

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 Monday, May 7, 2018

10 1:00 o'clock p.m.

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14 Holiday Inn Valley View

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 Kathy J. Byron (*By Phone*)
5 The Honorable Charles W. Carrico, Sr.
6 The Honorable A. Benton Chafin, Jr. (*By Phone*)
7 The Honorable Terry G. Kilgore
8 The Honorable Daniel W. Marshall, III
9 The Honorable James W. (Will) Morefield
10 The Honorable Edward Owens
11 The Honorable Thomas C. Wright, Jr.

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13 COMMISSION STAFF:

14 Mr. Evan Feinman, Executive Director
15 Mr. Andy Sorrell, 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

1 COMMISSION STAFF: *(Continued)*

2 Ms. Stephanie Kim, Budget Director

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4 COUNSEL FOR THE COMMISSION:

5 Ms. Elizabeth B. Myers, Assistant Attorney General

6 Richmond, Virginia 23219

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1 May 7, 2018

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DELEGATE KILGORE: Good afternoon, everyone, let's
4 go ahead and get started.

5

And, Evan, if you'll call the roll.

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MR. FEINMAN: Secretary Ball.

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SECRETARY BALL: (No response).

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MR. FEINMAN: Delegate Byron.

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DELEGATE BYRON: (By Phone).

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MR. FEINMAN: Senator Carrico.

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SENATOR CARRICO: Here.

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MR. FEINMAN: Senator Chafin.

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SENATOR CHAFIN: (By Phone). Here.

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MR. FEINMAN: Delegate Kilgore.

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DELEGATE KILGORE: Here.

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MR. FEINMAN: Delegate Marshall.

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DELEGATE MARSHALL: Here.

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MR. FEINMAN: Delegate Morefield.

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DELEGATE MOREFIELD: Here.

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MR. FEINMAN: Mr. Owens.

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MR. OWENS: Here.

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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 that we
3 approve the 1-8-18 minutes? I have a motion and a second that
4 we approve the minutes. All those in favor of approving those
5 minutes, say aye. (Ayes). Opposed? (No response). Those
6 minutes are approved.

7 Now, the first thing we have to do is the FOIA
8 Conference Call Policy.

9 MR. FEINMAN: Mr. Chairman, I think out of respect
10 for our telephonic joiners, I thought we could move to the
11 Southwest Virginia/MPower to the front.

12 DELEGATE KILGORE: I'm sure that'll be fine. I'll turn
13 that over to Evan at first and then we'll go from there.

14 MR. FEINMAN: Members of the Executive Committee,
15 I know you all very attentively read your weekly updates that we
16 send out on Friday afternoons when everybody is very focused
17 on work. We have been referencing for a while this MPower
18 Virginia Startup Southwest Virginia concept, which is at its core a
19 question of whether or not this Commission wants to invest
20 significant resources, ultimately adopt a budget in this meeting
21 that would set aside \$4.5 million for this year to build an
22 ecosystem that would be workforce training, maker spaces,
23 entrepreneurship, and entrepreneur mentorship. It would seed
24 the ground for growth of the technology industry in Southwest
25 Virginia.

1 A group of very accomplished folks have presented us
2 with an idea, and the concept of which is outlined in the slide
3 deck you have printed out in front of you. It will ultimately take
4 the structure of a nonprofit entity that will do a lot of that table
5 setting workforce development work, and then it will spin off a
6 number of for-profits subsidiaries. They have spoken to me
7 already about solar projects, about electronic recycling projects,
8 and about a microchip prototyping facility.

9 Q The profits from those for-profit entities would then go
10 back to support the ongoing efforts of the nonprofit, making it
11 ideally a sustainable long-term partner in growing the economy
12 in Southwest Virginia. There remains some questions to be
13 answered about the project, but fortunately one of the principals
14 of the project has called in this afternoon, David Lee, whose
15 picture is one of the folks in the, I believe, second page of your
16 packet. Rather than have me do a job outlining this, though I
17 have spoken with them a few times, I'll turn it over now to
18 David, who's on the phone.

19 David, if you would tell them, mention a little bit
20 about yourself and your background and your partners and then
21 outline the project.

22 MR. LEE: I'll try to be brief because I'm mindful of
23 your time. We started on this journey I guess almost a year ago.
24 Some of us have even been on this effort longer.

25 First of all, my background, I've been an entrepreneur

1 and an investor with companies that were involved in high
2 technology. The narrative of a public private partnership in
3 innovation and technology has been very close to me going back
4 to 1993. We've had success, I think, trying to help the nation
5 offset more in-your-face threats, cyber, and that sort of thing.
6 But the core of it is for people to be part of something great
7 other than just themselves, that has to be enduring.

8 When we talk about this type of program, how do you
9 do that without capital? My companies that I've been personally
10 involved with in terms of founding through zero capital to north
11 of \$20 million and had all those great economic effects. When
12 you start talking about then going to a difference class of
13 companies, a hundred million to now the latest company that
14 bought our entity back in 2016, a two-and-a-half-billion-dollar
15 company, of which a federal size, a billion two. Within this team,
16 you have people who have dealt into the national security space
17 and have been significant in government leadership and
18 experience. And who just joined?

19 MS. EVANS: Peggy Evans just joined.

20 MR. LEE: Okay, and, Peggy, I'll turn it over to you,
21 I'm on a train. I was just introducing our history and
22 background. I will say we came together in discussions with
23 Delegate Kilgore and members of the team and Senator Chafin
24 and others to talk about what could we do to impact the areas
25 that have been somewhat left behind by loss of coal, tobacco,

1 and manufacturing in the economy. In that discussion, we sat
2 down collectively and said, you know what, we start businesses,
3 we engage capital, we get companies and people to come in and
4 grow tens of millions of dollars at these things, we grow them
5 and we sell them. We differentiate ourselves around core
6 missions, which is protect the homeland.

7 One of the things that really stands out in my mind
8 after meeting with Delegate Kilgore was really we have to do
9 something transformative because a lot of our capital, which is
10 our people, we're consumption-based, and we revolve around
11 national security. And when we had the cyber issues where
12 there's a trillion dollar infrastructure that feeds every one of the
13 single devices that you have at that table and in your city, like
14 the conference call, the phones, the cameras on the buildings,
15 those are things that don't happen here in the United States.
16 And I think we've all seen the effect of those compromises at the
17 hardware and software levels. We said very new to us, and
18 these are missions that we've supported by those of us that have
19 significant government service and knowledge, and we'd say how
20 do we fix that.

21 But then we also said we're not capitalizing on our
22 brightest and best, we have areas in this country that are not
23 being invested in terms of people, people who don't need a
24 handout, who are very proud, and they want to push forward,
25 but they need a jumpstart. Using the analogy of the car battery

1 that has cells that are low but they're not dead and they need a
2 jumpstart, we charge them up and they run. We look at that
3 analogy being somewhat analogous to what we do to Southwest,
4 not knowing every problem, we're not the city slickers coming
5 down and telling you how to fix the problem. We want to be part
6 of the model, that for us is being success no matter where you
7 are in this country and even globally, how do you start it up? Do
8 you have a business model that is something that recovers costs,
9 that contributes back to the communities that allows you to be
10 innovative and create businesses that spread out.

11 That's my little broad stroke. Had a \$25 million
12 company that sold, had another one that grew to about \$60
13 million and sold again and so I've gone down that path. The
14 most recent one was \$130 million back in 2016. I invested all
15 kinds of crazy things in the D.C. area.

16 I have two wonderful kids and a beautiful wife, who is
17 a true believer. She's who I should tell you about, not me and
18 my children.

19 Peggy, do you want to talk quickly, or do you want me
20 to keep going?

21 MS. EVANS: Go ahead and keep going.

22 MR. LEE: Peggy is much more interesting than I am.
23 The point is I somehow convinced Peggy, but Peggy has served
24 our country in ways that I'll be discreet about. In our intelligence
25 community she's been a leader and she's been an entrepreneur

1 that started her own business. She's worked in the private
2 sector, and she's also led significant budgets as a budget director
3 on the select committee of intelligence. I think that's public
4 knowledge that I'm happy to share.

5 That just gives you a sense of how we tried to put
6 together people and a team with significant expertise that can
7 really manage a fiduciary responsibility on the monetary side of it
8 and report appropriately because compliance is a big thing.
9 We've been beholden to all types of investors, both government
10 and private.

11 Doug Wolf, who has been working an initiative, was
12 the deputy director of science and technology within the
13 intelligence community. He ran the most impressive and
14 challenging problems you would ever imagine on this globe. So,
15 when you think about global issues, even in space, that's his
16 domain, so there's no problem that's too big that he hasn't been
17 able to actually solve.

18 Then we have Rob Painter. He's been working within
19 the private equity world, has a wonderful history on the DOD side
20 and with the military.

21 So between us, we brought together that core and
22 have expanded out to get the right people here and make a
23 transformational change. It's not trying to create 50 jobs
24 because that's not transformative for the children and we want to
25 give something institutional for these communities to thrive on.

1 All that is a little background of where we come from.

2 Today, I think we're at the precipice of really amazing
3 things. We have convinced some commercial players to come in
4 and we can talk about that. But let me ask you if that answers
5 the background about where and who we are and know where
6 we come from?

7 MR. FEINMAN: Anybody got a question about
8 personnel, or do you want to get into the project?

9 All right, Dave, it looks like what people would like
10 hear from now is as distinctly as you can do it without
11 compromising too much descriptive power, what you're planning
12 on doing in the next year and two years and three years.

13 MR. LEE: Yes. And, Peggy, I'd ask you to maybe lay
14 out the initial framework and trying to navigate between a very
15 noisy train, if you want to start off and then I'll chime in
16 accordingly.

17 MS. EVANS: So, when you think about this, which is a
18 series of projects, that might be the most helpful way to
19 understand what we're trying to do. The first thing to do is to
20 come up with a foundational program from primary school up
21 through secondary, and then a series of different types of
22 programs from a mid-certification program that would enable an
23 individual to upon completion of the course be able to be
24 employed in the types of companies that cover ready-made
25 supply and a demand to serve across the divisional divide all the

1 way up through the high-tech programs where we're going to be
2 working with UVa-Wise and Virginia Tech, both of whom we have
3 spoken to extensively, to provide the facility as one component
4 of interstate, there's an incubator in classroom and other types of
5 contributions in-kind curriculum professors.

6 Now, with the goal being to set up companies at every
7 stage of the continuum from products like local farming,
8 hydroponics, and striving to deal with health and fitness issues
9 and exercise all the way up through the highest tech, which
10 would involve bringing printing technology and addressing the
11 insecurities and supply chain for micro-electronics and along the
12 way get partners in industry and investment circles in
13 commercial companies. The two that we've gotten so far already
14 signed up as strategic partners are National Solar, which is
15 interested in not just applying the solar panels, but also in
16 partnering with MPower Virginia to identify emerging
17 technologies and can make solar power more efficient than those
18 the Chinese produce, and, frankly, virtually today the United
19 States use Chinese products, we'd like to repatriate that
20 business.

21 We've also got Autodesk, which would be a strategic
22 partner, and they're going to provide all sorts of engineering and
23 modeling software and software support in the first stages to
24 help create the kinds of curricula and provide the products that
25 will enable us to bring the workforce along.

1 There are a number of other individual projects that
2 we would propose that will build on the approach that we take
3 with the infrastructure by introducing subject matter experts and
4 ultimately industrial and commercial partners to support the
5 businesses.

6 MR. LEE: What we envision in the first year is really
7 laying a foundation for all of which he just described to prosper.
8 We didn't want to say let's wait two years before you see a
9 success. The initial projects from the solar array and/or
10 combination wind farm that could bring into other parts of our
11 network or any sort of electronics refurbishing capability is really
12 part of the essence of let's engage the community, let's make
13 zero assumptions, let's get with the leaders who are there, who
14 are community leaders that give us a bit of credibility listen,
15 while at the same time we need to set up the foundational
16 program.

17 For example, first, it may be a maker space, a
18 community center, and part of the interest with Autodesk and the
19 foundation jumping in. If you remember the narrative of
20 microelectronics, that is pretty constant. So what we want to do
21 is get an initial, quote, tinker space and put together that initial
22 facility to allow that engagement with the local population.
23 Hopefully, we can center around universities to start, and Wise-
24 UVa would be a great candidate.

25 We just had a great call last week, but we've taken an

1 idea to lay the foundation akin to a house. We can't wait to have
2 success two years from now, so getting the corporate partners to
3 jump in initially and showing some results is really important
4 because that's what gives you momentum and gives credibility,
5 quite frankly, with you. And we think this, of course, has
6 significant merit.

7 Now, one piece of this core set of programs that we
8 didn't talk about is an investment in technology. I think it would
9 be easy for us to go out and find companies that would be willing
10 in exchange for surtax privileges and models to work with local
11 businesses to put in a facility of some type of job element in that
12 locale.

13 The difference is tying it to a more enduring program
14 and impact what's better already in the region. We talk to
15 Microsoft, Brad Smith, this coming, tomorrow here in New York
16 to talk about what they're doing in Virginia. Virginia is one of the
17 six states where they put a ton of broadband and support
18 resources into. And one of the things that we want to tie into
19 that, not just broadband, but making real products available to
20 individuals who know how to take advantage of them. That's
21 part of the need to get the base learning, understanding how
22 that can be extended into secondary schools. We don't expect to
23 magically show up and have all the answers, but we can start to
24 work in a grassroots way and an institutional way with the
25 university to start to spread the story and get support and put

1 our first cohort in place, that would be part of the education
2 program. When you start talking about 21st Century learning, we
3 are working with a company out of California that does just that.

4 We're looking at this as a foundational program to
5 start generating traction, get support, work with the community,
6 listen, and be active and present. And then as we start to bring
7 in more and more programs, seed tracks on the ground, and
8 then further deployment, if you will. That's the kind of initial
9 one-year. Two years out, we would hope to be operational and
10 there's a lot of program standup. A tech investment counsel is
11 going to go out and reach to industries and say this is part of the
12 next generation of this country, taking intellectual property and
13 the capital of our people forward. We have to do this. It's in the
14 economic interest of the nation to do that, or we will be left
15 behind in this global economy.

16 So, there's an emphasis for you, and you've got to in
17 the end cultivate talent, and that's what this is going to do. Then
18 it starts to bridge across to other states or other regions within
19 the State of Virginia, high end, all the cities that's been set up, to
20 get a secondary-city level. We have the opportunity to do some
21 of these types of programs in an effective way, and then it grows
22 from there. I think that's the kind of the walk or crawl-walk-run
23 concept that we have in mind and all be prepared for change.
24 We'll have to change probably many times differently than what
25 we think about today when we started this program concept.

1 Does that kind of answer your question, Evan?

2 MR. FEINMAN: Yes, I think that's a good overview,
3 David. I'm going to frame the question before the Committee
4 and then because we have a large U-shaped table, and rather
5 than have the people shout the questions across the room, I will
6 hear them, and relay them to you.

7 Now, the question that's going to be before the
8 Executive Committee is whether we set aside, because this is a
9 large ask, we're looking at segregating \$4.5 million in the first
10 year. Rather than just wipe out the Special Projects Committee
11 or try to do a bunch of different things with different committees,
12 what we talked about is just segregating these funds when we
13 make our annual budget, which is, of course, what we're actually
14 here to do. I know it's a crowded agenda, but the fundamental
15 core responsibility of this Committee today is making our next
16 year's budget.

