

VIRGINIA TOBACCO REGION REVITALIZATION COMMISSION
701 East Franklin Street, Suite 501
Richmond, Virginia 23219

IN RE: INCENTIVES AND LOANS COMMITTEE

January 9, 2024

9:00 a.m.

HEARD BEFORE: The Honorable Daniel Marshall, Chair

Delta Hotels by Marriott, Richmond

Kanawha Ballroom

555 East Canal Street

Richmond, Virginia 23219

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1 APPEARANCES:

2 Delegate Daniel Marshall, Chair

3 Delegate Terry G. Kilgore, Vice Chair

4 Edward Blevins

5 Gretchen Clark

6 Deputy Secretary Jason Powell

7 Secretary Caren Merrick

8 Delegate James Morefield

9 William Pace

10 Jason Powell

11 Senator Frank Ruff

12 Walter Shelton

13
14 ABSENT COMMITTEE MEMBERS:

15 Senator Joe Morrissey

16
17 COMMISSION STAFF:

18 James Campos

19 Stephen Versen

20 Stephanie Kim

21 Vicki Humphreys

22 Sarah Capps

23 Sara Williams

1 COMMISSION STAFF (con't.):

2 Jerry Silva

3 Jordan Butler

4 Suzette Patterson

5 Adrian Counts

6 Emily Van Pelts

7 Hannah Franke-Fuller

8 Joyce Knight

9
10 COUNSEL FOR COMMISSION

11 Elizabeth Myers

12 GUEST PRESENTER:

13 Joe Shearin, Executive Director

14 Virginia Small Business Financing Authority

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AGENDA ITEM

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Adjournment

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1 (The Incentives and Loans Committee meeting
2 commenced at 9:00 a.m., and the Committee's agenda
3 commenced as follows:)

4
5 DELEGATE MARSHALL: Thank you. I
6 appreciate everyone showing up this morning.
7 And so we would call the roll, please.

8
9 MR. CAMPOS: Good morning.
10 Delegate Marshall.

11
12 DELEGATE MARSHALL: Here.

13
14 MR. CAMPOS: Delegate Kilgore.
15 Edward Blevins.

16
17 MR. BLEVINS: Here.

18
19 MR. CAMPOS: Gretchen Clark.

20
21 MS. CLARK: Here.

22
23 MR. CAMPOS: Jason Pollard.
24 Secretary Merrick. Secretary Merrick.
25 Senator Morrissey. William Pace.

1 MR. PACE: Here.

2
3 MR. CAMPOS: Senator Ruff.

4
5 SENATOR RUFF: Here.

6
7 DELEGATE MARSHALL: Do we have a
8 quorum?

9
10 MR. CAMPOS: We do not.

11
12 DELEGATE MARSHALL: All right. So
13 we will -- the first few things we have to
14 do don't need a quorum. So -- like the
15 approval of minutes, we'll come back and get
16 that after -- how many more people we need
17 to show up? Kilgore will be here.

18
19 MR. CAMPOS: We have a quorum.
20 We've got five.

21
22 DELEGATE MARSHALL: We have a
23 quorum. All right, so the approval of the
24 minutes. The minutes are on the web site.
25 What's your pleasure?

1 MR. PACE: Mr. Chairman, I move to
2 approve the minutes.

3
4 SENATOR RUFF: Second.

5
6 DELEGATE MARSHALL: We have a
7 motion and a second to approve the minutes
8 of 10-12-23. All those in favor, say aye.

9
10 COMMITTEE MEMBERS: Aye.

11
12 DELEGATE MARSHALL: Opposed? All
13 right, public comment. Anyone wants to come
14 forward and tell us how the world should be?
15 Nobody's coming forward, so we're going to
16 the extensions and modifications. Jordan.

17
18 MR. BUTLER: All right. So we have
19 a slew of extension requests for you this
20 morning.

21
22 DELEGATE MARSHALL: Jordan, can you

23 --

24
25 MR. BUTLER: Microphone.

1 DELEGATE MARSHALL: Hold it close
2 to you.

3
4 MR. BUTLER: There you go. Is this
5 better?

6
7 DELEGATE MARSHALL: Yeah, it's
8 better.

9
10 MR. BUTLER: That's about as close
11 as I can get. All right. The first request
12 is from Greenville County for Oran Safety
13 Glass. It's their request for a performance
14 extension.

15 This is a Tobacco Region
16 Opportunity Fund grant for \$235,000.00. It
17 was awarded to the Greenville County -- to
18 Greenville County and Oran Safety Glass.

19 The performance period was
20 March 2017 through March 2020. An
21 administrative extension was granted in
22 March 2021 and the Commission subsequently
23 granted the extension through June of 2023.

24
25 DELEGATE MARSHALL: Jordan, speak a

1 little closer to the microphone.

2
3 MR. BUTLER: Okay. The performance
4 agreement required the company to employ 55
5 individuals with an average annual wage of
6 \$43,000.00 and provide new private taxable
7 assets of \$4.45M.

8 The grant was disbursed
9 pre-performance and a clawback will be due
10 if all performance metrics haven't been met.
11 Based on available data, the company has met
12 the promised level of capital investment,
13 delivering \$6.2M of capital investment --
14 which is well over the \$4.5M promised.

15 The company has struggled to
16 make the employment obligation and has so
17 far created 28 of the promised 55 jobs. It
18 should be noted that the company is paying
19 average annual wages well over those
20 required by the agreement.

21 The company has also fully
22 repaid a \$117,500.00 TROF loan that was
23 awarded alongside the grants. The company
24 notes that they have made and continue to
25 make significant efforts to hire new

1 employees. These efforts have included the
2 increase in the market value starting salary
3 by more than 40%. And the company has at
4 least 30 open positions that need to be
5 filled at the plant. And efforts to fill
6 those positions are ongoing.

7 Given their active hiring
8 investment, wages paid, full repayment of
9 the loan and the overall performance to
10 date, the company -- with the supported of
11 the county -- is requesting an extension to
12 include updated employment data that will
13 show that they met more, or all, of their
14 obligations under the grant agreement.

15 And allow efforts to meet
16 grant requirements to continue. I should
17 note that the last extension the Commission
18 granted on this award was intended to be
19 final.

20 However, as noted in the
21 letter from the locality -- which you can
22 see on the next page or so -- the locality
23 expects the company can meet the jobs goal
24 if a further extension is granted. And the
25 letters from the company and locality also

1 make it clear that the business is healthy,
2 has expanded several times, has fully repaid
3 its loan and has taken meaningful action to
4 improve hiring and was heavily impacted by
5 COVID.

6 And so for these reasons,
7 staff felt it reasonable to bring the
8 request before the Committee for
9 consideration. So staff would recommend a
10 final-final performance extension through
11 June 30th, 2024.

12
13 DELEGATE MARSHALL: Final-final?

14
15 MR. BUTLER: Yeah.

16
17 DELEGATE MARSHALL: Is anyone from
18 Greenville County or the Oran Safety Glass
19 here that would like to speak? Please come
20 forward. Welcome. Identify yourself,
21 please.

22
23 MS. SLATE: Good morning. My name
24 is Natalie Slate. I'm the director of
25 economic development for Greenville County.

