do you all want to --

9 DELEGATE MARSHALL: If you want to give us
10 another --

11 DELEGATE WRIGHT: I agree with what Frank said,
12 and I think that --

13 SENATOR RUFF: Well, let's just have a conversation
14 about it.

15 DELEGATE MARSHALL: Let's look at it from the GO
16 Virginia standpoint, if we do GO Virginia and let's say two
17 localities went together or three localities went together, then we
18 might have a story to give them more check-offs. Now, if
19 Southside is going to do that, then Southwest ought to do that,
20 too.

21 DELEGATE KILGORE: I think we already do to a
22 degree. When the Commission was first formed, we decided, if
23 went through the formulary, there would have been four counties
24 that would have got all the money, Washington County, Scott
25 County, Lee County, and then Russell County. No one else would

1 have got anything. You couldn't even have formulated it out.
2 We decided at that time to do it that way. I represented two of
3 the bigger counties.

4 MR. FEINMAN: I'll point out that's not the statute the
5 Commission created. If you all want to have a discussion, that's
6 fine.

7 What I'm asking is that the Executive Committee ask
8 the Southside Committee to come up with a solution so that we
9 can serve some of the underserved communities. That's the only
10 direction I'm asking for.

11 DELEGATE WRIGHT: That's a different thing than
12 having, asking us to come up with a solution, that may be
13 something beyond our control and maybe should go through
14 Special Projects. If you want to have a meeting to have a
15 discussion, that's fine, but as far as solving the problems, turning
16 things around that we've done for years, that's wishful thinking.

17 MR. OWENS: Think about it just like the country
18 doctor. You have a diagnosis and a type of treatment, then you
19 have a prognosis and a type of care. Maybe we ought to give the
20 diagnosis part of it first and see if there's a need for a treatment
21 and maybe then have a meeting.

22 MR. MERRICKS: I might add that when the Tobacco
23 Commission was set up, there were funds for a specific reason
24 and for a specific purpose and the localities were struggling, the
25 same localities are struggling now and nothing has changed and

1 not having money over how many years it's been, that hasn't
2 changed. I do think they may have some issues on the sales, I
3 mean it's not, we can't make things happen for them, they have
4 to make things happen for themselves. I think we should discuss
5 it although I'm on my way out, but I really think a discussion of
6 that would be beneficial to come up with some solution and try to
7 bring in these other localities.

8 DELEGATE KILGORE: Can I have a motion from
9 somebody from Southside?

10 DELEGATE WRIGHT: I'll make a motion that we will
11 have a discussion.

12 MR. OWENS: Second.

13 DELEGATE KILGORE: All those in favor of having the
14 discussion, say aye. (Ayes). Opposed? (No response).

15 All right, are we ready for Chris to talk about the
16 website?

17 MR. PIPER: Mr. Chairman, thank you. If you all want
18 to come around here, you can see it better and you can see the
19 screen.

20 One thing I noticed when I was looking at this position
21 and we're working to set up a new website. The original was
22 developed in 2006, 2007. And it's got a lot of information on it,
23 but we're doing an update. As you can see, it's not responsive,
24 so, in today's world, we do most of our work on mobile
25 platforms. So, if you're on a cell phone, that's kind of what

1 you're, what our website looks like. And when you switch to our
2 new website, you can see that it is responsive. So that means
3 it's ready for mobile use. I won't go into detail on everything
4 which is still in development, but we anticipate fully being live on
5 the day of the Commission meeting, May 18th.

6 What we have here is a new, modern website. You
7 can see that we highlight some pictures from Tobacco
8 Commission-funded projects that have been done. That's the
9 New College Institute. And we want to try to highlight some
10 different things that the Commission has done. We're also
11 highlighting our new logo, as well as our new statement here.
12 We'll also have our press releases and our announcements and
13 Commission meetings and agendas and things like that.

14 One other thing that we're doing now is we have a
15 public relations officer, and we have a Facebook page, if you
16 weren't aware, the Commission has a Facebook page, and we're
17 going to highlight our YouTube page, as well. The YouTube page
18 will feature certain businesses that have and things that the
19 Commission has funded over time. We want to show exactly
20 what it is the Commission does right up front. Our new line
21 developed the diverse economy in Southside and Southwest
22 Virginia, along with exactly what we do. And, of course, grants
23 are focused.