17 The Southwest Development Committee has already
18 conditionally approved allocating its carry-forward balance,
19 \$700,000, but, of course, that means that we've still got to do
20 the rest when we make our forward-looking budget. Ultimately,
21 you guys are the deciders and it's unusual this Committee is
22 rarely tasked with picking a project. The making of this year's
23 budget will be taking the project or not taking the project. So, if
24 you've got any questions for what the project is going to look like
25 or any other specifics or where it's geographically located, please

1 don't hesitate to ask.

2 MR. LEE: I think somebody else just joined.

3 MR. WOLF: This is Doug Wolf. I joined a few minutes
4 ago.

5 MR. FEINMAN: Doug, you're on with the Executive
6 Committee. It is sort of fading out. So, Doug, thank you for
7 joining us, you're on with the Executive Committee, and we're
8 discussing the projects now. Doug, can you give a three-
9 sentence bio?

10 MR. WOLF: Sure. I'm now CEO of a small high
11 capacity computer company, and I just retired from the
12 intelligence community after about 30 years. I was Deputy
13 Director of S&P with the CIA for my last job and I was there for a
14 while and with a range of other assignments. So, I've been
15 working with David and Peggy in the project for about four
16 months now.

17 MR. FEINMAN: Thank you.

18 DELEGATE MARSHALL: My question is two-fold. How
19 did they choose Southwest Virginia and are they doing other
20 projects throughout the U.S.?

21 MR. FEINMAN: The question is how did you choose
22 Southwest Virginia and are you doing similar projects anywhere
23 else in the United States? David, did you hear the question?

24 MS. EVANS: I heard the question, I'm not sure we
25 might have lost David.

1 MR. FEINMAN: Well, Peggy, can you do it then?

2 MS. EVANS: Sure. The first answer is because the
3 initial discussion between Rob and Delegate Kilgore, and clear
4 was that he was familiar with the region and the rest of us began
5 to get read in, we all live here, and we care a lot about our home
6 state. Second of all is that there is truth to the fact that the
7 types of approaches, the types of businesses, the overall cradle
8 to grave look at how to achieve.

9 We understood what the problems were, we
10 understood what the approach would be. It is true that we don't
11 want anyone left out and through a nationwide organization be
12 able to get people together who have expertise and in-kind
13 resources and financial resources to empower elsewhere, but
14 within the Commonwealth of Virginia we focus on a type of future
15 coupled with broadband that's already present in the region,
16 looked like there was a number of opportunities to partner with
17 Virginia and we would be able to get proof of concept as a whole
18 approach. We want to be at home and want to work at home
19 and we want life at home, we want to take those lessons and the
20 apply them elsewhere.

21 DELEGATE MARSHALL: Five years, ten years down
22 the road, are they looking to sell this off or are they here for the
23 long term?

24 MR. FEINMAN: Peggy, the question is are you guys
25 looking to flip this five or ten years down the road, or do you

1 anticipate this being a long-term project?

2 MR. LEE: I heard that, so if I can just start on that
3 answer. The whole point, and I think what Peggy was describing,
4 there is no flip in timing for an exit. What we've taken a page
5 out of is the startup principle is to get us something done that's
6 really transformative. Our purpose is to make this endearing
7 long-term, to really create a long-term program. If you look at
8 the demographics of possibly serving 18 to 34 year olds and we
9 took time to look at some of the data. But we need more
10 accurate data beyond 2007 and 2008, but this would be
11 something where the nonprofit and joint ventures, a company
12 that we bring to invest in the region and that we tie the business
13 models into for the region, that's what we want to do, and any
14 nonprofits or related entities. So, businesses should want this.

15 There's talk with Virginia Tech and from a research
16 and development perspective about taking technology and
17 transitioning it out and taking the county that's actually in the 39
18 counties but specifically first focusing in Southwest and taking
19 that talent and putting it behind. We don't have to have talent
20 from the tri-cities, and you can create those businesses locally,
21 but, of course, those businesses need to be connected with
22 capital. So, your answer is no, we don't envision that. We're
23 hoping to create businesses that can thrive.

24 So, the question for the sixth grader in schools right
25 now when they come out 12 years from now, they can have an

1 opportunity to be a software engineer or they'll have an
2 opportunity to produce something, they might be producing solar
3 panels for the National Solar program, because they have
4 committed.

5 I know that solar businesses are very interested in
6 producing these products so we don't have to go to China. All of
7 that fuels other opportunities and it can fuel the economy of the
8 nonprofit but continuously treating it as a startup model because
9 we want to be able to and get investment and bring that back to
10 the region, and the region is the perfect place for it because
11 you've got a great university system and a high tech corridor and
12 a prominent position on the hill with the leadership in the state.

13 I did my undergraduate at James Madison, and there's
14 a lot of pride, a lot of beautiful things within the Shenandoah
15 Valley and institutions of higher learning across the state, so we
16 look at this as a perfectly situated locale in Southwest Virginia
17 and move across the state as needed.

18 DELEGATE BRYON: Evan, I have a question when you
19 get a break.

20 MR. FEINMAN: Sure.

21 DELEGATE MARSHALL: In baseball, if you win, how
22 do we know if we win, how do you keep score or how do they
23 score on how they're doing?

24 MR. FEINMAN: I'll do my best to paraphrase that,
25 Delegate Marshall.

1 The question is how are we going to define success in
2 this program and how do we know that we're marching towards
3 success in terms of measurable outcomes?

4 MR. LEE: There's a simple metric. We're creating
5 business entities that are generating revenue and covering costs,
6 and that's a win. Usually they want a profit margin to at least be
7 established and then grow. On the education side, you want to
8 think about it from the standpoint, remember we talked about an
9 initial coal hard, you're talking about the 21st Century, taking a
10 group and working with a program that focuses on digital
11 analytics.

12 Those that graduate from the program, and within the
13 first two years, there's a period in there which shows you some
14 degree of outgrowth, and that says that if people can go through
15 these and then go into jobs and move up the food chain and if
16 we can create jobs on the lower end, a low, middle, and high
17 tech where those people might work in the solar industry
18 creating panels and so forth.

19 We have metrics along the way that would show if
20 we've developed the workforce, but from a business perspective
21 are the metrics that we're bringing in, returning money back to
22 the nonprofit and is the money being reinvested. It isn't like give
23 us money and trust us. This is something more significant that
24 we measure. And measuring and seeing the progress, of course,
25 is important. But I think when you consider what you get back in

1 commercial industry, one of the reasons I'm making an effort to
2 take a train to New York is to continue to tell the story, to lead us
3 across the commercial space. We need to be doing this. A lot of
4 these jobs we're leaving and not filling, and where do they go,
5 overseas.

6 So, a short answer is that's what I consider the metric
7 that's going to benefit the workforce.

8 MR. FEINMAN: Thank you.

9 SENATOR CARRICO: How do you envision the equal
10 distribution the opportunity to cross Southwest when you have
11 15 localities and 12 counties and three cities In the handout, you
12 see four to eight locations, but the only ones mentioned right
13 now are Scott and Wise, and that's probably the start, how do
14 you envision being across the region?

15 MR. FEINMAN: If you heard the question, go ahead.

16 MR. LEE: I'm hoping to have a hand from the other
17 side of the team. This is not us coming in with all the answers.
18 We need partnership from you and you might need to tell us
19 what that distribution should be. It could be based on the
20 population density, it could be based on schools, community
21 centers, community colleges, and that's another element that
22 would make these programs stand up for success. We need that
23 input. We can tell you one way, but we need you to support us
24 and tell us where are the optimum places so that it'll be best for
25 everybody.

1 MR. FEINMAN: If I can paraphrase your answer to
2 Senator Carrico is you've committed to four to eight spaces or at
3 least five, and you would like for the Commission to determine
4 where those spaces are going to be in the partnership?

5 MR. LEE: That's correct. I would hope the
6 Commission would tell us what the right spaces are because we
7 wouldn't know those.

8 MR. FEINMAN: Delegate Byron, are you on the
9 phone?

10 DELEGATE BYRON: Yes, and I have a question. I've
11 actually been with you from the beginning. That doesn't mean
12 I'm with you. I hope, Evan, you could probably answer my
13 question in a way I would understand like you paraphrased for
14 Danny.

15 I'm trying to figure out exactly what we're doing so I
16 can understand what the approach is, because I hear a lot of
17 different things in this whole conversation. I hear workforce
18 training and I hear startup and I hear a lot of education. We
19 have centers of excellence right now that is like 35 million and all
20 kinds of workforce training going on in Southwest Virginia. I'm
21 not saying we don't need this, I'm just trying to find out what it
22 is, I mean what in particular are you doing that we are not doing
23 now? Can you summarize that so I can see where you're going
24 with this?

25 MR. FEINMAN: Sure, I'll do my best at it. And then

1 I'll ask the folks or Doug or David or Peggy to fill in the gaps.

2 Fundamentally, Delegate Byron, what this program
3 aims to do is two big operations. The first is acting not as a
4 single education institution or a single school district, but instead
5 looking regionally how do we build a workforce in Southwest
6 Virginia that would make Southwest a viable location for not just
7 the industries that they're talking about directly starting, but all
8 of the adjacent industries and industry actors that need a
9 workforce that is trained to engage in at the low, middle, and
10 high skilled level technology occupations.

11 We've identified that as a critical need in Southwest.
12 For some reason, we didn't win Project Transformer, which you
13 recall we talked about at length in the last couple of meetings
14 because of the lack of their confidence in the workforce pipeline
15 that exists today. So, that's the first step, would be the creation
16 of a nonprofit that will create that ecosystem. That ecosystem
17 would be generated through engagement with all the different
18 educational levels, and it'll be through the creation or
19 repurposing of the maker spaces and incubators that they'll pair
20 with entrepreneurial ship training and entrepreneurial
21 mentorship, that's all stage one.

22 Stage two is that the nonprofit that's going to do all of
23 that work will itself spin off for-profit subsidiaries. It will, what
24 we've talked about so far, is a solar subsidiary, an electronics
25 repurposing that's really a recycling facility, and then ultimately a

1 microchip processor prototyping facility. There would be more
2 than that, but those are the ones that they have sketched out so
3 far. Those enterprises would, one, just be enterprises and they
4 would pay taxes, they would employ citizens, they would grow
5 the local economy. Then, two, they will throw revenues back
6 into the nonprofits so the Commission is not stuck supporting the
7 nonprofit into perpetuity. Once the thing gets off the ground, it
8 has its own revenue stream that can help it to continue to grow
9 and develop the ecosystem.

10 Then the corollary of that second stage is all these
11 people have great rolodexes, they'll be, once they've got the
12 success, the program building, they will be reaching out to their
13 colleagues throughout the tax base, to say this is a good thing
14 going on in Southwest, you ought to be thinking about that for
15 your next expansion. That would be kind of a, there's a
16 marketing component in it in addition to the straightforward
17 entrepreneurship.

18 David, Doug, Peggy, did I do a good job there?

19 MR. LEE: I think so. You did pretty much the bulk of
20 it. I don't want you to get lost in the workforce training piece,
21 only because I think what we were talking about, and Doug can
22 you tell you more in detail, but the idea that we want to attract
23 investment and economy and business to be solvent in the
24 region. Besides the fact that we have, it's across the region, I
25 think that you tell us where the relevant points of engagement

1 are, we can create the climate. I can tell you that National Solar,
2 there's many places they could probably invest in, and they're
3 bringing resource and capital and leadership at the executive
4 level. We have their interest and they have been very solvent
5 and kind of a joint partnership with this region and this state.
6 We have a lot of pride in it.

7 It's really setting a foundation for developing a
8 workforce that can be solvent in the 21st Century. It's different
9 than saying we've got a workforce and education development
10 that offsets the cost of education. It's one thing to do that and
11 another thing to actually say can we project that power and
12 those degrees into an economy that is going to be effectively
13 modified for those citizens in a long-term way, because if that
14 job goes away in two years, you'd have a negative economic
15 effect. We talked to a lot of people about that. We've engaged
16 people who are experts in this field to be a part of this initiative,
17 which, again, gives you an opportunity to see if this kind of thing
18 can reach the expected results that we think are there.

19 It's not to say there aren't some startup problems, but
20 trying to develop a density of workforce so they can be deployed
21 in a good job and sustaining long-term so that that education can
22 be used and so that we can generate enough discretionary cash
23 to pay it back over time and this is an opportunity for folks to be
24 active in the workforce and making good money and avoiding the
25 propensity of once they get that skill they leave that region.

1 We've got to give businesses a reason to come into this region,
2 to become institutionalized sectors that the individual can come
3 into that region and say, hey, I don't need to leave, I want to
4 stay, and I can stay because I have a job. I think at the core of
5 workforce development to tie in what you're doing today, but
6 focusing on how to monetize those skills in an industry that can
7 bring that business to the region.

8 MR. FEINMAN: Delegate Byron, do you feel like that's
9 a good answer?

10 DELEGATE BYRON: It sounds more like not just
11 training people to get a job, kind of taking it through the whole
12 process, the education, and the workplace and even startup
13 businesses, is that the idea?

14 MR. LEE: Correct.

15 DELEGATE BYRON: Thank you.

16 SENATOR RUFF: What's the long-term effect or
17 what's this going to cost? We're talking about the long-term
18 situation, you're talking about four-and-a-half-million dollars this
19 year, how much will be necessary to invest in the following year
20 and the following year and the following year?

21 MR. LEE: The question from Senator Ruff is, okay,
22 we're talking about four-and-a-half-million dollars from the
23 Commission this year, how much further that would be for the
24 Commission the year thereafter, the year thereafter, and hence?

25 Peggy, do you have the budget detail, I don't have

1 that with me right now.

2 MS. EVANS: Starting off with the four-and-a-half
3 million is not the funds specific proposals, that's to be used to get
4 them in the ballgame and get in the structure that we have in
5 mind and specific projects are going to have their own startup
6 costs. Some of those projects will become independent and
7 sustainable, such as the electronic refurbishing. At the end of
8 the day, by selling the components that they refurbish, they
9 should be able to be economically self-sustaining.

10 The solar project is going to end up returning revenue
11 to the nonprofits through revenues accrued for that to fulfill that
12 power. If you think about it as a fundamental infrastructure
13 budget, which is the enabler, and through feasibility studies to
14 collect the information and we will use experts to help us decide
15 whether those solar panels are X technology or Y technology.
16 Those are costs that ultimately would be self-sustaining through
17 the revenue generated through some of these projects and would
18 enable funding getting further projects down the line.

19 So, at the end of the day, but for the sake of
20 argument, I would say that we will need infrastructure costs for
21 at least a year, but that the tide should turn after that. We have
22 to keep in mind that some of these projects will take years to
23 come to fruition and we could begin to do the added
24 manufacturing, a facility and begin to work on further type gifts,
25 but you're not going to get Amazon to co-invest in that in the

1 first 12 or 24 months. You need to be able to demonstrate what
2 you can do and provide proof of concept to them.

