

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

**TOBACCO REGION REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501  
Richmond, Virginia 23219

**Executive Committee Meeting**

Wednesday, October 9, 2019  
1:00 o'clock p.m.

General Francis Marion Hotel  
107 East Main Street  
Marion, Virginia

1     APPEARANCES:

2     The Honorable Terry G. Kilgore, Chairman  
3     The Honorable Frank M. Ruff, Vice-Chairman  
4     The Honorable Kathy J. Byron  
5     The Honorable Charles W. Carrico, Sr.  
6     The Honorable A. Benton Chafin, Jr.  
7     The Honorable James W. (Will) Morefield  
8     The Honorable Edward Owens  
9     The Honorable Thomas C. Wright, Jr.

10

11     COMMISSION STAFF:

12     Mr. Evan Feinman, Executive Director  
13     Mr. Andy Sorrell, Deputy Executive Director  
14     Mr. Timothy S. Pfohl, Grants Director  
15     Ms. Sarah K. Capps, Grants Program Administrator  
16         Southside Virginia  
17     Ms. Sara G. Williams, Grants Program Administrator  
18         Southwest Virginia  
19     Ms. Jessica Stamper, Grants Assistant  
20         Southwest Virginia  
21     Ms. Michele Faircloth, Grants Assistant  
22         Southside Virginia  
23     Ms. Stephanie Kim, Finance Director  
24     Ms. Joyce Knight, Administrative Supervisor

25

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

COUNSEL FOR THE COMMISSION:  
Ms. Elizabeth B. Myers, Assistant Attorney General  
Richmond, Virginia 23219

1       October 9, 2019

2

3                   DELEGATE KILGORE: Good afternoon, we'll all get  
4 started.

5                   Evan, if you'd call roll.

6                   MR. FEINMAN: Yes, sir. Delegate Kilgore.

7                   DELEGATE KILGORE: Here.

8                   MR. FEINMAN: Senator Ruff.

9                   SENATOR RUFF: Here.

10                  MR. FEINMAN: Secretary Ball.

11                  SECRETARY BALL: (No response).

12                  MR. FEINMAN: Delegate Byron.

13                  DELEGATE BYRON: Here.

14                  MR. FEINMAN: Senator Carrico.

15                  SENATOR CARRICO: Here.

16                  MR. FEINMAN: Senator Chafin.

17                  SENATOR CHAFIN: Here.

18                  MR. FEINMAN: Secretary Layne.

19                  SECRETARY LAYNE: (No response).

20                  MR. FEINMAN: Delegate Marshall.

21                  DELEGATE MARSHALL: (No response).

22                  MR. FEINMAN: Delegate Morefield.

23                  DELEGATE MOREFIELD: Here.

24                  MR. FEINMAN: Mr. Owens.

25                  MR. OWENS: Here.

1 MR. FEINMAN: Senator Stanley.

2 SENATOR STANLEY: (No response).

3 MR. FEINMAN: Delegate Wright.

4 DELEGATE WRIGHT: Here.

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

6 DELEGATE KILGORE: I'd ask everybody to speak up  
7 so people in the back can hear. I also think we have some folks  
8 that might be calling in.

9 So, Danny, are you on the phone here?

10 Brian Ball?

11 Bill Stanley?

12 Is anyone on the phone? Well, some members may  
13 be calling in. You all know Danny Marshall had a business  
14 conflict, and Julie Hensley has a family emergency. And Joel  
15 Cunningham has a business conflict. And Brian Ball has a  
16 business conflict. And William Stanley has a business conflict.

17 MR. SHELTON: Mr. Chairman, Robert Mills called me,  
18 they had a family death, so he wanted me to express his regrets,  
19 but I'd like for us to remember Bill.

20 DELEGATE KILGORE: Thank you, we appreciate that.  
21 And we want to remember Robert in our prayers as we move  
22 forward today.

23 Now, do I have a motion we approve our minutes of  
24 April 16<sup>th</sup>, 2019? All right, it's been moved and seconded. All in  
25 favor, say aye. (Ayes). Opposed? (No response). That motion

1 carries.

2 So, at this time, I'm going to call on Kevin Schmidt  
3 from VDACS, Director, Policy Planning and Research at VDACS.  
4 He's going to give us a presentation on something that a lot of us  
5 are interested in, and it's something that would be great for us in  
6 Southwest Virginia and Southside. I'm trying to build up this  
7 presentation.

8 MR. SCHMIDT: Thank you very much.

9 MR. EVANS: Mr. Feinman, just to frame the  
10 presentation a little better. For your information, we're getting a  
11 lot of requests, and that's why we're here on this subject before  
12 the Executive Committee.

13 MR. SCHMIDT: Mr. Chairman and members of the  
14 Committee, I'm Kevin Schmidt, I'm Director of the Office of  
15 Policy Planning and Research of the Virginia Department of  
16 Agriculture. This presentation is to help you understand that.

17 MS. KIM: I think we've got it up on the screen now.

18 MR. SCHMIDT: I want to give you a little overview of  
19 the process for this presentation. You all should have the  
20 handout on the presentation. We're going to talk about industrial  
21 hemp and a little bit about the legislative history and all that  
22 brings us to where we are today. This has been fast moving,  
23 particularly in the last year or so. I want to talk a little bit about  
24 the frequently asked questions that we're getting from growers  
25 and processors at VDACS and talk about some of the issues that

1 I know are on your mind.

2 We're talking about industrial hemp. I do want to say  
3 that I might use some terms interchangeably in this  
4 presentation. If I say industrial hemp, that's not saying we're  
5 going to use the terms interchangeably.

6 So, let's start with the plant. Industrial hemp, and  
7 how is that different than marijuana, what are we talking about?  
8 We're talking about the cannabis sativa. The difference is really  
9 a legal. Anything that has .03 percent or THC, which is the  
10 substance in marijuana. That .03 percent by federal law and  
11 Virginia law, that's the definition of industrial hemp. Anything  
12 over that, with that same plant, is again legally considered  
13 marijuana if it's over that. There are some different varieties,  
14 but basically we're talking about the same plant with different  
15 THC levels. There's more than 100 plants, but THC is the big  
16 one, and the other one you're hearing quite a bit about is the  
17 cannabis. Two of the 100 or so, the cannabis plant. Let's go to  
18 the third slide.

19 On the industrial hemp side, the variety for industrial  
20 hemp, you have different varieties. On the industrial hemp side,  
21 the growers for hemp, and you have many varieties generally on  
22 the grain and plants can be grown with either the stock or the  
23 seed, but they can be used for a number of products. Some  
24 plants are grown for the stalk or seed, which can be used for a  
25 number of products. It can be used in a variety of ways.

1           On the marijuana side, if it has a certain percentage of  
2 THC and really are grown specifically for the THC concentration,  
3 recreational or medical, and grown with the flowery tops. On the  
4 marijuana side, it can be grown for the THC concentration,  
5 recreational or medical, as I previously said. We're talking about  
6 the flowery top.

7           When you see this in the field, we are generally  
8 talking about visual differences. When you think about bamboo,  
9 it grows tall, tightly packed, not a lot of space between the  
10 stalks. On the right-hand side, you'll see there that's grown for  
11 CBD, and you can see there is a bushy, more air, more light, and  
12 more space. Visually it looks a little different.

13           As you've heard, there's a lot of interest in this. What  
14 we're talking about and where it comes from, I'm not a plant  
15 person, but I can assure you it comes from the flowering top of  
16 the plant, and it has a little sticky residue and you can knock off  
17 that resin, and this shows the flowery top. Next slide.