24 Just a couple of other quick things I will note, when
25 you click on, when you highlight, the menu pops up and we have

1 various grant programs and a quick description of each grant
2 program and then links to find out more about the program. So,
3 for example, we had our education programs, committee meeting
4 this morning. Here's a quick update talking about or a
5 description about the Education Grant Program and a lot of other
6 elements to it, and related information to help people
7 understand, first of all, our strategic plan and priorities, the
8 annual report, very important for our grant team, the pre-
9 application. That's going to be a web form, they can go online
10 and fill it out on the web, and submit it to our Grant Team in a
11 format that they can read.

12 We also have our news room. Another thing is tools
13 and resources. We're going to have a grant searchable database.
14 We're still developing that, but it will be ready or should be ready
15 May 18th. This will fill the requirement to have a database to
16 search all the grants that we've provided over the years and
17 information. If you want to know what grants have been
18 provided in Henry County, they should go to that tool.

19 Then Workforce Development and another thing that
20 we're working on is our access database. This actually links into
21 various sites. As you can see, we highlight here all of the
22 available properties, not properties, but sites within the Tobacco
23 Region. We can search a little bit for industrial buildings. If
24 you're looking for a specific site requirement, it will also search
25 this.

1 One of the things that the Staff wants to do is to be
2 more proactive and provide information to potential grantees or
3 potential businesses on available properties. I think Evan has
4 explained a little bit about that in his weekly updates, but if you
5 want more information, I can go into that, as well, later on. But
6 we intend to do is highlight Commission-funded assets. Not only
7 will you see all of the assets within our region, you'll also get a
8 link with pictures and descriptions of specific Tobacco
9 Commission assets, so we're very excited about that. And then
10 we have our typical website page, which is about the
11 Commission, and we have all of your names up here, just so you
12 know.

13 So, that's a brief overview of our website. If you have
14 any questions or concerns or suggestions, please come to me.
15 We'll have a full explanation for the entire Commission come May
16 18th. So, that's it. Thank you all.

17 DELEGATE KILGORE: Thank you, that's great.

18 MR. FEINMAN: Chris has done yeomen's work on this,
19 as well as our new communications person. And between the
20 two of them, they've had to do hours and hours and hours of
21 constant creation, site design, and this will be much more easily
22 accessible to grantees and to reporters and to the public. Some
23 of you all probably will run for election, and it'll be easy to put
24 together Commission-funded projects by locality. If folks are
25 registered and want to share that information with someone for

1 some reason, that would be a relatively easy thing to do.

2 DELEGATE KILGORE: All right, let's go into R&D.

3 MR. FEINMAN: Unfortunately, the Chairman is not
4 here, but I'll convey her request. Delegate Byron has identified
5 that under the new legislation, and small sites and in terms of
6 the general meetings, we have not fully addressed the last mile
7 on broadband, and it remains a challenge. While it might be
8 within the purview of a committee chair, and we really couldn't
9 find an answer to this in the bylaws or within the purview of the
10 committee chair. And it seems to me the wisest thing to do is
11 the R&D Committee was going to expand and just focusing on
12 R&D projects and also begin working on pilots of Broadband Last
13 Mile projects that this committee blessed that extension.

14 The request before the Executive Committee is to
15 broaden it as the R&D Committee to include funding the Last Mile
16 Broadband.

17 DELEGATE KILGORE: They have 17 million
18 unobligated.

19 MR. FEINMAN: Where there are a few clawbacks.

20 DELEGATE MARSHALL: Terry, does Evan know about
21 your special subcommittee that meets next Monday?

22 DELEGATE KILGORE: I'm sure he does. We meet
23 next Monday, we're trying to come up with a rule or a quicker
24 way to get wireless, get all this 4G to rural areas, and that's next
25 Monday at 1:00.

1 DELEGATE WRIGHT: Let me just say I'm very glad to
2 hear one of the biggest requests that I had, one of the biggest
3 complaints that I had is a lack of broadband to homes, Last Mile.
4 I make a motion we do this.

