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**VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY
REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Research and Development Committee Meeting
Tuesday, December 8, 2009
1:00 p.m.

Hotel Roanoke
Roanoke, Virginia

1 **APPEARANCES**

2

3 The Honorable Phillip P. Puckett, Chairman

4 The Honorable Kathy J. Byron, Vice Chairman

5 Ms. Linda P. DiYorio

6 The Honorable Lynn Hammond

7 The Honorable Terry G. Kilgore (via telephone)

8 The Honorable Daniel W. Marshall, III

9 Mr. Buddy Mayhew

10 Ms. Connie L. Nyholm

11 The Honorable Edward Owens

12 Mr. Kenneth O. Reynolds

13 Mr. James C. Thompson

14 The Honorable William C. Wampler, Jr. (via telephone)

15

16 **COMMISSION STAFF**

17 Mr. Neal Noyes, Executive Director

18 Mr. Ned Stephenson, Deputy Executive Director

19 Mr. Timothy J. Pfohl, Grants Program Administration Manager

20 Ms. Sara Williams, Grants Coordinator, Southwest, Virginia

21 Ms. Sarah Capps, Grants Coordinator, Southside Virginia

22

23 **OFFICE OF THE ATTORNEY GENERAL**

24 Mr. Francis N. Ferguson, Counsel for the Commission

25

1 December 8, 2009

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4 SENATOR PUCKETT: Neal, would you call the
5 roll?

6

MR. NOYES: Delegate Byron?

7

DELEGATE BYRON: Here.

8

MR. NOYES: Ms. DiYorio?

9

MS. DIYORIO: Here.

10

MR. NOYES: Deputy Secretary Hammond?

11

DEPUTY SECRETARY HAMMOND: Here.

12

MR. NOYES: Delegate Kilgore is on the phone.

13

DELEGATE KILGORE: Yes.

14

MR. NOYES: Delegate Marshall?

15

DELEGATE MARSHALL: Here.

16

MR. NOYES: Mr. Mayhew?

17

MR. MAYHEW: Here.

18

MR. NOYES: Ms. Nyholm?

19

MS. NYHOLM: Here.

20

MR. NOYES: Mr. Owens?

21

MR. OWENS: Here.

22

MR. NOYES: Senator Puckett?

23

SENATOR PUCKETT: Here.

24

MR. NOYES: Mr. Reynolds?

25

MR. REYNOLDS: Here.

1 MR. NOYES: Mr. Stith?

2 MR. STITH: (No response)

3 MR. NOYES: Mr. Thompson?

4 MR. THOMPSON: Here.

5 MR. NOYES: Senator Wampler?

6 SENATOR WAMPLER: Present by telephone.

7 MR. NOYES: Thank you. Mr. Chairman, we
8 have a quorum.

9 SENATOR PUCKETT: Thank you Neal. Next
10 item on the agenda is approval of the minutes of October 28,
11 2009. Do I hear a motion? It's been moved and seconded, all
12 those in favor say aye. (Ayes) Oppsed like sign. (No response).
13 The minutes are carried. We're down to the application and
14 review process and before we go into that, I want to make a
15 few comments about what we sort of plan to do today. Let me
16 remind you all this is a very new process that we're doing.
17 One of the things that I'm very much interested in is that we
18 get off on the right foot and we do the right thing. Everyone
19 will have a chance to ask questions and we're not in a position
20 today to really take presentations from anyone but as the staff
21 reviews these applications with us, after that has been
22 completed, Commission members or anyone from the audience
23 that has a question about a particular grant, you certainly will
24 be given an opportunity to ask that question.

25 Let me also say that if you've looked over the

1 recommendations from the staff and you don't find what you
2 want concerning your grant today, this is not a final process
3 today. I want you to understand that everything really is still
4 on the table. We'll go through the process that we have
5 actually laid out for you. I'm sure you're aware of when we
6 start through this grant process. I want to make a few
7 comments that might affect your grant proposal and the
8 position you might find yourself in right now. If you're not
9 where you want to be today, we're going to encourage you to
10 sit down with staff and work with them and see why your
11 grant is not where you'd like for it to be. You have plenty of
12 time to do that. One of the things that I'm very much
13 interested in is that we not move too fast in what we're doing
14 here. I said earlier I'm very much concerned about anyone's
15 grant who thinks it has to be done today. If it has to be done
16 today, it's kind of a red flag for me because that's too fast, at
17 least for my vote to do those kind of things. I say that so that
18 we're not trying to shut anyone out, this is an ongoing
19 process. We look to this process in the future hoping that we
20 make the right decisions for grant requests and that we really
21 move toward our mission in revitalizing our communities in
22 these R&D centers. I'm kind of new to this committee but the
23 Commission itself has determined that applied research and
24 significant commercialization potential in the tobacco
25 dependent regions is a key element of the revitalization and we

1 seek to provide grant funding to selected entities in Virginia
2 engaged in such work. We've given guidelines and I know you
3 can read them but I want to touch on a couple of things.

4 As I looked over the grant requests, there were
5 several that did not have all these pieces together in them.
6 Our program guidelines that were adopted or tended to attract
7 and entice anyone who has a good proposal to be involved in.
8 We have said we want to engage in applied research that is
9 post-proof a concept. We want to pursue commercialization
10 within a timeframe and we say 36 months. I'll say to you
11 that's not chiseled in stone because if you've got a good project
12 and you can do it quicker or a little more than that, then we're
13 certainly willing to listen. We're also very much interested in a
14 proposal that would invent or improve product processes and I
15 think this is very key to anything the Commission does that
16 originates in the region or whose value is substantially
17 increased in the region. Then we hope it will provide to the
18 Commission or it's designee, the right to some intellectual
19 property, whatever that is and I hope Frank has all that
20 figured out. I understand he's been working on that.

21 We also have given you some guidelines about
22 what we would like for at least the project to be developed in.
23 Energy is of a primary interest to the Commission and that
24 seems to be an interest of everyone across the country.
25 Biomedical and healthcare, information technology, chemical

1 and materials certainly environmental. That's not all inclusive
2 but it's meant as a guideline to give you some idea where our
3 interest lies.

4 The other piece I want to mention and then I'll
5 get into the grant piece itself. We'd like to see in any kind of
6 request for funding sources that we not be asked to provide
7 more than 50 percent of the project costs. So keep that in
8 mind. As I look through these, I don't know if I can tell if that
9 is really filled out in a lot of them, whether that was really
10 spelled out in a lot of them; some it was and some was not.
11 Again, if you haven't had a good chance to look through all of
12 that please do so. I really think that's the pertinent
13 information for today.

14 What we plan to do today is to begin with the
15 staff presentation and their overall review and when that's
16 complete, we will open the floor for any questions. Keep in
17 mind that today is not the day that you make your plea for
18 your application for your project. You'll have plenty of time to
19 do that in the future. We have a vetting process that's coming.
20 There's another vetting process that's coming and we'll be
21 meeting January 11th in Richmond. I'd suggest again that
22 during that timeframe, you have an opportunity to speak with
23 Commissioners, particularly the staff about your project. I
24 hope that gives you a little bit of direction and guidelines to
25 where we're headed. Thank you.

1 DELEGATE MARSHALL: What are we going to
2 do today, I know this is all new for us. We're going to look
3 through the applications and then from this point, we go to
4 the economic development partnership for review, is that
5 correct?