18           I'm now going to give you an overview of what's  
19 happening in the Federal level and State level. Some of the  
20 General Assembly members are here who crafted these bills. I'll  
21 give you a summary of what they said.

22           At the Federal level, 32014, we would get questions  
23 about industrial hemp. As far as the Federal issue, there wasn't  
24 much we could do about it. The 2014 Farm Bill, all of a sudden it  
25 was brought to our attention this little provision in Section 7606

1 of the Farm Bill. It cranked that door open and allowed states  
2 that would be interested in an opportunity to establish for  
3 research purposes a pilot program if certain conditions were met.  
4 The 2014 Farm Bill, 7606, legitimacy of industrial hemp research.  
5 The Farm Bill defined industrial hemp. Any part of the plant  
6 where growing or not couldn't have a concentration of more than  
7 .03 percent. So, that's where we get that Federal definition  
8 about industrial hemp and that .03 percent.

9 The language in the Farm Bill basically says that these  
10 programs for research purposes if you meet the criteria. The  
11 criteria was that the research would be conducted through the  
12 State Department of Agriculture or an institution of higher  
13 education. And that's the first part.

14 The second part is that the state had to have  
15 regulations for the state to be allowed to do this, or something to  
16 allow the state to do this pilot program. If you met those things,  
17 you could go ahead and start doing it under the Federal Farm  
18 Bill, this pilot program.

19 In 2015, the General Assembly took up that  
20 opportunity and there was growing interest to see the pilot  
21 program in Virginia. In 2015, the General Assembly basically put  
22 provisions in the law and things that had to be done in order for  
23 the State to do the research program. So, you can see the  
24 program created in Virginia, or the Research Program.

25 The General Assembly established in Virginia that this

1 was going to be overseen by the Commissioner and directly  
2 managed by. So, we had, since that law was passed, four public  
3 institutions committed to doing this research. Virginia Tech was  
4 involved, Virginia State University, James Madison University,  
5 and the second year UVA was added, as far as the research  
6 work. Basically, this program was set up and set up an  
7 opportunity for licenses to be awarded to individuals that wanted  
8 to grow industrial hemp. And if you had the material in your  
9 possession, by Federal law, you had to have one of these licenses  
10 to make sure you were allowed to have that material, even  
11 though .03 percent, or actually even below .03 percent had to  
12 have that permission for possession of marijuana. That's how  
13 the program worked in 2014.

14 There's been some tweaks to it and in the 2018  
15 General Assembly session, and these changes took effect July 1<sup>st</sup>,  
16 2018. Those changes were to add another option and that there  
17 were a few individual growers that were looking for, that the  
18 University was looking to work with, and they wanted to partner  
19 with them and they had capacity to, and a large number of  
20 growers. The University was getting a lot of requests from  
21 growers that wanted to try for research purposes. The University  
22 said that they could only use a few people, they couldn't meet  
23 that demand.

24 So, the General Assembly in 2018 established another  
25 opportunity for VDACS and a research director and the grower.

1 We also removed the license requirement and a registration, and  
2 that was like \$50, and added the process for registration. So,  
3 that's the 2018 changes at the State level.

4 Remember this all started in 2014 with the Farm Bill.  
5 The next Farm Bill was signed by the President in December of  
6 2018. Given all the interest at the research level and the  
7 previous four years across the country, the new Farm Bill really  
8 created a path forward for commercialization across the country.  
9 The change in some of the language at the Federal level to open  
10 up that opportunity and move away from research into full  
11 commercialization, and that's what you see in the 2018 Farm Bill.  
12 And now they're talking about industrial hemp and the definition  
13 at the Federal level. It also, in addition to setting up the  
14 definition of hemp that now includes all the derivatives and the  
15 extracts from that plant.

16 It also now takes off of the Federal Control Substance  
17 Act, industrial hemp. Now, if you look at the definition of  
18 marijuana at the Federal level, a clear cut-out that takes out  
19 industrial hemp, at the Federal level, not a controlled substance.

20 What it does do at the Federal level is sets up  
21 the process for the regulation of industrial hemp across the  
22 country. If the State wants to have that primary regulatory  
23 authority at the State level, then there are certain conditions the  
24 State has to meet, demonstrate it to the USDA. If they are not  
25 able to do that, then there's going to be a default plan where the

1 farmers can grow directly through the Federal requirement from  
2 USDA.

3           What the USDA says for whatever path you go  
4 through, the plan going forward has to have seven different  
5 components and you have to show how you're going to figure out  
6 the growing life and where, what's your process going to be for  
7 having that THC concentration. You have that .03 percent  
8 definition, but how are you going to figure out where something  
9 has one percent or something has 22 percent THC. If you find  
10 something that is over .3 percent, how are you going to dispose  
11 of that, and that includes what the State plan would have to  
12 include.

13           How are you going to enforce the provisions of Federal  
14 and State law? How is this going to work, is it going to be and/or  
15 or random, how are you going to figure that out? Then you also  
16 had to show how are you going to provide the required  
17 information to go to the Secretary and the U.S. Attorney  
18 General? They also want that information to be available for law  
19 enforcement. They're going to have to have some kind of  
20 database to have all this information in it, and you have to figure  
21 out how you're going to convey yourself into that statewide deal.

22           For States, you also have to demonstrate that you  
23 have the financial ability at the State level to do all the things  
24 you just told them you wanted to do when you submitted a plan.  
25 You have to demonstrate financial capability, as well as meeting

1 all the requirements. Those plans are required by the Farm Bill  
2 to be submitted by the State Department of Agriculture in  
3 consultation with the Governor and the Chief Law Enforcement  
4 Officer of the State. There's been a lot of interest of States  
5 getting those plans in and the Farm Bill was signed December  
6 20<sup>th</sup>. Some had their plan on the 21<sup>st</sup> or 22<sup>nd</sup>.

7 Our friends in Kentucky, I believe, had it signed on  
8 the 21<sup>st</sup> or the 22<sup>nd</sup>, December. The USDA said they're not in a  
9 position to review and approve plans until they go through the  
10 regulatory process without those regulations or how they're  
11 going to review the plans.

12 Everybody is looking for this to be in place for the  
13 2020 growing season We'll hear any day now at the Federal  
14 level for these regulations to come out and we'll certainly be  
15 reviewing them as soon as the regulations are published.

16 So, that's December, 2018, but a few months ago,  
17 they significantly changed at the Federal level. That timing  
18 worked out December of 2018 before the 2019 General  
19 Assembly, and there was interest in the General Assembly to  
20 take those provisions and requirements that were allowed and  
21 authorized at the Federal level and State law to mirror those  
22 changes.

23 So, you see here, Delegate Marshall and Senator Ruff  
24 wrote that piece of legislation in the 2019 Assembly to build  
25 basically the Virginia law to mirror the Federal Farm Bill.

1           A few of the provisions that were in the State law, and  
2 there was interest in seeing Virginia get to commercial  
3 production as quickly as possible. Those bills did include an  
4 emergency clause, which means that unlike all the other State  
5 legislation that takes effect on July 1<sup>st</sup> of the coming year, these  
6 pieces of legislation would be in effect as soon as they were  
7 signed by the Governor.