5 MR. OWENS: Before that, what is the projected price
6 tag on doing this?

7 MR. FEINMAN: I don't want to steal his thunder, but
8 Tad is going to talk to you all at the Full Commission, but we did
9 get with Mid-Atlantic Broadband and Microsoft, and for
10 Southwest, we're still working on it and more challenging area
11 for Last Mile. For Southside, it's probably 180 million total.
12 While that's a large number, it's way too large for the
13 Commission to tackle on our own, it's at least a known number
14 and an approachable number that we can start to chew away at
15 in conjunction with our Federal partners and with the state
16 funding.

17 DELEGATE MARSHALL: Terry started this committee
18 last year. He came to me and others. The problem you have,
19 the companies have money to do 4G5. The problem is if you put
20 a site in a VDOT \$24,000 a year, and the right-of-ways, the
21 problem that some localities are having, it takes anywhere from
22 six months to a couple of years to get a bid. Even if the monies
23 are out there, they can't get the projects built.

24 So, what Terry has been trying to do is set up a group
25 together and figure out a way to fix this in a short period of time,

1 so the Sprints, Verizons, et cetera say that they are negotiating
2 or talking from their companies and all across the U.S. So, there
3 is some progress being made.

4 DELEGATE KILGORE: Well, I think the wireless in
5 certain areas you can't use wireless for that Last Mile. That's
6 something we've been hearing from the big companies, they've
7 got money, but they need a path forward and a way that we can
8 tell our executives that we can actually spend this money and
9 that we can spend it within six months. We can't get tied up
10 putting money in Virginia and two years later we're still sitting
11 somewhere and not complete.

12 MR. FEINMAN: I think that's true in some areas, Mr.
13 Chairman, and I think what Delegate Wright said is true, there
14 are smaller and less densely populated parts where it's never
15 going to make economic sense for them to lay out capital upfront
16 based on what they pay monthly. But if the government can
17 step in and put up the capital, then it makes it much easier to
18 move forward. That's right where electrification is and at some
19 point I think we're going to need if we're going to get it to
20 everybody, especially where it's flat.

21 DELEGATE KILGORE: A lot of the money in going with
22 these new innovations cost has come down some, and some of
23 this Excel technology that they're using is unbelievable. And I
24 think it's being used more in the urban areas.

25 SENATOR RUFF: Yesterday, Prince George County,

1 Prince George Electric Co-op announced that they were going to
2 extend a test they did. They offered 75 houses or 50 houses and
3 they hooked them up in two weeks using wired fiber optics to the
4 houses. Prince George County is putting its money somewhere
5 between 300 and 500 houses. So, there are options out there
6 that people like Mecklenburg Electric and Southside Electric, and
7 I wouldn't be surprised if the same thing in Southwest.

8 MR. FEINMAN: One additional thing that we talked
9 about before we moved onto this is that \$3.5 million from,
10 related to the BVU sale, if we're going to broaden the R&D
11 Committee's mandate to include Last Mile, that \$3.5 million
12 needs to be spent on Last Mile, it seems as though a
13 subcommittee of R&D for the purpose of taking in those
14 applications and making assignments would make sense.

15 MS. CARTER: If I could just share something with
16 you. Bland County, they have just started a wireless program
17 there, as well, and they've started it with a small company out of
18 West Virginia. Are you familiar with that? And it's a pilot
19 program. And, of course, you can only imagine Bland County is
20 not highly populated. The way that they are doing this is really
21 interesting. They're actually using homes and barns to put the
22 wireless equipment up. But it's really, evidently, this small
23 company has been successful in some of the West Virginia areas,
24 as well. It's certainly something worth looking at.

25 DELEGATE MARSHALL: We talked about this in R&D

1 and talked about R&D and almost making it a, we don't get
2 grants, we buy into the company and we might think about that
3 along this line. If we're going to put up money to put up towers,
4 maybe we ought to list towers, and it could be a, it could be a
5 cash flow back to us.