6 SENATOR PUCKETT: I will say that not
7 everyone will go to the economic development partnership,
8 only those applications that we as a committee would
9 recommend would go to the partnership.

10 DELEGATE MARSHALL: Once we recommend
11 that it goes to the partnership, the partnership will do their
12 due diligence. Do all of those applications that go to the
13 partnership come back to this committee, are they going to
14 give us a recommendation like the Commission staff has done
15 in the past or when will that process happen? Do we give
16 them a timeframe, the partnership to get that back to us?

17 SENATOR PUCKETT: Neal you might correct
18 me on this but I think that we're expecting something in
19 January when we meet from the partnership and it doesn't
20 mean they'll come with a recommendation and they may not
21 but that's the timeframe that we're working in. We expect
22 them to make some kind of recommendation on what we send
23 to them for the vetting process that they'll go through. On
24 January 11th when we meet in Richmond, it's my thought that
25 we may get no recommendation from the partnership and yet

1 we may get several. The final decision will be made by the full
2 Commission when any of the grant applications that have
3 been sent back to us with some kind of recommendation.

4 DELEGATE MARSHALL: They come back to
5 us in January and then we'll take action to send it to the full
6 board for approval if we find something we like.

7 MR. NOYES: When the vetting process is
8 completed and I think it's unlikely that the vetting process will
9 have been completed on any projects that this committee may
10 choose to recommend today in time for January. This
11 committee will take the information we receive from VEDP
12 which may not take the form of a recommendation to go
13 forward then it'll be information necessary for the Committee
14 to form it's own decision whether or not to make a full
15 recommendation for funding. After the vetting when the
16 Committee has the information and needs to make an
17 informed decision both scientific and commercialization
18 aspects of the project. I just point out that Mr. Jerry Giles
19 from VEDP is here and will be available for further discussions
20 and any specific questions but between now and January 11th,
21 it's unlikely.

22 DELEGATE MARSHALL: When we send these
23 to the partnership, could we prioritize these because some of
24 these may affect or there might be economic development
25 projects here that we need to make decisions quickly on.

1 SENATOR PUCKETT: If there's a worthy
2 project, I don't think anyone in the front or the back of the list,
3 unless somebody wants it all in one grant, I would think the
4 decision as to whether that individual or that group actually is
5 funded would be up to the full Commission anyway. I don't
6 know how you put one in front of the other I guess is what I'm
7 saying.

8 DELEGATE MARSHALL: I guess if they have
9 enough resources they're not going to look at one and say
10 they're different but I think that some in the package right
11 here that could affect jobs in the tobacco region. I think we
12 might want their analysis on those at the front of the list as
13 opposed to waiting.

14 MS. NYHOLM: You mean if they're time
15 sensitive?

16 SENATOR PUCKETT: Delegate Byron.

17 DELEGATE BYRON: Just to follow up on and
18 clarification. Some of the procedures we're going through
19 today, we're getting staff recommendations as to whether or
20 not they feel it should go to VEDP or if the Committee should
21 review it without the VEDP oversight. So if we make a
22 decision based on that, then that's as far as we're going to go
23 today? People are here and they may ask questions or answer
24 questions about a particular application and we're still going
25 to say let's wait until January and do that?

1 MR. NOYES: The staff is not prepared to make
2 a recommendation now or in the future that the project not go
3 through the vetting process. The Committee could come to
4 that decision but our recommendation will be to you to refer
5 the project to VEDP or where we defer to the committee its for
6 you to ask questions of the applicants or talk to staff about
7 what our concerns were to decide if that one should be
8 referred to VEDP.

9 DELEGATE BYRON: I'm not sure that I, I
10 know your concerns about what staff should or should not be
11 doing, that's not what I'm referring to here. We do have
12 recommendations or initial recommendations as to VEDP.
13 We're looking at that and we're looking at anything today and
14 if we're going to make that decision and have questions before
15 we decide to send it there, I got the impression in the
16 beginning that that was not going to be involvement from the
17 applicants but I don't see how we cannot involve the
18 applicants in order to get that further step.

19 SENATOR PUCKETT: I think I said that
20 anyone that wants to ask questions including the Committee
21 members, if you want to ask someone a question about their
22 grant request, you'll be able to do that. If someone's sitting in
23 the audience that wants to ask a question or ask the
24 Commission a question, they're going to have a right to do
25 that. What I intended to say and maybe I didn't say it very

1 well was that we're not going to listen to everyone whose name
2 is on an application today and present their case and decide
3 on that. The recommendations as I see it, that have been
4 made by the staff, really have no weight on anyone as far as
5 I'm concerned. We don't have to follow that recommendation
6 and if they left something out that we think is better, then we
7 can send that to the partnership also.

8 DELEGATE BYRON: I think I understand
9 clearer now that of course, if we have certain ones that we felt
10 like should be vented more thoroughly to VEDP and there's no
11 sense in doing double presentations or getting into too many
12 details. That I understand. I just want to make sure that
13 when we get past that bridge and we're going to review certain
14 ones that the ultimate presentations at some point, at least by
15 or at a minimum by January 11th will actually engage some of
16 these applications.

17 SENATOR PUCKETT: I think that's a
18 possibility and I don't know that we'll have anything by
19 January 11th but certainly in the process.

20 DELEGATE BYRON: The ones that we're going
21 to look at will be by the 11th of January?

22 SENATOR PUCKETT: Well, hold on a second.
23 I don't know that we can put that kind of timeframe on what
24 the partnership is going to do or the VEDP people. Maybe we'll
25 have something by January 11th or we hope we do.

1 DELEGATE BYRON: The ones that we're not
2 looking at, we're not saying everything, right?

3 SENATOR PUCKETT: Correct.

4 DELEGATE BYRON: There may be other ones.

5 SENATOR PUCKETT: Unless the Committee
6 wants to send them all there.

7 MR. MAYHEW: I thought we talked about this
8 at the last meeting. My understanding was that these
9 recommendations would come into the staff and then the staff
10 will look through those and the ones that were obviously not
11 fitting the mold at all and didn't meet the minimum
12 requirements would be laid aside. The ones that were left
13 would be brought before this Committee. In addition to that, I
14 noticed some of them came to the Committee for the
15 Committee to look at and some were recommended to go to
16 VEDP. What I thought that meant was some of these things
17 were not so technical in nature. We can look at it and make a
18 decision today just like we do with all the other grants. If we
19 felt comfortable enough we could study these grants that was
20 mailed out to us. If we say this fits and I think this is what we
21 should do, then we would have the option and not trying to tie
22 anybody's hands, but if we felt that way as a group, we could
23 say okay, this one and that one we feel good enough about it
24 and this Committee could pass on it and go ahead and okay it.
25 The ones that there were any questions about and particularly

1 the ones that the staff recommended to go to VEDP because of
2 their technical nature or whatever and we don't feel
3 comfortable passing judgment on it, those would be the ones
4 we'd send to VEDP at the next meeting. Then whenever VEDP
5 got an opportunity to look through them, send them back to
6 us with their critique and recommendations. Then we could
7 look at them again and say is this really what we want to do
8 and we'd still have some control. That was my understanding.

9 MS. NYHOLM: I understood what Buddy is
10 describing but I think the one piece that might be missing
11 from that, what did staff understand when they made the
12 recommendation. Did they think they were saying either it
13 goes to VEDP or we recommend you pass that and that was an
14 option or are they recommending to us it would be approved
15 by this Committee for vetting to VEDP or pass, those three
16 options.