3 The real expenses are going to be in the projects
4 themselves. I sent a budget to Evan and Delegate Kilgore
5 showing that a solar farm requires a million dollars per
6 megawatt. The breakeven point, according to them, or solar, is
7 about 20 megawatts. So, we would need to be able to put
8 together and we would not have to bring to the table all of the
9 money either through the Tobacco Commission or another
10 Commonwealth fund and solar will bring money to the table, as
11 well. The more the nonprofits put in, the greater share of the
12 revenue that's generated comes back into the nonprofits to fund
13 other projects, and that's the way we're looking at it.

14 MR. FEINMAN: I think that's a good comprehensive
15 answer, but may be missing the bottom line figure that Senator
16 Ruff is looking for. If the Commission were to contain, maintain
17 its investment for two years beyond this year, so four-and-a-
18 half-million dollars a year, do you feel as though that would be
19 adequate to resource the nonprofit from the Commission?

20 MS. EVANS: For the infrastructure, yes, but it would
21 not fund the project.

22 MR. FEINMAN: For the for-profit piece, we do
23 opportunity fund grants like we would for any other business.

24 MS. EVANS: I just want to say we're very interested
25 in staying with this over the long term, but we believe in the

1 absence of a sizeable funding decision by the Commonwealth, it's
2 going to be very hard to, first of all, attract a first-rate team,
3 and, second of all, get substantial investment project by project.
4 We would need to insure that there would be funding beyond
5 funding of the office itself and the infrastructure.

6 MR. LEE: Evan, if you multiply that four-and-a-half
7 times three, I think that's the first answer that you're getting at,
8 and then case by case in the last process, and then what might
9 go through the normal state appropriation bill that that was the
10 right route, and I guess you'd have a set of almost like mini
11 proposals that we would present to you well in advance of the
12 budget cycle, so that you can make a decision based on that
13 business case. What is an example of solar array, a farm, that
14 would be a joint venture that we would be doing with National
15 Solar. The more we put in, the more stake we would have.

16 Now, mind you, this is a private company and also at
17 this point bringing in their own investment capital to do this
18 because they believe in the model and they see the opportunity
19 and they believe in our experience working with their leadership
20 and the need to do something like this, and how that could be a
21 model for additional opportunities across the board. I think
22 that's why we're looking at this being a case where we could
23 leverage other external capital and put that together with
24 whatever the Commonwealth funds are provided. And that's a
25 win because we're not putting every dollar in that we may

1 normally have done for solar or wind and solar or whatever the
2 modality is.

3 MR. FEINMAN: Sure. Senator Ruff, do you feel
4 you've gotten an answer?

5 SENATOR RUFF: I probably got my answer, but I'd
6 like to ask another question. I can understand the plight of the
7 coalfield and how that has attracted certainly attention from
8 across the country even in the Northern Virginia area, but the
9 Tobacco Commission is much bigger than just the coalfield area.
10 When you're talking about a \$12 million, \$15 million investment
11 in Southwest Virginia and zero investment in the rest of the
12 Tobacco Footprint, it's awfully hard for us to say that sounds fair,
13 would you not agree with me?

14 MR. LEE: I'll take your word for it.

15 MR. FEINMAN: There is some concern in the areas
16 that the Commission serves, and the Footprint is divided into two
17 sections, Southside and Southwest. I think we hear some
18 concerns from the folks on the Southside of that divide that the
19 project does not necessarily benefit that portion of our footprint.
20 What I have heard from you all in the past is that after getting
21 off the ground in Southwest, you'd be willing to expand, is that
22 accurate?

23 MR. LEE: Absolutely.

24 MS. EVANS: Yes. Go ahead, David.

25 MR. LEE: Go ahead, Peggy.

1 MS. EVANS: Some of the types of businesses that we
2 have in mind require a certain type of topography. There are
3 certain things you can't do in some areas that you can in others.
4 We'd be working with the Virginia Department to identify sites for
5 solar farms, and we work with National Solar and they pointed
6 out solar farm potential in other areas. There are other sorts of
7 businesses that we have in mind can be essentially settled
8 anywhere.

9 We've been talking to Virginia Tech about their
10 agriculture extension service, and it's not a formal proposal at
11 this point. But I would like to be able to take advantage of the
12 local restaurants, growing healthy foods and sell them both in
13 farmers' markets and to restaurants who would like to be able to
14 say they've gotten their produce locally. There are some that
15 require a certain type of topography and others that don't. What
16 we really want to do is talk to each one of you Commissioners
17 and be led by you and your local business leaders to tell us what
18 kind of businesses would be welcome where you are, that's not
19 our decision, and that can be driven by nature.

20 MR. LEE: And I think if you remember where the
21 conversation started, that was the initial point of departure, but
22 as we mentioned throughout, the key is trying to make sure we
23 can affect the greatest degree of change across those two
24 localities. And I think when you look at the counties, when you
25 look at the areas cropped out by Southwest and Southside, you

1 have to get with the right leadership to figure out where can our
2 education programs, for example, have the most impact, where
3 does it make sense to put a lab maker space so the population
4 can take advantage of it and we can get that talent and
5 mentorships out to the community. Again, I would say that
6 that's not written in stone, but you need that guidance and
7 directives from the locality and from the Commissioners.

8 DELEGATE MOREFIELD: Mr. Chairman, earlier on in
9 the conversation you were talking about various products made
10 in Asia and so forth, and then we talked about solar and
11 removable energy and we elaborated quite a bit about our
12 training programs, and we have a lot of training programs right
13 now. The bottom line is when you're doing business with the
14 federal government or the government, state government, it's
15 much different than doing business in the private sector. Most of
16 this comes down to economics. Is it economical to manufacture
17 a certain product in Southwest Virginia or is it more economical
18 to manufacture it in China to the company? They are ultimately
19 looking at profits, and they have investors that they have to
20 answer to.

21 Now, I completely support this concept of a think tank
22 in theory, but as Delegate Byron pointed out, we're doing a lot of
23 this already, but some of this has already been attempted, just
24 on a smaller scale. Right now in Buchanan County, there is a
25 nonprofit that's being established to build hydroponic facilities on

1 reclaimed surface operations, and they're working with the local
2 government there, which is similar to what you all proposing in
3 this. I want the concept.

4 But the question I have is it comes down to what
5 Senator Ruff was referring to with the costs of the program,
6 we're looking at dedicating two years of our budget for this. And
7 right now, there are a handful of projects at least from the
8 district that I represent that are hoping to apply to the
9 Commission within the next year. And these are good projects
10 that I think will yield a return, and they are tourism-related, they
11 are not going to create a lot of jobs, but they would have a
12 significant impact on the local economy.

13 And so the question I have is regardless of the
14 workforce component, regardless of the training component, how
15 will you make Southwest Virginia unique, how will you make
16 Southwest Virginia attractive for these companies to invest in the
17 region?

18 MR. FEINMAN: Delegate Morefield has summarized
19 that there's a big opportunity call to doing this. We have a
20 limited, we have a big budget, we can't exceed it, so every dollar
21 we spend on that is a dollar that we're not spending on
22 something else in the region, and there's many other needs in
23 the region. Even assuming you put together a very strong
24 pipeline of talent, we know that those pipelines exist elsewhere.
25 What, at the conclusion of this project, will be Southwest

1 Virginia's competitive advantage, why would the sorts of
2 companies you're talking about choose Southwest Virginia at the
3 conclusion of this project if we were to fund it?

4 MS. EVANS: That's a point I don't want to lose.
5 These companies and with the nonprofits and continue on the
6 run. In other words, if you think of it as a revolving concept, it
7 continues to provide things and continues to increase the
8 workforce capability in the region. These are the type of projects
9 that continue to give and give and given over time. You have to
10 be careful when we use the phrase opportunity, because it's not
11 set and done (unintelligible).

12 MR. FEINMAN: That's the answer, but I don't think it
13 gets to that point he was raising.

14 DELEGATE MOREFIELD: Going back to the economic.

15 MR. LEE: You pose a question that I think is up for
16 consideration based on outcome, and we talk about relevant
17 outcomes and being evaluated on that, but we're trying to give
18 you a data-driven approach and trying to bring in cash that will
19 create a really viable economy. I think, first, I would hope you
20 would measure what you think the probability of the success of
21 this team and this group against where those programs that you
22 mentioned respectively have shown you output and outcomes
23 today.

24 Number one, we certainly don't want to take away
25 from productive programs that have scale, but what we're talking

1 about is a totally different model (unintelligible, unintelligible), if
2 you take in a 150K investment to areas of the community that
3 have been under-represented, so they go to Louisville, they go to
4 Cincinnati, they're going to secondary cities to get 75 percent of
5 the investment capital in those three states. We have to rise the
6 rest of our communities and country to achieve the values and
7 the effects and the dominance that we want as a country.

8 So, I would say ours is one of scale. We're not talking
9 about one or two programs, we're talking about engendering a
10 council that goes and convinces big companies to really invest in
11 programs that are really institutional. So, it's not just about a
12 factory or a business. It's really trying to interact some degree
13 of change at the educational levels and secondary schools and
14 put those children through a process, which is certainly long-
15 term. And as I say, this is a long-term investment. We can
16 show you returns on balance sheets for companies in a couple of
17 years and you might say, hey, good job, or you might say you
18 guys have been awful, get out of here. The point is we're trying
19 to make something long-term.

20 We've been participants of the IOC Security Act 2017,
21 and there's a great degree of change. When you mention China
22 in scale, there are huge issues that we do not even propose that
23 we can solve in labor laws and in economy as scale that you can
24 achieve overseas versus doing something here. We can say that
25 if you follow the car assembly model and what was done in the

1 last 25 years in Alabama and South Carolina, we can do final
2 assembly. When we start talking about electronics and all these
3 things that get produced in these wearable tech components and
4 other devices, if we're able to control those CONUS versus being
5 overseas in an uncontrolled environment where you don't have a
6 chain of custody and you don't have the ability to know who did
7 what to what component, that's a grand jump, but we're talking
8 about policy-level issues that Senator Warner and Garner and
9 Gaines, who were co-sponsors, helped him with.

10 We put this out in a vision that the landscape is
11 changing to do business with the government or the state at
12 some point. You'll have ability in your system that you'll have to
13 assert to. Virginia is fine as a leader to address cyber and other
14 types of concerns. The other key portion of this that other, I
15 don't think other groups might have, is proximity and
16 engagement in shaping these various policies and that's what our
17 team is doing. Doug can probably speak to you more on that or
18 probably would not in this forum, but I can tell you we have been
19 tied in, in a meaningful way, and I believe Delegate Kilgore
20 vetted that in the same way and others, to be involved in that
21 policy-shaping.

22 So, when you talk about the ability to do business
23 with states, with even the federal government at some point,
24 maybe 25 or 20 years from now, the uniqueness of what we can
25 bring to provide a franchise position for, say, Samsung to

1 produce assembling models here in the United States as a co-
2 investor, reasons that would make it viable to their business to
3 show chain of custody, control, security, in which they want their
4 -- to the federal government, for example, to trust in that
5 fidelity and control.

6 I think the uniqueness is around all the things that we
7 talked about. We're also heavily engaged in policy, but we've
8 talked very little about it. But that's a key portion of this
9 program that makes Virginia unique and makes capital
10 investment want to be here because we're creating a climate for
11 that. That's very different than, hey, try to get this company to
12 come here and in this locale.

13 DELEGATE MOREFIELD: I'm not speaking on behalf of
14 the entire Commission, but I've got a gut feeling here that
15 several of the members probably want a little more of a specific
16 plan. When an application comes in, there's a specific plan that
17 is presented, and we all understand that plans change, but we're
18 talking about four-and-a-half-million dollars. And I know earlier
19 a comment was made that this does not include funding for
20 projects, but in my experience at least in dealing with solar, solar
21 has to have an end user, and it's not going to be the utility
22 company. We've got challenges with technology, battery
23 technology, the technology is not there. And I'm just assuming
24 that your group is not going to, I mean I hope the technology will
25 change and will improve.

1 But what I'm trying to say is how are we going to
2 attract those companies here, and then also if you can't, can
3 your company do a pilot project where you provide a specific
4 plan or a specific project of what you're trying to achieve, even if
5 we were to fund that, and then you come back with that specific
6 plan and we move forward. I'm not trying to complicate things
7 for you, I completely agree with you we need a think tank, such
8 as yourself, to market our area. Delegate Kilgore and everyone
9 has been working very hard on it.

10 From my position, as a member of the Southwest
11 Economic Development Board Committee, I just would hate in a
12 year or two years when we have some very good projects in the
13 works and they come to us and we say we're sorry, you've got to
14 wait three years, because we've already committed these funds.
15 That's basically my concern.

16 MR. LEE: I think I understood the essence of the
17 concern.

18 MS. EVANS: Why don't we let Doug take the question
19 about the power company agreement as far as the early stages
20 of it, we understood that there was the ability to finalize that,
21 Doug.

22 MR. WOLF: My understanding is that there are some
23 good opportunities to work with the utilities in terms of solar and
24 not just on necessarily buying the tower, but putting in the grids
25 and infrastructure and being able to manage the power. I

1 believe there's some innovative technology in terms of storage,
2 and those are coming. And we have an opportunity to work with
3 some of the folks that are probably leading the industries globally
4 in terms of that storage. I would agree with you in terms of
5 there are a number of things going on. I think the opportunity is
6 to try to do something of a scope and scale that is really
7 significant that would attract enough interest and talent at some
8 of these larger enterprise levels, that it would make a big
9 difference for the region and would also help in terms of
10 economically and a lot of other projects with education, et cetera.
11 It would be a model for economic development across the
12 country. That would be my vision for kind of going at a little bit
13 larger level as opposed to smaller individual projects.

14 DELEGATE MARSHALL: Let me make sure I
15 understand. So, this plan is that a nonprofit board, so to speak,
16 would be set up. My question is could the Tobacco Commission
17 have members on that board?

18 MR. FEINMAN: I don't know if you could hear that.
19 Delegate Marshall's question is have you created government
20 structure with a nonprofit, and would you be open to, well, or
21 might be conditioned of funding on members of the Tobacco
22 Commission being a part of that government structure, whether
23 it's a board or a council or however you wind up setting it up?

24 MR. WOLF: I think that would make sense
25 (telephonic interference) -- for any project that we would, that

1 would be undertaken by the Commission, or any entity in the
2 Commonwealth, for that matter, so I think whatever that would
3 entail, but what we laid out in the initial proposal.

4 MR. LEE: What Doug just spoke to is a more
5 crystalized and we wanted to have some results to show you this
6 is what we could bring to bear quickly. One would be the
7 electronics. The point of that is we wanted to have a way to
8 show some results, to show it faster. I think it would make
9 sense to have some representation from the Committee or Board
10 so you'd have the ability to know what was happening, whether
11 that's quarterly or otherwise, that could be figured out, but I
12 think it makes sense.

13 DELEGATE MARSHALL: A follow-up question then, on
14 the Board, there's got to be a set of bylaws. I would like to have
15 input or at least review of those bylaws to make sure that we're
16 getting what we think we're getting.

17 MR. FEINMAN: Can the Commission weigh in and
18 potentially have a bail-out of that opportunity, however you
19 construct your bylaws if you wind up going in a very different
20 direction from what we anticipated?