6 DELEGATE KILGORE: There's a lot of opportunities
7 out there that we need to look into.

8 DELEGATE MARSHALL: If that's something we want
9 to do, maybe we should ask Staff to look into that.

10 MR. FEINMAN: Delegate Marshall, one of the very
11 first things I did when I got in the office was I had a meeting
12 with Liz and a few other folks in the AG's office talking about this
13 and how we might bring in some revenue. We are forbidden by
14 the Public Funds Act from doing a whole variety of different
15 things, not the least of which is taking an equity position and
16 companies in which we can invest. We can create simulated
17 equity arrangements wherein we don't have any actual equity
18 but maybe get a profit share. It may be that in the creation of
19 this capital, maybe we'd get a cut of their revenues. Certainly
20 going back in time, had we done that with Mid-Atlantic, they're
21 the most profitable nonprofit I've ever come across. They're very
22 generous with their proceeds and working with us. We'll
23 certainly have to keep that in mind as we move forward on these
24 projects.

25 DELEGATE MARSHALL: I'm on the New College

1 Institute, and we have a New College Foundation to take care of
2 just that issue. The foundation gets donations and gets some
3 revenue.

4 DELEGATE WRIGHT: Make a motion.

5 DELEGATE KILGORE: I have a motion, do I have a
6 second to add to the mission statement of R&D?

7 MR. OWENS: I'll second.

8 DELEGATE KILGORE: You made the motion. All
9 those in favor, say aye. (Ayes). Opposed? (No response).

10 All right, the next thing we have is the Executive
11 Director Performance Review Committee. We set up ways to
12 have the performance reviewed and other staff members.

13 MR. FEINMAN: I don't want to review myself.

14 DELEGATE KILGORE: What I'm going to do is ask
15 myself, Frank, Cathy Lowe, and Ed Owens to be on a committee
16 that reviews our Executive Director. Do we need a motion?

17 MR. FEINMAN: No, that's within your purview as
18 chair.

19 DELEGATE KILGORE: All right, that's the way we'll
20 handle it. All right, then let's talk about the TROF Committee.

21 MR. PIPER: Thank you, Mr. Chairman. In front of
22 you, you have a legal-sized piece of paper. This shows the TROF
23 awards for FY17. You'll notice that some of them are
24 unannounced projects, but if you have any questions about any
25 of the projects, I'll be happy to answer them. I just didn't want

1 to pass out papers with names on them.

2 I want to point out that the last two on the list, two
3 unannounced projects, in Tazewell and Russell Counties. You'll
4 remember that the Commission changed the TROF policy, which
5 provides an incentive. In addition to the draft, you can also
6 apply for a loan of up to 50 percent of the award. The first two
7 awards that have also been provided a loan. We're very excited
8 about this process. People are excited about the fact that we can
9 provide more money to a TROF award, with assurances that that
10 money comes back to the Commission. Initial capital upfront and
11 a guarantee that the funds come back. All of the TROF awards
12 are backed by the locality.

13 MR. FEINMAN: A bigger number makes this more
14 competitive when we're against other states.

15 MR. OWENS: What's the cost of the money?

16 MR. PIPER: The loan is a zero percent interest loan
17 payable over the course of five years or less than a million, which
18 that has been the case so far. There's a penalty should they not
19 meet the performance and if they don't pay in a timely manner.
20 That's all part of the agreement. We've got more records and
21 more and more companies where the loan program can work.
22 On a quarterly basis, we're reminding Economic Development
23 directors, the TROF is out there. We've had a lot of turnover in
24 that area, kind of, oh, yeah, this is another program to check into
25 and utilize. You'll see in the budget that we're in good shape on

1 the TROF side. It's a good idea to remind Economic directors of
2 the TROF.

3 Then a summary of the total incentives and loan
4 estimates that we've provided and a total of 61. The good news
5 is we want to start tracking this number and seeing by the
6 number of, we want to see the number go up, the more interest
7 we can get, the more potential we have for awarding these loans,
8 and we want to be able to award the money. And so far, so good
9 with the TROF. I'll be glad to answer any questions.

10 DELEGATE KILGORE: Thank you. Next, we have the
11 Budget. The Budget has been handed out, this one right here.
12 This is the proposed FY2018 Budget, and we're looking at the
13 funds totaling \$23.7 million, 11-and-a-half million is from
14 investment earnings and endowment; 10.2 million is from a
15 proposed four percent corpus invasion, and 1.9 million and carry
16 forwards. Then the use of the funds, 21.1 million for economic
17 revitalization, and 2.25 million for administration.

