

1                                   **VIRGINIA TOBACCO INDEMNIFICATION**  
2                                   **AND COMMUNITY REVITALIZATION COMMISSION**

3                                   701 E. Franklin Street, Suite 501  
4                                   Richmond, VA 23219

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9                                   **Full Commission Meeting**

10                                  Thursday, April 23, 2009

11                                  10:00 AM

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14                                  Hotel Roanoke  
15                                  Roanoke, Virginia

- 1 **APPEARANCES:**
- 2 The Honorable Charles R. Hawkins, Chairman
- 3 The Honorable Terry G. Kilgore, Vice Chairman
- 4 Mr. Stephen S. Banner
- 5 Mr. Kenny F. Barnard
- 6 The Honorable Robert L. Bloxom
- 7 Secretary of Agriculture and Forestry
- 8 The Honorable Richard Brown
- 9 Secretary of Finance
- 10 The Honorable Kathy J. Byron
- 11 Ms. Linda P. DiYorio
- 12 Mr. Fred M. Fields
- 13 Lynn Hammond
- 14 Deputy Secretary of Commerce and Trade
- 15 Mr. L. Jackson Hite
- 16 The Honorable Clarke N. Hogan
- 17 Mr. Jordan M. Jenkins, Jr.
- 18 The Honorable Joseph P. Johnson
- 19 The Honorable Daniel W. Marshall, III
- 20 Mr. Buddy Mayhew
- 21 Ms. Connie L. Nyholm
- 22 The Honorable Edward Owens
- 23 The Honorable Phillip P. Puckett
- 24 Mr. David S. Redwine, DVM
- 25 The Honorable W. Roscoe Reynolds

1 **APPEARANCES (cont'd)**

2

3 Mr. Kenneth O. Reynolds

4 The Honorable Frank M. Ruff

5 Mr. Bryant L. Stith

6 The Honorable William C. Wampler, Jr.

7 The Honorable Thomas C. Wright, Jr.

8

9 COMMISSION STAFF

10 Mr. Neal Noyes, Executive Director

11 Mr. Ned Stephenson, Deputy Director

12 Mr. Timothy J. Pfohl,

13 Grants Program Administration Manager

14 Ms. Britt Nelson, Manager of Program Assessments

15 Ms. Sara Williams, Grants Coordinator, Southwest Virginia

16 Ms. Sarah Capps, Grants Coordinator, Southside Virginia

17 Ms. Stephanie Waas, Budget Director

18

19 OFFICE OF THE ATTORNEY GENERAL

20 Mr. Francis N. Ferguson, Deputy Attorney General – Counsel for the

21 Commission

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1 SENATOR HAWKINS: Good morning  
2 everyone, I call the meeting to order. Neal, would you call the roll?  
3 MR. NOYES: Mr. Banner?  
4 MR. BANNER: Here.  
5 MR. NOYES: Mr. Barnard?  
6 MR. BERNARD: Here.  
7 MR. NOYES: Secretary Bloxom?  
8 SECRETARY BLOXOM: Here.  
9 MR. NOYES: Secretary Brown?  
10 SECRETARY BROWN: Here.  
11 MR. NOYES: Mr. Bryant?  
12 MR. BRYANT: (No response.)  
13 MR. NOYES: Delegate Byron?  
14 DELEGATE BYRON: Here.  
15 MR. NOYES: Mr. Day?  
16 MR. DAY: (No response.)  
17 MR. NOYES: Ms. DiYorio?  
18 MS. DiYORIO: Here.  
19 MR. NOYES: Mr. Fields?  
20 MR. FIELDS: Here.  
21 MR. NOYES: Deputy Secretary Hammond?  
22 DEPUTY SECRETARY HAMMOND: Here.  
23 MR. NOYES: Mr. Harwood?  
24 MR. HARWOOD: (No response.)  
25 MR. NOYES: Mr. Hite?

1 MR. HITE: Here.  
2 MR. NOYES: Delegate Hogan?  
3 DELEGATE HOGAN: Here.  
4 MR. NOYES: Mr. Jenkins?  
5 MR. JENKINS: Here.  
6 MR. NOYES: Delegate Johnson?  
7 DELEGATE JOHNSON: Here.  
8 MR. NOYES: Delegate Marshall?  
9 DELEGATE MARSHALL: Here.  
10 MR. NOYES: Mr. Mayhew?  
11 MR. MAYHEW: Here.  
12 MR. NOYES: Mr. Moody?  
13 MR. MOODY: (No response.)  
14 MR. NOYES: Ms. Nyholm?  
15 MS. NYHOLM: Here.  
16 MR. NOYES: Mr. Owens?  
17 MR. OWENS: Here.  
18 MR. NOYES: Senator Puckett?  
19 SENATOR PUCKETT: Here.  
20 MR. NOYES: Mr. Redwine?  
21 MR. REDWINE: Here.  
22 MR. NOYES: Mr. Reynolds?  
23 MR. REYNOLDS: Here.  
24 MR. NOYES: Senator Reynolds?  
25 SENATOR REYNOLDS: Here.