17 MR. NOYES: Any standing committee may on
18 a majority vote at any time, recommend to the full Commission
19 that a project be funded if you all are comfortable. In this
20 batch of applications, it came down to three categories as staff
21 reviewed them. Projects that we felt we had sufficient
22 information on and to make a recommendation to this
23 Committee that they go forward to VEDP for vetting and there
24 were two. There were two of the 16 projects. There were two
25 projects we felt were ready to go to VEDP. We did not

1 recommend on those two that this Committee vote to
2 recommend to the full Commission funding, that's the staff
3 recommendation. I believe there were five others that we
4 believe this Committee needed to talk further about. Perhaps
5 have questions of the applicants today or on the 11th whenever
6 the Committee decides to go forward. We believe there is a
7 legitimate research and development problem. The full
8 amount of information that we felt we needed to be
9 comfortable saying let's move this to VEDP at this point and
10 we didn't believe that was there. There may be some policy
11 issues associated with some of them and this is where we felt
12 we needed to put our arms around the types of questions that
13 we think are important to get resolved. The balance which
14 leaves us with nine, we felt those projects were not ready for
15 discussion and they may need further investigation by staff.
16 There's really seven projects that the staff looked at and really
17 are on the table for discussion today. We can work with other
18 applicants going forward. Does that answer your questions?
19 Anytime a standing committee can make a recommendation to
20 the full Commission to go forward and fund but staff is not
21 saying that in these instances. We're saying it needs to be
22 vented.

23 SENATOR PUCKETT: Anyone else have any
24 questions about the process? Any members of the
25 Committee? Ned, you look like you want to say something.

1 MR. STEPHENSON: I want to say this Mr.
2 Chairman that the staff's only role today was whether or not it
3 goes to the partnership or not. Either it does or it doesn't. If it
4 does, great. If it's not, it's dead. That's what staff is doing
5 today and of course, subject to the will of the Committee.

6 MR. OWEN: Did any of these have any
7 information or they'd already been working with VEDP before
8 this came up?

9 SENATOR PUCKETT: I don't think I can
10 answer that.

11 MR. NOYES: I'm not aware of any.

12 MR. GILES: If you can define working with
13 VEDP.

14 MR. OWENS: Moving down the process in
15 whatever VEDP wanted or whatever the process was.

16 MR. NOYES: The Halifax County IDA
17 application and the project is known to VEDP and where they
18 are in that process, I don't know. VEDP has not advised us.

19 MR. GILES: There's one other.

20 MR. OWENS: That being true, if we
21 recommend it, would you send it back to VEDP to vent?

22 SENATOR PUCKETT: I think it's the
23 responsibility of this Committee to do that. I haven't heard
24 anything and I don't know anything that's gone on personally
25 but I think the Committee yes, it's my opinion unless someone

1 can correct me.

2 MR. NOYES: This Committee has not seen the
3 information from the vetting process.

4 MR. OWENS: You're saying that we're going to
5 send this to VEDP but they may not have anything in
6 January?

7 SENATOR PUCKETT: That's up to VEDP. If
8 they can do it in January that's great. This Committee hasn't
9 done anything with that application. If we think it needs to go
10 there, we need to send it to there. Jerry, do you want to speak
11 to this?

12 MR. GILES: This is a request back on July
13 23rd, we made recommendations and kind of UVA and Virginia
14 Tech, VEDP and myself recommended some framework
15 elements as to how you'd actually go through the vetting
16 process and the objectives and going right through the process
17 and the outcome. Also one where you can track results.
18 There were 16 framework elements that we reviewed this with
19 the Committee and I believe it was reviewed later on before the
20 full Commission. At least part of that framework process we
21 identified the vetting process and once you say less, the
22 vetting panel, they're the ones that we want to go through the
23 full process and it would take 12 to 16 weeks for that to be
24 done. Mr. Chairman and members of the Committee, I would
25 be less than honest if I told you that we could take those 12 to

1 16 weeks and move that into 30 days with a couple of big
2 holidays there. There is no way if we put what you'd like to
3 have as feedback on through the process. We defined and
4 recommended to you what you accepted in July that we're
5 going to have any meaningful conclusion outcomes by
6 January 11th. I hope that's helpful.

7 MR. OWENS: Yes, I think I spoke up during
8 that meeting for presentation and I thought 12 to 16 weeks
9 was unacceptable. I know you have to do your job and due
10 diligence and all that but on time sensitive technology, we're
11 dealing with technology and technology changes so fast and
12 that's part of your problem because the technology does
13 change so fast. If we wait until April and that's what you're
14 saying, I think some of these projects will not be available for
15 Virginia.

16 MR. GILES: If you're looking at something a
17 bona fide competitive project, fish or cut bait by December
18 15th, or are you talking about something that's more – in
19 nature, supply R&D and hopefully once everybody's given it
20 their best review, informed review. It's going to
21 commercialization opportunities in the region and/or to
22 businesses and jobs, I think you're talking about two different
23 scenarios. The former is that we need your help to close the
24 deal. The latter is more developmental in nature and we've
25 already said you'd like to have the process resolved within 36

1 months as far as commercialization, that's a pretty long time.

2 SENATOR PUCKETT: The issues I think we're
3 facing and I wasn't on this committee when all this was done,
4 we have a set process. As I indicated earlier, I think we need
5 to follow that process and it doesn't mean that that can't have
6 exception to it if this Committee looks for an exception and
7 votes to send an application to the full Commission and we
8 can always do that and I think that's what I heard Neal say.
9 At this point, I'm not hearing anyone say that but if you come
10 in January and say we need to talk about this, aren't you
11 going to talk about it today, that's okay. I hope I made that
12 clear. We're willing to listen today to whatever questions that
13 anyone might have and we'll do that on any project or any
14 application. I'm very much concerned about the process that
15 this Committee has voted for to put in place and I want to be
16 sure that we're not moving things at a speed that we shouldn't
17 be moving because we don't have all the answers and we don't
18 know everything that's going on. If there is something that's
19 time sensitive or an application that's out there somewhere,
20 then the case needs to be made for that and we have done it in
21 the past and recognizing that this R&D piece is much different
22 than anything we've done before. I think we've all been in a
23 situation where we know that we need to move a little quicker.
24 If you can make a case for something like that, then I believe
25 this Committee would be willing to receive your input and

1 make a decision based on that. At the present time, I hope
2 that we follow through with the policy that this Committee
3 itself agreed to and any exceptions to that will certainly have
4 to be agreed to by this Committee before we entertain
5 something different than that. Are there any comments or
6 questions from the Committee?

7 MR. SEXTON: I'm Mike Sexton with the
8 Halifax IDA. I want to make a comment specifically
9 addressing a project that is more economic development
10 driven. When you consider research and development
11 projects, one of the aspects we run into is startup research
12 projects that are what we call the leading edge that we're
13 trying to deal with and then there are companies like we're
14 dealing with, there are applicants and projects and we're
15 moving more on the development side and not a startup. It's a
16 research and development project and it's ready to provide up
17 to 200 jobs and Halifax is a very distressed county. We feel if
18 we don't move and get approval and Halifax is stepping up to
19 the level of providing \$13 million and we're asking this
20 Committee for \$5 million so we want this project. It's not a
21 startup but it's a great high technology project so it's on the
22 economic development side. We'd ask that you consider the
23 difference between a startup R&D project but one that's more
24 into the development side.

25 SENATOR PUCKETT: Anyone want to

1 comment about what we've heard with Halifax?