1 OSG did want to be here as well, but they
2 had some of their owners and executives
3 flying in today and at the same time.

4 I do appreciate the staff's
5 recommendation to approve this. OSG is not
6 suffering from lack of business or a lack of
7 opportunity to hire people.

8 Greensville and rural part of
9 Virginia seems to be a little bit slower
10 recovering from the pandemic and having
11 people come back to work. And that's what
12 their struggle is.

13 They are advertising further
14 out from Greensville and Emporia into the
15 Petersburg and -- I know you don't want to
16 hear this -- North Carolina area to try to
17 get some of those positions filled.

18 And I do believe that they'll
19 be able to do it by the next deadline. The
20 final-final deadline.

21
22 DELEGATE MARSHALL: Okay. Thank
23 you. Any questions of -- no? No questions.
24 Okay, thank you. Okay, any questions of
25 Jordan? All right, what's your pleasure?

1 MR. PACE: Mr. Chairman, I'll make
2 a motion.

3
4 DELEGATE MARSHALL: Okay.

5
6 MR. PACE: I move that we -- the
7 Committee -- accept the staff recommendation
8 for -- for the final-final performance
9 extension through June 30th of 2024.

10
11 DELEGATE MARSHALL: Okay. Do I
12 have a second?

13
14 MR. RUFF: Second.

15
16 DELEGATE MARSHALL: Okay. I have a
17 motion and a second on the final-final. And
18 so all those in favor, say aye.

19
20 COMMITTEE MEMBERS: Aye.

21
22 DELEGATE MARSHALL: Opposed? Thank
23 you. All right. Next is --

24
25 MR. BUTLER: Next we've got Smyth

1 County Economic Development Authority. And
2 this is a[n] extension request for Smyth
3 County Machine and Fabrication. This is a
4 tobacco region opportunity fund grant for
5 \$200,000.00 that was awarded to Smyth County
6 and Smyth County Machine and Fabrication.

7 The performance period was
8 September 2018 through 20 -- September 2021.
9 An administrative extension was granted
10 through September 2022. And the Commission
11 subsequently granted an extension through
12 September 2023.

13 The performance agreement
14 required the company to employ 53
15 individuals with an average annual wage of
16 \$36,000.00, and provide new taxable assets
17 of \$4M. The grant was disbursed
18 pre-performance and a clawback will be due
19 if all performance metrics are not met.

20 Based on available data, the
21 company has met 63% of the promised level of
22 capital investment, delivering \$2.5M of
23 capital investment, has created 32 of the
24 promised 53 jobs. The company is paying
25 average annual wages above those required by

1 the agreement. The company sites supply
2 chain disruptions, inflation and the
3 challenging job market as reasons they have
4 struggled to meet the performance
5 requirements.

6 The company further notes the
7 recent purchases not yet included in the
8 data available to Commission staff -- I
9 believe it was a large piece of machinery --
10 will increase their performance related to
11 the capital investment goal.

12 Given the jobs created to
13 date, significant and continuing investment,
14 wages paid and the ongoing -- ongoing
15 efforts to meet the requirements of the
16 agreement, the company -- with the support
17 of the EDA -- is requesting an extension to
18 include updated data that will show that
19 they have met more of their obligations
20 under the agreement, and allow efforts to
21 fully satisfy their obligations to continue.

22 I believe in your books it
23 says, staff recommends that we're for making
24 performance extension through June. That
25 should be September, if you do want to give

1 them the full year extension.

2
3 DELEGATE MARSHALL: Okay. Anyone
4 from Smyth County here that would like to
5 address this? All right. Seeing none, any
6 questions of Jordan? Seeing none, what's
7 your pleasure?

8
9 MR. BLEVINS: Mr. Chairman, I move
10 that we approve the extension.

11
12 DELEGATE MARSHALL: All right. We
13 have a motion. Do I have a second?

14
15 MR. PACE: Second.

16
17 DELEGATE MARSHALL: We have a
18 second. So any discussion? Hearing none.
19 All those in favor, say aye.

20
21 COMMITTEE MEMBERS: Aye.

22
23 DELEGATE MARSHALL: Opposed? Thank
24 you. All right. So next is -- we're going
25 to have a presentation for a partnership

1 with Virginia Small Business Finance
2 Authority. And Joe --

3
4 MR. SHEARIN: Right here.

5
6 DELEGATE MARSHALL: Please come on
7 up and the podium is yours, sir.

8
9 MR. SHEARIN: Thank you. Good
10 morning, everyone. Good morning, I'm Joe
11 Shearin. I'm the executive director of the
12 Virginia Small Business Financing Authority.

13 We're -- we're an authority
14 that's under the Small Business and
15 Diversity Division under Commerce. And
16 we've been around since 1978.

17 Probably a lot of you never
18 heard of us because we've been a best-kept
19 secret in the state for years, I think. I
20 came on board last March. Secretary Merrick
21 convinced me to come out of retirement.

22 I'm a 41-year banking career.
23 Hadn't quite -- didn't quite stay as long as
24 Ed did. I think he told me 43 today. I got
25 41. I retired February 19th, 2020, right

1 before COVID with all these plans to travel,
2 right? Didn't get to travel. So I -- I got
3 bored. Started a consulting firm, started
4 helping smaller community banks and
5 Secretary Merrick convinced me last year to
6 come in and try to resurrect Virginia Small
7 Business Financing Department.

8 So I came in March of last
9 year. I've been working on that. And then
10 James and I are on the same committee, on
11 the same agency task force that we work
12 together, and started talking about how we
13 could partner together.

14 Because Virginia Small
15 Business Financing Authority, we're all
16 about financing because it's in our name.
17 And we help small businesses.

18 And we offer programs to
19 provide them -- non-profits, businesses,
20 economic development authorities, IDAs. And
21 we really are a conduit to help enhance
22 banks and make loans to small businesses.
23 That's what we do. And so -- that's not
24 right. Right there, there you go. That's
25 -- that's who we are. We're an authority.

1 We offer these programs via economic
2 development loan funds. We have a micro-
3 loan fund that's for \$150,000.00 or less for
4 small businesses. We do start-up's, which
5 banks don't like doing start-up businesses.
6 We'll do it. We work with small development
7 centers to do those.

8 And we have a child care
9 financing program, Department of Education
10 gave us a grant several years ago. We're
11 helping child care centers do things that
12 banks don't want to do, like playground
13 equipment and services under playground
14 equipment, fences, cribs, cots, computers.

15 We do that at a zero percent
16 financing because that's what the Department
17 of Education wanted. It wants the money on
18 the street more than it wants interest.

19 We have a loan guarantee
20 program, loan participation program and a
21 small business credit initiative. We were
22 just granted money that we're partnering
23 with VIPC on. It's a \$230M grant from the
24 U. S. Treasury. Over a 10-year period, we
25 have to get the money out to the small

1 businesses. So when you look at what we
2 really do -- okay, we can go to the next
3 one. This is -- I'll just give you some
4 quick figures to show you we know what we're
5 doing. And it's hard to see, but we've done
6 24 loans in 2020, in '21, 19.

7 And through 2023, which is
8 June -- remember our year end. We did 18
9 loans. I came in March. We've done -- we
10 did 12 loans from March to June. So you can
11 see the authority or the agency had really
12 been under-performing at that point.