18 Then it's broken down with the administrative budget.
19 The administrative budget is nine-and-a-half percent of the total
20 proposed budget and it's slightly less than last year's budget, and
21 that probably has more to do with funding the 13 employees,
22 plus Mary Rae Carter's position. It includes 150,000 for local
23 business attraction support, and includes 244,000 for the MSA
24 enforcement.

25 For the Program Budget, we're considering the carry-

1 forward balances you will see in green. Those are the
2 unobligated balances as of the end of March. Some of that will
3 be awarded in a couple of weeks. Just to give you an idea of
4 what's being carried forward right now. We are looking at
5 Special Projects and Agribusiness. We are looking at putting
6 Special Projects and Agribusiness and the Education, Financial
7 Aid, and competitive, and then the Regional Economic
8 Development Southside, Southwest.

9 I've also provided you with a graph just to see our net
10 grant awards over time, and you can see the awards are going
11 down. Just to show you projected budget based on a corpus
12 invasion of four percent and interest earnings of what it will look
13 like in the coming years continuing from year to year.

14 To give you an update on the endowment, the current
15 endowment balance is \$254.8 million. We're recommending a
16 four-percent corpus invasion to fund the FY18 budget, and that
17 will leave us with an ending balance of \$244.6 million.

18 DELEGATE KILGORE: If something big happens, that
19 gives you enough leeway between four and five to come back
20 and do what we need to do.

21 MR. FEINMAN: What we agreed to do in our strategic
22 plan that was 4.4. We could still do another ten percent. If you
23 look at 4.4, you can see what it does to that curve on our
24 projected slide, and that's very dramatic.

25 SENATOR CHAFIN: On the unobligated balance,

1 maybe one million.

2 MR. MERRICKS: What do you anticipate that balance
3 being at the end of fiscal year '18?

4 MS. KIM: The unobligated balance as of March 31st.

5 MR. MERRICKS: I was just thinking outside the box.
6 We're going to take ten million out of that corpus invasion, and if
7 we anticipate having 20 million left unobligated, why not borrow
8 from the unobligated and leave the corpus in there and let it
9 grow? Does it make any difference?

10 MS. KIM: It really doesn't.

11 MR. MERRICKS: In your assessment?

12 MS. KIM: If it's transferred out, it still stays invested.

13 MR. MERRICKS: Two hundred and fifty-four versus
14 two forty-four. It may not make any difference at all, and we
15 keep having all this unobligated and transferring money out.
16 That's why your graph looks the way it does. If you started
17 using some of the money you didn't use.

18 MR. KILGORE: That 244, we still have another pot,
19 that's the restricted pot, that brings us up a little bit, too.

20 MS. KIM: That's unrestricted and restricted together.

21 MR. FEINMAN: That does not include obligated funds,
22 does it?

23 MS. KIM: There's nothing in the endowment that
24 would be obligated.

25 MR. FEINMAN: One other thing I'll remind everybody

1 while our funds remain invested with treasury, I would not call
2 them well invested. Our returns are very low. It would be awful
3 nice if we could find a way to get those earnings up, and we need
4 to do that.

5 MR. MERRICKS: Once we pay the money out, we're
6 still obligated to keep it in the treasury?

7 MS. KIM: Yes.

8 MR. MERRICKS: You could take that ten million and
9 invest it.

10 MS. KIM: Invest it in treasury. You can't have
11 separate accounts. That's the interest investment earnings from
12 March, 2016 to February of '17, eleven-and-a-half million, part of
13 our FY18 budget. We did earn on the General Account Funds,
14 \$46,475, but they are earning a little interest on the General
15 Account. As of March 31st, the cash balance is \$205.6 million,
16 but 123 of that is obligated funds not yet disbursed, grants we
17 awarded, but not yet disbursed. Year to date, we've disbursed
18 \$28.5 million.

19 DELEGATE KILGORE: You've got an 81 million
20 unobligated balance. What do we expect that to be at the start
21 of our next budget year or what do you think that number is
22 going to be?