8           The changes eliminate the two research programs that  
9 I mentioned before. The one done by VDACS and the Public  
10 Institution Research Track basically clears a requirement that it  
11 has to be for research purposes and remain that way. Retaining  
12 the Grower Registration that I mentioned and retaining the  
13 Virginia Process Registration. It also created a third registration,  
14 and that was the Dealer Registration. My understanding is that  
15 that dealer concept is pretty familiar and somebody who would  
16 buy something from the grower and then sell it to a processor,  
17 and there's a third registration now for industrial hemp dealers  
18 that's added to this new regulation and provide authority to the  
19 Commissioner to enter into a corrective action plan to address  
20 negligence or accidental violations of the law. This is something  
21 that mirrors what was in the Farm Bill and talks about negligence  
22 and mental culpability. We want to provide authority for the  
23 Commissioner so that we're ready to go and that the language is  
24 clear.

25           For you all, and I realize on this last point, the original

1 legislation in 2015 did allow to receive funds from Tobacco  
2 Indemnification. In 2018, that language was changed to allow  
3 processors, and in 2019, that language was included to allow  
4 dealers, growers, processors, or dealers are allowed by statute to  
5 receive funds without that connection. Next slide.

6 The changes in Virginia with the industrial hemp law  
7 and were changes outside of that law. There were changes in  
8 both the criminal code and the Virginia Drug Control Act, and I,  
9 excuse me, I've gotten ahead of myself. This slide, this is our  
10 current law, and there are some provisions in there that were  
11 included in the bill and signed into law that do not take effect  
12 until such time that the State submits a plan to the USDA and  
13 the USDA Secretary approves the plan. Those provisions are  
14 basically that the Commission would be authorized to destroy  
15 anything that's over .6 percent, really giving a window of .3 to .6  
16 percent of THC, and allowing any grower or processor or dealer  
17 that has a test that comes back between .6 and one percent and  
18 can request that it be resampled. Those provisions are included  
19 in there because of the issue of the .3 percent, is a fine line.

20 The feeling was that they did not want to include that  
21 at the State level in the code, only to have USDA reject our plan  
22 because of what's on the books. So, that language is on the  
23 books, but it only gets triggered if we submit a plan and the  
24 USDA Secretary approves the provisions. Next slide, please.

25 This is outside of the Industrial Hemp Law and Drug

1 Control Act and the Criminal Code. Basically, there is an  
2 exclusion in here from marijuana and if you take the exclusion  
3 from marijuana and somebody possessing industrial hemp, if  
4 they're registered as a dealer or grower or processor or engaged  
5 as a dealer, grower, or processor. So, the criminal code for  
6 marijuana, somebody in possession of industrial hemp in Virginia  
7 if they are registered. It also provides and it's clear from the  
8 definition of marijuana in those places a hemp product.

9 A hemp product is by definition otherwise lawful  
10 industrial hemp otherwise lawful industrial hemp .3 percent THC  
11 and got to be derived from industrial hemp grown by a registered  
12 grower and processor for a dealer in Virginia and then that  
13 product is excluded from the definition of marijuana at the State  
14 level. And next slide.

15 There's a lot of interest in CBD oil and there was a lot  
16 of confusion prior to this General Assembly about what the Code  
17 said about CBD oil. CBD oil can be generated from industrial  
18 hemp and might be the same thing you're hearing about the  
19 pharmaceutical process and from the Board of Pharmacy but a  
20 different program. The law is pretty clear. It's hard to, and  
21 there is a definition in the pharmacy laws and carves out that  
22 way in which something that is derived from industrial hemp, it's  
23 below 50 percent, I'm not sure percentage, below 50 percent.  
24 That's no longer considered to be correct, but there are two  
25 distinct programs in terms of the State law.

1           Lastly, there are a few enacted clauses, and there was  
2 some interest kind of outside this issue about expanding this.  
3 There is a report that's required by November 1<sup>st</sup> to the  
4 Secretary and the Secretary of Forestry and Secretary of Health  
5 and Human Resources and looking at what standards, if any,  
6 should there be for an oil that contains and the extracts from it.  
7 There's also two other reports that VDACS and that's got to be  
8 done by December 1<sup>st</sup>, and looking at what the market viability is  
9 of, and the economic potential of industrial hemp in Virginia, and  
10 looking at the cost by VDACS to ramp up this program from  
11 where we were July 1<sup>st</sup>, 2018 to where we are now. Can you get  
12 by on a registration for \$50 and one of the things that the  
13 General Assembly will have to determine that, the financial costs.  
14 So, that's where we are.

15           So, I mentioned this was an emergency enactment  
16 passed by the General Assembly both bills on March 21<sup>st</sup>, and the  
17 law took effect that day. So, we've been scrambling to enact  
18 this. Some of you know about the number and you probably got  
19 a number of calls about this. March 21<sup>st</sup>, it's changed, and we  
20 wanted to get people in place for that growing season, 2019.  
21 April 24, VDACS had worked on the registration process, revised  
22 the grower process and revised the processor's process and put  
23 out the dealer process and put out guidelines about how the  
24 registration process works and all on our website. We started  
25 issuing registration right after that.

1           The next slide here shows where we are today. Now,  
2 let me tell you that July 1<sup>st</sup>, 2018. We had four universities, and  
3 we probably had 11,135 acres and a handful of individual  
4 growers growing under that program as of July 1<sup>st</sup>. October 4<sup>th</sup>,  
5 1,100 registered industrial growers, 227 processors, 94 dealers.  
6 When people register, they give us an identification what they're  
7 planning on doing or an estimate of what they're planning on  
8 doing that year. Right now, 11,000 acres were rejected, 10  
9 million square feet of indoor growth, 11,000 acres outdoor  
10 growing for the growing season. We do require that before you  
11 actually plan to do this within 14 days tell us what you planted,  
12 and if you don't plant by July 31<sup>st</sup>, we ask you to send it back  
13 and say nothing.

14           Based on what we've received to date, we know of  
15 that 11,000, but that's what we know of, there still might be  
16 some being planted. That 11,000 acres roughly July, but now it's  
17 probably closer to about 10,000 acres. But visually you can see  
18 the darker, the darker color, 251 to 500 acres, and that's spread  
19 out, you can see on the slide, at least based on what we know  
20 now. The next slide.

21           Some frequently asked questions we get at VDACS, if  
22 I don't get the application in, I'm looking at a window, I can't do  
23 it this year, but there's still an application deadline. We have a  
24 backlog, but it's getting way better. When we started, what  
25 we're saying that 45 days turnaround, and we're chipping away

1 at that. So, a \$50 application fee and there's no acreage  
2 minimum and no acreage maximum. You can grow all you want  
3 and located anywhere, anywhere you want. Next slide.

4 On the THC testing, we're thinking about the  
5 distinction, marijuana being a legal one, being based on whether  
6 or not you're below or above the THC threshold. THC testing is a  
7 very important piece. The law allows VDACS to conduct THC  
8 testing. VDACS does not require that there be a pre-harvest  
9 testing, but we do ask that you be selective and samples and  
10 there's no transfer until after you get your test results back. We  
11 do this randomly and have used this model in other states to  
12 determine how we select fields that we're going to sample.  
13 There's no testing fee for the initial test. I'll just say that in  
14 certain cases we are allowing growers in at their expense if they  
15 want to have a retest done, but not a resample, but a retest, and  
16 they do that at their own expense. Next slide.

17 They must submit a plant report, a location of what  
18 they planted and what variety 14 days after they plant. They  
19 might stagger it, do one field and then another field. If they  
20 don't have anything, then we want to know about it, and we  
21 want to have this by July 1<sup>st</sup> of which fields are not going to be  
22 used. If a field is selected, they'll be contacted by the Office of  
23 Plant Services. Those are the folks that do all that, nurseries and  
24 inspections and that sort of thing. And there are sampling fees  
25 to do what they do.

