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**ANNUAL
REPORT**

*Developing a Diverse Economy
in Southern and Southwest Virginia*

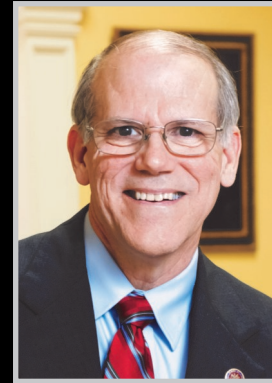


"The close of fiscal year 2016 marks the Commission's 17th year of promoting economic growth in the Commonwealth's most challenging economic region. On behalf of the Commission, I am pleased to report our progress to you in this Annual Report and hope you will be impressed by our substantial impact described throughout."

Delegate and Tobacco Commission Chairman Terry G. Kilgore

"The Commission's efforts to revitalize tobacco communities have taken many forms, as you will see in the pages that follow. On behalf of the Commission, I am grateful for your continued support of our mission and look forward to another year of partnership with you in bringing renewed prosperity to thousands of households in this area of the Commonwealth that we are privileged to serve."

Senator and Tobacco Commission Vice-Chairman Frank M. Ruff



House of Delegates Members

The Honorable Kathy J. Byron	Lynchburg
The Honorable James E. Edmunds, II	Halifax
The Honorable Daniel W. Marshall, III	Danville
The Honorable Will Morefield	Tazewell
The Honorable Thomas C. Wright, Jr.	Victoria

Senate Members

The Honorable Charles W. Carrico, Sr.	Galax
The Honorable A. Benton Chafin, Jr.	Lebanon
The Honorable William Stanley, Jr.	Moneta

Secretary of Commerce and Trade

The Honorable Todd P. Haymore	Richmond
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Secretary of Finance

The Honorable Richard D. Brown	Richmond
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Secretary of Agriculture and Forestry

The Honorable Basil Gooden	Richmond
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Active Farmers/Tobacco Producers

Mr. John Holland	Boones Mill
Mr. Robert Mills, Jr.	Callands
Mr. H. Ronnie Montgomery	Jonesville
Mr. Cecil E. Shell	Kenbridge
Mr. Richard L. Sutherland	Elk Creek

Virginia Farm Bureau Federation Representative

Mr. Robert Spiers	Stony Creek
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Citizens

Ms. Gayle Barts	Sutherlin
Mr. John R. Cannon	South Boston
Ms. Becky Coleman	Gate City
Ms. Melissa "Missy" Neff Gould	Danville
The Honorable Franklin D. Harris	Amelia
Ms. Cathy Lowe	Abingdon
The Honorable Donald Merricks	Chatham
Mr. A. Dale Moore	Altavista
The Honorable Edward Owens	South Boston

The Year in Review

The Tobacco Commission saw a number of changes over the past year including a new strategic plan, updates to the Tobacco Region Opportunity Fund program, and additions to the staff. Overall, it was a positive year that saw the Commission continue to adapt to better serve the Tobacco Region.

New Strategic Plan Adopted

In May the Commission adopted a new strategic plan to guide us as we strive to develop a diverse economy in Southern and Southwest Virginia. The plan covers all aspects of Commission operations and includes a list of key funding priorities that we believe are the best types of investment to serve the needs of the region.

In order of priority those areas are:

Education and Workforce Development, Economic Development and Entrepreneurship, Infrastructure, Access to Quality and Specialty Healthcare, Community Assets and Opportunities, Leadership and Community Capacity.

Tobacco Region Opportunity Fund (TROF) Updates

The TROF program was updated to make it easier for smaller projects to receive grants and to allow for larger awards than in the past in some cases. Changes include:

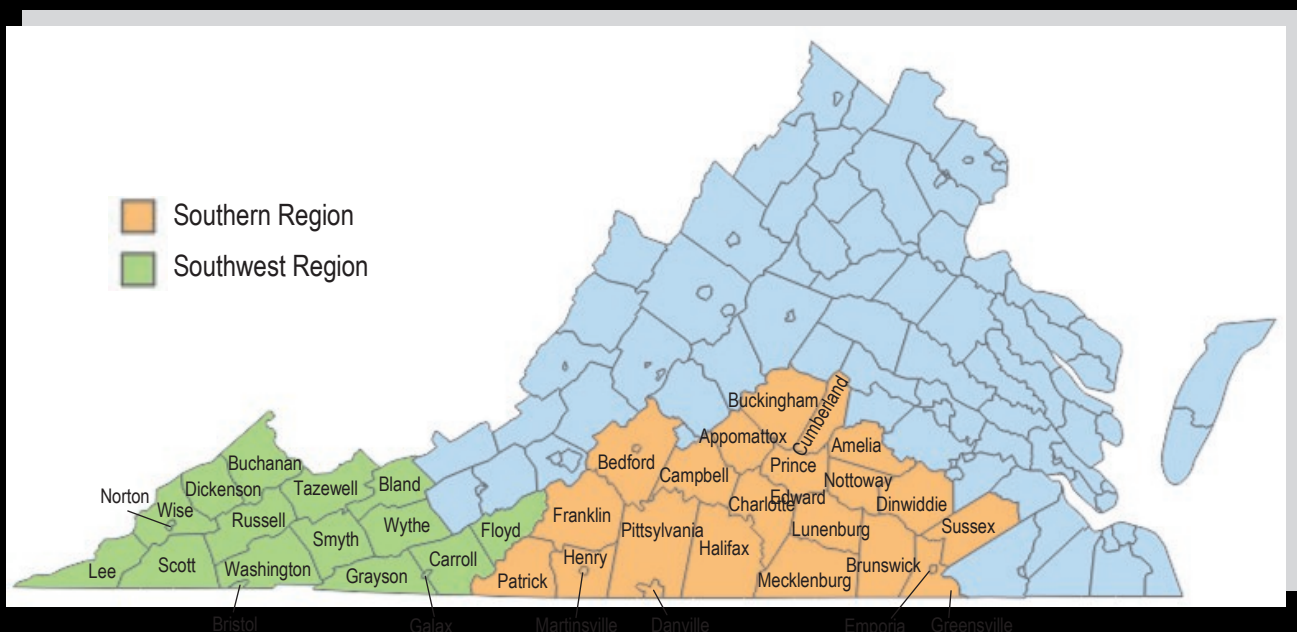
- The option to receive funds in the form of a loan instead of a grant.
- Loans may be offered up to 150% of the calculated award amount.
- Loans can be used to supplement grants up to 50% of the grant value (e.g. \$10k grant will also be eligible for a \$5k loan).
- Both grants and loans may be awarded in amounts as low as \$10,000 rather than the previous floor of \$50,000.

Additions to the Staff

The Commission is pleased to have hired three additional staff members over the past year. Chris Piper joins the Commission as Deputy Director, Michael Gilbert as Data Scientist and Jordan Butler as Public Relations Coordinator.

Service Area

The Commission's service area includes 40 tobacco-dependent localities in Southern and Southwest Virginia. Local governments and nonprofits serving those localities are eligible to apply to the Commission's eight grant programs.



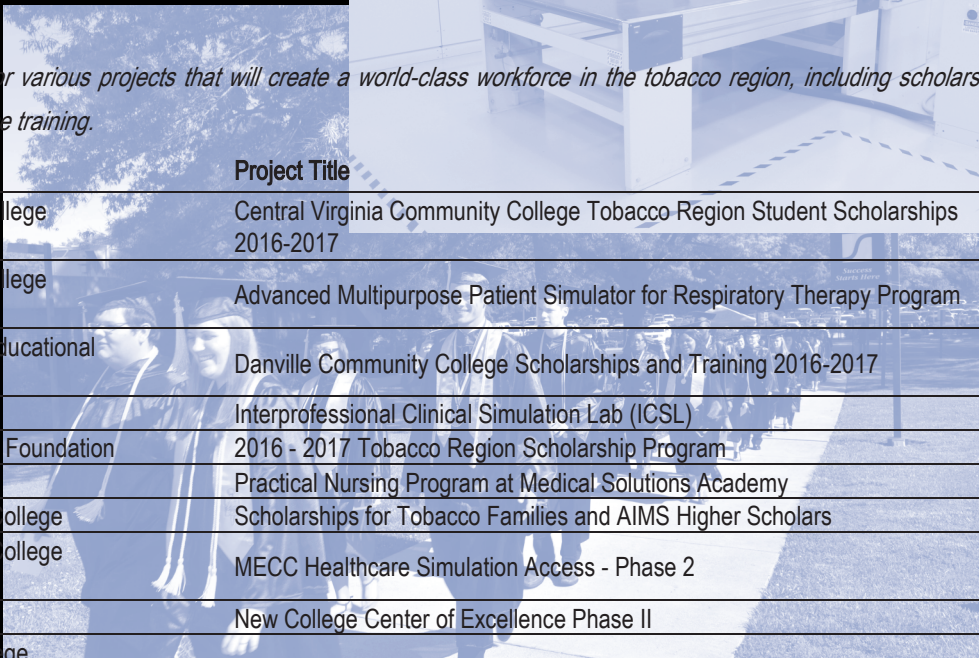
Agribusiness Grants *to assist the tobacco region's agricultural community in diversifying into new production opportunities and developing value-added enterprises.*