13 We've done 11 through
14 November. I can tell you through year end,
15 we've done 22. We have a pipeline of 29
16 loans now with about another \$6M that we're
17 in the process -- actually, today we have a
18 board meeting.

19 We're going to approve a
20 really nice project in Petersburg for a \$2M
21 loan that the governor is really touting,
22 you know, prosperity for Petersburg. We're
23 helping with a hotel down there. Go on to
24 the next one. And here are our products.
25 I'm not going to ask you to look at those.

1 But this just shows the wide -- the products
2 we have and how we list them out for our
3 customers. Okay, do that. So during 2022,
4 we awarded more than \$6.7M in financing,
5 impacting nearly 20,000 in the Commonwealth.

6 We are really proud that
7 20,000 jobs are holding, but this is small
8 business lending. And getting jobs out of
9 the -- either job creation or job
10 continuance in the Commonwealth.

11 Okay. So this is a
12 partnership we're proposing. This is
13 something we've been working on for the last
14 couple of months. It's a loan product.

15 So what we're saying is a test
16 -- beta test. Give us \$10M in this
17 program out of -- I think you have allocated
18 \$50M program at this point.

19 With \$50M in this program,
20 we'll target small businesses, agribusiness,
21 energy, other organizations, IDAs, EDAs,
22 non-profits and anything else within this
23 market of the tobacco region. We're only
24 going to do this program in your region.
25 This is just going to -- and we can -- we

1 can separate it, we can keep it -- all
2 marketed in a separate program. So with
3 these funds, the -- much of it will reside
4 with you. We will -- all we want to do this
5 for you is 50 basis points. You set the
6 rate on the product.

7 We're going to go out and
8 originate them with you. We'll find the
9 products, but the rate will be set by you.
10 We're proposing, let's just say, a six
11 percent rate.

12 The Commission gets five and a
13 half, the VSBFA get 50 basis points for our
14 work. And we're going to service it --
15 we're doing everything for 50 basis points.

16 That basically covers our
17 costs, which indicates we're not trying to
18 make money on this. We're trying to cover
19 the expenses we have.

20 We're trying to be a good
21 neighbor and a good -- a good partner with
22 you. And the rates can differ depending on
23 the risk. Like if you're getting a --
24 really, as we talked today, you can get a
25 performance bond or you're getting a moral

1 obligation of the city or the county, you
2 might want a lower rate because there's less
3 risk involved than to a[n] institution. But
4 again, we will work with you to set those
5 rates.

6 We can suggest them, but we
7 will help you set. But we should always
8 keep them below commercial -- the commercial
9 rates today.

10 Like today, we're lending
11 money at five to five and a half percent on
12 our products. The market today is anywhere
13 -- at seven and a half to eight and a half,
14 I guess. Right?

15
16 COMMITTEE MEMBER: Or more.

17
18 MR. SHEARIN: Or more. Like the
19 hotel today, we're proposing a five percent
20 fixed rate. It makes it work in the real
21 world.

22 And again, one of the things
23 that the VSBFA -- we get no state-
24 appropriated funds. We stand alone. We
25 make our money through our interest income.

1 We make our money through lending money. We
2 make our money through bond fees. So we run
3 it like a little bank is what we're trying
4 to do. We don't compete with commercial
5 banks. We're their best friends.

6 We guarantee their loans. In
7 this program, we do the same thing. We look
8 at these deals that come in, we work with
9 banks to try to partner. A for instance is,
10 a manufacturing company needs \$1M loan.

11 The bank would do -- the
12 company puts in two percent, the bank would
13 put it -- would do a 50% loan to value. We
14 do a 40% loan to value in second position.
15 We help them. We make their loan better.

16 And that's what we would do
17 with this. Any deals we find, we work with
18 banks first. If they don't want to do it,
19 then we help. When they want to do it, we
20 can help them.

21 So it's a partnership we work
22 very closely with. Again, I said I've been
23 in banking 41 years. We don't want to
24 compete with them. We also work with credit
25 unions, it's not just banks. I know bankers

1 and credit unions don't get along --
2 especially the legislators understand that.
3 But we do now, we need to work with both.
4 I've had to come to the other side.

5 And so, one of the things we
6 would prohibit lending in, retail -- which
7 we all know this is not a really good,
8 strong area to be in today -- and any start-
9 up's in this fund.

10 But now, remember, we have a
11 start-up fund, so we might do some of that
12 if we find a deal that doesn't work in this
13 program. Okay. Here's the target market.

14 Of course, we wanted economic
15 development organizations for the private
16 sector and really create jobs in the market.
17 Agri-built -- business projects, those are
18 basically sourcing inputs in the tobacco
19 region. There are some examples there.

20 And energy projects, I know
21 that's a real big focus right now,
22 especially in Southside and Southern
23 Virginia. We really want to do ones with
24 public sector support and we can come in and
25 help them with that. And this is how it's

1 going to be done. Approval process, we're
2 going to review the loan. We're basically
3 going to source the loan. We'll take the
4 application, we'll meet with the customer.

5 We have relationship managers
6 throughout the state. We have one dedicated
7 out of Abingdon that would cover this
8 market. And she covers it now. But we
9 source the loan.

10 We'd analyze it, we'd get the
11 financial statements, we meet with the
12 customer. We get all the information. We
13 do everything. And then we come back with a
14 credit package to you and we communicate
15 with your staff.

16 And once all the issues --
17 we're going to recommend it. But even if we
18 recommend not doing the loan, we're going to
19 show it to you to say this -- this is the
20 loan.

21 These are the reasons we do
22 not recommend doing the loan. However, you
23 want to approve it? We'll do it. And --
24 but we're going to come back with a total
25 write-up on every credit we do. And it'll

1 be run through your staff. And the loan
2 committee -- once the committee, you'll go
3 through information -- the Incentives and
4 Loan Committee provide at least three
5 business days to review for you.

6 But once all the questions are
7 resolved, loans up to \$1M, director-
8 approved. Up to \$3M I&L Committee approved.
9 And then over \$3M, the full Commission.

10 So I -- we think we can get
11 this rolled out -- we can get it rolled out
12 as fast as you want. We really got to come
13 up with a memorandum which is pretty easy to
14 do. And we already have a credit policy
15 that we can share.

16 And the credit policy would be
17 the same, basically, because you want to --
18 we -- we have a credit policy on all our
19 underwritings. We probably want to do the
20 same one here.

21 But again, you can tweak it as
22 much as you want. So the essence -- okay,
23 we'll go on. The essence here is, this is
24 our contribution. We're going to promote
25 the program throughout your region and then

1 assist in underwriting, screening, assessing
2 the company's ability to repay. We can also
3 look at impact in your community, of what it
4 does for you. Should we do it, shouldn't we
5 do it? Should we make exceptions to it?

6 And again, as I said, we're
7 going to do all the analysis and
8 underwriting. And we're going to have a
9 quick turnaround and efficient loan
10 processing.

11 Right now, we have a
12 turnaround on any loan application that we
13 get a full package from a bank on -- we turn
14 it around in 48 hours for -- for a decision.