1 MR. NOYES: Senator Ruff?

2 SENATOR RUFF: Here.

3 MR. NOYES: Mr. Stith?

4 MR. STITH: Here.

5 MR. NOYES: Mr. Thompson?

6 MR. THOMPSON: (No response.)

7 MR. NOYES: Senator Wampler?

8 SENATOR WAMPLER: Here.

9 MR. NOYES: Delegate Wright?

10 DELEGATE WRIGHT: Here.

11 MR. NOYES: Delegate Kilgore?

12 DELEGATE KILGORE: Here.

13 MR. NOYES: Senator Hawkins?

14 SENATOR HAWKINS: Here.

15 MR. NOYES: You have a quorum, Mr.

16 Chairman.

17 SENATOR HAWKINS: Thank you. Is there

18 a motion to approve the minutes of our last meeting on January 13<sup>th</sup>?

19 It's been moved and seconded. All in favor? (Ayes.)

20 All right, before we get to the next item on the agenda, I  
21 want to make a comment. I think we've reached a watershed time in  
22 areas and projects that I think will make a big difference throughout the  
23 region and at various initiatives. Also, looking at the makeup of the  
24 Commission, it may be time to start looking at some structural changes  
25 on the Commission. I'm going to be thinking and working with some of

1 you on how to come up with some ideas, so if anybody has any ideas of  
2 what we can do on the Committee structure to get everyone involved in  
3 the Commission to make it work better, I'd like to hear from you. I  
4 think we need to work more on some initiatives by getting in contact  
5 with these folks in Washington to make sure that we have the type of  
6 communications back and forth to be able to bring some good initiatives  
7 in our region that we need to. We need to make some changes, and after  
8 12 years, probably it's time to start looking at our structure and make  
9 sure we do a little more. So, any suggestions will be helpful.

10 All right, Ned.

11 MR. STEPHENSON: Members of the  
12 Commission, we have two gentlemen who are with us today as our  
13 guests, and I'd like to ask them to stand, Mark Downey and Gary Jacobs.  
14 These gentlemen are from the Oakridge National Laboratory and they  
15 are here as our guests. Dr. Jacobs is going to make a short presentation  
16 this morning. A couple of us have heard the presentation from Oakridge  
17 before. Oakridge National Laboratory is the largest energy research  
18 laboratory in the world and we felt that it would make good sense and be  
19 constructive to all of us to explain some of the work that they are doing  
20 and to help us orient some of the efforts that the Commission has in the  
21 energy research arena.

22 Dr. Gary Jacobs has an impressive title at the Oakridge lab  
23 and it is almost as long as the Tobacco Commission's name is. You can  
24 read his bio in your book. Dr. Jacobs has been in charge of some of the  
25 laboratories at Oakridge, and in particular, those involved in carbon

1 sequestration, an energy development, and those are the topics that we  
2 are interested in. So, without further ado, I give you Dr. Gary Jacobs.

3 DR. JACOBS: Good morning. I really  
4 appreciate the invitation, and I'm going to tell you today a little bit about  
5 what we do at the laboratory with respect to energy, the challenges we  
6 face, and the opportunities. A special thanks to you for helping us.  
7 Before I get into this, I'd like to recognize Mark Downing. He is the  
8 bio-energy expert at the lab. I also have some other colleagues here.  
9 Doug Faulkner is somewhere here. He was a high-ranking official at  
10 both USDA and the Department of Energy in energy efficiency and  
11 renewable energy. Tim Powers and John Davis are also present here and  
12 are my colleagues.

13 The challenges of energy and economic development are  
14 really intertwined and I applaud the Commission for thinking of us. I've  
15 heard over the last several months that there are great challenges facing  
16 the country and the world and this is a great dialog to have now. It's not  
17 time to panic, and there are a lot of opportunities now and there is also  
18 time to plan for the future how you want these things to roll out.

19 I want to cover who we are, what we do, and the importance  
20 of partnerships in our success. Bio-energy is a little bit of a story book  
21 in how we approach a problem and go after an opportunity. First of all,  
22 why is there the world's largest energy lab in Tennessee? It started with  
23 the Manhattan project, and we actually did the research that led to the  
24 development of the atomic bomb that helped end World War II.  
25 President Roosevelt went to Senator McKeller and said, "I need to hide a

1 billion dollar top secret project and will you help me?” “Absolutely, Mr.  
2 President. Where in Tennessee would you like me to hide it?” That’s  
3 why we’re here and we’ve gone from there. We gone from weapons  
4 work to energy, science, and technology. Today, we do work of over a  
5 billion dollars a year and the employees we have are very important to  
6 us. We’re investing in modernization of the campus, and this is a brand  
7 new private investment, DOE investment and state investment. I’m  
8 going to go through some of these details, like computing, materials  
9 research, bio-energy, neutron in helping with international projects;  
10 those are some of the things I want to speak about. We are managed by  
11 a limited liability corporation which is a 50/50 partnership between Patel  
12 Memorial in Columbus, Ohio and the University of Tennessee. We also  
13 have seven core universities on our Board of Directors, two are from the  
14 state of Virginia. Tennessee, North Carolina, and Virginia each have  
15 two representatives. This gives us very valuable advice and interaction  
16 opportunities to collaborate.