2 DELEGATE BYRON: From what I understand
3 about that project, it's already a go and there's more down the
4 path from your initial R&D and closer to commercialization
5 and there's some time sensitivity to the project as I
6 understand that to be the case. I think what we're all saying
7 in a different way is you have to go through the vetting process
8 if there's one you think you should move on. I hear Neal
9 saying maybe we don't have to and you just go to the
10 Committee for them to endorse the recommendation at the
11 next level which is the full Commission at their meeting. If
12 you prefer to go through the vetting process as a matter of
13 policy or whatever you want to call it whenever possible.

14 MR. NOYES: I understood the chairman to say
15 as well.

16 SENATOR PUCKETT: Is there not some place
17 else that Halifax can go instead of R&D for us to have to move
18 on this quick or not another committee, TROF or something
19 else?

20 MR. SEXTON: It's a research and development
21 project and really it's within this Committee better than any
22 other committee. Based on the project itself, this was the best
23 fit. The only way we can close on this project is we need your
24 help to close on it. It's very, very competitive and we have
25 been working with them for quite some time. We're very

1 concerned that 12 to 16 weeks will, these 200 jobs will not
2 come to Virginia.

3 DELEGATE MARSHALL: Let's talk about this
4 particular project and it might help clarify. If we do this
5 particular project we would have the full performance
6 agreement and they would have to jump through all the
7 hurdles as we normally do with any projects.

8 MR. NOYES: We would have a grant
9 agreement with the IDA and whether it would be that a
10 tri-party agreement Ned, the private sector or I guess what we
11 talked about, having a performance agreement with the third
12 party in the private sector.

13 MR. STEPHENSON: We have developed a list
14 of suggested contingencies and performance agreements for all
15 these grants but staff did not understand there would be
16 funding decisions made today so we didn't bring those
17 contingencies. They're different for each grant.

18 MR. FERGUSON: I think this may help
19 answer Delegate Marshall's question, information generally.
20 One of the reasons I'm back is to work on these projects, also
21 different from the kind of economic development projects that
22 the Commission historically funded. The fact that these folks
23 are and particularly the fact that we don't have that particular
24 expertise or profess to have that particular expertise then we
25 need to appropriately determine the worthiness of some of

1 these projects. An adjunct to that is the necessity that we look
2 at the grant agreement differently and more thoroughly than
3 we have in the past and that may well include performance
4 agreements and include agreements with third parties and not
5 just directly with the grant recipient. It is going to have to
6 include upfront agreements about how or as Senator Puckett
7 mentioned earlier, intellectual property issues to be dealt with
8 and things like that. I've just been back on the payroll for
9 about six days now but I haven't finished all that yet. It'll be
10 something of a learning process in that respect. That's
11 another reason why I don't think we're prepared today to make
12 any final funding decisions or even funding recommendations
13 to the full Commission. Certainly it's time to get started and
14 as we look at these, we will have to be tailoring a grant
15 agreement more specifically than we've had to historically.
16 That is something that will be an evolving process and one
17 we've been thinking about and working on.

18 SENATOR PUCKETT: Thank you Frank and
19 we're glad to have you back.

20 MR. FERGUSON: Maybe nobody knew I was
21 gone.

22 SENATOR PUCKETT: Let me make a
23 suggestion, I think from what I've heard, it probably isn't going
24 to hurt anyone if we wait until the 11th, that's 32 or 33 days
25 away or maybe it does but based on what I've heard Frank

1 say, I don't think we're prepared to do anything, even today.
2 We originally hadn't planned to do anything today. Is it
3 harmful if we don't do anything today on this Halifax project
4 and ask you to come prepared on the 11th to make your case
5 for what you want to do?

6 DELEGATE MARSHALL: Mr. Chairman, for
7 example, even if we do something today, the full Commission
8 still has to approve it the next day after that. We don't have a
9 check today to give them and the full board's going to have to
10 sign off on this.

11 SENATOR PUCKETT: I hope everyone
12 understands that the full Commission has to sign off on
13 everything so we're not giving out money today. Are there any
14 other comments?

15 DELEGATE KILGORE: Did I understand you
16 to say there is another meeting on January 11th, is that
17 correct?

18 SENATOR PUCKETT: January 11th is our next
19 meeting and that will be in Richmond.

20 DELEGATE KILGORE: Before the full
21 Commission?

22 SENATOR PUCKETT: The full Commission
23 meets on the 12th, the next morning.

24 DELEGATE KILGORE: I thought that's what
25 you were saying, I was trying to find something in my car.

1 SENATOR PUCKETT: I hope you're not
2 driving.

3 DELEGATE KILGORE: No. I was just
4 wondering and we were meeting January 11th before the full
5 Commission meeting. I was just wondering if the information
6 would be presented to us that day.

7 SENATOR PUCKETT: Thank you Delegate
8 Kilgore.

9 MR. MAYHEW: My question is certain of these
10 and maybe one or two or three, what's going to change
11 between now and January 11th as far as the information we
12 have, or the information that we will be given at that time? Is
13 the staff going to do some more looking into it and give us
14 additional information from what was mailed to us or do we do
15 individual investigations?

16 MR. NOYES: Mr. Mayhew, the staff will be
17 happy to try to gather information requested by this
18 Committee in advance of the meeting on the 11th. You have
19 what the applicant submitted and if there's something else
20 that you need, tell us what that is and we'll certainly make
21 every effort to find out.

22 MR. MAYHEW: As an example, the City of
23 Danville first one, just like the first one here, the City of
24 Danville, the Authority seeks to create a new, non-profit entity
25 to serve as a repository into which Altria will donate a very

1 large database of tobacco related disorders in humans. I'm
2 just wondering if there's much or what we were given there,
3 how much explains the idea. I think and I don't know that
4 there's much more research that can be done that would bring
5 us any closer to what we want to find out, whether we want to
6 fund it or not. We might want to talk about the amount of
7 funding a little bit but I think we, something fairly non-
8 technical like this and maybe we can make a decision and not
9 have to drag it out too long and if there is more we need to
10 know about it or what are we going to know more on January
11 11th than we know today for that particular one?

12 SENATOR PUCKETT: Senator Wampler.

13 SENATOR WAMPLER: Just to follow up on
14 Buddy's point and I will only comment whether its his
15 application, I think it's still stamped for proprietary or
16 confidential so I'll speak generically. What kind of due
17 diligence concerning the company's financials or what type of
18 risk are we entering into to be a joint venture with them to the
19 point of intellectual property for recovering our share of the
20 investment. That's one of the big questions I have, whether
21 it's this application or any other application. Then the
22 question of how much of that intellectual property is to be
23 retained beside the footprint of the Commission. As I read the
24 application, not just this one, but others, the additional
25 information I would like to see. Then the overall question is

1 how do we allocate, do we allocate one dollar to this
2 application, what does that do on a pro rata basis to all the
3 other applicants so I can see it in the whole rather than just
4 one point. Mr. Chairman, that's the best I can do from my
5 remote site.