15 Now, this one might take a
16 little longer but we'll definitely do it in
17 less than five days. Because we believe --
18 we look at every credit on how do you make
19 it work, not how do you turn it down.

20 Because it's the impact on the
21 community we worry about. It's the job
22 creation, it's the retaining of jobs. Now,
23 we don't want to make bad loans. Because if
24 we make that, we're going to be out of
25 business. That's not our intent. We're

1 going to make good, sound loans. We're
2 going to be creative. We're going to look
3 at ways to make it work that some other ways
4 might not. And we'll take a little higher
5 risk because we can. We've got the funds.

6 We're not competing with banks
7 on deposits. We have our own money to lend.
8 And then with this, we'll have your money to
9 lend for you.

10 And then part of it -- we've
11 got 40 years of experience lending to small
12 businesses. And I've got an experienced
13 staff. I -- I've gone in and re-assessed
14 our organization, re-leveled people, changed
15 people's job descriptions.

16 I've brought in a -- brought
17 in a new chief credit officer who worked for
18 me for 12 years. My head of operations
19 worked for me for 12 years now in my
20 previous bank.

21 Very seasoned business
22 commercial lenders who know how to make
23 loans. We know how to make loans, we know
24 how to make profitable. We know how to make
25 good loans. And we've got 65-plus years --

1 combined years of commercial, small business
2 lending experience in all avenues of all
3 areas of commercial lending. Okay. So I
4 think, in conclusion, this partnership is
5 going to spur new investments, job creation.

6 It's going to have a focus on
7 economic development in your market,
8 agribusiness, energy sectors. We're going
9 to be able to leverage your funds in a
10 manner that you get it back.

11 Like today, I know you're
12 doing a lot of grants. At some point, you
13 keep giving money away, money's going to go
14 away. You're not going to have any left.

15 We're proposing that you let
16 us help you lend money so you get it back,
17 and you have a perpetual fund to continue
18 with -- like we've done at the VSBFA.

19 You know, we started out with
20 money for -- appropriated and granted, but
21 now we're not getting any more because we're
22 lending it out and getting it back. That's
23 the key when you lend money. It's hard
24 money. So if you bought or spend, you have
25 to pay it back. You have to make -- so I

1 think just a perpetual fund -- and you can
2 also use it with grant money. As we've
3 taught, a company might want \$100,000.00.
4 You might want to grant them \$50,000.00 and
5 lend them \$50,000.00.

6 Or you want to go into second
7 position, or you just want to lend them
8 money and not grant them anything. So it's
9 all kinds of things. Also, we might be able
10 to partner with you on some of these funds
11 of money we have.

12 Maybe you only want to do
13 #250,000.00. We might come in with another
14 \$250,000.00 to support you from one of our
15 funds. So it's just a joint effort.

16 It's really -- our whole
17 mission is to help you get jobs created in
18 your market and keep your -- your money safe
19 and rolling over and over and over. Coming
20 back to you in an interest rate and you
21 determine what it is.

22 And again, our fee is 50 basis
23 points and we charge an application fee, and
24 that's it. That covers our costs. No
25 hidden fees, no junk fees, none of the

1 things you read about in the paper, I
2 promise you. We don't have any of that in
3 the language. So with that, I'll -- I'll
4 open it up to any questions you might have.
5

6 DELEGATE MARSHALL: Well before you
7 open it up for questions, I want to ask
8 James to take -- offer some other things
9 that we have looked at.
10

11 MR. CAMPOS: So I came on board in
12 June, a year ago -- almost a -- I came on
13 board with the Commission a year ago, almost
14 to the day.

15 And the first meeting we had,
16 which was the winter session meeting, there
17 was talk about these loans that we had.
18 \$75M Virginia allocated. And about \$15M or
19 so had been already disbursed.

20 But there was a hold on this
21 because of concerns on some of the loans
22 that were made and the processes and the
23 lack of backbone that -- that the Tobacco
24 Commission actually had. So over a few
25 months, we were thinking about this and

1 maybe just distinguishing -- getting rid of
2 the loan program altogether, until I met
3 Joe. And Joe and I had some real good
4 conversations. And I said, Joe, there's
5 about \$50M left in this allocated fund.

6 And you really should be --
7 you're looking at providing monies to the
8 localities because of the current interest
9 rate. Well, we can do this for economic
10 development.

11 And currently, to the new
12 members, right now -- since 1999, we
13 received about 2.4% of the money we have in
14 -- in our coffers.

15 2.4%, which is a -- not -- not
16 significant enough, you know, to -- to keep
17 our operations rolling for the long term.

18 And as -- as Joe mentioned, as we give
19 grants away, one day the money will be
20 depleted and there will be nothing left.

21 So Joe and I got together and
22 had some really good conversations about,
23 you know, the current landscape, the
24 interest rates and how they will maintain a
25 certain level. And how it would be very

1 difficult for businesses and new businesses
2 that want to come into localities to
3 actually get loans qualified. To be able to
4 start businesses in some cases. But also,
5 just to spur the economic development we
6 need in the region.

7 Had very good, long
8 conversations on this and got together with
9 -- with our staff and we reviewed it. Got
10 together with Secretary Caren Merrick and
11 reviewed it with her.

12 Because at first, we had some
13 concerns about the loan program overall.
14 But this avenue, this -- this mechanism
15 allows -- provides assurances. And it gives
16 us the backbone that the Tobacco Commission
17 just didn't have at these levels.

18 Now we have it through Joe's
19 operation. And we feel confident that this
20 could be a very good program for -- for both
21 the Southside and Southwest moving forward.

22 So I -- I hope that you
23 appreciate and consider this. And I also
24 want to give it to Stephen for some words of
25 wisdom.

1 MR. VERSEN: I don't know about
2 wisdom. I can tell you how -- how many
3 discussions we had. It -- why we're so
4 excited about this partnership.

5 In my previous career or time
6 at the Virginia Department of Agriculture
7 doing that kind of development work and in
8 the time I've been here, we see a need for
9 this type of thinking.

10 There are good projects that
11 -- with companies that need to expand for a
12 number of reasons. This don't fit well with
13 their commercial lender. And there's
14 another avenue to support that.

15 And we -- we want to be able
16 to do that. One of the -- I've been on a
17 tour of Southwest Virginia soon after coming
18 here and met with a meat processor in
19 Southwest.

20 They cannot keep up with the
21 demand. But one of their biggest challenges
22 is working capital. They buy beef from
23 farmers who want to be paid right then. And
24 they sell it to people who will pay, but not
25 for 90 to 120 days. And they're growing as

1 fast as they can. They're -- they're maxed
2 out. And so a program like this can have a
3 real impact on the bottom line of our
4 producers in addition to these companies.

5 We also see needs with
6 economic development entities. IDA wants to
7 build a shell building with a tenant not yet
8 identified. That's not a good fit for a
9 commercial lender, but it's a great fit for
10 us.

11 And when we can loan our funds
12 out at above the 2.4% we've -- our historic
13 return to a lender that we know is going to
14 pay us back, and above that rate, we're
15 helping them and we're helping ourselves.

16 And we are so lucky to have
17 Joe's leadership at VSBFA to bring that
18 private sector efficient production mind set
19 to the -- that organization that -- we can
20 do this work.