23 MR. PFOHL: Something short of five million we may
24 clawback in a similar amount in R&D projects.

25 MR. FEINMAN: Stephanie, you had a graph that might

1 be a better estimate. We can just draw the line out a little bit. If
2 we kept on that trajectory, we'd be at 18 maybe?

3 MS. KIM: We'll probably hit 30 million for this fiscal
4 year after May.

5 DELEGATE MOREFIELD: You're saying the investment
6 accounts are all in treasuries?

7 MS. KIM: The Treasury Board -- or nothing.

8 DELEGATE MOREFIELD: I guess it would be similar?

9 MS. KIM: No. Their funds are invested all over.

10 DELEGATE MOREFIELD: The reason I addressed that
11 question, talking about investing and interest return, and talking
12 about these cell towers for the Last Mile, to me it doesn't make
13 sense to invest in treasuries or investing in other funds and the
14 Tobacco Commission is limited in what they can and cannot do or
15 invest in. I think that's something we should take a serious look
16 at. As an organization, we need to look into that.

17 MS. KIM: The restricted funds are restricted and
18 that's it, and there were tax-exempt bonds issued, but they're
19 very limited in what they can invest in. Unrestricted funds are a
20 little more flexible, but treasuries, they would assume we would
21 withdraw the maximum, 15 percent, and even though we say
22 we're not going to invade the corpus by 15 percent, they're
23 investing as if we will. So, they invest very conservatively, this
24 would be set at 15 percent.

25 DELEGATE KILGORE: What else have we got on the

1 budget?

2 MS. KIM: You'll see the total assets at June 30th, the
3 last ten years, and we're at less than half where we were years
4 ago.

5 DELEGATE KILGORE: Total assets, what is that?

6 MS. KIM: Just under 500,000. Combine the funds
7 and the endowment. So, this is what we need as far as motions
8 go before the Full Commission. Funds, salary, fringe benefits,
9 and travel expenses for the Special Advisor for Rural
10 Partnerships.

11 DELEGATE KILGORE: Do I have a motion that we
12 fund the salary, fringe benefits, and travel expenses for the
13 Special Advisor for Rural Partnerships not to exceed \$102,000?

14 MR. OWENS: So moved.

15 DELEGATE KILGORE: I have a motion and a second.
16 All those in favor, say aye. (Ayes). (Opposed? (No response)).
17 That motion passes.

18 MS. KIM: Transfer unobligated balance of seven
19 million seven twenty-seven from Reserve to General Account.
20 And that'll be distributed in the budget.

21 DELEGATE KILGORE: Do I have a motion?

22 DELEGATE MARSHALL: So moved.

23 DELEGATE KILGORE: I have a motion and a second.
24 All those in favor, say aye. (Ayes). Opposed? (No response).

25 Next, we adopt the FY18 budget. Any questions on

1 the FY18 budget? Do I have a motion on that, that we
2 recommend adopting this budget? It has to be voted on for
3 approval by the Full Commission.

4 DELEGATE MARSHALL: So moved.

5 MR. OWEN: Second.

6 DELEGATE KILGORE: Any more discussion? All those
7 in favor, say aye. (Ayes). Opposed? One no vote.

8 Finally, we recommend four percent corpus invasion
9 for FY17 to fund the FY18 budget. It's been moved and
10 seconded. Any discussion? All those in favor, say aye. (Ayes).
11 Opposed? No response.

12 Anything else pending?

13 DELEGATE MARSHALL: Mr. Chairman, Stephanie
14 showed this to us, and my question is how much money do we
15 have now and how much we had ten years ago? The way we did
16 business ten years ago and the model of the way we did business
17 ten years ago, we need to start thinking about what we're going
18 to do different than what we did, and if we don't, we're going to
19 run into a problem.

20 As I look down the list, megasite development is
21 about finished. We're not starting any new projects and we're
22 finishing up projects. I guess where I'm going, Mr. Chairman, we
23 need to be thinking or put together a group, Frank would be
24 great doing it, we need to come up with what or how far out and
25 what we're going to do as we go forward.