17           Our science, and I’m just going to look at energy, we do a  
18 lot of science and we have lots of people running around in lab coats  
19 doing all kinds of scientific work which I have no idea and I don’t  
20 understand it. Although we do very fundamental science, we’d like to  
21 look into how we can translate that to societal benefit. The new  
22 secretary of energy, Steven Chu, calls it looking at end-to-end  
23 capabilities and it’s a breakthrough of science. He wants to see the  
24 energy challenge added. We divided into generations of energy and we  
25 can work in all of these and mostly renewable and fossil. We don’t do a

1 lot of everything and we have some folks in distribution and very  
2 heavily into transmission technology. We have a demonstration of  
3 conducting cable in Manhattan to Wall Street because they don't get  
4 enough power and consumption. We do a lot of work in building the  
5 technology, having an increase in energy efficiency in transportation.  
6 We apply all of our fundamental science to these problems.

7           Partnerships. We have started talking about being the lab in  
8 the south. We are one of the largest labs in energy in the world, but we  
9 are the only multi-disciplinary national in the south. As you can  
10 imagine, naturally, we have a lot going on in Tennessee because of our  
11 location. We have a major project with Mississippi State related to the  
12 homeland security challenges. We're opening an office in Huntsville,  
13 Alabama because of the opportunity to work with NASA and the  
14 satellite systems. We do not have a major big project with the state of  
15 Virginia that I am aware of and I'm here to kind of explore that offer in  
16 how we can do things and succeed that would be a benefit to you, we're  
17 going to talk about that.

18           Let me talk about some examples of partnerships that has  
19 gotten us to the point where we are. We actually compete for our  
20 money, we have to compete to keep it. A lot of people see our success  
21 and want to make inroads into that, and I'll give you an example of  
22 where we've been successful. The Neutron Forest, it's a billion dollar  
23 project to construct it, and we teamed with other labs and not just our  
24 own, and the University of Tennessee as well as four other universities.  
25 In simple terms as described here, this shoots atomic particles, and they

1 are accelerated here and they go around in circles until they arrive at an  
2 incredible speed and then they come in here and blast the target with  
3 neutrons which allows us to look at molecular structure, which are very  
4 fine things focusing on materials, energy, and biology. In a nutshell,  
5 that's what this big project is all about and it is the only one in the world  
6 like it.

7           Computing. Our new deputy for Science and Technology  
8 has done a marvelous job in developing partnerships here. We have two  
9 computers that are combined and operate at more than two petabytes,  
10 and that's the most powerful computer that is not classified in the world,  
11 or at least for today. There are always changes in the computing field.  
12 What does this mean? You take every person in the world, calculating  
13 one calculation every second, every hour, every day, 365 a year. In 650  
14 years, they can do the calculations that we can do in one day. It's 55,000  
15 more times powerful than the best desktop computer that you can buy.  
16 We can apply it to material science for energy, fusion which is the  
17 Braille of energy, climate change, bio-energy, we try to apply this to the  
18 calculations that nobody else can do. The partnership is critical; we have  
19 a DOE computer, we have a computer by the National Science  
20 Foundation we work with another agency, and we also have classified  
21 computers for various activities. Our Building and Technology group  
22 are collaborating with the TVA and various companies to take not only  
23 today's technology, but future technology to build high energy efficient  
24 homes. Habitat for Community Homes are building homes especially  
25 designed and they are a little expensive but they are on the order of

1 about a dollar a day for the electric bill. The goal is to get it where it  
2 will make a little money each month. We're working with a  
3 construction company to build larger homes. The Habitat for Homes is  
4 small and a little bit easier, but we're going to build four homes and  
5 compare the various technologies to see what works best. This is the  
6 case where we bring the science, the corporation is going to build this  
7 and learn how to do this so that they can replicate it elsewhere, and we'll  
8 learn what works and what needs to be improved.

9           The automotive industry. We have been working with most  
10 of the southern companies. The announcement that came out yesterday  
11 is that our governor met with the president of Nissan and our lab  
12 officials. We're going to partner with them and go after about a  
13 \$100,000,000 opportunity of how you can take the Nissan electric car  
14 and how can you put charging stations in various locations in the  
15 community and observe how they work and what new advances will be  
16 needed in the future. There should be an announcement soon and  
17 probably by the end of this week from Michigan. Our lab director met  
18 with the governor last night, and they are going to invest in a major  
19 proposal and go after battery technology. That's where Michigan is  
20 betting their future.

21           An area that we're trying to develop partnerships, and we  
22 don't have them yet. One would be working with the TVA to do the  
23 capturing and storing and the CO2 carbon, there is work to be done  
24 there. We've also been talking to Eastman to some extent and we're not  
25 there yet, but this is an important and major channel for the Tennessee

1 Valley and the south in general because of our reliance on coal. We've  
2 got to find an economical way to meet the future requirements that are  
3 put on us.