21 We can do it quickly, we can
22 do it efficiently. We've worked with
23 Virginia Resource Authority and -- and had
24 good experience with them. But that entity
25 is not well set up to do small business

1 lending, which VSBFA is. So we are excited
2 about the impact we can have with this.
3 We're excited about what we can do for the
4 financial position of the Commission over
5 time.

6 And there's a lot of good
7 things can come from it. And lastly, VSBFA
8 has tremendous lending credit policies, loan
9 underwriting experience.

10 What has been the kind of loan
11 loss charge-off percentage of VSBFA over
12 time and how that compares with commercial
13 lenders.

14
15 MR. SHEARIN: Our total loan loss
16 -- we looked at -- looked at that because we
17 -- we reserve money against our loans the
18 way banks do. So we started looking at that
19 about three-four months ago.

20 No one really knew until three
21 or four months ago. Our losses have been
22 less than two percent. Historically, banks
23 are anywhere from two to four percent -- now
24 I remember all the cycles we've been through
25 since 1978, we -- we weathered those pretty

1 well. A lot of our loans are guaranteed.
2 We guarantee the banks' loans. The banks
3 are -- it's a loss share guarantee. So we
4 don't pay out unless the bank loses money.

5 So our -- our loss ratios are
6 really strong. Now, part of this, we were
7 too tight on credit. In theory, when you're
8 looking in an agency like ours, SBA loss
9 ratio was probably up in five to six
10 percent.

11 Ours probably would be a
12 little more. We've been too tight on
13 credit. And that's why I say, we don't want
14 to make bad loans. But you're -- you're
15 taking a higher risk. That's why you're --
16 we're doing what we do.

17
18 MR. CAMPOS: And I want to add on
19 that. You know, obviously Joe mentioned it.
20 But there is a risk, these are loans as we
21 all know.

22 We want to limit the risks and
23 we think that with his operation, we can.
24 But again, originally, we did not have a
25 backbone as back up. And now through's

1 Joe's organization, we do. And I know Joe
2 -- go ahead.

3
4 MR. SHEARIN: We can tighten it up
5 as much as you want to be risk free. We can
6 -- we can get the risk parameters set with
7 your -- your Committee or whoever you're
8 going to put in charge.

9 We can open and close that any
10 time you want. That's very easy to do from
11 a commercial lending standpoint. We will
12 not recommend going too far because we don't
13 think that's prudent for you.

14 But there could be some that
15 you want to take a little higher risk,
16 charge a little higher rate to do it. But I
17 think a lot of it has to be with --
18 remember, this is something we're -- we're
19 going to do with you.

20 Any time you don't like it,
21 it's not -- I guarantee you, we're not going
22 to continue this program if it isn't
23 working. And it's not a money back
24 guarantee. I can't do that. But I can --
25 we can stop at any time if it's not working.

1 Or we can turn it up higher. We can turn
2 the volume up.

3
4 MR. CAMPOS: What's proposed is
5 this, it's a \$10M beta test of sorts to see
6 how this works, and -- and then continue
7 from that point. Because as mentioned
8 earlier, we have \$50M that -- that's
9 allocated in that -- in that pool of money.

10 But just again, to -- to
11 emphasize, 2.4% is what we received
12 historically since 1999. This will decrease
13 that obviously. Perhaps two or three times,
14 but still be lower than current market
15 rates.

16 And still allow these
17 businesses to actually get these loans that
18 they really need, and the supply to economic
19 development really need for the region.

20 So this is an important tool,
21 another arrow for the quiver -- so to
22 speak -- that that will provide. So this is
23 something that's -- we've been looking
24 forward to presenting. So I thank you, Joe,
25 for this. And -- and please, if you have

1 any questions -- especially for the new
2 members -- Joe is here to answer them.

3
4 (At this time, Mr. Kilgore entered the
5 Committee meeting.)

6
7 DELEGATE MARSHALL: Senator Ruff
8 has a question.

9
10 SENATOR RUFF: Joe, hi. A couple
11 if you don't mind. Yesterday, we heard a
12 great presentation from a couple of
13 communities for a co-op. Has staff talked
14 to you about that?

15
16 MR. SHEARIN: Yes, we had a
17 discussion about the co-op.

18
19 SENATOR RUFF: What -- give us, off
20 the top, your thoughts about that.

21
22 MR. SHEARIN: My -- now I don't
23 know enough about it yet to give you any --
24 much indication. But the theory of what I'm
25 hearing is something we ought to be able to

1 support. I think we could find the funding
2 through something like this, as well as -- I
3 think if we -- the other thing, if we can
4 put the funds together, we might be able to
5 find banks to come in to help as well.
6 Because eventually, this co-op needs a bank
7 for their long term needs.

8 Initially, they're going to
9 need a jolt from maybe both our agencies to
10 get it up and going. It might be a joint
11 venture. It could be the first one we do as
12 a joint venture.

13 We throw some money in, you
14 throw some money in. But I think it's got a
15 huge potential. And I think if we go in
16 with some money, I know the bank might come
17 in and help as well.

18
19 SENATOR RUFF: Thank you,
20 Mr. Chair. And that's -- that's the real
21 world compensation.

22
23 MR. SHEARIN: Right. And the other
24 thing, you can -- if you want, you can
25 charge loan fees, closing fees. We don't

1 charge any of that. We basically charge an
2 application fee because what we run into at
3 SBA, they charge exorbitant fees sometimes.
4 We just -- we're paying off a loan to this
5 hotel for a C-PACE loan. They got a five
6 percent repayment that went through review.

7 So they had like a \$500,000.00
8 initiation fee. We don't charge that.
9 We're trying to make it easier for people to
10 get money. We want them to pay us back, but
11 we want to make the process easy.

12
13 DELEGATE MARSHALL: So I have a
14 question of James. James, if you will --
15 you know, we talked about this objective.
16 If you would, explain the mechanics of how
17 this is going to work, how the loan -- if
18 someone would come to us, how that would --
19 how that would -- the process going with
20 that loan application all the way through.
21 And what this Committee's role would be.

22
23 MR. VERSEN: Let me field that one.
24 We presented this to the Executive
25 Committee. One of the questions brought up

1 was how can the Commission and the Committee
2 have oversight into every loan that comes
3 through. And what we presented to folks is
4 a process very similar to how the Commission
5 -- the Committee reviews TROF awards.

6 Where as soon as we have
7 gotten a loan opportunity presented to us by
8 the SBFA, we'll share that opportunity --
9 all the information that's appropriate to
10 share, we'll share that with the Committee
11 and give them at least three business days
12 to review and get back to us with any
13 questions.

14 And once all those question
15 are resolved, then we'll move forward with
16 approving it. The way TROF is set up is
17 that awards up to \$1M will be approved
18 in-house by the Executive Director.

19 Awards up to \$3M will need to
20 be approved by this Committee. And awards
21 over \$3M would need to be approved by the
22 full Commission. And we proposed a similar
23 plan for this program. So this Committee
24 would see every loan before it was approved.
25

1 MR. SHEARIN: And also -- I think
2 in addition to that, you'd also see all the
3 loans we didn't do. We -- if we turn one
4 down -- if we get an application and process
5 it and give it to you where we -- we
6 recommend turning the loan down, you still
7 should see that. Because this committee
8 might want to override it.