1 MR. FEINMAN: One of the reasons in my first meeting
2 to what the AG's office is what's down the road and what we've
3 done is that we've taken two steps that I think will significantly
4 improve our sustainability. The first is limiting ourselves to the
5 4.4 percent, and that's a corpus invasion level, so we have some
6 money in the bank over the course of the years that we believe
7 settlement payments will resume to this organization.

8 DELEGATE MARSHALL: What year is that?

9 MR. FEINMAN: It depends on, because payments are
10 made by formula related to tobacco sales domestically, but they
11 have to hit a fixed number to repay the bond holders, the early
12 twenty, thirties. My thought was that as long as we have a
13 hundred million dollars in the bank at that time, we're still
14 probably too big a fish for the General Assembly to just roll us
15 back into the General Fund, and I might be wrong, but that was
16 the theory.

17 The second thing we've done is create the loan fund.
18 Every dollar we lend out in that loan fund, and it's a revolving
19 loan fund, and it's protected in perpetuity. If we were to move a
20 significant chunk of our resources into the loan fund, we're not a
21 lending institution, but we can charge an interest rate there and
22 compete directly in the marketplace with other lenders.

23 The third thing that I'd be very willing to do, once
24 again, see if we can't find a vehicle whereby we generate net
25 positive revenue. The old adage you can't do indirectly what

1 you're forbidden from doing directly. That said, but I guess we'd
2 have to ask Liz. Maybe we can make grants to or loans to the
3 grantees with an understanding that we'll have a favorable
4 repayment structure that might produce some sort of equity in a
5 way that's in keeping with our responsibilities under the law, and
6 that's a hard nut to crack. That all said, we can certainly take a
7 look at that.

8 One of the things that's now included in our R&D
9 agreements, like with moveable and real property investment
10 that we made under other agreements, we now have the security
11 interest in developed IP. That goes into licensure and other
12 things or future rounds of R&D, and we'll have ownership over
13 the intellectual property, and that could wind up delivering cash
14 that could be utilized over the years. I wish we'd done that
15 through the life of the program, but we're doing it now. I would
16 welcome a directive from the Executive Committee.

17 DELEGATE MARSHALL: Sources of revenue, and
18 that's one piece of the puzzle, but I think another piece of the
19 puzzle is grants, and some of the grants that we've done, we've
20 considered this. And maybe today, we shouldn't consider this.

21 DELEGATE KILGORE: You have a right not to do that.

22 DELEGATE MARSHALL: But if we, as an Executive
23 Committee, and we, as a Board, say, we're not going to consider
24 those grants, then it takes a whole lot of time off the Staff's plate
25 with what you can review. Now, we can review as a Southside,

1 Southwest, and say, no, we're not going to do it, but if we, as a
2 Board, say we're not going to consider these types of grants.

3 DELEGATE KILGORE: That can be an issue, and
4 there's going to have to be, you'd have to go into exactly what
5 that type of grant is going to be or what it's for, where we think
6 we get the best return for our buck, and I would agree, and
7 that's what we ought to be doing. Somebody is going to have to
8 get together and work on that between now and the next budget
9 cycle.

10 DELEGATE MARSHALL: I don't have a problem with it.

11 MR. OWENS: Mr. Chairman, there's also a group of
12 grants that we have and their performance and you're going to
13 have to de-obligate those funds and hold people accountable.

14 DELEGATE KILGORE: I think we're doing a lot better
15 on that than what we have been doing.

16 MR. FEINMAN: We on a rolling basis are doing that.
17 Since I've been here at least and Tim in years prior, we've been
18 holding people accountable for failing to meet their obligations at
19 a pretty good clip. How many millions have come back to R&D?

20 MR. PFOHL: At least four.

21 MR. FEINMAN: Chris is our heavy handling
22 collections. He and I probably meet once or twice a week about
23 outstanding accounts and what we're going to do about it.

24 DELEGATE KILGORE: The problem Staff has, and we
25 get these calls, give a little more time, but that's certainly a two-

1 way street.

2 DELEGATE MARSHALL: We never did that, did we?

3 SENATOR CHAFIN: Have we ever determined at what
4 rate of return should be achieved or we need to achieve in order
5 to keep the money available, what's the rate of return that we're
6 looking for, is my question? Why don't we determine that and
7 then we'll get it, because it's out there?