6 SENATOR PUCKETT: Thank you Senator
7 Wampler. Any other comments?

8 DELEGATE BYRON: I was looking through the
9 applications and I don't see where it's marked proprietary.

10 SENATOR WAMPLER: I had it on the back of
11 page three on the verbiage at the very top.

12 DELEGATE BYRON: You must have read it
13 closer than I did. I think the difficulty is that it's a different
14 format that we have had since I've been on the Commission.
15 We gave some guidelines to the staff on the other grantees and
16 the recommendations that we had. The only thing you have
17 given us here out of this long list are two that are started,
18 maybe a third one was missed and you mentioned three. The
19 rest of them were pretty much recommended to lay on the
20 table. If that's the case, then it would be helpful I think for us
21 to understand some more of the decision making would bring
22 that kind of recommendation or at least maybe the applicant
23 so that we don't continue to get 50 or 60 applications that
24 don't fit into any criteria that's being looked at in evaluating
25 these R&D. Proprietary information certainly as far as the

1 discussion can go. The more that we can put into the
2 evaluation of this criteria to help understand why, these other
3 ones are not favorable and it's very easy to see them as one
4 thing. There are applications on here that look just as worthy
5 as some of these economic development applications that we
6 looked at and they don't fit R&D, if not, then maybe I'm not
7 seeing it all.

8 MR. NOYES: There are two that have asterisks
9 and I believe there's five others that are in bold. There was a
10 clear post proof of concept research and development problem.
11 We understood the budget, what Commission funds were
12 going to be used. They were not commercialization projects
13 and they were not proof of concept projects and those things
14 that we've talked about in previous meetings or if there seems
15 to be a research issue involved and there was not a clear
16 statement of how commercialization would go forward.
17 Another main consideration as I reviewed all of these was to
18 what extent are the non Commission funds aspirational? If
19 you give us X number of dollars or if you agree to give us a
20 number of dollars we'll use those and we'll go out and we'll
21 find other dollars. We have found as a Commission in all of
22 the other committee assignments that all too often that never
23 happens. People arrive back saying we need a time extension,
24 the project really wasn't ready for staff to say to this
25 Committee let's talk about it and you all make a decision on

1 whether or not this should go forward for vetting. There's no
2 hard and fast rules, it's judgmental. The staff has invested a
3 lot of time. There were some that were very clear, set us up in
4 business and pay our salaries and buy us equipment, build us
5 this, we'll define a research problem later on. That didn't take
6 us too long to make sure that they weren't, this is a learning
7 process for the staff because a lot of these things we haven't
8 seen before and they haven't fit. A project like the Halifax
9 County business development project certainly does have an
10 R&D focus, it's cutting edge, it's commercialization, it's that
11 next stage in addition to R&D. We wanted this Committee to
12 think about it and talk about it. It's not that we think it's not
13 a worthy project, it clearly has R&D and it has
14 commercialization and its utilizing a long vacant facility and
15 there's a promise to go to the Department of Agriculture for
16 other funding. We can work out the details in terms of what
17 the grant agreement says and things like that contingent on
18 different things. We can do all sorts of things like that. We
19 want the instruction, this project will give us some instruction
20 so that the next time I won't have to invent the answer on the
21 fly, I'll be able to say these are the things that we look at, these
22 are the things you told us to look at.

23 DELEGATE BYRON: I don't know what other
24 people are thinking of course but I don't think everyone is
25 totally familiar with where we're going.

1 SENATOR PUCKETT: Any other comments or
2 questions?

3 MR. MAYHEW: I hate to belabor the point but
4 we've had experience going through a lot of different
5 applications and things like Senator Wampler was saying a
6 few minutes ago, bringing up some of the background on these
7 things. I still think somewhere along the line we're going to
8 need, not from the VEDP at least some staff guidance. They've
9 been through it to the point that they are ready to take action
10 and come up with specific pros and cons to guide us. Maybe
11 they still might not make a recommendation, recommend no
12 award or half of an award or maybe so and if they don't want
13 to go that far, at least give us some additional information
14 from their perspective but we'd have a hard time coming up
15 with on our own and that's just my thought. I know they're
16 busy as they are with the regular grants. I'm just wondering if
17 there's anyway that we can get some additional help when we
18 come to our next meeting that we'll have some information
19 prior to the meeting and then the members can have or we can
20 have these meetings and form some ideas of our own and we
21 can make decisions and move on with it.

22 DELEGATE MARSHALL: Mr. Chairman, in
23 addition to the R&D, ultimately the reason we're all here is
24 about jobs and creating jobs. R&D is just a means to an end
25 trying for commercialization and that's what we've been

1 talking about. As we go through here and maybe you take
2 Halifax and their proposal is a good example from what I know
3 about this. As far as the R&D part of it, they are a lot closer to
4 commercialization than some others here. From our
5 standpoint is ultimately what we're trying to do is create jobs
6 and trying to get those jobs in Halifax County as quick as we
7 can. We need to think about how we can do that, not just
8 trying to follow some process that we have invented on the fly
9 to a certain extent. I think we've got to be flexible enough and
10 to realize that Halifax County's project is different than some
11 of these others, maybe something like that should go to the
12 Southside Economic Development Committee, I think there's a
13 difference.

14 DELEGATE BYRON: Following up on what
15 Dan is saying, I would agree with him this has always been
16 about creating jobs and even more so with the situation we're
17 in now. If we send an application to VEDP that we feel that
18 doesn't warrant the total vetting, maybe that we don't think we
19 need to spend the additional time on because we don't have,
20 we can maybe do the vetting ourselves in order to get things
21 moving faster for projects that may be close to getting there.
22 When we go to VEDP and then it comes back again and all
23 that time it takes to do all that. I think it kind of takes away
24 the incentive. Unless there's something that really concerns
25 us on a particular project, maybe we need to find out

1 something a little more from the staff. I think we need to get
2 our feet wet here and move on. Some of these projects will be
3 ready to move and some won't and that concerns me.

4 SENATOR PUCKETT: Anymore comments? I
5 don't know if this is the time for it or not. If you all want to
6 make a motion for something that you think this Committee
7 could consider out of the norm of the guidelines that we've
8 already had then it would be time for somebody to move.

9 MR. MAYHEW: Mr. Chairman, I would agree
10 with at least the rough cut that was made by the staff. I'd like
11 to see us take that first step with the staff recommendation, at
12 least there's 9 to 7 separation points there. I would agree with
13 that.

14 MR. NOYES: You've got 2, 5 and 9. Two that
15 we felt we had enough information consistent with our
16 discussion that we recommend that those go forward for
17 vetting.

18 MR. MAYHEW: I'm saying that I think we
19 should accept your recommendation to that point and start
20 from there.

21 MR. NOYES: The other five we welcome your
22 questions if you need more information. We will find out what
23 we can and we can ask the applicants.

24 SENATOR PUCKETT: Is that a motion?

25 MR. MAYHEW: Yes, that's my motion. Just

1 for clarification, would you identify the two? I think they have
2 stars.

3 MR. NOYES: 2006 and 2010.

4 SENATOR PUCKETT: Identify the five.

5 MR. NOYES: 1961, 1991, 1997, 2000, 2004.

6 MR. OWENS: You're saying cut down to that
7 right now and just consider those?

8 MR. MAYHEW: From my standpoint of and
9 from reading through the information sent to me and later on
10 getting the staff's recommendations that nine of these are
11 clearly not within the realm of what we want to consider at
12 this time and they may want to go back and re-work them or
13 whatever. I agree with the rough cut they made. That means
14 that five and two that were left out of the 16, I'm saying to get
15 the ball rolling, I move that we at least accept that and not go
16 back and pick some of the ones that were just starting and
17 that's my motion. Seven and 9, 16 total. Five, 2 and 9.