9
10 MR. CAMPOS: This would be a
11 completely transparent process, in which we
12 bring to the Committee for this specially.
13 But we do plan to be always in communication
14 with -- with the Commission members for any
15 of these loans.

16
17 DELEGATE MARSHALL: Just as a
18 [indiscernible], you know, on TROF, we
19 actually don't see Company ABC. There is a
20 code name there.

21 So I would suggest that we do
22 the same thing so we don't get, you know,
23 company information out. So that we don't
24 -- the -- actually, the company's name that
25 we're dealing with, it might be a little

1 uncomfortable at times to -- to report it.
2 Ed, you have a question?

3
4 MR. BLEVINS: Yes, Mr. Chairman. I
5 -- you know, I think one of the things that
6 -- that caused the -- a little bit of a
7 roadblock that James alluded to with our
8 lending program initially -- at least for me
9 -- is I -- I've struggled with finding a
10 level of confidence in the underwriting
11 process, the maintenance of collateral,
12 knowing what our length positions were.

13 And I -- I think this is
14 probably an opportunity for us to get way
15 more done with that. And I think if we move
16 forward with this, we're -- we're basically
17 putting our full faith in their ability to
18 maintain the collateral, closing documents,
19 length positions, repayment capacity.

20 All the things that we weren't
21 able to look at before. So I -- you know, I
22 think that's another thing. But the piece
23 of this that we would basically be putting
24 our full faith in you to bond to those
25 things.

1 MR. SHEARIN: I'm not sure I want
2 that any more.

3
4 MR. BLEVINS: I mean, ultimately,
5 I think that's -- for me, that's probably
6 the biggest thing, really.

7
8 MR. SHEARIN: And that's how we're
9 set up. Because you know, that's -- we're
10 set up like a little small community bank
11 and we run it that way.

12 Now, the good part is we are
13 going to have the capacity -- we couldn't
14 have done this six or eight months ago.
15 We're putting a new loan system in. So we
16 got the capacity.

17 We want to put more and more
18 volume in it. It's got so much capacity, we
19 need to -- we need to keep that thing
20 fueled. And so this just helps us.

21 But yeah, we've got all those
22 -- we got all the compliance issues, we've
23 got all the credit underwriting. We've got
24 all the document coverages just like a bank.

1 DELEGATE MARSHALL: All right. So
2 do we have any other questions or comments?

3
4 MR. SHELTON: Mr. Chairman.

5
6 DELEGATE MARSHALL: Yes.

7
8 MR. SHELTON: I know I'm not on the
9 subcommittee, but I do have a question.
10 Would localities be required to sign moral
11 obligations on those loans?

12
13 MR. SHEARIN: That would be totally
14 up to the -- the project. Some of it, we
15 would -- if it's a weak project, yes. We
16 would require a moral obligation.

17 We do that now in our IDA
18 deals. But some of them stand alone and we
19 don't. Like we just did one a couple of
20 months ago. I think it might be -- I think
21 it was Danville.

22 We did the racking system for
23 a manufacturing facility. We didn't have --
24 we -- that's just a stand-alone for the
25 company.

1 MR. SHELTON: Thank you.

2
3 MR. SHEARIN: So it kind of depends
4 on -- it all comes back to the credit and
5 the credit underwriting.

6
7 DELEGATE MOREFIELD: Mr. Chairman,
8 I have a question.

9
10 DELEGATE MARSHALL: Yes.

11
12 DELEGATE MOREFIELD: Could
13 localities -- I know this would operate
14 different from the way that SJ traditionally
15 operates. But under this program, could
16 localities apply for, let's say,
17 infrastructure funding?

18 The reason I say that is
19 because, you know, we -- we just recently
20 created the Ready Business site program in
21 Virginia.

22 And the Secretary of Finance
23 told us that the program was very popular.
24 It's over subscribed. We have additional
25 funding to increase that program -- the

1 funding in that program. During this --
2 this upcoming General Assembly session, one
3 of the challenges that we have -- we have
4 very few -- in fact, we have almost no ready
5 built sites, at least in the district -- in
6 the coal fields area that I represent.

7 And so you -- you can imagine
8 just a 50-acre or 100-acre pad, it may cost
9 five to 10 times more to develop that site
10 because you're literally moving an entire
11 mountain.

12 And unfortunately, I think the
13 way that the Ready Site funding program is
14 structured will not be as effective in
15 Southwest Virginia as we would like it to be
16 because only new projects qualify.

17 So we have, for example,
18 dozens of vacant industrial parks that were
19 built in the '60's, '70's and '80's all over
20 the district that I represent.

21 But many of those areas
22 wouldn't qualify for the Ready Site funding.
23 And so when we have prospects that are
24 looking for the area, they need water
25 infrastructure, sewer infrastructure. They

1 need natural gas infrastructure. And so I
2 -- if we can tweak this program to allow
3 localities to apply for infrastructure
4 funding, that would really put a significant
5 boost in giving them the ability to attract
6 new business in those areas.

7
8 DELEGATE MARSHALL: Delegate
9 Morefield, so the page is blank right now.
10 We may can do as broad or as narrow as we
11 want to.

12
13 MR. SHEARIN: We have -- we have
14 the experience in underwriting those exact
15 projects all over Virginia, North Carolina,
16 Maryland. So we've done it with my chief
17 credit officer and I.

18 We know how to do those. We
19 know how to do lines of credit, we know how
20 to do infrastructure advances. So yeah, if
21 that's what you -- again, it's your program.

22 We play by the parameters you
23 give us to play with. So if that's what you
24 want to do, absolutely, we can do that. We
25 can monitor it, we can track it. We can get

1 a partner bank out there to maybe go in with
2 us. That would be our first goal. Because
3 that gets the community together to monitor
4 it.

5
6 DELEGATE MARSHALL: And so that's
7 the moral obligation. One of the things the
8 three of us talked about today is that -- is
9 we don't look at performance bonds, that
10 maybe we can look at as a fact commission --
11 that we contract with a company to do
12 performance bonds. Of course, it would be
13 -- they could do a credit rating. And so
14 then they could --

15
16 (At this time, Secretary Merrick joined the
17 meeting.)

18
19 DELEGATE MARSHALL: -- do a
20 performance bond, too. Because I know --
21 for example, back a decade or more ago, had
22 too many TROFs. And you know, they had to
23 pay all those back. If we had a performance
24 bond, then we could've been better -- all
25 right. Any other questions?

1 MR. PACE: Mr. Chairman --

2
3 DELEGATE MARSHALL: Yes.

4
5 MR. PACE: -- just one comment. I
6 want to make a suggestion to the
7 subcommittee and full Commission as we move
8 forward in creating this program that we --
9 we -- we have a list of certain criteria and
10 standards that have to be met with this
11 program.

12 But I would like for us to
13 leave it open-ended and give the staff and
14 the Commission the discretion, as we move
15 along with this program, to -- to give us
16 the flexibility in what we can do and what
17 we can't do.

18 Because too often, as we see
19 in -- in statute with a lot of these
20 economic development programs, we limit
21 ourselves before we even start the program.
22 So I would suggest that we do that.