8 MR. FEINMAN: Our interest earnings, we were
9 running this like a foundation, we would do most, if not all of that
10 interest earning annually. Our interest earnings for the last year
11 were \$11 million. But when you consider total expenditures.

12 MS. KIM: But when it's mixed together --

13 MR. FEINMAN: Twenty-one million, we laid out half as
14 much money, and we'd be definitely sustainable right now not
15 even inclusive of our loan fund. The other option would be is if
16 we increased our interest earning significantly, which right now,
17 the treasury averages two percent. If we got up to even four
18 percent or four-and-a-half percent interest earning, we could
19 have this subject every year in perpetuity.

20 SENATOR CHAFIN: It seems to me that the
21 appropriate business model and what this organization can earn,
22 but I encourage the legislatures to step up to the plate and get
23 this organization sustainable and get it to the point where, of
24 course, there's a risk, there's a risk every time you make a loan
25 and there's a risk every time you have an application. It's not

1 going to work out and a substantial number of them don't.
2 There's a risk in whatever we do. I really think we should put
3 this organization in a position of sustainability.

4 MR. FEINMAN: The thing I will share and the reason
5 this hasn't been a legislative issue in the past is that we're not
6 the only state agency with boundaries, and there's a real
7 concern, I think at least a majority of legislatures and over in
8 treasury that if we pull out and other folks who have balances in
9 their agencies would want to pull out and then treasury they say
10 is not managing the funds and not fulfilling their obligation. I
11 think there's a lot of differences between this organization and
12 the main line and main line state agencies and there are
13 distinctions to be made, but that's the counter argument. I don't
14 want you to walk out of here without those thoughts.

15 MR. MERRICKS: I just might add you have to be very
16 careful, but what kills us is treasury holding back on not investing
17 because of that 15 percent. I think that needs to be addressed,
18 and somebody needs to step up and do that. Change it to fifteen
19 and five or something like that, and that way, they can invest.

20 SENATOR CHAFIN: You might have some trouble
21 taking that money and putting it somewhere.

22 MR. FEINMAN: I don't know if you actually need that
23 fifteen percent, given the balances we're carrying.

24 MS. KIM: The tax exempt bonds, all that's restricted
25 by IRS, because of the tax exempt bonds.

1 SENATOR CHAFIN: Why couldn't we look at, for
2 example, some real estate-backed securities, that's what banks
3 do, and I'm not suggesting we become a bank, except that's the
4 most secure lending relationship. Why couldn't we look at those
5 sorts of investments that are out there and usually are pretty
6 secure?

7 DELEGATE KILGORE: Any more discussion, but I
8 agree, it's something we need to look into. And I'll ask Evan we
9 make sure we get with who we need to get with and what the
10 language would be like if we had to change that.

11 MR. FEINMAN: I'll put something together.

12 DELEGATE MOREFIELD: With all the discussion and
13 the restrictions with treasury and IRS, I think the short-term
14 solution and would benefit long-term, would be what Danny
15 brought up, the profit-sharing. You've got some states around
16 the country and it may be one fund or another, and if we had a
17 profit-sharing scenario, we may be able to attract larger
18 industries.

19 MR. FEINMAN: We'll put together a list of possible
20 revenue-generating scenarios. I think we should be more
21 cautious. If you're having money problems, you can play
22 defense by spending less. You can also play offense and bring in
23 some more cash.

24 SENATOR MARSHALL: Along those lines, should we
25 look at grants or should we restrict and say we're not going to do

1 those type of grants anymore?

2 MR. FEINMAN: That's a policy question that you all
3 need to make.

4 DELEGATE MARSHALL: Give us some ideas, we'll say
5 yea or nay.

6 DELEGATE KILGORE: All right, any other business?
7 Any public comments?

8 MR. OWENS: I move we adjourn.

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PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Tobacco Region Revitalization Commission, Executive Committee Meeting**, when held on Wednesday, May 3, 2017, at 1:30 o'clock p.m., at Hotel Roanoke & Conference Center, Roanoke, 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 10th day of May, 2017.

Medford W. Howard - CCR