21 MR. LEE: But just from the structure setup and with
22 the structure and foundation, you can go a couple of different
23 ways, depending on foundation or the board structure or the
24 bylaws. But I think it would take us sitting down just to
25 understand what you have in mind. There may be projects that

1 you or you find a portion in a commercial vein, but the thing you
2 want to be careful with is if we get in a commercial business,
3 they might want to say we like what you're doing, but we don't
4 know if the state can move at the speed of commercial and here
5 are some things that are within our business domain and then
6 there's a rack and stack of priorities and that they're putting X
7 amount of dollars there, and considering going along the line of
8 these programs. I think in the end you have to sit down and talk
9 about what that engagement is and the control of the program.
10 Overall, I think I could see that as being a logical way to evaluate
11 it and what makes the most sense structurally.

12 MR. FEINMAN: Any other questions around the table?

13 MR. KILGORE: We appreciate you all taking the time
14 to answer these questions. This is somewhat a newer direction
15 for the Commission moving forward, and I appreciate the time
16 that you all have given us and the time that the folks on the
17 Committee have given to this project this afternoon. I think this
18 is one of those top projects that is transformational and can help
19 a lot of different regions and a lot of different areas across the
20 Tobacco Footprint.

21 MR. FEINMAN: Well, I don't think we need to do
22 anything now. We're going to have a budget meeting down the
23 road on the agenda, so, Doug, David, and Peggy, thank you all,
24 and I'll follow up with you on what the Committee lays out in
25 terms of this project tomorrow morning.

1 DELEGATE KILGORE: Thank you all for your time.
2 Now, I have going into more exciting --

3 MR. MARSHALL: Before we get there, can I pose a
4 question? I've posed it one time before, I won't keep asking the
5 question, I asked this question a couple of times about the
6 Tobacco Commission receiving funds or whatever you want to do
7 and come back.

8 DELEGATE GILGORE: Thank you, Liz.

9 DELEGATE MARSHALL: What I have been told is that
10 the Tobacco Commission cannot do that, if you want to explain
11 that to the other members.

12 MR. FEINMAN: We've actually been talking a lot
13 during the strategic planning conversations, and you heard a
14 little bit about that at Berry Hill the other day. What Delegate
15 Marshall is getting at, the Virginian Investment of Public Funds
16 Act precludes an organization like us or any other entity,
17 subdivision, political subdivision, what have you, of the
18 Commonwealth, from taking an equity position in any for-profit
19 enterprise. When we support a business expanding or relocating
20 to our region, what we can do is what any other fund would do,
21 which is take an equity position for the sake of that business.
22 We're not able to do that.

23 One of the things that we have looked at, and that is
24 to enter into repayment agreement with our localities. In a
25 surprised turn of events, we've gotten effectively no pushback.

1 We didn't hear during our strategic planning conversations a
2 single local leader push back on the idea that the Commission
3 might reach a deal with the local government and says if we
4 entice a business to locate here, that government would cut us a
5 check at the end of the year for 15 percent of the tax receipts
6 that that business generates for the locality. That, I think, could
7 be a long-term wonderful revenue stream for the Commission.
8 We could ultimately wind up not just the loan, we'd wind up
9 adding money over long term on these projects. That, I think, is
10 the most promising revenue return idea.

11 Revenue returns as regards to this specific project is
12 going to be tough because, frankly, while it's a lot of money from
13 an annual budget standpoint for us, I think they're going to feel a
14 little under resourced in engaging in the full build-out of this
15 program, and we could certainly say will you split with us the
16 money that you're getting from the for-profits as you're getting
17 started, but giving that the non-profits will have a governance
18 instruction, which it sounds like, Delegate Marshall, you
19 volunteered to oversee. It would entail the revenues from their
20 for-profit subsidiaries flowing back into their nonprofit anyway.
21 More of that money coming back to us slows down the projects.
22 I think across the board we've touched on something important,
23 and I've been banging on that door for a while, and I think we
24 found a way to do it, and it's going to be with local tax sharing.

25 DELEGATE MARSHALL: As I look down the list here at

1 CCAM, the building at CCAM is owned by UVa Foundation. What
2 I understand is UVa and I assume the foundation is private
3 money that is put in this foundation, and this foundation built
4 CCAM and then it's leased to CCAM, could we set up a foundation
5 to kind of model what they're doing? I see a nod of the head,
6 was that a yes or no?

7 MS. MYERS: I'll let the director answer.

8 MR. FEINMAN: I'll do my best. I think we could set
9 up a foundation because work could parallel all this, but what we
10 could not do is then use the foundation as a vehicle to do things
11 that we are forbidden to do and comingle our funds with the
12 foundation funds, that would be legal hurdle number one. The
13 operational hurdle that concerns me, and I think you've seen a
14 lot of this in Martinsville of late is that your foundation would
15 need to have its own governance board and it could get
16 crossways with this board. And when that happens, you really
17 have a problem on your hands.

18 DELEGATE MARSHALL: That's why I asked the
19 question about the bylaws.

20 MS. MYERS: This is actually one of the first
21 conversations that I recall having when I became counsel for the
22 Commission, I think it was Delegate Byron was very interested in
23 making some investments, yes, and essentially while putting the
24 foundation, if you get through all the hurdles, you cannot do
25 indirectly what you are prohibited from doing directly.

1 MR. FEINMAN: Delegate Marshall, I think it was two
2 sessions ago now, I introduced a bill that would have allowed
3 bodies of the Commonwealth to allow conference participation,
4 full conference participation on listening in, including voting, by
5 members of a body like ours when they were not here, when
6 they were deciding. Of course, we've got 28 members spread
7 across a big swath of the state and we worked it through with
8 them and a bill passed this session coming out of that, that does
9 permit no excuse conference call participation.

10 What we wanted to do for the Executive Committee
11 that we've got a policy here that could basically say in
12 accordance with that law, members of the Commission are able
13 to participate by conference call in meetings; however, we left
14 open the opportunity for this board and this is the group that
15 sets the policy for the Commission as a whole. Do you all want
16 to leave it that you're allowed to call in, or do you want to limit
17 the number of times members can do it?

18 DELEGATE MARSHALL: Can you vote?

19 MR. FEINMAN: You will be able to after we adopt this
20 policy, after July 1.

21 DELEGATE MARSHALL: Do you have to have a
22 quorum of members present.

23 MR. FEINMAN: You have to have a quorum of
24 members present.

25 DELEGATE KILGORE: I think we ought to make it one

1 or two times a year if somebody doesn't --

2 MR. FEINMAN: If we limit it to two times a year, we
3 don't need to do anything new, that's already existing.

4 DELEGATE KILGORE: I think it's better if you come
5 and show up, and I understand there are situations when you
6 can't do it. Twice a year, I think, would --

7 MR. OWENS: Are you talking about meetings and
8 everything?

9 DELEGATE KILGORE: Once a year on the Full
10 Commission, because we only meet three times, and then I
11 would say once a year on each committee, because that way it
12 would be about a third of the time.

13 DELEGATE MARSHALL: Some days you have several
14 meetings.

15 DELEGATE KILGORE: Does that all sound fair to you?

16 SENATOR CHAFIN: I think this is the first time I've
17 been required to participate this way, and I would say a broader,
18 I'd like to hear a broader discussion, perhaps how we set these
19 meetings and how far in advance we set these meetings, because
20 I think that would help everyone. I know I'm not that unique.

21 So, I just wonder if perhaps we could set our
22 meetings, as well as our committee meetings, from the end of
23 one Commission meeting to the next, and that's what a whole lot
24 of organizations do that I've been familiar with, and that way you
25 have a three-or-four-month period in which most people would

1 have their schedule cleared and could keep it clear and we
2 wouldn't run into scheduling problems like we do sometimes
3 when they set stuff a week or two or three from the actual date.
4 We have a lot of people to consider and Ben Chafin is just one of
5 them. I would really like to do that. That would probably take
6 care of my need to communicate by telephone.

7 MR. FEINMAN: We have tried to schedule in advance
8 and had that not be well received in the past, but we can
9 certainly move back in that direction. The primary driver of
10 scheduling meetings currently is with the speed at which you all,
11 without naming specific names, get back to Stacey, when you
12 can do a meeting. That's the Committee's Chair at the end of
13 the day, because the Committee needs to follow the Chair.

14 But one of the things that we tried two years ago to
15 do in the strategic plan was to set firm meetings at the beginning
16 of the year for meetings, and it was the sense of the Commission
17 at that time that that was not something you all wanted to do. I
18 think from the Staff's perspective, we love, we were perfectly
19 happy to do it that way, but it's up to you all.

20 SENATOR CHAFIN: I would love to do that, and I've
21 noticed that nobody misses sessions unless they're ill or dead.
22 We just set these things, we try to attend.

23 DELEGATE BRYON: My only question was, and I
24 appreciate the ability to participate in the meetings, and if you
25 talk about just voting, I think we were allowed to, if we were not

1 able to attend, which happens very rarely, that we could at least
2 call in and participate in what's going on, but not be able to vote.
3 Does that still exist?

4 MR. FEINMAN: Yes, the only difference would be
5 you'll now be able to vote remotely, as well, and do things like
6 happened earlier today, advance or second a motion.

7 DELEGATE BYRON: Right, right. I'm appreciative of
8 being able to call in, I certainly think that if we're going in that
9 direction, that is a great privilege that we're forgiving, and I
10 understand that we don't want people to abuse it. I don't
11 personally see someone doing that, but I guess that could
12 happen. I'll leave that up to the Chairman.

13 DELEGATE KILGORE: Then what I would propose is
14 one Full Commission and one time, either Southwest one time, or
15 Southside one time, or R&D one time, one time to call in on that,
16 one time per committee. Does that sound fair?

17 MS. MYERS: I would want a couple of moments to
18 make certain that committees within a Commission, such as this
19 structure, would be considered within the same public body,
20 because at that point, you're potentially offering six phone-ins a
21 year.

22 MR. FEINMAN: I understand the new law that says
23 that's permitted. Subject to whether or not it's legal if we can
24 figure out between now and the 22nd.

25 MS. MYERS: Yes.

1 DELEGATE MARSHALL: Clarification. So, let's just
2 take a committee like the Southside Economic Development. A
3 person has one chance to call in. The second chance they get to
4 call in, but they do not get to vote?

5 DELEGATE KILGORE: That's right. They can still call
6 in, they just can't vote.

7 SENATOR CARRICO: As an example today, Ben used
8 up two of life lines.

9 DELEGATE KILGORE: Ben, we're not going to count
10 that against you.

11 SENATOR CHAFIN: I appreciate that.

12 MR. OWENS: Does that mean he can't participate in
13 the debate part?

14 DELEGATE KILGORE: No, he can participate, he can't
15 vote or make a motion.

16 MR. OWENS: He can't make a motion?

17 DELEGATE KILGORE: Right.

18 SENATOR RUFF: We've solved that issue. I can
19 appreciate setting meetings for the next time, but I'd hate to see
20 us try to set it a year ahead of time, because that becomes a
21 problem because there's all kinds of meetings set. It's just going
22 to create a problem.

23 MR. FEINMAN: If we can't take any action, we'll hand
24 it off to Senator Ruff. We don't need a motion for this. What I'm
25 hearing from you is that we'd like put this before the Full

1 Commission the adoption of this policy with the highlighted
2 portion being replaced with furthermore, once per Full
3 Commission and once per committee, a member may call in and
4 fully participate per calendar year.

5 Andy, do you have that?

6 SENATOR CARRICO: Does the Commission have the
7 ability to look at the House and Senate calendar so that there
8 isn't an override on the committee?

9 MR. FEINMAN: We'll work on that, and that's a
10 separate question.

11 MS. RICHARDSON: That happens and things come
12 up, we just went over our agendas this week, when we try to set
13 these meetings, like the TROF Committee, but we just can't
14 predict those committee meetings but so far in advance because
15 out of cycle grants that need to be heard or TROFs that are too
16 big to be approved in-house. It's really hard on the committees,
17 and I think we'd have better luck if we tried to do the Full
18 Commission meetings. As far as meetings like today, it's hard to
19 do that.

20 MR. FEINMAN: I think that makes sense. We can
21 certainly say the next Full Commission will be on this date, but in
22 terms of which committee will meet when, I think we've got to do
23 that, it's just hard for us to know. We'll have a plan for the
24 September meeting when we have our meeting on the 22nd.

25 Now, moving forward, executive review. As you guys

1 remember that during the last transition, I was feeling a number
2 of different employment offers and I was persuaded to stay on,
3 but one of the things that I talked about with the chairman was
4 an increase in my compensation. At our last meeting, the
5 Commission decided they wanted to structure that and to take a
6 look at that. I think that makes all the sense in the world, and I
7 would certainly recommend that.

8 I'm happy to step out of the room if you want to
9 discuss it, but what I was hoping to get today was a
10 recommendation from the Executive Committee to the Full
11 Commission to take some action on that. It's gone on for a
12 couple of months now, and I'd like to know what the sense of the
13 Commission is. I know that Gretchen and Alexis and Ben were
14 doing a survey of similar positions across state government to
15 see what was there and what was competitive. I don't know how
16 you want to proceed on that, I'll be happy to leave the room if
17 you want to discuss that.

18 He can't make a motion, but he can inform you all.

19 DELEGATE KILGORE: Senator Chafin, do you feel as
20 though you and Gretchen and Alexis have reached a conclusion
21 in terms of Executive Director's compensation?

22 SENATOR CHAFIN: We really have, Mr. Chairman.
23 We have met and discussed this and we've accumulated a lot of
24 information.

25 DELEGATE KILGORE: Ben, we're going to ask Evan to

1 step out of the room for a moment.

2 SENATOR RUFF: Maybe one alternative to have a
3 short executive meeting --

4 DELEGATE KILGORE: Let's just wait then and have an
5 Executive Committee meeting right before the Full Committee.

6 SENATOR CHAFIN: That'll be great.

7 DELEGATE MARSHALL: Could we get something in
8 writing so we can review it before we get to that point?

9 SENATOR CHAFIN: Do you want me to set that --

10 MR. FEINMAN: Why don't we do it this way, if I can
11 make a suggestion. Why don't you send that, Senator, send it to
12 Stacey, and, Stacey, if you could share that with Andy and
13 Stephanie and Tim, but not me, and that could be sent out to the
14 Commissioners, I don't have to have anything to do with it. All
15 right, let's do that.

16 DELEGATE KILGORE: All right. Stacey, we'll do a
17 short Executive meeting before the Full.

18 MR. FEINMAN: All right. On to further personnel
19 matters. I would like to introduce a man to our new Deputy
20 Director. We were sorry to see Deputy Director Piper go, and
21 he's by all accounts doing great things over at Elections. I guess
22 we'll really find out in November.

23 In any event, there was tremendous interest in that
24 position, and we wound up getting well over 100 applicants.
25 Stephanie did the first cut on those resumes, and she should be

1 applauded for plowing through all those. We wound up
2 interviewing 14 people for the position, and, frankly, all 14 either
3 had a sterling resume, an incredible recommender, and we
4 ultimately narrowed it down to three. At that point, Andy just
5 stood ahead of the pack. He had the background most recently
6 in VDAC and Grant Operation Administration and clawbacks. But
7 then also, Andy lives in Fluvanna, has been a local planner and
8 sits on his county's EDA and that's a nice nexus with our work
9 there, as well. And I'll turn it over to Andy to introduce himself
10 to you all further.