4 Bio-energy. I want to use this as an example, and I want to  
5 go into a little more detail of how we developed this partnership, some  
6 of the investments that Tennessee has made and others and walk through  
7 how we would evaluate opportunities and what actions we might take.  
8 The Bio-energy Science Center is one of three that the Department of  
9 Energy funded. We put together, and it took us many, many months to  
10 do it. We did an analysis of who were the best partners. The best  
11 partners mean the best science in trying to get outcomes or people that  
12 know how to get outcomes and institutions that have important  
13 relationships. It's a mixture of several things on how to define the best  
14 partner. These are the partners and virtually all of them brought either  
15 existing facilities or dollars or in-kind or staff support for the proposals  
16 and that was very critical. This is a state funded building that sits next to  
17 my building which the government owns. We deeded the footprint of  
18 this land so from the building, you're on the state of Tennessee land and  
19 you step out here, you're in DOE land. That's an example of some of  
20 the things we've tried to look at. So why bio-energy? The bottom line  
21 is corn is one of the great things and corn ethanol works. It's not as  
22 sustainable. Water and fertilizer sustainability is the competition for  
23 food. So cellulosic ethanol or other fuels is really the key for U.S.  
24 energy and securing liquid fuel in the future. Right now, it costs about  
25 \$5 a gallon to make it from wood or grass. We've got to get that down.

1 The biggest challenge is that this stuff doesn't like to break down. Trees  
2 and grass stand up for a reason. The biggest challenge is how can you  
3 get the sugars out of this wood and grass easily? Once you have the  
4 sugar and you break this stuff down, meaning I'm not going to give up  
5 my sugar. Once you get the sugars released, you can make ethanol,  
6 alcohol, hydrocarbons in many different ways. The big cost break is  
7 getting the sugars out, and that's \$2 in this example. That is what our  
8 energy center is focusing on, and we're taking our expertise in genetic  
9 studies, microbiology, and we are searching for trees and grass that give  
10 us their sugars easily and organisms that actually will chew on ground  
11 up wood and take them out and turn them into ethanol very quickly. We  
12 think within 5 years we will have science in the technological world to  
13 make a difference. So bio-energy is, indeed, important to the  
14 partnership. I'm going to show you this slide and it will just show some  
15 of the investments. More than just ethanol, and not only just ethanol, but  
16 it's the bio-products as well. All of those can contribute to the solution  
17 and all those offer great opportunities for the south. We have a great  
18 bio-mass resource in the south.

19 If you look at the funding from the Department of Energy  
20 from fiscal year '05 to the current year, things were kind of flat for a  
21 while in bio-energy. There is a mixture here that refineries in product  
22 development and more fundamental research. There are a variety of  
23 things that are needed to make this work. There is a big jump here, and  
24 some of you may remember President Bush's State of the Union where  
25 he said switch grass is important and we need to set the bar and go after

1 it for energy independence. Doug Faulkner was the high-ranking official  
2 in the department in this area, and he helped push putting money back  
3 into this area because he saw the need for it.

4           Here are a couple examples. Georgia put together a  
5 \$76,000,000 project to build a refinery that they are going to construct  
6 and operate on a near commercial scale to take some risks on the  
7 technology side and end-to-end make sure we get it all done right and  
8 the partnership, all of which brought something to the table, to make it  
9 work. Let me give you the Tennessee example. This is what Tennessee  
10 did for us when we tried to enter into this. They committed to build  
11 switch grass to ethanol research scale refinery in LaMore, Tennessee.  
12 They created a limited liability corporation to design, build and operate  
13 it, and DuPont is part of that and it will be completed by the end of this  
14 year. It is going to have about 250,000 gallons per year capacity. They  
15 will be able to test different technologies. The Science Center makes  
16 discoveries. We have a place where we can test these experiments and  
17 refine those technologies. Another thing Tennessee has done without a  
18 resource having a refinery, this does not get you where you need to be.  
19 They decided to help the local farmers learn how to grow switch grass  
20 and harvest it, store it, and look at that whole process. They planted 723  
21 the first year and 2,000 the next year, and they plan to do 5,000 acres  
22 this year. This probably will be the second largest planting of switch  
23 grass in the world. They are paying the farmers and they have to select  
24 from the farmers that are interested in identifying what works. Some  
25 soils are better analyzing in how things work. At the end of 3 years, the