18 MR. OWENS: Seven we're considering and 9
19 are sent back?

20 MR. MAYHEW: Yes.

21 SENATOR PUCKETT: I think Buddy's motion
22 would be that we accept the staff's recommendation and
23 specifically what that is, is that we're going to deal with the 7,
24 two they recommend they go to vetting and then we can talk
25 about the other five. Is there a second to that motion?

1 MR. REYNOLDS: I'll second it.

2 DELEGATE MARSHALL: Can we go down the
3 numbers and make sure?

4 SENATOR PUCKETT: The two would be 2006
5 and 2010 and they're going to the partnership. Then those
6 that are in bold, including 1961, 1991, 1997, 2000, 2004 and
7 those would be included in Buddy's motion.

8 DELEGATE MARSHALL: We're going to send
9 2006 and 2010 to the partnership and we'll review the others?

10 SENATOR PUCKETT: That's correct. Is
11 everyone clear on the motion? We have a motion and a second
12 to accept the staff's recommendations that we just discussed
13 those with the asterisks to go directly to VEDP and the other
14 five which we have identified as being in bold numbers, we'll
15 discuss those today and take action on them. Are there any
16 questions on the motion? All those in favor say aye. (Ayes).
17 Opposed like sign. (No response). The motion carries. Now,
18 that brings us and I don't know any other way to do it, go back
19 to 1961. Ned, do you want to do these together?

20 MR. STEPHENSON: I'll give you a brief Mr.
21 Chairman just to get this started. I'd like to say at the outset
22 that staff does not have a litmus test that it can apply to these.
23 We try to understand the will of the Commission, what it's
24 trying to do and try to reach some conclusions and that's how
25 we approach these because there's no litmus test. In

1 particular, number 1961, it's an application from the Virginia
2 Biotechnology Research Authority. They have been talking
3 with Altria and Altria has offered to donate to a new entity a
4 large database that will become available globally for people
5 doing research on tobacco related illnesses. The division of
6 the Authority is that they will start with that database and
7 attract others in the healthcare field and become a center for
8 people who are doing research. I do note by the very nature of
9 this project if you should ultimately end up funding it, the
10 money would go for salaries and that's the nature of research
11 and there's very little equipment involved. We felt this had
12 sufficient merit for VEDP to review and bring back their
13 recommendations.

14 MR. NOYES: If the Committee will think about
15 its database in Richmond currently, the International Organ
16 Transplant database, the Twins database, their both in
17 Richmond. There is evidence and we talked directly with this
18 applicant, private companies that co-wrote around where the
19 databases are that's somewhat aspirational in this case. What
20 is not aspirational according to the application is that this is
21 the first database which costs Altria roughly \$50 to \$60
22 million to aggregate. It has a lot of samples and a lot of
23 opportunities to attract other databases and grow this. It's
24 real and it's different in terms of, the question was asked
25 earlier what's the commercialization opportunities. Senator

1 Wampler has asked that. That was not clear to us. It wasn't
2 clear to us but we wanted the Committee to consider that and
3 see if this is the type of request that you would like vented so
4 that we can have experts tell us this is a good idea. Will
5 Science result from this and real commercialization. At the
6 point where we have this information, you will be asked to
7 make a decision to recommend funding or to not fund it to the
8 full Commission. We didn't feel like it was ready to go the way
9 we did with 2006 and 2010. We felt this had significant
10 potential. It wasn't clear to us if it was consistent with all of
11 our questions and that's why we have it in bold.

12 MR. OWENS: We're going to consider each one
13 of these individually and make a judgment?

14 SENATOR PUCKETT: Yes, we're going to
15 consider each of the five that are listed and evaluate them.

16 MR. OWENS: And evaluate them right after
17 the presentation?

18 MR. NOYES: I will also add there's also tissue
19 samples associated with this which will not be at the Institute
20 in Danville because they require a minus 40 degree centigrade
21 and that temperature is supposed to be maintained in
22 Richmond. So there's two parts, one is the aggregate data
23 which will be housed in Danville and the other as the tissues
24 which will be in the freezer and I don't want to know.

25 SENATOR PUCKETT: Does anyone on the

1 Committee have any questions?

2 MS. DIYORIO: I'd like to ask if you have any
3 idea about the additional funding. What about the remainder
4 of the funding?

5 MR. NOYES: I don't have hard information on
6 that.

7 MR. STEPHENSON: Linda, on so many of
8 these applications the alternative funding is hope. They make
9 all kind of statements on these applications where money is
10 coming from. Part of the vetting process is to find out is it real
11 or is it hope.

12 SENATOR PUCKETT: Any other questions
13 concerning 1961?

14 MR. OWENS: Mr. Chairman, I'd like to move
15 that we send this to VEDP for vetting.

16 SENATOR PUCKETT: It's been moved and
17 seconded that 1961 be sent for vetting. Does everyone
18 understand the motion? All in favor say aye. (Ayes). Opposed
19 like sign. (No response). Motion carries.

20 MR. STEPHENSON: Mr. Chairman, if I may
21 before the Committee ask a question of Jerry Giles, and I think
22 I know the answer. My question is, Jerry, is the speed with
23 which the partnership can vent these applications a function
24 of how many of them we send to you?

25 MR. GILES: I think the correct answer is yes

1 but not in terms of getting a reduction from that 12 to 16
2 weeks. The reason I say that, this is the first time out for
3 impaneling this group and getting all the engagement letters
4 and protocol set down. I wish I could say yes, we could do it
5 in two weeks but that's totally unreasonable. If we end up
6 doing 7 as opposed to 18, I think we'd be closer to 12 weeks.

7 DELEGATE MARSHALL: When we send you
8 two or 12, how are you going to choose which ones to start
9 with or which ones come first.

10 MR. GILES: No, they'll be done concurrently.
11 They're done at the same time otherwise you have a rolling
12 panel, 24/7 365.

13 DELEGATE MARSHALL: Are the panels on the
14 staff of the partnership?

15 MR. GILES: No, sir. I'm the only member of
16 VEDP that's on that list.

17 MR. NOYES: In state, out-of-state, venture
18 capitalists, engineering firms, real standing nationally and
19 internationally. I'm very confident that we'll get really good
20 information around which you all can form your decisions.

21 MR. STEPHENSON: Mr. Chairman, the next
22 one on your list is 1991, the City of Danville and they're
23 seeking money to research the conversion of existing
24 automobile chassis from petroleum base to hybrid base fuel.
25 The question is not should you fund it, the question is should

1 you look at it a little more closely. We felt the answer to that
2 question, this is one the Committee would want to consider for
3 further study.

4 SENATOR PUCKETT: Any questions from
5 anyone on 1991? Those on the phone need to speak up if you
6 have questions.

7 SENATOR WAMPLER: I appreciate you
8 making sure that I am.

9 MR. NOYES: On 1991, I don't know if it was
10 mentioned in the staff comment, a non Commission share is in
11 hand and it is a Department of Energy grant for the purposes
12 that's specified in this application, supplemented and
13 expanding through equipment that is necessary for this
14 electrical drive train process. We're not going to wind up with
15 an automobile plant as a consequence of this but there are
16 component manufacturing based on this research which are
17 concepts that are a possibility. This is one that was not a sure
18 thing as the staff reviewed it but we wanted to bring it to your
19 attention. I don't know if the applicants are here or not.