11 MR. SORRELL: Thank you. I'm happy to be here. As
12 Evan said, I've had a number of years of experience in local
13 government, been working with VDAC, and I've always heard
14 good things about the Commission and the work that you guys
15 do for Southside and Southwest Virginia. And so I'm really
16 excited to be here as part of your team.

17 DELEGATE KILGORE: We provided his contact
18 information.

19 MR. SORRELL: I just got these Friday, so I've got this
20 with my cell phone number and address.

21 MR. FEINMAN: We'll get all those cards and a copy of
22 his resume. Otherwise, he's a great guy and will be a great asset
23 to the Commission.

24 DELEGATE KILGORE: Do you want to tell us about the
25 Deputy Secretary for Rural Partnerships?

1 MR. FEINMAN: You all recall Mary Rae Carter, she
2 was sometimes the Deputy Secretary, sometimes the Special
3 Assistant, but always for Rural Partnerships, was fully funded by
4 the Commission. We got our knuckles rapped every year by the
5 auditor of public accounts for doing that, because Mary Rae didn't
6 work entirely in the Commission Footprint, but she was entirely
7 paid by the Commission. In an attempt to both respect that call
8 on their part, we created an MOU between us, VDAC, and the
9 Secretary with the plan that we would cover 50 percent of what
10 is now Pat Rasnick's salary, 25 percent of that salary is coming
11 from VDAC, and we have the assurance that the Governor's
12 Office, that they will find that other 25 percent. That said, we
13 budgeted it for 75 percent.

14 SENATOR RUFF: VDAC or Commerce and Trade?

15 MR. FEINMAN: VDAC. Commerce and Trade will
16 likely cover the other 25 percent, but they're looking for another
17 agency to do it. She is Commerce and Trade, but VDAC has
18 agreed to cover 25 percent of the costs.

19 So, we have that MOU and it is signed, and that's just
20 an update.

21 DELEGATE MARSHALL: So, we are paying 50 percent,
22 does that mean that 50 percent of her, that time will be spent in
23 the Footprint?

24 MR. FEINMAN: Yes. Actually, Secretary and
25 Commerce is her direct report, which is another complicating

1 factor. The difficulty is in us paying for somebody who doesn't
2 report to me. But I can tell you that we are better for having
3 that position staffed than not having it staffed. Because we're
4 kind of in on the ground floor with this MOU, Pat starting this job,
5 I think we get a good return on our investment.

6 SENATOR RUFF: How long?

7 MR. FEINMAN: That's up to the Commission. The
8 request to the Governor is that we do it for all four years of his
9 term.

10 SENATOR RUFF: I would suggest maybe two years at
11 a time.

12 MR. FEINMAN: Okay. I can certainly communicate to
13 them we can update the MOU every two years. I just wanted to
14 bring that as an update.

15 DELEGATE KILGORE: All right, let's go on to the
16 budget.

17 MS. KIM: I wanted to give you more of a historical
18 perspective of where we have been so that you know where
19 we're going. This is just to give you an idea of our total assets
20 between the endowment and the fund. Some of these funds
21 have been obligated but not disbursed. This is just the balance
22 that we've had at the end of each year, except for FY18, which is
23 as of March 31st.

24 DELEGATE KILGORE: What do we have now against
25 what you call a restricted or the fund?

1 MS. KIM: How much we've retained for restricted
2 funds in the endowment, we have about \$76 million, and then in
3 the unrestricted endowment, \$168.7 million. This shows you
4 kind of the balance of what goes out.

5 Just to give you an idea of how much we have
6 awarded, and some of these have been de-obligated, a \$24
7 million grant, which is a big drop. There has been a slight uptick,
8 but that number does include loans, so it's a little misleading as
9 far as how much we have granted, but that's how much has been
10 awarded in both grants and loans. This is a catch balance and
11 amounts that have been transferred out of the endowment into
12 the fund. Most of this is still held in treasury and invested. It
13 remains invested until we transfer it to the general account ready
14 for disbursement. Of this balance, \$119 million is obligated to
15 meet the grants that have been awarded but have not yet been
16 disbursed.

17 SENATOR RUFF: How does this year compare to last
18 year, obligated and distributed?

19 MS. KIM: This changes, not drastically, continually, I
20 mean this is continually going down, and then every time each
21 year we transfer funds out of the endowment to the fund, stays
22 invested, but continually going down. This is to show you the
23 endowment side, and at this point, a 4.4 corpus invasion, which
24 would equate to 10.76 million, and that would leave us with a
25 balance of just under \$234 million.

1 DELEGATE KILGORE: So, we have 244, the
2 endowment, and then we have the other.

3 MS. KIM: The total assets, we made the transfer this
4 June when we make the transfer for next year's budget, it'll go
5 down, but the funds remain invested. This is just to give you an
6 idea of the line where we are now. We are proposing a 4.4
7 corpus invasion and assuming we maintain that level of corpus
8 invasion, that's where we'll be over the next coming year.

9 DELEGATE KILGORE: So, we really stopped the?

10 MS. KIM: the 10 and 15 percent corpus invasion?

11 DELEGATE KILGORE: We really slowed it down?

12 MR. FEINMAN: Slowing that down was step one in a
13 multi-step plan to get us to sustainability. Step two is going to
14 be getting more disciplined about making loans instead of grants.
15 And then step three, those are both, that's defense.

16 And then on the offensive side of the ball, it's going to
17 be revenue return in the form of I think our best prospect now is
18 tax sharing and low balance, that's how we get back even.

19 MS. KIM: So, taking the investment earnings from
20 March to February of each year and whatever has been
21 accumulated in investment earnings, the money is transferred in
22 June, the endowment. This year, we will have 8.9 million that
23 will be transferred in June for our FY19 budget, which is part of
24 the available funds, in addition to the corpus invasion.

25 MR. FEINMAN: For the members of the General

1 Assembly who are here and more concerned than active citizens
2 who are not members of the General Assembly, but are in
3 contact with them, our earning on our funds sucks, they're really
4 low. And we are poorly invested and this body foregoes,
5 meaning in the last couple of years, literally spending millions of
6 dollars to be put into the region. I strongly suspect there'll be
7 legislation to give us an opportunity to invest our own funds
8 and/or get a demand account at VRS. VRS gets much better
9 returns and we'd better have some for us, and it's very political
10 and complicated and treasury will need it, will make our work
11 much more effective.

12 DELEGATE MARSHALL: Could the Governor do an
13 executive order and do it without us going through the General
14 Assembly?

15 DELEGATE KILGORE: I don't think so.

16 MS. MYERS: No.

17 DELEGATE KILGORE: It's in our legislative --

18 MS. MYERS: You can't exceed the statute by
19 executive order.

20 MR. FEINMAN: Is it in the Code where --

21 MS. KIM: Funds will be invested by the treasury.

22 DELEGATE KILGORE: When are you going to change
23 that?

24 MS. KIM: You need a budget bill. So, the FY19
25 budget, we're looking at about 21.2 million, which is a 4.4

1 percent corpus invasion, the investment earnings, and then
2 about one-and-a-half-million dollars carry forward that are not
3 currently obligated. That leaves 2.4 million for administration,
4 and the rest would go to various programs. The administrative
5 budget is about \$133,000 more, and it's basically 13 employees,
6 plus the Deputy Secretary of Commerce and Trade position, 75
7 percent. We are maintaining as we did last year, 150,000 for
8 local business attraction support. Last time, we had 244,000,
9 that's just annual.

10 Most of the increase in administration honestly is
11 health care.

12 MR. FEINMAN: That 150K for local business attraction
13 support, you remember a couple of years back what I'd been
14 hearing from a lot of local economic developers is they were
15 missing out on prospects because they just didn't have the
16 budget to buy them plane tickets and most of that has been for
17 has been helping get them the prospects, and the prospects to
18 us, or more effectively prospects from Richmond where they can
19 fly in down to one of the localities via the state plane, which is a
20 couple of thousand dollars every trip. But that adds up over the
21 course of a year.

22 DELEGATE MARSHALL: Can I go back? The Deputy
23 Secretary, that's 75 percent.

24 DELEGATE KILGORE: That's what we budgeted.

25 DELEGATE MARSHALL: I know, but then we're going

1 to pay 50?

2 DELEGATE KILGORE: We're going to pay 50.

3 DELEGATE MARSHALL: I don't see a dollar sign. I
4 can't see this amount of money that we used to have, it's kind of
5 shrinking and shrinking and shrinking. So I think we ought to
6 talk about what that's costing us, what's our return on
7 investment.

8 MR. FEINMAN: Her salary is a matter of public record.
9 I believe the Deputies make 123.

10 MS. KIM: Right. In the past, it was Mary Rae Carter,
11 we actually paid 100 percent of the salary and travel costs and
12 other related costs to that position. In the current position,
13 ideally we would pay 50 percent, that's just salary and no travel,
14 no car, no phone, no computers.

15 MR. FEINMAN: The Secretary is covering all her costs.

16 DELEGATE MARSHALL: By the time you pay benefits
17 and all, at a hundred and a half.

18 MS. KIM: At 75 percent, it's 121,880.

19 DELEGATE KILGORE: So, we think it'll be 50 percent
20 or off 25 percent.

21 DELEGATE MARSHALL: If I'm looking at the budget,
22 looking at the amount of money we have, shrinking each year, is
23 that something we should look at, or are we getting 120-some-
24 thousand return on that?

25 MR. FEINMAN: We can certainly look at that and I can

1 get a write-up from the Secretary on Deputy Secretary Rasnick's
2 work and what she's doing in the region and we can get that for
3 you. In the past, I think feelings were mixed on Mary Rae's
4 position, but I think the fact that this MOU and this can define
5 working for the Commission, and I think she can be more
6 focused on us. We can find out, and within a year, if we don't
7 want to do it again, somebody can decide not to include that.

8 MS. KIM: I don't know if you received the emails with
9 the different budget options based on the discussions about this
10 Southwest program. There's various ways to distribute the
11 program funding. The baseline, if you just took what's available
12 and distribute it through the various committees, but there are
13 several other options presented, as well.

14 MR. FEINMAN: What you have before you really at
15 the end of the day is the baseline budget is the budget that we
16 would use if we were not going to invest in the Startup
17 Virginia/MPower project. That's the new amount of money we'd
18 be putting in with the Committee. What you can't see there is
19 your carryover, which are pretty significant.

20 Option A is really, it's a slight haircut for Special
21 Projects, but it's primarily Education, and Southwest Economic
22 Development bearing the brunt of clearing up those funds.

23 Option B leaves education entirely intact and still
24 leaves out Southwest Virginia, but the balance for Special
25 Projects.

1 On Option C --

2 DELEGATE KILGORE: What does Special Projects
3 have now?

4 MS. KIM: 4.2.

5 DELEGATE KILGORE: Does education have carryover
6 money now?

7 SENATOR RUFF: I don't think so, or is it 2.8?

8 MR. FEINMAN: We haven't done our competitive
9 education funding yet, so it remains to be seen what's going to
10 be left in there.

11 DELEGATE KILGORE: It'll probably be zero.

12 SENATOR RUFF: It won't be zero and it won't be a
13 lot, either one.

14 DELEGATE MARSHALL: Going down the list here, the
15 megasite prospect, that's \$6 million there. This is not a
16 megasite, but --

17 MR. FEINMAN: It's not a prospect either. In fact,
18 there's more than six, I think we need to de-obligate and then
19 back up to 14. Every time we've laid that money on the table, it
20 hasn't worked out. That's our whale boat. What you see there is
21 kind of give everybody a haircut to start up some project.

22 DELEGATE KILGORE: What is Option C, you said zero.
23 So, Southwest is, we're zero now, all the way across the board,
24 is that what you're saying?

25 SENATOR CARRICO: We've got the \$700,000.

1 MR. FEINMAN: The difference is Southwest can keep
2 its 700 carry forward under Option C. They don't get new
3 money, but they just keep their 700,000.

4 Those are the three scenarios that really kicking
5 around the numbers that made the most sense for me. It keeps
6 the proportional representation of each committee under the
7 budget scenario. It's primarily a question of who is paying for
8 Startup Virginia, whether it's Southwest and Special Projects, or
9 Southwest and Education? There's a good argument to be made
10 for each of those options.

11 DELEGATE KILGORE: I assume that once this Startup
12 Virginia Southwest thing takes forward and then goes into
13 Southside as we move forward.

14 SENATOR RUFF: If you all approve --

15 DELEGATE KILGORE: That's what I'm saying.

16 MR. OWENS: How many more dollars are going into
17 the megasite?

18 DELEGATE KILGORE: Danny said he had \$6 million.

19 MR. FEINMAN: The Megasite Incentive Fund, but, in
20 fact, we've laid, I think, \$8 million on the table, and it'll wind up
21 coming back to us.

22 MR. OWENS: So then you'll have 14 million. That's a
23 mighty big balance for that.

24 MR. FEINMAN: Twenty-one million in Southside. That
25 fund was created when we clawed back a bunch of money. What

1 we did is we made a determination that we've made all these
2 investments in these megasites and we're in competition with
3 Southwest, but when we were looking at New World, which was a
4 2,000-employee facility for Southside, we need to have that fund
5 available so that we can be a partner in statewide efforts to
6 recruit those facilities. We were also looking at money with
7 Project Transformer. You guys can certainly decide to de-
8 obligate money from there and move it to fund this. I would
9 hate to be in a situation where we did that and then the next
10 auto manufacturer comes along and we don't have the ability to
11 get in the game.

12 MR. OWENS: How much were we going to put into
13 Project Transformer?

14 MR. FEINMAN: Ultimately about eight million.

15 MR. OWENS: Is some of that in that Megasite
16 Incentive?

17 MR. FEINMAN: Yes, that's where some of it came
18 from, and then that went back, we did some in Southwest, we
19 did some in Education.

20 DELEGATE KILGORE: We put all that back in now.

21 MR. OWENS: How much came out of the megasite?
22 Is this going to impact the same area that we were going to put
23 the other money in?

24 MR. FEINMAN: It would. What we've done in the past
25 for incentive funds, we had a big employer, and our rule now is

1 400 jobs and 250 million.

2 UNIDENTIFIED: The definition of a megasite or mega
3 project is the state code.

4 MR. FEINMAN: We don't start talking to you unless
5 you're talking about a big project, 250 million in capital
6 expenditure and 400 jobs before we start looking at that.

7 DELEGATE MARSHALL: The ongoing saga of this
8 project in Southwest, is it Lenowisco that you have been working
9 on for about two-plus years?

10 MR. FEINMAN: Are you talking about the Optinet
11 thing?

12 DELEGATE KILGORE: No, that's not it.

13 DELEGATE MARSHALL: The Tobacco Commission
14 should get some money back.

15 MR. FEINMAN: Yes, we are going to get some money
16 back.

17 DELEGATE MARSHALL: How much should we get
18 back?

19 MR. FEINMAN: We're going to get about 2.75 million
20 back. It was going to be more than that, then everybody else
21 had their hands out and had to close the deal.

22 DELEGATE KILGORE: That's not immediate.

23 MR. FEINMAN: Over a five-year note.

24 The question for you is which of these do you want to
25 do?

1 DELEGATE MARSHALL: The first question is yes or no.

2 MR. FEINMAN: If the Committee decides not to move
3 forward, I don't think there's a vehicle, but Special Projects could
4 do it on its own or we could try that. There's no other committee
5 that could take it on, so if we don't set aside money in the
6 budget for the Startup Southwest Virginia project, it's not going
7 to happen.