23
24 DELEGATE MARSHALL: So I think what
25 we would do -- you already said -- you know,

1 James and I talked, we will probably have to
2 have a subcommittee of this group to -- to
3 kind of put some things on paper of what we
4 want to do and how we want to do it. What
5 kind of rate we want, etcetera, etcetera.
6 So --

7
8 MR. SHEARIN: Well, the rate can be
9 set at each deal if you want, too. You can
10 give us parameters and then when we come for
11 approval, you can separate each document.

12
13 SECRETARY MERRICK: Mr. Chair.

14
15 DELEGATE MARSHALL: Yes. Yes,
16 Secretary.

17
18 SECRETARY MERRICK: Thank you,
19 Mr. Chair, and vice-chair. And thank you,
20 Joe Shearin, for your willingness to be a
21 partner.

22 I -- I want to encourage us to
23 move forward with this. This is an
24 opportunity for the Commission to build on
25 some institutional knowledge in this space

1 and lessons learned. But with an expert
2 with -- who are set up to do this. I also
3 -- to -- you and I are aligned on the
4 thinking that we should be very strategic
5 about this. What is the -- what are the
6 ideal types of projects that we should be
7 funding, and go out on the road and promote
8 them.

9 Promote them through our
10 partnership network, promote them through
11 the media. Promote them with -- with case
12 studies once the program gets rolling.
13 Because we don't want to be in a position of
14 just being -- having a catcher's mitt.

15 We want to say, what does this
16 region need most and what -- what would be
17 ideal, and then go out and chase those
18 things down.

19 And also, it sends -- it sends
20 the right parties and partners to come in
21 and take advantage of this. Because we all
22 know every type of organization, whether
23 it's a business or -- or a county or -- or
24 entity, needs capital. And so, I'm really
25 energized by this idea. And I know the

1 Commission has done work to -- to reinforce
2 the agricultural focus of the past, but also
3 to move into the energy sector. And just
4 think strategically about what are the
5 sectors and what are the areas that are
6 really going to build up our region. And
7 I'd might say, including tourism and maybe
8 [inaudible]. Thank you.

9
10 DELEGATE MARSHALL: So one of the
11 things we did back in TROF days is that we
12 kind of specialized in what we call -- or
13 what the Secretary was talking about. For
14 example, we didn't do fast food restaurants.

15 Fast food restaurants are
16 good, but we didn't do those. And so we'll
17 be looking for is manufacturing and
18 etcetera. And so at least we'd have a
19 starting point to do more.

20
21 MR. SHEARIN: Right. Yeah, we can
22 work with the staff to get that done easily.

23
24 DELEGATE MARSHALL: Any other
25 questions or comments --

1 MR. BLEVINS: Mr. Chairman --

2
3 DELEGATE MARSHALL: Yes.

4
5 MR. BLEVINS: -- I have one other
6 question. One thing that I -- I'd like to
7 have some discussion on is -- many, many
8 times we have opportunities at the
9 Commission that are start-up's.

10 And one of the biggest needs
11 of a lot of those start-up operations, as
12 Stephen mentioned, is working capital. Do
13 we have the -- any ability to affect our
14 lending guidelines regarding start-up
15 operations?

16
17 MR. SHEARIN: Yes, we can. It was
18 one of our discussions. It was not one of
19 the things we want to do with the money. We
20 do that at the VSBFA. We have a start-up --
21 our micro-loan program does start-up's.

22 Now, we make them do certain
23 things or we require it, like business
24 plans. We send them to the -- you know, the
25 small business development centers to help

1 originate that. We get them all the
2 certifications through our agency that they
3 need -- SWaM certifications, any of those
4 things. So we -- we can -- we've got the
5 ability and we have the expertise to do
6 start-up's.

7 It's just one of the things
8 that we talked about we didn't want to do.
9 If that's what you want to do, we can do
10 them. Now, we're going to underwrite them
11 tighter.

12
13 DELEGATE MARSHALL: Right.

14
15 MR. SHEARIN: But we can get it
16 done. We have the expertise to do it.
17 We're doing them now.

18
19 DELEGATE MARSHALL: So Joe, if I --
20 correct me if I'm wrong. So if a -- if a
21 company comes to you and needs that start-up
22 capital, that can be something that maybe
23 this group here -- if the Tobacco Commission
24 doesn't do, but your group can do it.

1 MR. SHEARIN: We can do it.

2
3 DELEGATE MARSHALL: You can do it.

4
5 MR. SHEARIN: We do it up to
6 \$150,000.00. We limit it because we only
7 have so many funds. So we don't want to --
8 we don't want to use all our funds up on
9 three or four projects.

10 We do it up to \$150,000.00 in
11 start-up's. Now, we did not have that
12 program before I came. They did not do
13 start-up's, which was amazing to me.

14 Because if it's two years with two years
15 track record, the bank will do that loan.

16 But we could expand it to that
17 end if you want it, if that was the design.
18 And you can do it as an exception, too. You
19 can -- you can bring it in as an exception
20 to policy.

21
22 DELEGATE MARSHALL: Questions and
23 thoughts? Okay. It's time for a motion,
24 please.

1 SENATOR RUFF: Mr. Chairman, I
2 would move that we set aside \$10M to get
3 this going. And -- I guess that's it.

4
5 DELEGATE MARSHALL: All right. Do
6 I have a second?

7
8 MR. PACE: I'll second it,
9 Mr. Chairman. I don't know if it's
10 non-debatable. But I was going to make a
11 suggestion that maybe we -- we set it at
12 \$10M.

13 But in the event the program,
14 such as Ready Business Site, is immensely
15 successful and over-subscribed, the -- the
16 Commission would still have the discretion
17 to increase that amount.

18
19 DELEGATE MARSHALL: We would come
20 back. I mean, you know, we set a budget in
21 -- you know, in June and maybe for the next
22 -- so we can do that. But again, you know,
23 just like Joe said, is that a budget come
24 forward that might not fit our criteria, but
25 they still could fund it. All right, any

1 other discussion?

2
3 SENATOR RUFF: One question. Would
4 we move \$10M to Joe's account or would we do
5 it project by project?

6
7 MR. CAMPOS: Project by project.

8
9 SENATOR RUFF: Okay.

10
11 MR. SHEARIN: We just let you fund
12 it.

13
14 DELEGATE MARSHALL: Okay. Any
15 other questions?

16
17 MS. MERRICK: Yes, sir, thank you,
18 Mr. Chairman. Joe, is there -- I missed --
19 I was listening on my phone on the way in
20 between meetings. Is there -- how are you
21 all -- how's your team compensated for this?

22
23 MR. SHEARIN: We charge 50 basis
24 points.

1 SECRETARY MERRICK: Okay.

2
3 MR. SHEARIN: Whatever the rate is,
4 we're going to -- we're going to knock off
5 50 basis points each one. That's all --
6 that's our -- and we'll charge an
7 application fee. I think it's \$250.00. So
8 yeah, we're just -- as I said, we're just
9 trying to cover our costs.

10
11 DELEGATE MARSHALL: And so we --

12
13 MR. SHEARIN: And make --

14
15 DELEGATE MARSHALL: -- we determine
16 what that rate should be.