1           We have a sampling protocol based on some fields  
2 have different characteristics of how they do this and this has to  
3 be included with the sample. Again, if the sample is over .3  
4 percent THC, we don't have that special provision by law that  
5 would allow us to destroy the field. Can't do it without .6. So we  
6 are required to, but the one thing to remember is that if it is over  
7 .3 percent but is below .6 percent or like if they have 2.9, right  
8 on the edge of this and they have to do a little work. They can  
9 ask for a retest and a sample can be run through again and we'll  
10 charge a fee for that.

11           Next slide. I want to touch briefly on, some of you  
12 may have already heard about this at the Federal level, it's very  
13 clear that the USDA language about what, and the Farm Bill has  
14 very clear language about the USDA concerning the 4-H  
15 programs, and it's very clear that at the Federal level, the Food  
16 and Drug Administration, nothing changed after the Farm Bill  
17 went into effect about how the FDA handles programs like this  
18 under the Federal Food and Drug Health Act.

19           Those requirements are still in play. If it's food, at the  
20 state level, VDACS also receives Virginia Food and Drink Law.  
21 We have a role in the State for protection and we mirror very  
22 closely the language at the Federal level. When thinking about  
23 food, it's important to kind of understand the context of this and  
24 at the Federal level and VDACS. Food is basically anything that  
25 is intended for human consumption and ingested for. You might

1 not think of water as food, but it's something that is consumed  
2 and it's VDACS regulated and water in Virginia. And there's  
3 corresponding Federal language on that, and we have to comply  
4 with Federal law, too. So, food, anything you ingest orally, that's  
5 human consumption. And then when you consider at the Federal  
6 and State level that any substance added to food needs to be a  
7 food additive coming from an approved source. Approved food  
8 additive, and that's the basis we work under at the State level  
9 and Federal. Next slide.

10 There's an approved food additive and there is an  
11 approval process, and I can't explain from USDA, but you have to  
12 go through a food approval process and it has to be approved at  
13 the Federal level. There's also a process where they have  
14 generally recognized or it's a safe designation, and they  
15 determine that certain things when used in certain ways  
16 generally are safe for human designation and basically an  
17 approved food additive. There are certain parts of industrial  
18 hemp plants that meet that basic requirement. You may see it a  
19 grocery store or a health food store, like a protein for a  
20 smoothie, and those are generally recognized. The same with  
21 hemp seed oil, coming from an approved source, have  
22 inspections, and there are certain requirements and inspected by  
23 a, that meets certain requirements or inspected by the VDACS or  
24 another similar regulating entity at the State level in Virginia or  
25 another source. Food additive. So, again, food additive or

1 resource. Next slide.

2           When you're thinking about particularly extracts and  
3 this oil, there's two things to think about. Two tracks when  
4 you're talking about food and food additives. If you're going to  
5 end up with a food that you're going to add an oil, if you want to  
6 add CBD oil to that. And if you're going to add CBD oil itself  
7 that's a finished product. Those basically require some level of  
8 inspection. If you look at the top side and you go to the plant  
9 and those can be food additives at that point. If you're going to  
10 put that CBD extract into a formula and add it to food, oil could  
11 be a food extract, and ultimately you're going to add that food  
12 extract to the food, your finished product. If you wanted to sell  
13 the CBD oil itself, if it's intended for human consumption and the  
14 oil redacted, it's a food, and the extract itself would be a food  
15 additive and the finished product would be food. And that would  
16 be the oil. Next slide.

17           This is Virginia. A number of states are in the same  
18 place right now. Farm Bill came in December and everybody is  
19 getting excited.

20           UNIDENTIFIED: Do they both need to be as far as the  
21 food is concerned?

22           MR. SCHMIDT: All right, let's say you had a smoothie  
23 and you wanted to get it through, you're now talking about a  
24 food to which oil is added, the oil would need to be accepted in  
25 the food and inspected, of course. And different than, well, let's

1 say the finished product was just, that says this is CBD oil --

2 UNIDENTIFIED: Number two.

3 MR. SCHMIDT: Yes. Put a drop on your tongue and  
4 that would give you your --

5 UNIDENTIFIED: And you're talking here about what?

6 MR. SCHMIDT: Here, I'm talking about or I should  
7 have said that if you say you're at a Starbucks, did that help at  
8 all?

9 UNIDENTIFIED: Yes.

10 MR. SCHMIDT: All right, here's where we are. A lot  
11 of acreage and FDA has said at this point in time it is unlawful to  
12 enter into interstate commerce where the food product that if the  
13 CBD has been added or intended to be added or with interstate  
14 commerce under existing Federal law. In Virginia, we adopted a  
15 clause, and it's incorporated into law.

16 On the other hand, we know that these products are,  
17 that there's a lot of interest and we're getting calls that say I'm  
18 buying the stuff, how do I deal with it? So, what you see here is  
19 in May, I'm sorry, in July, VDACS was directed by the  
20 administration in the timeframe while USDA evaluated this at the  
21 Federal level, and basically VDACS was directed to treat hemp  
22 derived extracts intended for human consumption as an  
23 approved food additive and then registered industrial hemp  
24 processors, particular food inspection, and that's where we are  
25 right now. This is similar to a number of other states who are

1 trying to grapple with this gray area that's out there.

2 At the Federal level, FDA has held hearings and  
3 they're getting a lot of pressure from Congress to address this  
4 issue. They are trying to figure it out. So, what does it mean  
5 right now in Virginia? What we're telling processors is that  
6 during the process to be registered as an approved food  
7 processor, an approved food ingredient, a food additive, good  
8 manufacturing practice and a requirement that if you are a food,  
9 and there's a lot of requirements at the Federal level, but if  
10 you're talking about a dietary supplement that's a little bit  
11 different and there's Federal requirements you need to be  
12 inspected under, and extracts have to be grown and in  
13 compliance with the industrial hemp law. Extracts always .03  
14 percent THC, and then there are certain standards that are  
15 required demonstrated have no micro-toxin, micro-biological  
16 residuals. The standards right now are some that the Board of  
17 Pharmacy has put through their pharmacy-process regulations.  
18 Next slide.

19 For processors that are interested, we have all this  
20 information up on our website, and there are stand-alone  
21 applications where you can submit and you can always schedule  
22 an inspection. There is a CD concerning inspection and they'll be  
23 glad to come out there and inspect your facility. Next slide.

24 So, this is kind of temporary, but at the same time,  
25 one of the things we have been directed to do under the law,

1 2019, to have a discussion about what standards would be  
2 appropriate, and that according to the General Assembly, and we  
3 held some public meetings for that in Richmond in September,  
4 and talking about many things like labeling requirements, how do  
5 you treat somebody that is inspected under when it comes into  
6 Virginia. We will be summarizing all of that in that report in the  
7 General Assembly. If you have any questions, my colleagues are  
8 here, but we'll all be glad to answer any questions you have.

9 DELEGATE KILGORE: On processing this, you're going  
10 to get a lot of questions about growers and things like that, and  
11 maybe in a need for a bigger facility, not all these little  
12 processors, you could generate a lot of traffic.

13 MR. SCHMIDT: Absolutely. There's a need for  
14 processing. A lot of interest by a lot of folks who are interested  
15 in growing, and just alone in 2019 where ultimately all of this will  
16 take place. The processing is crucial.

17 I also should have mentioned that when we started  
18 three years ago, or two or three years ago, everybody was  
19 talking about fiber, talking about grain, but everybody talks  
20 about it right now.

21 DELEGATE KILGORE: I understood there's supposed  
22 to be like a window of opportunity for Virginia farmers, but that  
23 opportunity seems to be short. What does VDACS say about that  
24 window of opportunity?