20 MR. MAYHEW: I'd like to hear about that.

21 MR. DELL: I'll be glad to answer any
22 questions I can. It's part of funding from the Department of
23 Energy and a project for Phase I. We're asking for additional
24 funding to expand that to attempt to deliver a commercialized
25 process. We have the research project itself that is DOE

1 funded and build a platform that we can rapidly test batteries
2 with the motor combination. We have a lot of experience with
3 energy. We've done a lot of hybrid conversions more than in
4 any other single location in the country. We have the
5 experience and the need is there for a lot of future work with
6 fulfilling government opportunities for hybrid conversions.
7 That's the area we're focusing on.

8 DELEGATE MARSHALL: The
9 commercialization is not only this platform that you got, it
10 could be used for half ton pickups.

11 MR. DELL: That's correct. The platform itself
12 is DOE funded. It has commercial applications because we
13 will actually bring the platform here to Danville and it's going
14 to give us an opportunity to do research work for other
15 locations that we can do in Danville. We can actually replicate
16 the platform itself to be able to sell out to other industry. We
17 want to be able to use that research vehicle to work on other
18 aspects. Just like a sensitive motor and batteries and the
19 control unit and the electrical control devices. The same with
20 any vehicle when you plug in the hybrid and the conversion.

21 DELEGATE BYRON: How many jobs would
22 this create?

23 MR. DELL: That would be difficult to estimate.
24 I'd say at a minimum just with testing the platform between
25 50 and 20 jobs. If we expand that, it would depend on what

1 funds we have but I would estimate 20 to 25. Probably totally
2 in the range of 45 to 50 total.

3 DELEGATE BYRON: Would the funds that
4 you're asking for here be all or would there be more needed
5 further down the road?

6 MR. DELL: Between this grant and the DOE
7 project, yes, that would be what we'd need.

8 MR. MAYHEW: Would there be any
9 intellectual property associated with this research work?

10 MR. DELL: Right now there may be some. It's
11 research so we really don't know what we're going to come up
12 with. Some of these areas we're working on involve motor
13 control, algorithms and that would be intellectual property.

14 SENATOR PUCKETT: Any other questions? Is
15 there a motion?

16 DELEGATE MARSHALL: I move that we send
17 this to VEDP.

18 SENATOR PUCKETT: It's been moved and
19 seconded that 1991 be sent to VEDP for vetting. Does
20 everyone understand the motion? All those in favor say aye.
21 (Ayes). Opposed like sign. (No response). The motion carries.
22 Connie, I'm sorry I missed you, you recused yourself?

23 MS. NYHOLM: Yes.

24 SENATOR PUCKETT: Let the record reflect
25 Ms. Nyholm recused herself.

1 MR. STEPHENSON: Next up Mr. Chairman is
2 1997. This is New Jersey entity who seeks funding to convert
3 algae into liquid fuels. The application did not disclose where
4 they wanted to do that in Virginia but we felt this is one that
5 was worthy of some consideration and conversation by the
6 Committee for deferral to VEDP.

7 SENATOR PUCKETT: Any questions from the
8 Committee on 1997? Is there someone in the audience who
9 will discuss that project?

10 MR. HUMAN: My name is Wayne Human. I
11 am the project manager for this project. This project is about
12 taking technology at our White Oak Laboratory, develop it and
13 marrying that, there's actually three phases of the project.
14 The first phase is to take the algae that's been developed at the
15 White Oak Laboratory and marrying that up at the power
16 generating facility of Dominion and do carbon sequestration as
17 a byproduct of that process, that carbon or CO2 have algae as
18 a byproduct that will be fed to animals and to people and has
19 a potential to create very high quality fuel that can be burned
20 by the Air Force. The Air Force is looking to be about 75
21 percent green within the next 15 years. We think this is a
22 great opportunity here. This would create 15 to 20 fulltime
23 and part-time jobs at the Dominion facility and we look to
24 improve the process. The process does work. We're very
25 positive about this and White Oak feels very comfortable with

1 this process. Also as a part of Phase I, we have a partner in
2 the scrap industry and their going to be manufacturing the
3 equipment that will take the algae and turn it into fuel.
4 They're going to take part of the algae and turn it into a new
5 form of coal that can be burned. Phase II will be an effort to or
6 if the equipment that is being created and successful we're
7 looking to build a manufacturing facility that will create jobs
8 that will manufacture algae handling drive equipment to be
9 sold to a lot of industries that are springing up. Part of the
10 jobs will be in Halifax County and part in Dinwiddie County.
11 Phase III of the project would be to look at the long term effort
12 of algae ponds, taking tobacco land that's now laying dormant
13 in the areas that we grow algae that would be used to make
14 the coal and the jet fuel and human and animal byproducts.
15 In each phase of this as we go along, many counties will be
16 affected positively. This is a potential for the Virginia Tobacco
17 Commission to be a leader, I don't think anybody is doing
18 carbon sequestration and this would be the first time that
19 there's a practical application. Folks at White Oak Laboratory
20 see this as the best job or best opportunities on the east coast.
21 I'll be glad to answer your questions.

22 MR. MAYHEW: I know very little about your
23 project but I have heard and you can tell me if this is correct.
24 The best location for what you're doing is where there is a
25 source of heat like power plants rather than a farm pond that

1 stays cold 9 months out of the year. Doesn't heat or the CO2
2 from the power plant, doesn't that give it a huge advantage as
3 a location to where it would be, I understand the sensible
4 location to put these algae products rather than the last thing
5 you stated. That's pretty far out, or not?

6 MR. HUMAN: You're accurate. DOE is using a
7 term and in their concept right now, they're trying to marry
8 technologies that would help feed one another so that you're
9 not wasting fuel or transportation and everything is happening
10 in one place. We do believe that the large scale algae ponds
11 are a viable activity for the future. You're right, a pond next to
12 a coal burning facility like Clover, you're right.

13 MR. NOYES: You mentioned three phases.
14 Dominion has corresponded with staff and has indicated
15 they're anxious for this project to go forward. We have that in
16 writing. You're seeking a \$1,100,000 at this point. What
17 about phases II and III. Where is all that money coming from?

18 MR. HUMAN: We have private investors that
19 are ready to stand up and commit money. They're trying to
20 commit money and hoping that we get some matching funds
21 from the Tobacco Commission.

22 MR. NOYES: Matching funds from the
23 Tobacco Commission for Phase II and III?

24 MR. HUMAN: It's all in one application, all
25 three phases are mentioned. We're not coming back to the

1 Commission for phases II and III.

2 SENATOR PUCKETT: Mr. Mayhew.

3 MR. MAYHEW: I feel very positive about this
4 one to the extent that I'd like to not send it to VEDP to be
5 vetted and keep it for the next meeting, let's do it today.

6 DELEGATE MARSHALL: I know at the last
7 two races they ran a car on an algae product. The algae was
8 originally from Shell Oil. The technology is already out there
9 and they're doing things. I think this would be a perfect one.
10 We would want to vent through the partnership and make
11 sure we're not re-inventing the wheel for someone that might
12 already be ahead of us.

13 MR. NOYES: We have the highest regard for
14 White Oak National Laboratories and they're getting something
15 out of this.

16 MR. HUMAN: Yes, the technology. They've
17 been a very proactive partner in all of this. Their job is to get
18 favorable research and I live right there and we're studying
19 research and we're studying technology and figuring out how
20 to help this country be a better place. We have one particular
21 scientist who is very active in doing this and has been doing it
22 for 25 years.

23 MS. NYHOLM: I agree with Danny and I'd like
24 to comment further about the specific R&D and IP
25 commercialization has not been addressed fully. In going

1 through the vetting process, it might help them, certainly I
2 think they could help educate us. I think this algae is a good
3 resource so I'd recommend it.