1 refinery will be working, and they will be buying the switch grass. This  
2 is Gary's and others' version of what could Southwest and Southside  
3 Virginia look like. Bio-energy is the example, but there are other sectors  
4 that you could look at including nuclear and all kinds of things. An  
5 analysis shows you certainly it could get billions of gallons per year.  
6 You build and operate a refinery. It could be thousands of jobs and think  
7 about refineries per county, 75 jobs for that plus the surrounding  
8 activities. You can produce coal products from this, not just liquid fuel.  
9 The stuff from the wood you can't digest; it can be spun into carbon  
10 products. The air bus 380 is 50% built from carbon composites and  
11 takes 25% less fuel. Auto manufactures are looking at how to use  
12 carbon so there is a market for carbon buyers. You've got the rural  
13 revenue from these products and that is long term. Then you look at,  
14 let's do things now, and there is a lot of competition to make this stuff  
15 better so there is a need to continue to look at how you advance the  
16 science and technology. We did a quick preliminary analysis focusing  
17 on Southwest and Southside. This shows you the possible locations  
18 where there are plenty of bio-mass with switch grass or proper residues  
19 within a 30-50 mile radius to generate 20 million gallons per year in  
20 each of these. This is very broad based, but you have to consider the  
21 logistics like where are the roads and how do you get the stuff to where  
22 it needs to be. We certainly think it is feasible to have this goal. The  
23 other thing to think about is it is not just growing and making fuel. If  
24 you are really looking at a major bio-economy to grow it, handle it, and  
25 transport it, make it, get it to the end user, the end user has to want it and

1 like performance. Roads, waters, electrical infrastructure, information  
2 technology, and all of that is needed to make this really successful in a  
3 major way. So DOE's program goals, and this is from a presentation in  
4 early April from the DOE official, include economic prosperity, jobs,  
5 new markets including rural economies and at the same time research,  
6 development, demonstration of employment for sustainable systems.  
7 When you do a proposal to DOE or the other Feds, the kind of things we  
8 find that work and are successful, you've got to have a private sector  
9 need. We don't propose a lot of, we're partners, and a lot of times we  
10 are a minor partner. Creating an LLC is a very creative way to make it  
11 work. Matching funds are always a requirement. Right now, it's 50  
12 percent. Personally, with this economy we're dealing with, 50% match  
13 in this industry seems a little out of whack. We're not seeing the level of  
14 interest because there is not the money out there for matches. Maybe  
15 this will change, I don't know.

16           The other thing that goes into the selection process is due  
17 diligence. If you have a feed stock and the infrastructure is  
18 economically viable and sustainable in the long run, it is very important.  
19 Mark serves on a review panel for some of these proposals. He's seen  
20 them come in when they haven't done their job, in due diligence, they  
21 are not successful.

22           Some of the ideas, and this is bio-energy, and we think it's  
23 important that you evaluate the opportunity and try to focus on a few key  
24 things that you really want to make a difference in. With the  
25 competition, particularly for these advanced methods, and some

1 investments in R&D are appropriate. Try to look at the partnerships.  
2 We don't like to write a proposal with the idea of competitive. We want  
3 to make sure that we know where we're going because it is expensive  
4 and a lot of work to do to make up a proposal. There are opportunities to  
5 capture, demonstration, and employment opportunities. With DOE and  
6 other agencies, they are looking for some complimented research. It  
7 doesn't mean that a big opportunity has to fund it, but a partner that can  
8 bring research, like we bring research to partnership and doesn't  
9 necessarily have any money coming from the project. You have to think  
10 of the end to end logistics. When thinking about bio-energy, think about  
11 developing the capability to create the resource. When you look at  
12 carbon sequestration or solar, there are similar things to develop the  
13 capability and the footprint to make sure that it is going to be an  
14 enduring program.

15                   With that, I'm going to close and try to answer any  
16 questions. I would invite the Commission and anyone else you'd like to  
17 bring along to come visit us and see what we do and talk to us. It's an  
18 easy drive down, and I'd be glad to see you there. Ned has all my  
19 contact information. Again, thank you for the opportunity. It's my  
20 pleasure to try to inform you of this.

21                   SENATOR HAWKINS: Thank you. Thank  
22 you for that excellent presentation. It looks like we need to develop a  
23 long-term relationship because there are many questions and many  
24 answers that need to be looked at about how we proceed in this process.  
25 I do have a question, do you have any relationship with the Jefferson

1 Lab in Hampton Roads?

2 DR. JACOBS: Just that they are collaborators.  
3 I believe we're actually part of the management team for the Jefferson  
4 Lab in a minor way. I don't know that for sure. I do believe we have  
5 somewhat of a connection with them.

6 SENATOR HAWKINS: Any questions?

7 DELEGATE HOGAN: You mentioned the  
8 Georgia project. I've heard quite a bit about that. Would you tell us  
9 briefly where they are?

10 DR. JACOBS: I'm going to defer to Mark  
11 who is the expert on that.

12 MR. DOWNEY: In that particular solicitation,  
13 the Department of Energy required that they went through a lock-step  
14 process whereby they complete some of the work and we negotiate for  
15 the award. We don't hand them the \$76 million and say, "See you  
16 later." We hand them a few dollars and they do a little bit of work and  
17 then they go through the NEPA process of making sure that the federal  
18 funding is secure, they pass the environmental standards, sustainability  
19 and then hand them some more money, and they perhaps begin the  
20 construction phase. At this point, they are in the process of completing  
21 the NEPA requirement at the site and make sure they are compliant with  
22 the environmental standard. They have not quite begun construction,  
23 but on that footprint that they are building that particular refinery,  
24 they've begun some operations in understanding what the resource base  
25 is, developing a plan for actually constructing. They are in the process,

1 but they are still on that 3-year track.