8 The question before you is do you want to do it, and if
9 you want to do it, do you feel as though it should come out of
10 Education and Southwest or Special Projects in Southwest or
11 does everybody take an equal haircut?

12 SENATOR RUFF: I think it was an interesting proposal
13 that's laid before us, but I don't see any parameters or any
14 guarantees, anything that we need to carefully focus on. So, I
15 think that before we commit the cash, we need to know all the
16 parameters and we need to set the parameters, not them. There
17 are suggestions, but I think it ought to be coming from this
18 Commission, because it's money of this Commission. I have no
19 problem setting money aside, we need to be extremely careful.

20 DELEGATE KILGORE: I think that's what we need to
21 do, and I agree with you.

22 MR. FEINMAN: First, I wanted to see if you all were
23 interested in doing the total. I think that the suggestions that I
24 would have as far for parameters to be that the Commission
25 approves the, the representatives of the Commission, approve

1 the governing structure and have seats on the board and we
2 have some pretty strong matching requirements for them in
3 terms of actual outside capital.

4 SENATOR RUFF: If they get four-and-a-half-million
5 dollars, then they're going to want the other four-and-a-half-
6 million dollars and we're going to look back and say, well, we did
7 what we said we're going to do, nothing. We're going to have to
8 have some hard things to evaluate before we can do all this.

9 MR. FEINMAN: That's been a struggle with this
10 project, has been getting firm deliverables. And what they say,
11 there's a lot of things to be done. In effect, what they're asking
12 for is whatever the grant equivalent of the character loans, and
13 we're very effective people, we've done a lot of big things in and
14 around government, and you should have faith in us that we're
15 going to do it again.

16 SENATOR RUFF: If the issue is education and
17 workforce training, we could certainly turn to our universities
18 ourselves, get them to give UVa-Wise guidance to what to offer
19 and save some money there and then offer them a million dollars
20 if they can come up with X number of employees. Now, that's
21 my two cents.

22 MR. OWENS: You're just talking about setting the
23 money aside. These things need to be done before we give them
24 money.

25 DELEGATE KILGORE: That's right.

1 DELEGATE MARSHALL: Maybe we're putting the cart
2 before the horse. Should we decide we want to do this project
3 first, and then we figure out the funding?

4 MR. FEINMAN: Well, no, because this is the only time,
5 we have to have a budget for the full Commission in two weeks.
6 We need you guys to make a budget decision today. If you
7 decide, the Full Commission, and it's easy for us to then go
8 redistribute that set-aside back into the original distribution. The
9 hard thing would be that if we don't have a budget and you
10 decide to do it, then we've got to figure out where the money is
11 coming from.

12 SENATOR CARRICO: Do you want a motion? I move
13 we go with Option C. That way we'll find out if there's any
14 appetite to do anything. Option C takes a little bit from all and
15 doesn't leave Southwest completely with nothing.

16 DELEGATE MARSHALL: What I'm seeing up there,
17 Special Projects one million, is that going to be the total balance?

18 MR. FEINMAN: This is all relative whatever your carry
19 forward is today.

20 DELEGATE KILGORE: You've got to add that to it,
21 that's why I was asking.

22 Stephanie, what was our budget last year?

23 MS. KIM: Total budget for Education, 11.8.

24 SENATOR RUFF: So, we're going to go from 11 million
25 down to nine million, and so does that money, that \$2 million

1 come from the Southwest Education where you can put all the
2 money in Wise and say give to the community colleges out there,
3 or does that mean stop funding a four-year program?

4 SENATOR CARRICO: I've got a motion on the table.
5 We're debating the motion. And Danny just seconded my
6 motion.

7 DELEGATE MARSHALL: No.

8 DELEGATE KILGORE: I guess what it comes down to
9 are we happy with the way things are going, or do we need to
10 take a chance? Things are going pretty good in Danville now.
11 You're getting a lot of things. That's not what's going on in
12 Southwest, we're not, we're not doing that.

13 DELEGATE MARSHALL: Take the 80 percent --

14 DELEGATE KILGORE: I know, but you're getting some
15 good jobs, you're getting some prospects.

16 SENATOR RUFF: They are, but I'm not sure about
17 Buckingham and Dinwiddie and Lunenburg and Charlotte. So,
18 we're going to sink and you're going to float.

19 DELEGATE KILGORE: No, you're going to float, rising
20 high floats all ships.

21 SENATOR CARRICO: Does education have carry-
22 forward money?

23 DELEGATE KILGORE: About a million.

24 SENATOR CARRICO: So, your actual budget will be
25 about ten million and not nine?

1 SENATOR RUFF: I don't have the figures in front of
2 me.

3 MS. KIM: It depends on what you award Education.

4 SENATOR CARRICO: I thought the ten million right
5 now was new money. So, then if we do Option C, you have nine,
6 and you have one million carryover, that's ten.

7 DELEGATE KILGORE: Option B is what?

8 MR. FEINMAN: Option B instead of taking a whack at
9 Education, it takes a whack at Special Projects.

10 DELEGATE KILGORE: Option C takes a whack at
11 everything.

12 MR. FEINMAN: Gives everybody an even haircut.

13 SENATOR RUFF: It seems like the question is each of
14 those committees doing what we expect them to do, some are
15 going to hurt more than others, and what we believe is the most
16 important responsibility.

17 SENATOR CARRICO: I'll just say this that from
18 everything I've been hearing today, this is not the first time I've
19 heard about this project. Southwest won't be the only one
20 benefitting if we're successful and that'll be Southside and even
21 outside the Footprint.

22 DELEGATE KILGORE: They could do this anywhere
23 else in the United States if those so chose. Because we're in
24 Virginia, we've got a chance to do this. And if not, somebody
25 else is going to do this.

1 DELEGATE WRIGHT: I think we need to fund our core
2 like Education and Agribusiness, and all we've had is a brief
3 introduction to this. And I know you can consider this, but I
4 don't think the rest of the budget should suffer, and we really
5 haven't had a whole lot of information on this. And we've got to
6 do what we think the people, or what's good for them. And we
7 certainly should have an example of what they've done in the
8 past. Those people could have just been off the street as far as I
9 know, I don't know anything in the world about them other than
10 they have a picture here. Southside is in the same position as
11 Southwest, but to make it sound like Southside is wonderful and
12 we don't need any help, that's not the case.

13 DELEGATE KILGORE: The way this one was
14 scheduled, they were going to recruit in the city and that's where
15 they were headed and that's why they were going up there for a
16 conference.

17 DELEGATE WRIGHT: Well, now that you mention it,
18 the broadband and high speed internet, and in Southside, we still
19 haven't gotten down the road very far, and that was a promise
20 made a long time ago. I don't see why we just don't fund the
21 budget like we normally do. I'm more concerned about doing
22 what's best for both of the regions today as far as how long the
23 Commission and the money lasts. We're suffering right now. I
24 think we need to spend the proper amount on education and
25 other things.

1 SENATOR CARRICO: Just for clarification, my
2 understanding is if we vote on Option C, that doesn't mean this
3 company is getting anything. It just means this is how we would
4 set it aside and we'll do more investigation on this. And if they're
5 not up to speed, we can put the money back. This is just how
6 we would set aside the money. I would even like to know how
7 they play in with what we've started here in Virginia.

8 MR. FEINMAN: If the Full Commission decides not to
9 fund this, then my recommendation would be that we re-allocate
10 the money back through and go to the baseline budget, which is
11 just business as usual in terms of how much each committee
12 gets relative to how much we have, that baseline budget is not a
13 departure.

14 DELEGATE MARSHALL: Let's get the timeline straight.
15 We're asked today to decide whether it's A, B, or C. Let's say we
16 go along with C. So, we structure our budget along C, and
17 what's our next step after that and the next step after that?
18 When and who decides that this is a good project that goes
19 forward or not?

20 MR. FEINMAN: If you do Option C, what you're not
21 seeing, you've created a \$4.5 million set-aside in our budget
22 under A, B, or C, because you wanted to create \$4.5 million set-
23 aside. The Full Commission is going to need to decide whether
24 or not to do this. No committee has enough funding or broad
25 enough view to make that strategic call, it's going to have to be

1 the Full Commission.

2 DELEGATE MARSHALL: We'll have a meeting on the
3 22nd and then we'll have another one in September. Would we
4 have to decide by the end of this month whether it goes forward
5 or not? Can we wait until September?

6 MR. FEINMAN: I think we need to make a decision
7 now.

8 DELEGATE MARSHALL: What information will we get
9 as the Executive Committee or the Full Board that we don't have
10 today?

11 MR. FEINMAN: You'll have those people there, you'll
12 have the people there. I think we maybe generate a specific
13 request that you'd like from them. I have been pushing them for
14 firm metrics for about a month and a half now, and you've got
15 what you got.

16 DELEGATE MARSHALL: When they come, will they be
17 here at the Full Board meeting?

18 DELEGATE KILGORE: I think we have the Executive
19 Committee first, and then the Full Board meeting.

20 DELEGATE MARSHALL: At the Full Board meeting,
21 they're going to make a presentation and time for Q and A?

22 MR. FEINMAN: Yes.

23 SENATOR CARRICO: If we were to accept Option C,
24 this Committee says we'll set aside these funds, and you have
25 now until, and if they've been squishy on information, that is kind

1 of wobbly on what we're going to do.

2 MR. FEINMAN: I plan on sharing that with them
3 anyway, I'm going to call them tomorrow. But in my view, as
4 well, that they are a little amorphous on what they want to do.
5 And I think some of that is because they want to remain flexible
6 so that they can get into the region and see what works and
7 what doesn't and be able to try some stuff and back off and try
8 some stuff and back off. My concern this whole time has been
9 that they are, they're not, it's not a fully based case.

10 SENATOR CARRICO: You'd better get that baby in the
11 oven because we only have a few days.

12 DELEGATE WRIGHT: I think bringing this proposal,
13 the information we have, but we don't have the information to
14 make that kind of decision. And some of the questions asked
15 and half of it wasn't answered. I had several questions and they
16 weren't really answered. They gave a lot of facts and figures and
17 numbers.

18 DELEGATE KILGORE: The decision is do we set aside
19 the \$4.5 million, you're not awarding anything today. But then
20 they're going to be in front of us at the Executive Committee and
21 at the Full Committee in a couple of weeks, and Evan is going to
22 be talking to them and getting some more information to you.
23 All you're doing today is setting aside the money, and that's \$4.5
24 million. If you decide on that day that it's not going to happen,
25 then you drop back to the baseline and the very first one up

1 there where everything is the same.

2 SENATOR RUFF: Substitute motion. Option B-1. You
3 notice it's not up there. That would take Southwest Economic
4 Development down to zero, it would take a million dollars from
5 Education and make that ten million and reduced to negative on
6 Special Projects.

7 DELEGATE MARSHALL: Special Projects now has 4.2
8 million, so are you saying you're going to take that from Special
9 Projects?

10 SENATOR RUFF: Right now, Option B, Option C is
11 legitimate.

12 DELEGATE KILGORE: A million there.

13 DELEGATE MOREFIELD: To satisfy everyone, could
14 the company not expand their footprint officially to include the
15 entire Tobacco Commission Footprint and instead of budgeting
16 funds out of the individual committees, we just invade the corpus
17 to fund the entire footprint? If the company is saying that
18 they're going to yield the results they're going to yield, then I
19 think that would be a sound investment for us and maybe a risk
20 we should be willing to take, and then it would give the
21 committees the ability to continue.

22 SENATOR RUFF: Are you saying \$9 million?

23 DELEGATE MOREFIELD: No, we could go back to the
24 company and have them re-evaluate their proposal and ask them
25 is it feasible for them to include the entire footprint and at what

1 cost would that be and if that's the case, then maybe we invade
2 the corpus to fund this.

3 If what they're saying is it's good for Southwest
4 Virginia and Southside is eventually going to benefit, that way
5 the committees could continue to operate.

6 MR. FEINMAN: Delegate Morefield, I hear what you're
7 saying, but there's two things with that. Number one, it's hard
8 to build a workforce development and an entrepreneur system as
9 wide as the whole footprint. If you spread their efforts out, I
10 strongly suspect you won't get a good return. The area between
11 Martinsville and South Boston has been focusing on advanced
12 manufacturing training and we're starting to do good things
13 there.

14 Instead of the New College Institute, and you have
15 the Higher Ed Center in Emporia, we wouldn't get the same
16 benefits spread out across Southern Virginia. I'm not sure if it's
17 spread out evenly, but I think they need to build this thing in
18 Southwest and if it works and they want to do it in Southside,
19 they'd have to build it again in Southside.

20 Now, I do hear where you're coming from. I'm just
21 going to preach one more time, you guys saw that draft, the idea
22 that we could just go into the corpus and solve our problems is
23 what got us to that sharp downward part on the left side there.
24 We're two years within the discipline of living within our means
25 and only invading our corpus at a somewhat sustainable rate.

1 We've got to be serious about that. And I'm working hard trying
2 to figure out how we're going to make up that remaining 4.4, and
3 we've got some ideas. If we go into the corpus again, I think it's
4 a bad precedent.

5 DELEGATE MOREFIELD: I understand what you're
6 saying, but we're saying one thing. So, members of the
7 Committee voted unanimously to recommend this to the
8 Executive Committee, and as far as myself is concerned, I'm
9 going out on a limb and I support the concept. They're saying
10 they're the best at what they do, and we desperately need a
11 professional think tank. I don't know if you have any
12 conversations with the company, but what would it hurt to ask
13 them is it possible to expand that to the entire footprint. And if
14 so, what additional resources would that require, and we might
15 be surprised at the answer, and they may have the ability to
16 bring on some additional staff. I just think that's just an option
17 that maybe everyone can live with versus invading various
18 committees and so forth. I'm still willing to support the original
19 concept, but I'm just throwing that as an alternative.

20 DELEGATE WRIGHT: You're talking about taking the
21 4.5 million and spread it over the entire footprint and it might be
22 spread so thin they won't have any impact. I don't think we've
23 had enough time to really think about this.

24 MR. FEINMAN: Look, if there are specific questions
25 that members of the Committee have between now and when

1 we've got them on the hot seat on the 22nd, email those
2 questions to me, I'll send them straight to them, and they'll show
3 up and they'll be ready to answer all the questions that've
4 already gotten and they'll answer any other questions.

5 DELEGATE MARSHALL: If you look on the board now,
6 that's a corpus invasion of 7.1 percent. And if you look on the
7 right-hand side, in the yellow, that's how much each committee
8 would receive under the 7.1 percent, and then it would also still
9 have available for distribution of 4.5 million. The difference
10 really is an invasion of 4.4 percent or 7.1 percent. We have said
11 that normally we don't do more than 4 percent, we can stretch
12 our money out. Maybe discussion could be is we can keep the
13 funding for the different committees, same in the yellow, and still
14 have available if we think this is a good deal, the 4.5 million.

15 MR. FEINMAN: Again, we can solve any budgetary
16 problem by invading the corpus. I think it's a bad idea to go
17 above what we set as our target for sustainability. If this is a
18 project that the Commission thinks is important enough, then we
19 should spend it out of an amount that we've budgeted on an
20 annual basis, and going deeper into the corpus makes it harder
21 for us to get to long-term financial sustainability.