25 MR. SCHMIDT: That's a great question. Right now,

1 there's so many unknowns, I don't know how to answer that  
2 exactly. This year right now we're growing and there's still a  
3 gray area and a lot of issues that need answers, and particularly  
4 without USDA laying out that Federal regulatory framework.  
5 Everything I just told you could be very different today if USDA  
6 puts out regulations that require different things that I just  
7 mentioned to you. The landscape has shifted a lot in the last ten  
8 months, and I think it's going to continue to change in terms of  
9 what the requirements are and what the markets are. Folks  
10 have talked about, and there's going to be a lot of CBD material  
11 and that market may have already changed.

12 DELEGATE KILGORE: I don't want to dominate the  
13 conversation, but it looks to me like getting a processor, get  
14 some processors and making sure that they are financially stable  
15 in order to run that facility.

16 MR. SCHMIDT: Yes, of course.

17 SENATOR RUFF: If you have a field and one is three  
18 and one is two nine, do you assume or do you recognize that?

19 MR. SCHMIDT: In your field, those five samples, are  
20 they of the same variety, or are they five different?

21 SENATOR RUFF: I assume the same variety.

22 MR. SCHMIDT: What we do is that when somebody  
23 registers, they will register for one or more and they'll register  
24 how many do you have. In the methodology, we'll look at what  
25 the declared production field is and what the variety is. If you've

1 got five acres and you're growing one variety, if you're one  
2 sample for that field, and if that comes back hot, then the  
3 instructions would be on the entire five acres.

4 If you had a production field that is listed as five one-  
5 acre-production fields, each with the same variety, but they were  
6 broken up into different production fields, maybe you planted one  
7 this week and planted one three months ago and one two  
8 months ago, we would do the sample taking in the production  
9 field. And if one came back hot, then the production field would  
10 be sampled as one-acre production field separately. If one goes  
11 hot, that field would be required to be destroyed and the others  
12 came back as not hot.

13 SENATOR RUFF: You have no way of knowing that  
14 from --

15 MR. SCHMIDT: We don't. We take all of our samples  
16 to the Division of Consolidated Lab Services, it takes maybe a  
17 few weeks to get them back.

18 SENATOR RUFF: But those fields being planted this  
19 year --

20 MR. SCHMIDT: Yes, we're not sampling every acre or  
21 every production.

22 SENATOR RUFF: Is there something we should be  
23 looking at if we want this product to be a, should we test the  
24 standards on that?

25 MR. SCHMIDT: Well, certainly if you intended or if it's

1 something that's going to be used ultimately for human  
2 consumption, then all those different tests are certainly going to  
3 be something that are important, and that's the rationale, or  
4 even if they're temporary requirements, those issues are trying  
5 to be addressed, as well, right now, and they've been looking at  
6 that in November. If it's something that's not going to be  
7 approved or for some other opportunity.

8 SENATOR RUFF: But at this time, if it's not going to  
9 be approved for fiber or some other speaking of heavy metals --  
10 but at this point, everybody is focused on the same goal?

11 MR. SCHMIDT: I can't speak for the processors, but  
12 my understanding is that there are many processors that will  
13 make it a point to tell that we have done third party, especially  
14 with these kind of materials. We will inspect those that we are  
15 aware of, if there's any complaint, we'll be glad to go out and  
16 inspect those. We're not aware of everything, of course.

17 SENATOR CARRICO: This is kind of grown in Virginia.  
18 You have companies that drug test their employees and those  
19 employees sometimes come back with a positive THC level in  
20 blood, not to mention people on probation. The question that  
21 comes to my mind is who is going to say this is legal, like for the  
22 THC, and that's a myth. Up to 1.3 percent. Once that becomes  
23 and once you are instructed on what all that's going to entail, the  
24 future of this industry is going to get hard, and a lot of people  
25 that work various places and they're on probation have the

1 random drug testing. I just think it's going to be an issue.

2 MR. SCHMIDT: We've heard that issue brought up  
3 and others from the military. It's not something that falls under  
4 the purview of, we're on the lower side and registration for the  
5 crop. I really don't know what state entity would be the one  
6 overseeing all that, but as far as the percentage, you wouldn't  
7 want it different on the label, but that's something that has to be  
8 worked out.

9 SENATOR CARRICO: With all that in mind and your  
10 oversight of this, and the question is, has there been a  
11 conversation with the lab asking what's the, anything that's .3  
12 percent. The first thing is that the THC .3 percent or below is no  
13 effect, and that .3 percent, but if that's in the conversation and in  
14 the report, that THC that's in the system, it's over with.

15 MR. SCHMIDT: I don't know what that does in the  
16 blood test, I just don't know. But for us, they report everything  
17 and we get the report back what one percent would show, but  
18 we'll end up getting the percentage of THC of the samples, but as  
19 far as the law enforcement issue, that's a little different.

20 DELEGATE MOREFIELD: Has VDACS made a study of  
21 the yield per acre?

22 MR. SCHMIDT: We have not. The only studies we've  
23 been involved with, but when we did the research program, we  
24 had the four universities, and they were required to submit to us  
25 the research information that we then put into the report, the

1 General Assembly. I think they said that kind of information that  
2 you're talking about, and that report is due December 1<sup>st</sup> and  
3 kind of looking at the market opportunities in Virginia. It's going  
4 to be based on data that we can collect at this point in time. It's  
5 something that's new, but we're trying to still figure all that out.

6 MR. SHELL: From the farmer's perspective, do you  
7 have any information as far as the research or information on the  
8 growing, for the growers?

9 MR. SCHMIDT: I do not. If you're talking about  
10 growing for or if you're planning to grow, it certainly depends on  
11 what you're growing for or if you have a contract or don't have a  
12 contract. I don't believe that on the CBD side and the cost of  
13 putting a plant in the ground, maybe 20,000, it's a huge  
14 investment that you're talking about putting in, but I really don't  
15 know all those details. You hear a lot of anecdotes about money  
16 that's out there, but I think in the next few months we'll see at  
17 least some information more pertinent to it.

18 MR. FEINMAN: There's many numbers floating  
19 around. It's not a survey as such, but people are talking about  
20 at least \$10,000, \$15,000, maybe the sum of fifteen, twenty  
21 thousand an acre.

22 DELEGATE WRIGHT: There's a lot of excitement  
23 about the possibility of what this might do for the farmer and  
24 contracts, like tobacco for the farmer, and they have found ways  
25 to plant, and the discussion I heard is why would I have to take

1 this to North Carolina as far as processing? I really haven't  
2 heard much about processing and where these areas would be.  
3 They grow something and they know they can't get it processed,  
4 and it just makes it harder. I just think we need more  
5 information on that end of it. You can be very satisfied selling  
6 this if you can just get it processed.

7 MR. SCHMIDT: There's no doubt about that, that's  
8 something that's got to be looked at and worked out. The  
9 production speaks for itself what can be produced in Virginia. In  
10 terms of where and how to process it and in thinking about it and  
11 evaluating it, certainly a lot has to go into that.

12 MR. KILGORE: Well, that's important, and I think we  
13 need to look into that and do all that, we've got to find a way to  
14 capitalize on these opportunities that are available, and we need  
15 at least a couple of these facilities in Virginia so we don't have to  
16 travel so far.

17 DELEGATE WRIGHT: We can't all go to North  
18 Carolina.

19 MR. SHELTON: There's a multitude of factors that can  
20 cause variances and environmental factors that can cause  
21 variances. I do know that in the '18 Farm Bill there's got to be  
22 processors. But if the product has to be destroyed, is there any  
23 way that the loss could be covered?