2 SENATOR HAWKINS: Any other questions?

3 SENATOR WAMPLER: A most interesting  
4 presentation. My question is this, and I'm not sure how you answer it.  
5 We are charged in this Commission with investing dollars and I think  
6 there is a general consensus that when we invest in a research project,  
7 we want to see the research conducted in the footprints of Southside and  
8 Southwest Virginia. Sometimes that's easier said than done. I would be  
9 curious as to the professional jealousy that you have as a cluster or  
10 center where you have world class research and maybe you have funding  
11 agencies that have said the same thing and we'd like to see the research  
12 off your campus and in those particular regions. It is a pretty sensitive  
13 item with this Commission, but I would appreciate your thoughts and  
14 our concern to keep the research dollars within our footprint of the two  
15 regions. Maybe it's a political answer and not academic.

16 DR. JACOBS: Let me give it a try. I believe  
17 what I've learned in talking to Ned and to others, and I understand the  
18 need for that and support that need in understanding your mission that  
19 you want to do that. There are different ways to have the search done in  
20 the footprint. For example, we are currently planning an experiment on  
21 the order of \$5 million a year and totally unrelated to energy, looking at  
22 a northern forest in Michigan which responds to warmer temperatures.  
23 We're going to put our equipment and people in place in Minnesota so  
24 that we can conduct a forestry study. That research is in Minnesota and  
25 our funding and the Forest Service is providing us some space, we'll

1 have some people actually living there. There are different ways to do  
2 research in the footprint. When you choose bio-energy, there are some  
3 activities that could be done that need labor and capacity and building  
4 the footprint that might be led by somebody else. Most of the money  
5 will be spent in that particular area. That's one answer to the question  
6 and I'm not sure that's the answer you were looking for.

7 SENATOR WAMPLER: With bio-energy, at  
8 the end of the research, who owns the technology? Does Oakridge own  
9 the technology so that you can develop it again or who owns it?

10 DR. JACOBS: Intellectual property is  
11 complicated. In the case of our energy center, they address this up front.  
12 A lot of times all of them will have ownership of the property, and in  
13 other cases, they look at all the universities in Georgia or 90% that  
14 developed it in which case they own the property. It's critical on  
15 intellectual property to get that handled up front rather than down the  
16 line. It can be a combination.

17 SENATOR HAWKINS: Any other questions?  
18 Once again, I look forward to cooperating and having further dialog with  
19 you, and there are five centers that you're probably aware of and we  
20 need to make sure that this well coordinated and the end result is that it  
21 is a benefit for everyone involved, and I'm sure that you can help us with  
22 this process and look forward to working with you for this research.  
23 Thank you very much, anything else? All right. Moving on. Research  
24 and Development, Delegate Hogan.

25 DELEGATE HOGAN: Thank you Mr.

1 Chairman, we met yesterday afternoon in sorting out how we're going to  
2 approach this energy money. We basically had two recommendations.  
3 One is that we come forward between now and the next time with a  
4 proposal to fund some operation dollars out of the centers. That was one  
5 proposal. The other proposal is how we evaluate the process and we  
6 were having extensive conversations about that. At the end of that,  
7 we're going to ask VDP together with some higher institutions and  
8 maybe a couple of other folks to look at a model that might be based at  
9 least superficially on the Rolls Royce model that I think some of you are  
10 familiar with and come back to you next time. I hope we'll have a  
11 proposal for the Commission to consider and we'll deal with the vetting  
12 process as well as some recommendations on bridge operation dollars  
13 for these centers. That's what we have for you today, Mr. Chairman.

14 SENATOR HAWKINS: Any questions?

15 Thank you sir, I appreciate that. Next up is Delegate Kilgore, the  
16 Executive Committee report.

17 DELEGATE KILGORE: Thank you, Mr.  
18 Chairman. First off, we have a couple of budget amendments that the  
19 Executive Committee considered. The first budget amendment is that  
20 the Executive Committee recommends an FY '09 budget amendment to  
21 transfer \$89,271.33 of the unrestricted reserve to the Education  
22 Committee to cover one grant approved yesterday by the Education  
23 Committee and I so move.

24 SENATOR HAWKINS: Any discussion, does  
25 everyone understand the motion? It's been moved and seconded.

1 Discussion? All those in favor say aye? (Ayes.) Opposed?

2 DELEGATE MARSHALL: No

3 DELEGATE WRIGHT: No.

4 SENATOR RUFF: No.

5 DELEGATE BYRON: No.

6 DELEGATE KILGORE: The next  
7 recommendation dealing with the budget, it's recommended that we  
8 transfer \$125,000 from the unreserved, undesignated account to  
9 Technology. This is to correct a budget entry that was made in error in  
10 October so I would so move.