Organization	Project Title	Net Award
Blue Ridge Center For Chinese Medicine Inc.	Appalachian Medicinal Herb Growers Consortium – Phase II: Processing Herbs	\$196,062
Blue Ridge Soil and Water Conservation District	The Greater Appalachian Sheep and Goat Improvement Initiative	\$255,000
Campbell County	Central Virginia Producer Support Grant Program	\$300,000
Ferrum College	Hydroponic System Model for Specialty Lettuce Production	\$30,000
Halifax Soil & Water Conservation District	Southside Virginia Pasture Infrastructure Program	\$161,778
Lake Country Development Corporation	Southern Virginia Food Hub	\$79,776
Lee County Livestock Association	Livestock Genetic Improvement Initiative for Far Southwest Virginia	\$155,000
Pittsylvania County	SoVA Vineyard Development and Expansion to Support Virginia's Wine Industry	\$811,526
Providence Multimedia dba: Providence Farm	Mushroom Farm Incubator for Southern Virginia	\$173,000
Virginia Cattlemen's Association	Promoting Quality Assured Feeder Cattle Marketing in Virginia's Tobacco Region	\$59,000
Virginia State University	Development of Berry Industry in Southside Virginia - Phase II	\$292,930
Virginia State University	Postharvest processing, handling, and marketing of Southside Virginia Edamame	\$114,822
Wytheville, Town of	Wytheville Farmers' Market Site Development Project	\$85,000
TOTAL AGRIBUSINESS		\$2,713,894



Education Grants *for various projects that will create a world-class workforce in the tobacco region, including scholarships, community college programs and workforce training.*

Organization	Project Title	Net Award
Central Virginia Community College Educational Foundation, Inc.	Central Virginia Community College Tobacco Region Student Scholarships 2016-2017	\$450,000
Central Virginia Community College Educational Foundation, Inc.	Advanced Multipurpose Patient Simulator for Respiratory Therapy Program	\$30,331
Danville Community College Educational Foundation, Inc.	Danville Community College Scholarships and Training 2016-2017	\$450,000
Emory & Henry College	Interprofessional Clinical Simulation Lab (ICSL)	\$221,590
John Tyler Community College Foundation	2016 - 2017 Tobacco Region Scholarship Program	\$90,860
Medical Solutions Academy	Practical Nursing Program at Medical Solutions Academy	\$6,814
Mountain Empire Community College	Scholarships for Tobacco Families and AIMS Higher Scholars	\$450,000
Mountain Empire Community College Foundation	MECC Healthcare Simulation Access - Phase 2	\$72,309
New College Foundation	New College Center of Excellence Phase II	\$1,581,088
Patrick Henry Community College Foundation	PHCC Student Scholarships	\$450,000
Patrick Henry Community College Foundation	Introduction of Physical Therapist Assistant Program	\$94,350
Southern Virginia Higher Education Center	SoVA Center of Manufacturing Excellence - Phase II	\$2,000,000
Southern Virginia Higher Education Center	Combating the Regional Nursing Shortage: Building the Pipeline By Recruiting Students to Regional Nursing Education Programs	\$125,000



Southside Virginia Community College Foundation	Southside Virginia Community College Scholarship Program FY16-17	\$450,000
Southside Virginia Community College Foundation	Lake Country IT Academy	\$104,943
Southwest Virginia Alliance for Manufacturing	Southwest Virginia Advanced Manufacturing Center of Excellence Phase II	\$3,169,358
Southwest Virginia Community College	SWCC Tobacco Outreach Scholarship Program FY16-17	\$450,000
Southwest Virginia Higher Education Center Foundation	2016 - 2017 Tobacco Region Scholarship Program (Southside)	\$5,256,430
Southwest Virginia Higher Education Center Foundation	2016 - 2017 Tobacco Region Scholarship Program (Southwest)	\$2,361,585
Southwest Virginia Higher Education Center Foundation	Clinical Laboratory Scientist - Phase II	\$61,106
Virginia Advanced Study Strategies, Inc.	VASS Rural Math Innovation Network	\$250,000
Virginia Highlands Community College Educational Foundation	Scholarships for Tobacco Families and AIMS Higher Scholars	\$450,000
Virginia Technical Institute	Modernization of the VTI Welding Program Project	\$181,824
Virginia Western Community College	BioLink II: Anatomy and Physiology in Franklin County	\$49,652
Virginia Western Community College Educational Foundation Inc.	Community College Access Program and Workforce Credentialing for Franklin County	\$210,000
Wytheville Community College	WCC Forging Futures Scholarship Program	\$450,000
Wytheville Community College	The Innovative Advanced Manufacturing Center at Wytheville Community College	\$250,000
TOTAL EDUCATION		\$19,717,240