24 MR. SCHMIDT: That's an excellent question, and I  
25 don't have an answer, a complete answer for you, I just don't

1 have a good answer for that question. There is a private  
2 company out of Texas that offers crop insurance, and Virginia  
3 was originally not on the list of states that would be covered  
4 under that plan. But as result of VDACS, and I think our  
5 congressional delegation worked or spoke with a company, we  
6 haven't seen all the answers yet. USDA will have to make some  
7 kind of determination on that, but I know that's one of the big  
8 questions out there.

9 MR. SPIERS: We're talking about producers and my  
10 own insurance agent in a conversation I had, I know if a hail  
11 storm beats it into the ground, we're going to pay for it, whether  
12 for some reason all of a sudden you have a dry spell and your  
13 crop goes under, you'd have to read the fine print in your  
14 contract on the producer side.

15 DELEGATE KILGORE: We're going to have to move on  
16 because of the time. I think you've gotten some sense from us  
17 what some of the concerns are and I know the department will  
18 have to go through a lot of thought about this. We're not voting  
19 today on anything. But with the agribusiness, we need to run  
20 this through and let the Staff come up with a way forward that  
21 we can move on with the hemp situation and I think most  
22 people, but I think in Virginia it's a great opportunity and we  
23 certainly don't want to be moving all of this product to North  
24 Carolina because we don't have the facilities here, but we need  
25 to get the folks to work with our agribusiness to get that moving

1 along sooner rather than later, and look at all the opportunities.

2 MR. FEINMAN: What the Staff needs from you all, this  
3 can be moved and needs to be moved fast and we've got a lot of  
4 good information from a lot of folks. So, what we want, and I  
5 think we need a more strategic approach and now I think we  
6 should designate some reasons and allow the competition and  
7 look at all the questions concerning essentially profitability. But  
8 the fact is we want to be able to compete and make sure that the  
9 profit capabilities to our folks and that is good and high  
10 capitalized. So, yes, this could be a boom right now, but we  
11 want to make sure that it's a good investment.

12 DELEGATE BYRON: Is the processing the real  
13 problem?

14 MR. SCHMIDT: The processing is an integral part of  
15 this.

16 DELEGATE KILGORE: They would take care of  
17 handling all that. That's what you want so that the farmer can  
18 move this product along, and, of course, following the  
19 regulations, we have to be in accordance with the FDA.

20 SENATOR RUFF: I guess the question I would have,  
21 processing for oil versus processing for fiber may be done in the  
22 same processing mode.

23 MR. SCHMIDT: I do not know. I would think it might  
24 be pretty different.

25 MR. SPIERS: The oil comes from the plant, and one of

1 the issues is that or the proximity, but the oil growers cannot be,  
2 or a seed grown, but the question of whether the seed can  
3 pollinate if no male plant. To your point, I think we need to get  
4 one season under our belt to see if this is a good way to go. But  
5 there's a lot of concerns about this. We need some better  
6 certification. And sampling, of course, is something, and we've  
7 talked about tolerance, because in the field, even if you plant  
8 them all at the same time or you want different maturity of the  
9 plants, you can easily sample a plant that's very mature of  
10 certain methodology, but when you talk about maturity, there  
11 could be plants in the field that might be above the legal limit,  
12 but if you average them out, could come below the limit.

13 DELEGATE KILGORE: All right, I know you all have a  
14 meeting scheduled, but I think we need a little more time to help  
15 give us a better handle on this and maybe discuss this more at  
16 the next full meeting.

17 MR. SPIERS: Yes, we have some samples of industrial  
18 hemp with a neighbor, but what I want to see is, and some of the  
19 things going down, but there's a tremendous supply of products,  
20 CBD, perhaps there a demand for it, I hope. I know people are  
21 trespassing and taking plants and people have already started  
22 taking product.

23 Another thing is that we're getting residential areas.  
24 It does have an odor for a couple of months until it reaches  
25 maturity, and some people find it offensive. I think it does have

1 great potential, particularly in the Tobacco Footprint, but the  
2 expertise is available and it would be a great crop, still there's a  
3 lot of work to be done.

4 DELEGATE KILGORE: We've got to move on and  
5 we've got other issues to discuss. Thank you for coming down  
6 and making your presentation. And I'm sure you didn't expect  
7 all these questions, but we'll look forward to receiving more  
8 information. So, thank you. And this can offer our farmers a lot  
9 of opportunity.

10 MR. SCHMIDT: Thank you, I appreciate it.

11 MR. FEINMAN: Mr. Chairman, our next item of  
12 business is the MPower Project Number 3473, De-obligation. If  
13 you don't recall, I'll run through this. We were approached by a  
14 group of former intelligence community folks who wanted to build  
15 a major project and technology system here in the Footprint in  
16 Southwest, and that's something we all wanted. And this  
17 Committee actually authorized obligating \$2 million of Southwest  
18 funds or \$2.5 million of Project Incentive Funds, to put together a  
19 \$4 million package.

20 The challenge we had for this project is twofold.  
21 Number one is it never seemed to get more specific than wanted  
22 to develop a technology system. And, number two, there are  
23 many promises and numbers were floating around two years  
24 later, nothing has happened, not a penny. The most  
25 confirmation they were ever able to get, a software license from

1 a corporation and sort of a match, but not really a match, but  
2 nothing out of the pocket for software companies.

3 Further, and the folks here were when Mr. Lee was  
4 sort of heading it and they were rotating people around and  
5 around and using names and that sort of thing. But nothing  
6 materialized. At the end of the day, this project did not come to  
7 fruition.

8 So, what the Staff is recommending is the de-  
9 obligation, and the money will be returned to the respective, two  
10 of it will go to Southwest. I will further add that we are aware  
11 that a large number of people are deeply interested in new pots  
12 of money. Two million of this money came from Southwest, and  
13 it's recommended to go back to Southwest.

14 Now, there are opportunities when you look down the  
15 road to consider strategic investments for Southwest Virginia,  
16 and there are certainly I don't think going to be very many. The  
17 point is that we should be very careful and do not be hasty with  
18 these funds. So, I urge you not to take action on this  
19 immediately and there are some really good high impact use of  
20 these funds. So, it's our recommendation to de-obligate them  
21 because I don't believe there'll be many more bites at the apple  
22 of this scale in the next several years.

23 So, I believe we have a duty to make sure when we  
24 fund a high impact project, we have to make sure we're doing  
25 this very cautiously.

1 DELEGATE KILGORE: We know that there are projects  
2 out there and there's some contracts with Federal governments  
3 and there's some drone projects.

4 MR. FEINMAN: Yes, we can do this project and others  
5 like that and you can come to us and we'll always listen. But  
6 part of the reason this thing never came together like everybody  
7 else, there's always a match involved. We obligated the money,  
8 but there had to be certain things done, but we never got any of  
9 that from them. So, what we have to do is follow the process.

10 So, the Staff's recommendation is to de-obligate the  
11 money and return them to the originator.

12 MR. OWENS: So, is a motion in order? And I so move  
13 to de-obligate the funds.

14 DELEGATE KILGORE: Any more discussion? We have  
15 a motion and a second. Any more discussion? Are you ready to  
16 vote? All those in favor, say aye. (Ayes). Opposed? (No  
17 response). That passes.

18 MR. FEINMAN: Next is our New Investment Strategy.  
19 In our May meeting, we did not do our standard 4.4 percent  
20 corpus invasion, and we availed ourselves to our full authority to  
21 do a 15 percent corpus invasion, but only set aside 4.4 percent in  
22 our strategic plan for our disbursement budget and set aside the  
23 remainder of our corpus invasion for the purpose of increasing  
24 our return.