11 SENATOR HAWKINS: Does everyone  
12 understand the motion? It's been moved and seconded. Any  
13 discussion? All those in favor say aye? (Ayes). No? (No response.)  
14 The motion carries.

15 DELEGATE KILGORE: The Executive  
16 Committee discussed a new policy for the use of the reserve account  
17 with the dollars that may be coming our way from the federal  
18 government stimulus package. If you look behind the policy in your  
19 notebook behind Tab 2, the Executive Committee thought we would use  
20 this policy to better fund projects that come up pretty quick. We've been  
21 using the TROF funds now. That would be a better way for the  
22 Commission to capture these federal matching dollars and may lose  
23 some opportunities. The Executive Committee discussed and  
24 recommended that we use the TROF process to be able to capture some  
25 of these stimulus dollars and I would so move.

1 SENATOR HAWKINS: Does everyone  
2 understand the motion? Is there a second?

3 MR. BANNER: Second.

4 SENATOR HAWKINS: It's been moved and  
5 seconded. Any discussion? All those in favor say aye? (Ayes.)  
6 Opposed? (No response.)

7 MR. HITE: Mr. Chairman, what would be the  
8 effective date? When would we expect the stimulus dollars?

9 MR. NOYES: As described in Tab 2.

10 MR. HITE: Are people waiting now to apply?

11 MR. NOYES: Nobody has said we have an  
12 application ready to go, but what we are hearing weekly from folks  
13 saying is how is it going to work and when do we proceed and what is  
14 the process. This is the process so we can begin effectively today  
15 accepting applications.

16 SENATOR HAWKINS: We have to have a  
17 place to start.

18 MR. HITE: I support it, I just hope it moves  
19 forward as we intended it to move.

20 SENATOR HAWKINS: Yes, we want to get  
21 it there. All those in favor say aye? (Ayes.) Opposed? (No response.)  
22 The motion carries. Next, Ed Owens, Southside Economic  
23 Development.

24 MR. OWENS: Mr. Chairman, the Southside  
25 Economic Development Committee met last week and recommended

1 that the Commission awards 16 grants totaling \$2,024,150 as shown  
2 behind Tab #3 in your book. Since that time, Franklin County withdrew  
3 Grant #1789 for \$1,270,115 and the Committee added Bedford County  
4 Grant #1786 for \$55,000, so the total recommended today is now  
5 \$809,035 subject to certain contingencies stipulated by the Committee in  
6 its meeting last week. The Committee makes this recommendation.  
7 That's a motion.

8 SENATOR HAWKINS: You make that  
9 motion in a block?

10 MR. OWENS: Yes.

11 DELEGATE MARSHALL: I'll second.

12 SENATOR HAWKINS: It has been moved  
13 and seconded, any discussion? All those in favor say aye? (Ayes.)  
14 Opposed? (No response.)

15 MR. OWENS: The Southside Economic  
16 Development Committee recommends that Grant #s 480 and 1385 in  
17 favor of Pittsylvania County be transferred to the town of Gretna.

18 SENATOR HAWKINS: Is there a second? It  
19 has been moved and seconded. Any discussion? All in favor say aye?  
20 (Ayes.) Opposed? (No response.) Motion carried.

21 MR. OWENS: The Southside Economic  
22 Development Committee recommends that Grant #'s 1380, 1534, and  
23 1570 for a total of 1.263 million in favor of the city of Danville be  
24 hereby rescinded on the renovation of Old Belt #1 building.

25 SENATOR HAWKINS: It's been moved and

1 seconded. Any discussion?

2 DELEGATE MARSHALL: The allocation  
3 goes back to the city of Danville.

4 SENATOR HAWKINS: The grant was  
5 changed as I understand it, so it goes back to Danville's allocation. Any  
6 discussion?

7 MR. PFOHL: I think we need to clarify the  
8 Franklin County situation. That project was not withdrawn. There is a  
9 piece of that request that would have helped an active prospect and that  
10 prospect has not materialized so the request for Franklin County is very  
11 much on the table.

12 SENATOR HAWKINS: It has been moved  
13 and seconded on Danville. Any discussion? All in favor say aye?  
14 (Ayes.) Opposed? (No response.) Would you mind restating the  
15 motion and we need to reconsider how we deleted Franklin County from  
16 the list. Is that correct?

17 MR. OWENS: Yes. That's a motion.

18 SENATOR HAWKINS: All those in favor say  
19 aye? (Ayes.) Opposed? (No response.)

20 MR. OWENS: That's all, Mr. Chairman.

21 SENATOR HAWKINS: Next we have for the  
22 Education Committee, Senator Frank Ruff.

23 SENATOR RUFF: Thank you, Mr. Chairman.  
24 Yesterday afternoon, the Education Committee met and a big part of that  
25 was to consider the private colleges that we did not consider earlier.