17
18 MR. SHEARIN: You determine the
19 rate. We're just -- just know, whatever you
20 set, we get 50 basis points. Because we
21 getting the payments, we're getting our
22 money first.

23
24 DELEGATE MARSHALL: So is staff
25 going to recommend to us what the rates will

1 be?

2
3 MR. CAMPOS: Yes. Staff will --
4 staff will recommend the rate based on the
5 recommendation of VSBFA. Our goal is for
6 this program to earn -- the loans to earn at
7 least five percent per year, inclusive of
8 any known losses.

9
10 MR. BLEVINS: Mr. Chairman, I would
11 think and would suggest -- wouldn't the rate
12 have to follow the market?

13
14 MR. CAMPOS: Oh, absolutely.

15
16 MR. SHEARIN: It should be below.
17 I keep it below the market.

18
19 MR. BLEVINS: Well, I mean it would
20 --

21
22 MR. SHEARIN: It's good sense.

23
24 MR. BLEVINS: -- based on the
25 market.

1 MR. SHEARIN: Yeah, that's what
2 we're doing. We're anticipating a fed
3 reduction. We just dropped ours in
4 anticipation of that.

5
6 DELEGATE MARSHALL: Yeah, and we
7 can vary that. If we had a, you know, a
8 really stellar project that we really wanted
9 to -- like to have a project that we talked
10 about yesterday.

11
12 MR. SHEARIN: Right.

13
14 DELEGATE MARSHALL: All right. Any
15 other questions?

16
17 MR. PACE: Mr. Chairman, I have one
18 question.

19
20 DELEGATE MARSHALL: Please.

21
22 MR. PACE: The Tobacco Commission
23 staff are going to vet the project
24 applications. Who's going to vet the
25 project applications? What if the loan does

1 not come to close? Who's going to pay for
2 their services?

3
4 MR. SHEARIN: Oh. If the loan
5 doesn't close, we don't get any money.

6
7 MR. PACE: Okay.

8
9 MR. SHEARIN: We only get paid if
10 they make it -- if -- again, if they don't
11 make any payments, we don't get paid,
12 either. So we only get paid once they make
13 a payment. We take that -- we take that
14 straight off each -- each payment that comes
15 in.

16
17 DELEGATE MARSHALL: Any other
18 questions?

19
20 MR. BLEVINS: Mr. Chairman, I -- I
21 hate to bother you with questions. But on
22 the loan guarantee aspect of it, what --
23 what percent -- does your percentage
24 guarantee vary? Or is it a --

25

1 MR. SHEARIN: Yes.

2
3 MR. BLEVINS: -- 75%?

4
5 MR. SHEARIN: We do -- on our loan
6 guarantee program, we do 75% up to a maximum
7 \$1M. And we'll do less. We'll do 50, 40 --
8 it depends on what the bank wants. The bank
9 requests what they want from us.

10 And then we do another -- once
11 we get a package from a bank, we underwrite
12 it again. We do all the analysis to make
13 sure -- it's not that we don't trust
14 bankers. But we verify.

15
16 MR. BLEVINS: Thank you.

17
18 DELEGATE MARSHALL: Trust but
19 verify. All right, so any other questions,
20 thoughts? Ready to vote? All those in
21 favor of the -- Frank's motion, say aye.

22
23 COMMITTEE MEMBERS: Aye.

24
25 DELEGATE MARSHALL: Opposed? Thank

1 you. Thank you.

2
3 MR. SHEARIN: Thank you. Thanks,
4 everybody.

5
6 DELEGATE MARSHALL: All right. So
7 next is the closed session. Is that part of
8 this still?

9
10 MR. PACE: Mr. Chairman?

11
12 DELEGATE MARSHALL: Yes.

13
14 MR. PACE: I move that we enter
15 closed session in accordance with the
16 Virginia Freedom of Information Act. The
17 purpose of this closed session is to discuss
18 a perspective business or industry or an
19 expansion of an existing business or
20 industry where no previous announcement has
21 been made of the business or industry's
22 interest in locating or expanding its
23 facilities in the community. The subject of
24 this closed session is for discussion of
25 potential Tobacco Region Opportunity Fund

1 incentive and a potential loan for Project
2 Produce. The applicable exception for the
3 opening of meeting requirements under the
4 Freedom of Information Act is Title 2.2,
5 Section 3711, Paragraph A, Subparagraph 39.

6
7 DELEGATE MARSHALL: Do I have a
8 second?

9
10 SENATOR RUFF: Second.

11
12 DELEGATE MARSHALL: All right. We
13 have a motion and a second. All those in
14 favor, say aye.

15
16 COMMITTEE MEMBERS: Aye.

17
18 DELEGATE MARSHALL: Opposed? So
19 everyone who's not a Commission member needs
20 to exit.

21
22 (The Loans and Incentives Committee went
23 into closed session at 9:52 a.m., and resumed at
24 10:46 a.m. Committee business resumed as follows:)

1 MR. PACE: Mr. Chairman?

2
3 DELEGATE MARSHALL: Yes, sir.

4
5 MR. PACE: I move that we vote and
6 record our certification that to the best of
7 each member's knowledge, only public
8 business matters lawfully exempted from the
9 open meeting requirements under this
10 Chapter, and only such public business
11 matters as were identified in the motion by
12 which the closed meeting was convened were
13 heard, discussed or considered in the closed
14 meeting.

15
16 DELEGATE MARSHALL: Do I have a
17 second?

18
19 SENATOR RUFF: Second.

20
21 MR. MARSHALL: All right. We
22 suspect -- we have to a roll call, though.

23
24 STAFF MEMBER: Yes, sir.

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DELEGATE MARSHALL: All right.
We'll get everybody in and we'll call the
roll. Do you have it? This is a new thing
in your job description.

STAFF MEMBER: Yes, sir. Delegate
Kilgore.

DELEGATE KILGORE: Yes.

STAFF MEMBER: Mr. Blevins.

MR. BLEVINS: Yes.

STAFF MEMBER: Ms. Clark.

MS. CLARK: Yes.

STAFF MEMBER: Jason Powell.

MR. POWELL: Yes.

STAFF MEMBER: Secretary Merrick.

SECRETARY MERRICK: Yes.

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STAFF MEMBER: Senator Morrisey.
Mr. Pace.

MR. PACE: Yes.

STAFF MEMBER: Senator Ruff.

SENATOR RUFF: Yes.

STAFF MEMBER: And Chairman
Marshall.

DELEGATE MARSHALL: Yes. Okay.
So, other business. I don't think we have
any. So then -- we're a little bit behind.
So we stand adjourned.

(The Loans and Incentives Committee meeting
concluded at 10:48 a.m.)

CERTIFICATE OF COURT REPORTER

I, Debroah Carter, hereby certify that I was the Court Reporter at the INCENTIVES AND LOANS COMMITTEE MEETING, heard in Richmond, Virginia, on January 9th, 2024, at the time of the Incentives and Loans Committee meeting herein.

I further certify that the foregoing transcript is a true and accurate record of the testimony and other incidents of the Incentives and Loans Committee meeting herein.

Given under my hand this 17th day of January, 2024.



Debroah Carter, CMRS, CCR
Virginia Certified
Court Reporter

My certification expires June 30, 2024.