25 If you recall, we had a two percent return in our

1 treasuries, while various friendly and I might say that we're  
2 looking into getting a greater return where we can do that. And  
3 some of this has not really materialized. We're working on  
4 multiple funding on who to invest our funds with. A friend that  
5 has come to us, our friends over at VCC, at Virginia Community  
6 Capital, they've done a real good job and we've talked with them  
7 and they operate a for-profit bank and they've offered us an  
8 opportunity to take roughly a third of our funds and invest them  
9 to buy stock or invest in their bank, and it'll do a couple of good  
10 things for us. Number one, they actually make loans to projects  
11 within our Footprint. And, of course, the more money you invest,  
12 the greater the return. About \$8 million lent in the Footprint,  
13 which is really more than a thousand jobs.

14           Additionally, return on investment, and this is not  
15 predictive of the future, but their stock has been growing at  
16 13.25 percent. Even at an average of 3.5 million, or 7 million  
17 would grow to be worth 9.9 million over this time that we invest  
18 and over enough time our investment could become 24.3 million.  
19 And so, the worst case scenario, we would still have our money  
20 available. But we believe this is a good investment and it  
21 furthers our mission. If you have any questions about the way  
22 they do this, we have a representative here. If there's any  
23 questions about the way they do business. It's fairly likely that  
24 the other two-thirds of our investment could be added to the pot  
25 of charitable foundation and should fiber be somewhat below

1 market rate and if the economy would go down, they would go  
2 up in activity in order to balance out with the other two-thirds of  
3 our partners.

4 So, that's a quick rundown of where we are. So,  
5 we're suggesting \$7 million to invest in the bank.

6 UNIDENTIFIED: Seven million of the 25?

7 MR. FEINMAN: Yes, sir.

8 UNIDENTIFIED: If we put that money in there and  
9 something goes wrong, can you get it back out?

10 MR. FEINMAN: The stock will be encumbered, or we  
11 can find a buyer to buy it back, but it's also worth noting that we  
12 continue to have the remainder of these funds in an active  
13 account. We are not at this point, we might not need to do a  
14 corpus invasion. If we had a real need or a major automotive  
15 deal came around, we'd still have the power to get those funds.

16 SENATOR RUFF: I would follow up that question on  
17 an example here. What kind of, are they loaning this money for  
18 housing?

19 MR. FEINMAN: I will ask him to respond.

20 MR. CORNETT: I'm Clyde Cornett, Chief Financial  
21 Officer for the Virginia Community Capital. Your question was  
22 about the range of funds in the community. We do a lot of  
23 affordable housing and we do a lot of small business lending,  
24 work with small companies, and we do a lot of tax credit work,  
25 and we try to save with a range of many things. We do a pretty

1 broad range of things. We think of ourselves more as innovative  
2 lenders with various projects. If it's something that will help the  
3 community, we want to look at it, and that's sort of the high  
4 priority.

5 SENATOR RUFF: Mr. Chairman, a follow-up question.  
6 What kind of profits, is this strictly for housing, can you give us  
7 the range? What's your percentage in small businesses?

8 MR. CORNETT: I think about 30 percent of what we  
9 do.

10 SENATOR RUFF: You said there was a larger  
11 operation? I guess it really depends, or we have several large  
12 projects going on, and it's a large manufacturer in Danville. That  
13 company was set to relocate their operation outside of the United  
14 States, and after some financing that we were able to utilize,  
15 they decided to stay. And we've also dealt with the hospital, but  
16 we consider it a broad range.

17 SENATOR RUFF: Our first responsibility is to create  
18 jobs. Housing is nice, but you'll always be secondary.

19 MR. CORNETT: That's a measure that we measure.  
20 We think we've helped create 6,000 jobs through all of this.

21 DELEGATE WRIGHT: How does this manifest itself as  
22 far as making loans, but making it appealing in the Tobacco  
23 Footprint, particularly small businesses, how does that work?

24 MR. CORNETT: The way we're structured, we all have  
25 different objectives. For us, depending on how the arrangement

1 structure, and in this case, what we're looking at is an  
2 investment in common stock, which is the way we're organized,  
3 we can go out and raise a pot of money anywhere in the United  
4 States to supplement that investment. And we have to maintain  
5 certain capital ratios. But having an investment in the form of  
6 equity allows us to do all these things. And leverage projects.

7 DELEGATE WRIGHT: How is that a benefit to people  
8 from the Tobacco Footprint or the Tobacco Commission funds or  
9 stock --

10 MR. CORNETT: We would focus those efforts more  
11 closely in the Tobacco Region.

12 MR. FEINMAN: The Commission's rate of return would  
13 be higher if we did this. In our normal rates that we get, there's  
14 not any chance to get more.

15 DELEGATE WRIGHT: In the form of making the loan,  
16 any way that we would know whether the business is in the  
17 Footprint?

18 MR. FEINMAN: We already are aware of a couple of  
19 potential borrowers, and they will pay additional attention to our  
20 Footprint and we want them to focus for the benefit of investing  
21 at the end of the day in the Footprint. This would allow the  
22 Commission to really focus, and it's fair to say that you all would  
23 be more attentive to our region, but still remaining focused on  
24 the liability of these loans.

25 DELEGATE WRIGHT: I understand that, but I'm

1 talking about, you know, focusing on the Footprint, but anyway  
2 with this money you could invest it and give us help with our  
3 constituents and people of the Footprint.

4 MR. CORNETT: Yes, based on we would be willing to  
5 entertain projects that some other banks wouldn't look at.

6 In addition to that, we often find ourselves with  
7 funders or lenders who want us to do more of that kind of work.  
8 So, we have some opportunities to provide opportunities to  
9 potential lenders to get them ready for a typical financial  
10 situation. I think that's one benefit to folks in the Tobacco  
11 Region, and we can provide some extra attention to those  
12 projects as they come up and some of that technical assistance  
13 we can provide and help move the projects along.

14 DELEGATE BYRON: What would be the increase?

15 MR. FEINMAN: Yes, Delegate Byron. With our  
16 treasuries, we've been getting between zero and 1.9 percent, but  
17 when you compare 3.5 percent, and maybe that 7 million could  
18 go to 9.9. But as normal bankers are, they speak very  
19 conservatively. Last year, I believe 13.5 percent return on their  
20 investment, six or seven times what we're getting currently.

21 DELEGATE BYRON: But we've always been getting a  
22 return. This is still far out. And we do that, we would still have  
23 an option to do these other things?

24 MR. FEINMAN: Yes, what we're doing here is moving  
25 our entire funds to the higher earning area and we failed in our

1 attempt to get that authority. What we do have the authority to  
2 do, to take up to 15 percent of our funds per year and disburse  
3 those funds any way we like. What we're doing here rather than  
4 just do our budget and the remainder of the 15 percent and take  
5 that remainder and do it for the next couple of years. We can  
6 transfer a large percent of our money into higher earning areas.

7 MS. RATLIFF: Mr. Chairman, I think I can help. I'm a  
8 member of the Executive Committee, and one thing to point out,  
9 but in Southwest and Southside, and they're working out there  
10 with the IDA trying to develop helping small businesses.

11 THE COURT REPORTER: Could you please speak up.

12 MS. RATLIFF: And working such things as the Last  
13 Mile. And as certain companies are working to help create jobs.  
14 So, I know there's a lot going on. We are already partnering in  
15 Southwest and Southside. And those are good things that are  
16 going on.

17 MS. KIM: I just wanted to say something to Delegate  
18 Byron about taking money from the endowment and the  
19 principal, taking money from the endowment versus transferring  
20 funds and the principal.