1 From that, I would move that we accept Proposal #1707, the Emory and  
2 Henry College for \$93,522 and the Committee voted 8 to 6 to send that  
3 to the Full Commission for approval. I so move.

4 SENATOR HAWKINS: It's been moved that  
5 monies be made available to Emory and Henry College. Any  
6 discussion? It's been moved and seconded, all in favor say aye? (Ayes.)  
7 Opposed? (Nos.) The motion carries. Senator Ruff?

8 SENATOR RUFF: Mr. Chairman, the only  
9 other action is that we got a request from Southside Community College  
10 to move monies from Grant #1488 and 1695 to fund the operations or  
11 the healthcare program that they have, and I so move.

12 MR. OWENS: Second.

13 SENATOR HAWKINS: It has been moved  
14 and seconded. Any discussion, everyone understand the motion? All  
15 those in favor say aye? (Ayes.) Opposed? (No response.)

16 SENATOR RUFF: That completes my report.

17 SENATOR HAWKINS: The Executive  
18 Director.

19 MR. NOYES: Thank you, Mr. Chairman. At  
20 the request of Troutman Sanders, I want to give the Commission an  
21 update on our Indemnification Program. The 2009 Phase I Program is  
22 getting underway with this week's mailing of verification payment  
23 forms, applications for payment for 53,657 eligible claims. All  
24 verification forms will be mailed by the end of this week. As in prior  
25 years, Troutman Sanders will work with us and work with the USDA

1 and the local farm service agencies to hold work sessions throughout the  
2 region. The dates are Monday, May 11<sup>th</sup> – Lee County in Jonesville;  
3 Monday, May 11<sup>th</sup> – Scott County in Gate City, Tuesday, May 12<sup>th</sup> –  
4 Washington County, Abington; Wednesday, May 13<sup>th</sup> – Pittsylvania  
5 County, Chatham; Wednesday, May 13<sup>th</sup> – Halifax County, Halifax;  
6 Thursday, May 14<sup>th</sup> – Brunswick County, Lawrenceville. As you  
7 approved in January, the deadline for submission for verification forms  
8 is May 20<sup>th</sup>. This information is posted on the Tobacco Commission  
9 website and you can refer them there if you get questions from your  
10 residents in your particular jurisdictions.

11                   The second matter, Senator Wampler will have a round for  
12 the Special Projects Committee and applications for funding from the  
13 Tobacco Commission will be due to the Staff June 15<sup>th</sup> and we will set a  
14 Committee meeting as soon as the Senator and I work out the logistics of  
15 that. We will have special projects up for your consideration at our July  
16 Board meeting. Southside Economic Development and Southwest  
17 Economic Development and the Education Committee applications will  
18 be due to the Staff on August 24<sup>th</sup> and we will be setting Committee  
19 meeting dates for those three committees, and those applications will be  
20 decided at our October Board meeting.

21                   DELEGATE KILGORE: Southwest  
22 Economic Development will try to meet sometime in late September.

23                   MR. NOYES: The Staff has begun the process  
24 of scanning our inactive project and will begin shredding those files once  
25 we have those consistent with the state code of how we are supposed to

1 do that and we're beginning that process. I have a note from Michelle  
2 here on a housekeeping matter. Fill out the travel vouchers and leave  
3 them on the table. Michelle will pick them up after the meeting. Box  
4 lunches will be served and parking validation will be at your seat, so see  
5 Michelle if you didn't receive one and need one.

6 SENATOR HAWKINS: Thank you, Mr.  
7 Noyes. Mr. Owens.

8 MR. OWENS: Mr. Chairman, it has been  
9 brought to my attention that we did not make a motion to accept all 16  
10 grant applications.

11 DELEGATE MARSHALL: I move that we  
12 accept those in a block.

13 SENATOR HAWKINS: Any discussion? It  
14 has been moved and seconded. All in favor say aye? (Ayes.) Opposed?  
15 (No response.) The motion carries. In front of you, you will find a list  
16 of the schools and students attending and money we spent for  
17 scholarships, probably the best money we've spent. This is really good  
18 work and I want to thank Senator Ruff and the Education Sub-  
19 Committee for the splendid work they've done and what they have been  
20 able to accomplish. So thank you. Any comments from the public?  
21 Anyone have anything they'd like to address? Going once, going twice,  
22 gone. Our next meeting will be July 30<sup>th</sup> at VIR.

23

24 PROCEEDING CONCLUDED.

25

1 CERTIFICATE OF THE COURT REPORTER

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5 I, Medford W. Howard, Registered  
6 Professional Reporter and Notary Public for the State of Virginia at  
7 Large, do hereby certify that I was the court reporter who took down and  
8 transcribed the proceedings of the Virginia Tobacco Indemnification and  
9 Community Revitalization Commission, Full Commission Meeting  
10 when held on Thursday, April 23, 2009, at 10:00 AM at the Hotel  
11 Roanoke, Roanoke, Virginia.

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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 1<sup>st</sup> day of May,  
2009.

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Medford W. Howard  
Registered Professional Reporter  
Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2010.

Court Reporter #224566