22 DELEGATE MOREFIELD: I know you say the
23 Commission thinks this, but as a member, this is the first day
24 that I've heard of this project, and we're going on the advice of
25 Staff. I'm basing my decision on your input and your faith and

1 confidence, and the spirit of that. If you say that this is
2 something that we should be funding, then I will fully support it.
3 To me, the Commission was established for purposes of
4 diversifying the economy and creating jobs and so forth. If this
5 is going to yield substantial returns and this is something we
6 should focus on, personally, I think that's something that the
7 corpus could be used for, because we have some of the most
8 capable and smartest people to go out and recruit these
9 businesses to come into the area. I'll support the others, but I'm
10 using that as an alternative to maybe satisfying the members of
11 Southside Virginia.

12 MR. FEINMAN: I want to clarify something. I have
13 not said definitely I think this is something that the Commission
14 should do. What I have said is that it could work, it's a bet,
15 cards on the table, I'm on the fence about it. I see the upside,
16 and I really want that upside for Southwest.

17 I also see that the Commission has placed bets before
18 and had them not work out, and 4.5 is a lot of money and we can
19 do a lot of impact, good things with that amount of money. But
20 then back on the other side, we've invested a lot in growing the
21 tech sector in Southwest Virginia, we've identified the tech sector
22 as one of the strong points in Southwest Virginia and it dovetails
23 really nicely with some of the other work we do, the data centers
24 and the broadband and the code VA work that we've already
25 funded.

1 Most days I really have a strong view about what you
2 guys should do, I'm rarely shy about saying that. Today, I'm
3 glad I'm sitting in this chair and not you all's, because I think this
4 is a tough call. The question of whether or not you take this bet
5 is a big one. At the end of the day you've got to balance the fact
6 that, frankly, they have not been forthcoming about firm metrics
7 and deliverables against the fact that these are really impressive
8 people with a long track record of getting stuff done. Those are
9 the two things in my mind that come out weighing pretty evenly.
10 I have not made a strong endorsement of this project and I don't
11 think I will.

12 DELEGATE MOREFIELD: Mr. Chairman, one further
13 question. Evan, if you were sitting in our seat, would you
14 support this?

15 MR. FEINMAN: Not with what we know now. I think,
16 I'm very curious to hear what they had to say on the 22nd. I
17 think they need to have some firm deliverables and there needs
18 to be a really aggressive match requirement. They talk a big
19 game about Steve Case and Microsoft and Amazon, but I think I
20 want to see money on the table. If they do all that, then I'd be
21 enthusiastic. The question is getting from here to there.

22 Part of the problem that we have with them is that
23 they're very used to working with the federal government and
24 not talking the way they talk and asking for millions and millions
25 of dollars is the way they do business, it's just not the way we

1 work.

2 SENATOR CARRICO: Mr. Chairman, just remember
3 with that being said, without a squishy set-aside of the money by
4 the Commission to bring them to the table, we'll never know, will
5 we?

6 DELEGATE KILGORE: We'll never know, and the fact
7 is they've been successful with millions and millions of dollars.

8 MR. OWENS: Mr. Chairman, if we fund this thing with
9 the 4.4 invasion and put it like we usually do, there's going to be
10 enough money here to fund that if and when we decide to do it.
11 I go back to this megasite on the 14 million, you could use some
12 of that and Southwest said to use 700,000.

13 DELEGATE KILGORE: Seven hundred thousand plus
14 two million.

15 MR. OWENS: Then you'd only be looking at 2.8
16 million, and now you're looking at 1.8 million.

17 MR. FEINMAN: You're foregoing the next year.

18 SENATOR CARRICO: If we accept Option C, we forego
19 the two million and keep the seven.

20 MR. OWENS: So, you're looking at 2.5 million, that
21 number will be moving one way or the other.

22 MR. FEINMAN: We can't just cut a check generally.
23 We've got to know exactly how much money at the beginning of
24 the fiscal year.

25 MR. OWENS: That's what I'm recommending. We've

1 got four different versions of it to send over, and the first version
2 said we'll give two million for Southwest, plus they'll have
3 700,000, and if they make a decision at that time, once the
4 decision is made if it should be funded, then we make a decision
5 to do 2.7, then 1.8 has to come from somewhere. And I don't
6 know there's enough money in this budget from somewhere to
7 find \$1.8 million.

8 MR. FEINMAN: That's what we've done and that's
9 what happens here. The concern here is that we need to give
10 these folks an answer before the summer, and we can't do this
11 and then have a Southwest meeting and then have a Special
12 Projects meeting, and spread the projects around. The cleanest
13 thing and the most sensible thing is to set aside money in the
14 budget, and then have the Full Commission to give a thumbs up
15 or thumbs down.

16 DELEGATE KILGORE: I've been on this Commission
17 since 1999, and this is the best project I've seen come before
18 Southwest Virginia. Now, Project Transformer would have been
19 good, and we didn't get it, but we've been nickel and diming
20 ourselves \$100,000 a year, \$200,000, with the hope that
21 somebody is going to transform our communities, that hasn't
22 happened. These folks offer us some hope and they offer a way
23 forward. These are successful folks, and they haven't failed.
24 Look them up, they don't fail, they do what they say they're
25 going to do. They're going to be at this meeting. I wish they

1 could have been here today, but they had a technology thing
2 they had to go to up in New York. Is it a chance, yes. And I
3 think Ben Chafin, if he's still on the line, we may have lost him,
4 but I think that anyone that has met or talked to these folks can
5 tell you they're going to do what they say they're going to do.
6 Usually I don't take that approach, being a lawyer, but I met with
7 these folks numerous times, and I have a good feeling.

8 DELEGATE MARSHALL: Was your motion that you
9 didn't get a second on Option C?

10 SENATOR CARRICO: That was my motion.

11 DELEGATE COLEMAN: Option C where everybody gets
12 a haircut, to me, is a little bit like taking that baby and sharing it
13 by cutting it half. The Education meetings we've had make it
14 clear that education is top priority of the Commission, so I don't
15 know why everybody has to get the same haircut. But Senator
16 Ruff, to revisit his motion.

17 DELEGATE MARSHALL: Let me add to that. Maybe if
18 you take C and education gets additional dollars, they're getting
19 by far the most money so that commitment to education is still
20 there.

21 DELEGATE COLEMAN: But they're getting a ten
22 percent cut.

23 DELEGATE MARSHALL: Look at how much they're still
24 getting, they're getting over nine.

25 DELEGATE KILGORE: They're getting nine million,

1 plus they'll have a million left. They'll have ten million in the
2 budget, I think.

3 SENATOR RUFF: We don't have all the committees
4 there, we left the mega project thing.

5 MR. FEINMAN: We take no action.

6 SENATOR RUFF: I understand that. But we have no
7 clear prospect on the megasite. Would it make any sense to go
8 back to the baseline budget, and then if the 4.5 proposal is
9 accepted, you would take two million from Southwest, maybe
10 something from Special Projects, and then take part of that
11 megasite money.

12 MR. FEINMAN: This is a sheet where we can make
13 changes.

14 DELEGATE KILGORE: Actually you could take it off
15 and we had a vote for eight million for Project Transformer, and
16 that was coming out of three places.

17 MR. FEINMAN: We would need to change the rules for
18 the Prospect Incentive funds, because the way it is now --

19 SENATOR RUFF: Mr. Chairman, let me ask this
20 question. How many times in one 12-month period do you pull
21 from the corpus?

22 MS. KIM: They only transfer in June. We can make
23 the request, but you can't go past 15 percent in a fiscal year.

24 SENATOR RUFF: We talked about Transformer, we
25 talked about \$8 million, and we talk about the megafund right

1 now of six million. If there is a bigger and better project, it's
2 going to be more than \$6 million. You have to look at
3 something. I don't think it does any harm if one big thing comes
4 up.

5 DELEGATE MARSHALL: The eight million what you
6 fund it for this project, this was in two years.

7 MR. OWENS: Where did the money come from?

8 MR. FEINMAN: It came from, it was a million from
9 Education, and about a million from Southwest.

10 MR. OWENS: Two million, plus six. So, they've
11 already taken the two million?

12 MR. FEINMAN: No, no, in theory, all that goes back in
13 the balance, because the project didn't happen.

14 DELEGATE KILGORE: We sent it all back.

15 SENATOR RUFF: I will make a motion that we go to
16 the baseline with the understanding that if we approve the
17 program here, whatever it's called, two million dollars would
18 come from Southwest, two million five from the mega project.

19 MR. OWENS: Second.

20 DELEGATE WRIGHT: Second. I would suggest that
21 the Full Commission, this is going to be the first time they've
22 ever heard about the project and I think there ought to be, these
23 people ought to understand, and for me and what I've heard
24 today, I don't think I would commit to it, and these other folks,
25 it's going to be the first they've heard about it. And I think we

1 should have more information and documentation from them.
2 And when we've done this in the past, we've done things come
3 back to bite us. It's one thing to have a good recommendation,
4 and I know this is important.

5 SENATOR CARRICO: You're taking two million from
6 Southwest and 2.5 from the eight million that was set aside for
7 Project Transformer.

8 MR. OWENS: What committee would this final
9 approval come to, the Executive Committee?

10 DELEGATE KILGORE: Yes. But we'll have a meeting
11 before the meeting and we'll have to meet earlier, and I would
12 say we'd meet an hour and a half.

13 MS. RICHARDSON: I was going to say, we meet at
14 about 8:00 o'clock in the morning on the 22nd. About an hour
15 and a half that morning.

16 DELEGATE WRIGHT: There's a little difference
17 between, if the proposal was agreed upon, then the transfer
18 would be made, and it won't be made in advance.

19 DELEGATE KILGORE: That's what he said.

20 DELEGATE WRIGHT: I just want it clear that the
21 money will be set aside if it's approved.

22 SENATOR CARRICO: We'll set the money aside right
23 now, and that's where we'll set it aside from and the Full
24 Commission has to vote on it.

25 DELEGATE WRIGHT: If it's set aside, then that's the

1 motion.

2 SENATOR RUFF: If it's accepted, then we do
3 something.

4 MR. FEINMAN: Mr. Chairman, as I understand it, right
5 now, we're going to distribute funds, according to the baseline
6 budget, if the Full Commission approves, they can do what they
7 want to do, but the Executive Committee will recommend is that
8 if the Full Commission approves funding for the Southwest
9 Virginia project, and then that 4.5 will come, two million from
10 Southwest and 2.5 million from our Prospect Incentive fund.

11 SENATOR CARRICO: That's 700,000 disbursed to go
12 to, it can't go to Southside, we have a motion.

13 MR. OWENS: Second.

14 SENATOR CARRIO: And we've got a second.

15 DELEGATE KILGORE: Baseline budget, plus the other
16 parameters there. All those in favor of recommending the
17 baseline budget with the other parameters, as Evan discussed it,
18 say aye. (Ayes). Opposed?

19 DELEGATE WRIGHT: One no based on my initial
20 objection.

21 MS. KIM: I want to give you an idea of at a 4.4
22 corpus invasion annually, and there's a couple of other things
23 administratively to do. And then a committee to approve the
24 hiring of Andy Sorrell as Deputy Director. The Executive
25 Committee has to approve the Deputy Director being hired.

1 MR. FEINMAN: I don't know if that's true, we did it
2 last time, so we may as well do it this time. Do I have a second?

3 SENATOR CARRICO: Second.

4 MR. FEINMAN: All right, Andy is approved.

5 DELEGATE KIIGORE: We have a motion and a second
6 to approve Andy Sorrell as Deputy Director. I have a motion and
7 a second. All those in favor, say aye. (Ayes). Opposed? (No
8 response).

9 MS. KIM: And also the Committee recommends to the
10 Full Commission to request that the fiscal year ending June 30,
11 2018, 4.4 percent of the endowment as of February 28, 2018,
12 and that it would be from, it would be not specific to restrictions.

13 MR. OWENS: So moved.

14 SENATOR CARRICO: Second.

15 DELEGATE KILGORE: All those in favor, say aye.
16 (Ayes). Opposed? (No response).

17 MR. FEINMAN: Mr. Chairman, I have bad news. I
18 have two more substantive things for you. We need to talk
19 about CCAM and then we need to talk about CAER. If everyone
20 recalls, the Center for Advanced Manufacturing has been an asset
21 to the Commonwealth and been helpful to us and we just had
22 one of their member corporations, Iconic, move their
23 headquarters to Fairfax from New York, they've got about 900
24 employees to the Commonwealth. The Commission has spent
25 many millions to fund CCAM.

1 If you recall in September, the Commission approved
2 a \$1.5 million loan to CCAM. Over the course of our due
3 diligence in making that loan, we discovered that CCAM had,
4 while they were still in the black from a fiscal year standpoint,
5 they had a cash flow problem and a pretty substantial cash flow
6 problem. And it is highly likely that after they do monthly
7 payroll, it is entirely likely that after they make, they pay their
8 staff at the end of this month, that they will not be able to do so
9 before their next infusion of capital.

10 I will start out by saying I am deeply disturbed and
11 angry that they didn't raise that with anybody in government
12 before we discovered it. That's deeply frustrating. That said,
13 we're probably the only game in town that can save them and
14 they don't get their state appropriation until July 1, and they
15 don't get their membership dues until November. As with any
16 business or any entity, if you miss payroll once, Friday.

17 What I have been working on with them is two things.
18 The first is between us and VEDP and the Secretary of
19 Commerce's office, we're going to try to do a long-term
20 restructure of CCAM that's going to include changes to their
21 board. We feel that's not an effective board, and a restructure to
22 their agreement with UVa and ultimately to change their business
23 model for their sustainability. And that's number one, and we're
24 working on that. That will not be completed by the time they
25 need to start their payroll operations for their payroll at the end

1 of next month.

2 They have about \$1.5 million in assets, machinery
3 assets basically within the building. We have a third party audit
4 of that, so that's a real number. What I'm proposing to you all is
5 you authorize me to work with the Attorney General's Office and
6 put a lien on all \$1.5 million of that equipment right away so we
7 are secured. Then in months when CCAM cannot make payroll,
8 we make them a loan so they can pay their staff, payable in
9 2020. We would secure \$1.5 million admittedly depreciating
10 assets of theirs right out of the gate. We would make
11 disbursement, and I don't believe we would need to make more
12 than three disbursements, and the payroll is a little over
13 300,000. Total for us would be about 900,000 in disbursements
14 and we'd be secured 1.5 million in the equipment.

15 If we had to do a fourth month, it would be 120,000,
16 maybe 130,000, if we had to change it, disbursements, we have
17 1.5 million or 1.2 million or 3 million disbursements, secured at
18 1.5. We'd never be out on a limb, we'd always be over glass and
19 we'd be able to keep these guys alive long enough for us to come
20 out with a bail-out plan for them.

21 As I understand it, they'll get their million dollar state
22 appropriation in July, maybe not July 1, but however long it takes
23 treasury to get the money out. They get their membership dues
24 in November, so there's only about three months in that calendar
25 year that I understand we need to float. If we don't do that, if

1 you guys don't authorize that, they are dead. If you do, I think
2 we can keep them alive. If I'm wrong about whether or not we
3 can keep them alive, we'll just seize the machinery and I'll sell it,
4 we'll get the money back.