Research and Development Grants *to encourage collaboration between private scientists and investors, tobacco region localities and/or Virginia's educational institutions to conduct research and development that will lead to commercialization in the region.*

TOTAL RESEARCH & DEVELOPMENT	*additional R&D grants were approved in September 2016 and will be reflected in the FY2017 annual report	\$0
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Southside Economic Development Grants *to develop industrial sites and business/technology parks, improve water, sewer, broadband and other utility infrastructure that serves employment centers, and develop tourism infrastructure in the southern region.*

Organization	Project Title	Net Award
Alberta, Town of	Tobacco Heritage Trail - Alberta to Danieltown - Phase I	\$104,066
Bedford County	Establishment of the International Critical Infrastructure Security Institute (ICISI)	\$40,000
Brunswick County	Brunswick Tourism Signage Initiative	\$78,275
Cumberland IDA	Cumberland Business Park Development	\$86,576
Greensville County	Wetland Mitigation Bank Engineering	\$40,500
Halifax County	Tobacco Heritage Trail - Halifax County Extension - Phase I	\$200,000
Halifax County IDA	C-CARE Formulation Lab	\$600,000
Halifax, Town of	Banister Lake Boat Landing – Southern Virginia Wild Blueway Project	\$78,800
Mid-Atlantic Broadband Communities Corporation	Dynamic Spectrum Wireless Broadband Access for Southern Virginia: Phase One	\$200,000
Prince Edward County	Prince Edward County Industrial Access Road	\$49,080
Prince Edward County	Prince Edward County Industrial Access Road Phase 2	\$194,485
Sussex County	Route 602 (Cabin Point Road) Sewer and Water Line Extension	\$290,073
TOTAL SOUTHSIDE ECONOMIC DEVELOPMENT		\$1,961,855

Southwest Economic Development Grants *to develop industrial sites and business/technology parks, improve water, sewer, broadband and other utility infrastructure that serves employment centers, and develop tourism infrastructure in the southwest region.*

Organization	Project Title	Net Award
The Barter Foundation, Inc.	Expanding the Production Capacity of Barter Theatre Phase 2	\$250,532
Birthplace of Country Music	Birthplace of Country Music Museum Expansion	\$250,000
Bristol, City of	Passenger Rail Expansion to Bristol, Virginia Regional Economic Development Study	\$250,000
Round the Mountain: Southwest Virginia's Artisan Network	Round the (Next) Mountain: New Markets Development Project	\$25,000
Scott County EDA	Scott County Technology Park Access Improvements Primary Data Center Site	\$146,500
Smyth County Board of Supervisors	Smyth County's Back of the Dragon Overlook	\$184,000
Smyth-Washington Regional Industrial Facilities Authority (SWIFA)	Mid Mountain Water System Improvements	\$250,000
Southwest Regional Recreation Authority	Adventure Playground of the East: Maintaining Successful Startup Momentum	\$450,000
Virginia's Heritage Music Trail: The Crooked Road	The Crooked Road - Reaching New Audiences	\$397,083
Wythe County	Appalachian Regional Exposition Center (AREC)	\$750,000
TOTAL SOUTHWEST ECONOMIC DEVELOPMENT		\$2,953,115

Special Projects Grants *for projects that expand access to healthcare services for tobacco region residents or regional participation economic development projects that benefit multiple localities or the tobacco region as a whole.*

Organization	Project Title	Net Award
A. L. Philpott Manufacturing Extension Partnership	TRRC Trade Adjustment Assistance Program (TAAP)	\$300,000
Commonwealth Center for Advanced Manufacturing	CCAM: A Workforce Training and Economic Development Partnership	\$1,283,540
The Corporation for Jefferson's Poplar Forest	Construction of the Poplar Forest Parkway	\$500,000
Mid-Atlantic Broadband Communities Corporation	Dynamic Spectrum Wireless Broadband Access for Southern Virginia: Phase 1	\$300,000
Prince Edward County	Prince Edward County Industrial Access Road	\$328,395
University of Virginia	Cancer Center Without Walls: Early Detection of Cancer	\$657,716
Virginia Commonwealth University	Achieving a Cancer-Free and Productive Workforce in Virginia	\$460,877
TOTAL SPECIAL PROJECTS		\$3,830,528