21 DELEGATE KILGORE: Any more questions?

22 MR. OWENS: When you transfer this money, we will  
23 be able to keep up with it.

24 MR. FEINMAN: Well, this first, but we want to get to  
25 the place where, but we want to get more of our funds into

1 higher earning capabilities, and that makes a lot of sense. We  
2 want to here re-invest the earnings, so this could be  
3 compounded and grow year to year, and once we get a pot built  
4 up, and then take some of that and try to invest it into what our  
5 mandate is. We've got a ways to go and we've got some time,  
6 but other than that, the money is just sitting in treasuries right  
7 now.

8 So, what we want to do is grow our money as quick  
9 and as much as possible and we can put the money of the  
10 Commission anywhere we want, but, of course, we're always  
11 worried about risks. But we've got to, but this was like a ten-  
12 year investment, and we want to take this money and let it earn.  
13 So, in the end, we could use that to make investments in the  
14 Footprint.

15 SENATOR CHAFIN: This is to use these funds so we  
16 can be viable and just keep growing?

17 MR. FEINMAN: Yes, we've been working hard at this  
18 in a lot of ways and make sure we're sustainable, just like what  
19 we've done in Tazewell for you all. And if it, of course, if this is  
20 not the will of the Commission, then so be it. But that's our goal.

21 DELEGATE KILGORE: Is there a motion on this?

22 MR. FEINMAN: We've been moving forward on this.

23 DELEGATE KILGORE: I know this is something we've  
24 talked about, ways to better improve our financial situation and  
25 return on this money.

1 MR. FEINMAN: Every investment we have is a step  
2 forward.

3 MR. OWENS: So, you really think this is the right step  
4 and the way to go?

5 MR. FEINMAN: Yes. We were hoping for good results  
6 and there's no reason why it can't be that way.

7 MR. OWENS: But this is a step that we haven't taken  
8 before, just want to make sure that we can get this money and  
9 see it returned and hopefully do what Deputy Director has said.

10 MS. MYERS: Just make sure everyone understands  
11 this.

12 DELEGATE KILGORE: Do I have a motion?

13 MR. SORRELL: I move to authorize the Executive  
14 Director, in consultation with the Finance Director and Counsel,  
15 to disburse up to \$7 million to the Virginia Community Capital for  
16 the purposes of increasing our investment income and supporting  
17 their mission of making profitable investments and loans to  
18 Virginia businesses. So moved. All, and second.

19 DELEGATE KILGORE: So moved and seconded.

20 Members ready to vote? Executive members ready to  
21 vote. All those in favor, say aye. (Ayes). Opposed? (No  
22 response).

23 MR. FEINMAN: We don't need a motion for this next  
24 one, but I always try to bring this to you informally before  
25 formally. I thought a great deal about this and I thought about

1 our regional offices, but out of our regional offices, but their  
2 knowledge and relationship and understanding of our regional  
3 economy is very strong.

4           Additionally, they are, while the overall grant mode  
5 has gone down and work required on a program basis has gone  
6 up. Due to new legislation really has increased the workload, but  
7 in reality, it takes an awful lot of time of making our areas  
8 happy, whether it's any state regulations, JLARC, Inspector  
9 General, and the performance aspect. So, we're spending a lot  
10 of time, both Sarahs and not leveraging their abilities, but to my  
11 mind, leveraging their ability and the value that they contribute  
12 to the region because they're right there doing the work.

13           What I'm hoping to do to put before you in a formal  
14 fashion in January and then ultimately approve in next year's  
15 budget is an expansion in each office, probably half an FTE in  
16 order to take on the regional leadership roles that they now have  
17 years of experience in. In addition, the bylaws have changed. In  
18 our bylaws, in an attempt to protect the Deputy Director and  
19 Finance Director and Program Director positions, and our bylaws  
20 just say if you have the word director in your title, the director  
21 can't fire you, but has to come to you all and ask for a  
22 permission. I think that's good, but what I'd like to do is change  
23 the bylaws, to say the Finance Director, the Deputy Director  
24 cannot be fired at the Executive Director's discretion. Stop that  
25 there and give Sara and Sarah the title they deserve, which is a

1 Regional Director. We don't want to do it under our current  
2 bylaws. Both those changes direct our region, but contact the  
3 Commission for grant funds and maybe free up a percentage of  
4 their time to assume a regional leadership project.

5 I don't have anything official before you right now, but  
6 I'm just going to put it in front of you and you can think about it,  
7 you can reach out to me if you want to do it today, or take the  
8 time for the next couple of months and think about it, then come  
9 back to me.

10 DR. EHRHARDT: I have a question. Is the reason for  
11 the FTE budgetary workload or other?

12 MR. FEINMAN: I think what we want to do in our  
13 compensation, if it looks like a whole FTE would be better, it's  
14 also true the two regions are different. There are some different  
15 issues, and Southside is a lot more area and probably a little  
16 more capacity in Southside than there is in Southwest. But  
17 Sarah Capps is sitting on a significantly higher volume, but it's all  
18 going to be up to you and it's a little different when you look  
19 around 20 hours, 30 hours, 38 hours, it may not be set in stone.

20 SENATOR RUFF: Mr. Chairman, are you talking about  
21 doing this in a meeting? We ask you to put all this in writing  
22 before you propose this?

23 MR. FEINMAN: Yes. Going down the road slowly and  
24 just putting this out for you all to think about. I can bring up a  
25 written proposal. Then we can have a formal vote in January and

1 looking at the operating budget.

2 We have reduced our administrative budget each  
3 year, so we're very efficient administratively, but it's time to take  
4 advantage of some of the staff expertise.

5 Now, the TROF update, we are fully developing small  
6 town programs and what we anticipate doing now is allowing  
7 various small towns, but what we want to do is put out an  
8 application to small towns and ultimately what we want to do  
9 here is bring a SWAT Team approach to these communities that  
10 are struggling in the Footprint, and many of them are, but we  
11 need to wrap up as many of our state partners as we can, VDOT,  
12 VEDC, and whoever else we can bring in for a small community  
13 development, and then have our leadership identify the gap and  
14 financing with other programs and then put forward proposals for  
15 us to try to fill that gap and try to energize some new life in  
16 these small towns who can run as a pilot in one in Southwest and  
17 one in Southside. As a result of that, we'll learn a lot and figure  
18 what works and what doesn't work. And then maybe that would  
19 be a model we can turn over to some other entity, maybe like  
20 Virginia HDC.

21 DELEGATE KILGORE: We'll have to make a  
22 determination, Evan, on what is a small town and what towns  
23 we'd be focusing on.

24 MR. FEINMAN: I'd like to put a whole set of written  
25 guidelines and an application before you and then we can look at

1 that and make a determination.

2 DELEGATE KILGORE: All right, that sounds good.  
3 We've got to move on.

4 MR. FEINMAN: I have no other business for you.

5 DELEGATE KILGORE: All right. Any public comment?  
6 Anyone in the public like to make a comment? If not, we're  
7 adjourned.

8

9

---

**PROCEEDINGS CONCLUDED.**

10

11

12

13

14

15

16

17

18

19

20

21

22

23

24

25

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

**CERTIFICATE OF THE COURT REPORTER**

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Tobacco Region Revitalization Commission, Executive Committee Meeting**, when held on Wednesday, October 9, 2019, at 1:00 o'clock p.m., at the General Francis Marion Hotel, 107 East Main Street, Marion, 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 31<sup>st</sup> day of October, 2019.

---

Medford W. Howard  
CCR