5 So, I don't think the Commission is in serious danger.
6 It'll be a hassle for the Staff to have a CCAM yard sale, but we
7 can do it, and we've done it before, not with this much
8 equipment, but we've done it before.

9 So, my recommendation to you all is to authorize that,
10 but I'm sure there are a lot of questions.

11 DELEGATE BYRON (by phone): I have a question.

12 SENATOR RUFF: We probably don't have any other
13 option but to do it. You're saying 1.5 million, the value of that
14 equipment when it was purchased.

15 MR. FEINMAN: This was an audit that was completed
16 more recently than that. Do you remember the date on that?
17 And we can get that information for you. We'll be right on that.
18 I don't anticipate we will lay out that 1.5. I believe we can sell it.

19 MS. MYERS: Now, whether or not, and I haven't
20 confirmed whether or not any other liens would be higher.

21 MR. FEINMAN: That would be a deal breaker. I
22 should have mentioned that we have somebody here from CCAM.
23 I understand there's clear title to it.

24 Kathy, do you have the breakdown?

25 DELEGATE BYRON: Yes, I do. First of all, no one

1 mentioned what the salaries were. And the other thing is, I
2 know there have been some monies that were expended or what
3 we have with the state and the membership, was all that taken
4 into consideration, and who owns the equipment, I mean is it us?

5 MR. FEINMAN: I'll do my best to answer those. I may
6 rely on you a little bit. There is no conflict in this loan with other
7 grants. Any restructuring probably comes in conflict with a
8 bunch of stuff, but like a bankruptcy, a restructuring has got to
9 be a restructuring and the various stakeholders will have to deal
10 with it.

11 Three, they have clear title to the equipment, so we
12 would be the only person, we would be essentially, we would be
13 secured pretty strongly there in having a claim to the equipment.

14 DELEGATE BYRON: The stakeholders, one of them is
15 in Commonwealth of Virginia.

16 MR. FEINMAN: Yes.

17 DELEGATE MARSHALL: Why is it up to us to be the
18 knight on the white horse, I mean if you look at UVa, what are
19 they going to do with that? Have they gone to UVa and said give
20 us two months' rent?

21 MR. FEINMAN: I think the restructuring or I think UVa
22 is going to get leaned on very hard in the restructure. I agree
23 with you that the original setup that included UVa getting very
24 generous rent payments. This was always too fat for UVa. I
25 don't think that's going to be adequate as the restructure goes.

1 But I think the reason we've got to do this is because they're
2 having a cash crunch now and nobody else is in a position to act
3 now, only us.

4 DELEGATE MARSHALL: Have you talked to the
5 Governor about this?

6 MR. FEINMAN: I have not talked to the Governor, I've
7 talked to the Chief, Deputy Chief, Secretary of Commerce, and
8 Secretary of Finance.

9 MR. OWENS: If we lend the money and before we
10 disburse the money, will they have a sustainable model going
11 forward?

12 MR. FEINMAN: No, we're not going to be able to get a
13 restructure done before that first disbursement. I believe they
14 need the money next month for payroll. We'll need to make that
15 300-and-some-thousand disbursement before, but we'll be
16 working on it the whole time and we'll be secured the whole
17 time. The only reason I would ever recommend this to you all is
18 because if everything goes belly-up, we can grab the equipment
19 and sell it and get our money back.

20 MR. OWENS: If they can't pay their employees, how
21 are they going to pay us back?

22 MR. FEINMAN: Will be on the other side of a
23 restructure and they begin paying us back in 2020. The nature
24 of CCAM is such that both because of its initial model and
25 because the Commonwealth never jumped all the way in, it's

1 been very hard for them to be profitable at the size they are.
2 They work a lot like a law firm. They've got a fixed amount of
3 overhead and then they basically bill out professional staff.

4 When you don't have enough professional staff to bill
5 out, you can't cover your overhead. So, what they've got to is a
6 workout plan, pull down that overhead, pull up actually, they've
7 got to spin into their staff for a while so they can get enough
8 billable capacity so they can cover their costs. So, that's going to
9 be what that restructure looks like in finding a way to take costs
10 off of them while continuing to make money.

11 MR. BLEVINS: I just will comment that I don't know
12 how specialized the equipment is and an appraised buyer might
13 want a fire sale.

14 MR. FEINMAN: We do have a fire sale value, and the
15 fire sale value is more like 600,000, contemplates just selling it
16 in a hurry, and the benefit of being us is we don't need to sell it
17 in a hurry. We can be patient sellers. The UVa Foundation owns
18 it, so if CCAM were to go under, but if we do it, we'll be able to
19 take our time and sell the equipment.

20 MR. BLEVINS: I would think if we're going to advance
21 that money, that we would at least have some cash flow analysis
22 to make sure we have an event in the future to increase cash
23 flow to meet overhead.

24 MR. FEINMAN: My quick answer is yes, they get a
25 million dollars from the state budget in July and they get

1 membership dues in November.

2 MR. KERR: The problems we have and what we're
3 dealing with now is the first four or five years of CCAM's
4 existence, the number of professional staff we had was minimal,
5 and the overhead and when the building came online and rent
6 alone, the operating expenses a million five. We're very much
7 like a law firm where we bill by the hour. Up until two years ago,
8 we only had 12 or 13 billable staff. We've lost money for the first
9 four or five years, but we've been trying to change that model
10 around, and the only way to make this sustainable is to grow it
11 and to start covering overhead.

12 Our calculation is that we need 40 to 45 billable staff
13 to break even. We've been trying to grow this over a period of
14 time. We're trying to self-help our way through this and plug the
15 gap the best way we could. It's just taken too much time to
16 bring in new members, to get federal grants in the pipeline.
17 We've relied on member funding for a period of years.

18 We need to diversify the funding sources as much as
19 the members, but have, get one or two new members. Right
20 now, we have Rolls Royce, which spends about a million and five
21 a year over and above their dues on an annual basis. We need
22 two or three more members at that level. We need to have a
23 million or two in grant money from the federal government to
24 make this thing work, as well as new members.

25 We righted the ship for the first quarter of 2018, and

1 we're very close to break-even on operating level. Last year, we
2 were probably about four or five or six hundred thousand dollars
3 in the hole at this point in time, and 61,000 through the first
4 quarter of this year.

5 From profitability standpoint, we're better than we
6 were a couple of years ago. It's just a question of getting more
7 people in the door, to getting new members in the door, and get
8 the federal grants rolling. We've got a pipeline of federal grants
9 that we have put in, and we've got a lot of new members, that
10 are potential right now. It's just a question of timing.

11 SENATOR CARRICO: When does your model show
12 you'll have a positive cash flow?

13 MR. KERR: Positive cash flow, in 2019 or 2020. And
14 this year will be the first year we are going to break even from a
15 revenue standpoint. The problem is we've got to catch up from
16 the previous four or five years trying to work our way out of it.
17 It's a big hole. Restructuring would help significantly. We're
18 talking about a possibility of eliminating all rent to the foundation
19 and restructuring loans to certain universities. There are
20 different things we can do that that we've been talking about
21 that'll help cash flow and on an ongoing basis.

22 MR. FEINMAN: If the current leadership had been in
23 place when CCAM got started, we wouldn't have this problem,
24 and it is not the fault of the current leadership that they're in this
25 hole, they've been digging out as fast as they can.

1 DELEGATE MARSHALL: So, do I understand you get
2 income three ways, you get it from dues, you get it from
3 contracts, and you get it from grants? Of those three, what
4 percent is dues, or what do you need to increase, the contracts
5 or grants?

6 MR. KERR: All of the above. Right now we're about
7 \$4 million a year in dues, and that has been very helpful, states
8 putting money in a couple of years ago, we got a million, half in
9 July, half in December, that's the way it's worked the last few
10 years. We need to expand the membership base by a couple of
11 million dollars a year, so that'll be four or five new members the
12 next couple of years. And we need to expand the additional
13 directive funding that those members put in.

14 The thought was originally when CCAM was created,
15 dues would be a drop in the bucket to what the members would
16 bring in to do research. The \$400,000 that they put in on an
17 annual basis, we should be able to eat through that very, very
18 quickly, and that they continue to fund additional research over
19 and above the dues. The problem was that there were so few
20 people to do research that we've never eaten into their dues over
21 a period of time. However, because of our overhead structure
22 and our overhead is so high in comparison to the revenue base,
23 the cash is going to have to pay overhead, but not much revenue
24 is being done, if that makes sense.

25 We need to grow the facility and grow the people in it

1 and bring in PhDs that are doing research at a minimum of 40 to
2 45, so we could break even, and we're right about there right
3 now. I think it's 33, 34 right now. And we're almost breaking
4 even now. Up until August of last year, we had nobody looking
5 at federal grants. So we hired a PhD from Stanford to come in,
6 and she's been working on those in partnership with members,
7 as well as a number of universities. And so our partnership with
8 those two groups to try to bring in federal grants.

9 The idea was to try to bring in a million dollars this
10 year and a million dollars next year and grow it from there. It's
11 three-fold, increase our member base so the dues go up, and
12 increase the level of activity the members have at CCAM, and
13 then bring in federal grants at the same time.

14 MR. FEINMAN: This is a new problem, but Scott
15 Parsons and Aubrey Lane, that's the group that's going to work
16 with UVa to do a restructure. At a minimum, we need to get,
17 UVa has made money on this and on the build-out, and the
18 Commission is part owner, I would add. And it's time for them to
19 stop living so high on the hog.

20 DELEGATE MOREFIELD: Have you not approached
21 them about renegotiating your lease?

22 MR. KERR: We brought it up to them in conversation.

23 DELEGATE MOREFIELD: What was their response?

24 MR. KERRY: Protective, to say the least.

25 SENATOR RUFF: Evan, you said some money was

1 expected July 1st

2 MR. FEINMAN: That's the state appropriation and so
3 they get a million dollars. Now, it sounds like they get half
4 million dollars in July and a half million in November, December.
5 I have a strong feeling that if Secretary Lane called UVa and told
6 them to give the full million right out of the gate, they would do
7 it.

8 SENATOR RUFF: Did you talk to him about a treasury
9 loan?

10 MR. FEINMAN: No.

11 SENATOR RUFF: Whatever motion comes out of this
12 meeting, I would suggest you ask him is it possible a treasury
13 loan could cover that?

14 MR. FEINMAN: Sure.

15 SENATOR RUFF: A little hold, at least it would push
16 us out.

17 DELEGATE MARSHALL: Borrow money upfront and
18 then pay it back when he gets the million.

19 SENATOR RUFF: If you do that, then I'll make that
20 motion.

21 MR. FEINMAN: You're making the motion, and that's
22 a second.

23 SENATOR RUFF: Yes. I would ask you as part of that
24 committee, have a conversation with members of the university.
25 When the Chairman and I sat down with UVa and Tech, Liberty

1 was willing to put in a million dollars, but they did not want to be
2 associated with it, is that a fair way to put it? Liberty, yes, they
3 kept that loan. I think they would have accepted them as a
4 second tier, but they didn't want to be a part of it. Now, Liberty
5 has an engineering school.

6 MR. FEINMAN: I'll certainly reach out to them.

7 DELEGATE KILGORE: I have a motion and a second.
8 All those in favor, say aye. (Ayes). Opposed? (No response).
9 That motion carries.

10 MR. FEINMAN: I'll talk to Liberty about getting
11 involved, and we'll try to secure that lien, we'll work through the
12 Attorney General. All right.

13 The last thing we need to talk about is CAER. If you
14 guys recall, we sold a building to CAER. The last thing I've got
15 for you, and it's been a long meeting, I apologize, we've got a
16 piece of equipment that we funded in the building at CAER, which
17 you guys will recall we basically sold to Liberty University for two
18 million dollars last year. That piece of equipment is basically a
19 simulation of a particular sort of nuclear reactor and a control
20 room that can control it.

21 BWXT has made a determination that they won't be
22 building, or actually they're not going to be using it anymore,
23 and Liberty would like it, and they're going to wind up
24 repurposing it, we think, but they would like to get that, as well.
25 Their current offer is zero dollars, and for us to extinguish our

1 security interest in the equipment. I told them that was a
2 nonstarter and to come back. They wanted to kind of work the
3 Committee, and I said I didn't think that was a good idea, but
4 that I would get you all to authorize me to negotiate on our
5 behalf.

6 There is some truth to the argument that BWXT
7 having determined there's not a market for this sort of reactor,
8 there isn't a ton of value left in the equipment, absent the control
9 room which you could use to do kind of cyber security-type work.
10 I think I'm going to be able to squeeze a couple of hundred
11 thousand out of them and we'll be able to keep our security
12 interest, would be my guess.

13 In any event, as you all have in the past, I would ask
14 you all to authorize me to negotiate this on behalf of the
15 Commission.

16

17 NOTE: It's been moved and seconded.

18

19 DELEGATE BYRON: So, the way you explained that is
20 a little bit different than the way that I understood it to be. So,
21 do we own that property or do we own the, is that what you're
22 saying?

23

24 MR. FEINMAN: In essence we do. So, BWXT has title
25 to it, but we retain an undefined security interest in it, which
would prevent its sale without our agreement. What we usually

1 use that security agreement interest to do is say here's how
2 much our agreement costs, so then we recover our funds when
3 we sell the assets. I think Liberty is right when they say --

4 MR. BYRON: I was going to say though I'm trying to
5 envision how you would take that thing apart and sell it to
6 anyone. My understanding that it's going to be an energy
7 consumer, so that would cost quite a bit to run (telephone
8 interruptions) -- whether it has the same value on the open
9 market --

10 MR. FEINMAN: I would agree with you and I think
11 Liberty is right, it has very limited application, particularly BWXT
12 having said that they're not going to use it for what it was
13 originally intended for.

14 However, the control room has a lot of application left.
15 I think there are a lot of different grid security and other cyber
16 security that we need to do with that. Frankly, Liberty wants this
17 thing because they're going to make money on it, which puts us
18 in a reasonably good position. Additionally, I would never, the
19 Commission giving up its security interest, I don't think Liberty
20 would do this and I don't think believe they're being bad actors.
21 But if we agree to let them use it and then give up our security
22 interest and then they turned around tomorrow and had a buyer,
23 well, we just gave away a big taxpayer-funded asset to a private
24 institution for no return, and I want to make sure you all won't
25 get put in that position.

1 DELEGATE BYRON: I'm not asking that you do that, I
2 just don't necessarily see the scenario of squeezing money out of
3 them to get in that particular situation. But it should be
4 evaluated based on what the value is there.

5 DELEGATE KILGORE: I think that's what Evan would
6 authorize him to do to see what.

7 MR. FEINMAN: I think we can figure out what the
8 value is.

9 DELEGATE BYRON: I hate to see it sit there and not
10 being used.

11 DELEGATE KILGORE: I don't think anybody wants to
12 see that.

13 What do we need to do?

14 MR. FEINMAN: We don't need to do anything. You
15 just authorize me.

16 DELEGATE KILGORE: Does anybody have any public
17 comment? All right, then, I move that we adjourn.

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20 **NOTE: CONCLUSION.**

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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 Monday, May 7, 2018, at 1:00 o'clock p.m., at Holiday Inn Valley View, 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 _____ day of May, 2018.

Medford W. Howard
Registered Professional Reporter