Tobacco Region Opportunity Fund (TROF) Grants *Performance-based grants to localities in the tobacco region to assist in the creation of new jobs and investments, whether through new business attraction or existing business expansion.*

Organization	Project Title	Net Award
Bedford County	Valley Processing Virginia, LLC.	\$365,000
Campbell County	BGF Industries Inc.	\$63,000
Campbell County	Abbott Laboratories	\$240,000
Campbell County	Standard Insurance Company	\$320,000
Carroll County IDA	Classic Creations LLC.	\$130,000
Danville, City of	Goodyear Tire & Rubber Co.	\$960,000
Danville, City of	Kyocera SGS Tech Hub, LLC.	\$350,000
Danville, City of	Overfinch North America	\$275,000

Dinwiddie County	Dinwiddie County Infrastructure Improvements (Aldi)	\$1,880,000
Franklin County	MW Manufacturers, Inc. (PlyGem Window Group)	\$160,000
Grayson County EDA	River Ridge Land and Cattle Co., LLC.	\$45,000
Greensville County	CHN, LLC. (aka: Sadler Bros Oil Co., Jade Food Woks, LLC, & Slip In Food Marts, Inc.)	\$60,000
Henry County	Starsprings	\$220,000
Henry County	Drake Extrusion, Inc.	\$100,000
Henry County	Performance Livestock & Feed Company Inc.	\$170,000
Henry County	RTI Martinsville, Inc.	\$80,000
Mecklenburg County	Microsoft Corporation	\$1,340,000
Mecklenburg County	Microsoft Corporation	\$970,000
Nottoway County	UAV Pro, Inc.	\$280,000
Scott County EDA	Teletech Healthcare Solutions, Inc., Teletech Holdings, Inc., Teletech Services Corporation	\$645,000
Smyth County Board of Supervisors	Woodgrain Millwork	\$75,000
Tazewell County IDA	Blue Wolf Sales and Service	\$50,000
Washington County IDA	Chris Renee Cosmetics LLC.	\$80,000
Wise County IDA	Norris Built Fabrication, LLC.	\$75,000
Wise County IDA	Frontier Communications Corporation (aka: Citizens Telecom Services Company, LLC.)	\$2,000,000
Wythe County	Branch Botanicals, Inc.	\$200,000
TOTAL TOBACCO REGION OPPORTUNITY FUND (TROF)		\$11,133,000

2016 AWARDS GRAND TOTAL \$42,309,632

Revenues, Expenditures and Net Position

Consolidated Statement of Net Position

	Fiscal Year 2016	Fiscal Year 2015
Assets:		
Current and other assets	\$505,585,326	\$532,533,261
Total assets	505,585,326	532,533,261
Liabilities:		
Current and other liabilities	2,810,313	4,407,680
Long-term liabilities	71,947	79,320
Total liabilities ¹	2,882,260	4,487,000
Net position ² :	\$502,703,066	\$528,046,261

¹ In accordance with GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*, total liabilities do not include \$127 million at June 30, 2016, and \$136 million at June 30, 2015, in obligations for grant awards made prior to fiscal year end.

² Total net position includes \$266 million at June 30, 2016, and \$271 million at June 30, 2015, in the Tobacco Indemnification and Community Revitalization Endowment, which is subject to certain restrictions on annual withdrawals by the Code of Virginia.

Consolidated Statement of Activities

	Fiscal Year 2016	Fiscal Year 2015
Revenues:		
Interest, dividends & other Invest. Income	\$12,200,421	\$15,154,758
Other income	3,292,858	9,192,756
Unrealized gain on investments held by the Treasurer	5,950,760	-
Total revenues	21,444,039	24,347,514
Expenditures:		
Administration	1,901,439	1,973,674
Community revitalization	44,884,349	75,477,418
Unrealized loss on invest. held by Treasurer	-	5,136,086
Payments for securities lending transactions	1,466	-
Total expenditures	46,787,254	82,587,178
Change in net position	(\$25,343,195)	(\$58,239,664)
Net position, beginning of year	528,046,261	586,285,925
Net position, end of year	\$502,703,066	\$528,046,261



"I am proud to announce that in year ending June 30, 2016, six of the Commission's eight grant programs awarded 95 grants, totaling over \$42 million. New and existing companies committed to create more than 2,000 new jobs and invest more than \$1 billion in taxable assets in the tobacco region footprint."

Executive Director Evan Feinman

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