4 SENATOR PUCKETT: We have a motion, is
5 there a second or would you like to withdraw the motion?

6 MR. MAYHEW: I'll withdraw it.

7 SENATOR PUCKETT: We need a motion.

8 MR. OWENS: We're recommending this to
9 VEDP for vetting. I so move.

10 SENATOR PUCKETT: It's been moved and
11 seconded that we recommend 1997 to VEDP for vetting. Does
12 everyone understand the motion? All in favor say aye. (Ayes).
13 All opposed like sign. (No response). The motion passes.

14 MR. STEPHENSON: Next up Mr. Chairman is
15 number 2000. This is a manufacturer who is developing small
16 nuclear reactors to be propagated around the countryside for
17 power generation. They want to build a test facility in our
18 energy center in Bedford County and test and train operators
19 to operate the small nuclear reactors. This is a well known
20 nuclear firm B&W. They want to build this test center for this
21 project. They're in front of you and asking you for the funds to
22 build and operate this testing and training facility.

23 SENATOR PUCKETT: Any questions?

24 DELEGATE MARSHALL: Is there someone
25 here from the applicant?

1 MR. BAILEY: I'm Bob Bailey and I am the
2 Executive Director and also here today is Doug Lee who is the
3 program manager for this project.

4 DELEGATE MARSHALL: Delegate Bob Purkey
5 in the house gave me some information last fall on something
6 called a nuclear battery. Is this the same concept, locality can
7 put it in and it'll produce electricity for 25 years or so?

8 MR. BAILEY: No, I would not equate this to
9 the nuclear battery. What B&W is producing in the market is
10 a small nuclear reactor producing electricity. It produces 125
11 megawatts and it's a modular reactor. The electricity is
12 created by the fission of Uranium. What's innovative about
13 this project is that it's modular but it still can and it allows for
14 a much shorter construction time and it allows the modular to
15 be arranged in whatever group or number you wish to create
16 anywhere from 125 megawatts up. It builds on the existing
17 white water technology that is maintained in the current
18 generation nuclear plants. A safer fission reactor plant
19 produces electricity the generation of steam but it does not
20 have any kind of energy storage. It's like a coal fired plant or a
21 nuclear plant in terms of consumed fuel to create electricity.

22 DELEGATE MARSHALL: The
23 commercialization, I think there's 20 plus localities in the state
24 of Virginia on its own utility. Is that the customer of this
25 particular project with the City of Danville and Martinsville

1 grid buying electricity?

2 MR. BAILEY: We believe there's a very clear
3 market need for small and clean generation capability. There
4 are sites that already have grid power distribution in place.
5 There are a number of these, not only in the Commonwealth
6 but throughout the United States and other countries. This
7 kind of small modular unit is very attractive. It's also
8 attractive for additional power and large central nuclear
9 station for some localities where no generation exists and
10 which a small type of plant would meet their need and where
11 they have infrastructure capable of handling small loads,
12 there's certainly a need.

13 DELEGATE MARSHALL: The generation of
14 electricity, have you predicted how much it's going to cost to
15 produce this electricity?

16 MR. BAILEY: Yes, we have. We believe the
17 cost to generate is comparable with existing operating units.
18 It would also represent a lower cost to generate the
19 conventional fired type units. We believe that the capital costs
20 is also competitive when you look at several modulars being
21 built by the single facility.

22 DELEGATE MARSHALL: Does the process of
23 getting that permit from the National Regulatory Authority
24 going to be as hard as what we have heard as far as permitting
25 the process for a nuclear plant?

1 MR. BAILEY: Yes, we'll have to go through the
2 nuclear regulatory authority for licensing. We're choosing a
3 process that would allow us to get the design certified and
4 then allow utilities to come in and ask for a combined
5 operating construction license. The point of the tests which is
6 really the subject of our, which is really the subject of the
7 grant would be placed in the CADR and facilitators to support
8 that licensing process. Actually building a small prototype
9 plant which we'll do thorough testing on to support the actual
10 licensing application.

11 MR. MAYHEW: You've been working on this
12 for a long time, it's a long term project?

13 MR. BAILEY: Yes the core technology was
14 developed in the 70s and one ship was built using this
15 technology but B&W within the last 18 months has re-initiated
16 this technology and announced the evitability of this project.

17 MR. MAYHEW: I heard about six months ago
18 the possibility of having small nuclear power generating units
19 that could be placed underground to serve maybe a town or
20 large factory. This is much larger than that?

21 MR. BAILEY: Yes, 125 megawatts would serve
22 a larger population than a town. The containment for this
23 plant we're designing is in fact located underground. The
24 nuclear portion of it is fully underground and gives us a
25 significant advantage for low profile plan.

1 MR. MAYHEW: And cooling also?

2 MR. BAILEY: The cooling would be
3 aboveground using conventional cooling means. We can use
4 an air cooling system or a water cooling depending on the need
5 for a particular site we're interested in.

6 MR. THOMPSON: I'm not sure what you're
7 asking for, it shows on the coversheet \$3 million 696 and then
8 it shows on this other sheet \$2,437,461.

9 MR. BAILEY: We went back and revised the
10 program plan after some discussion with staff so that's \$2
11 million 437.

12 MR. THOMPSON: Then I see where Babcock
13 and Wilcox put in \$14 million?

14 MR. BAILEY: Yes.

15 MR. THOMPSON: That didn't show up in the
16 budget summary.

17 MR. NOYES: The first year of funding is a
18 three year applied R&D effort so we will be hearing next year
19 about the next phase of funding so everyone knows.

20 DELEGATE BYRON: This is a great project
21 and this will create over 200 jobs from a company that we're
22 very pleased to have in the region. I'd like to make a motion
23 that we approve this and go forward with it.

24 SENATOR PUCKETT: There's been a motion
25 and a second.

1 MR. BAILEY: I'd just like to make a comment
2 that B&W is on a very aggressive track to get the licensing
3 done. They have to make a decision as to where this goes and
4 probably make that recommendation within 30 days. The
5 other aspect of it is that if we decide to go this route, we
6 certainly want to take advantage of the fact that we have just
7 broken ground on our facility and we can realize costs savings
8 for the modifications that we need to make in order to put this
9 plant in. It's much cheaper to do that before you start to pour
10 concrete than it is after. There are some time elements
11 involved here.

12 MR. MAYHEW: Does this project depend on
13 our participation?

14 MR. BAILEY: A great deal will depend on what
15 the Tobacco Commission does. B&W has to do this but the
16 question is where do they do it.

17 SENATOR PUCKETT: Any other questions?
18 We already have a motion and a second.

19 MR. MAYHEW: I think we need to talk about
20 the time.

21 DELEGATE BYRON: I was going to withdraw
22 my motion and make another motion that we move this
23 forward to our January 11th meeting.

24 MR. OWENS: I'll second it.

25 SENATOR PUCKETT: It's been moved and

1 seconded that we move this to the agenda for the January 11th
2 meeting because of the time sensitive nature of this project.

3 MR. BAILEY: We'll certainly make ourselves
4 available to any of the Committee members or the staff to
5 answer any questions or respond to any issues that the
6 Committee has.

7 MR. OWENS: Have we heard from the people
8 at VEDP?

9 MR. GILES: In a very preliminary stage. We
10 have not done any "readiness".

11 SENATOR PUCKETT: Is everyone clear on the
12 motion? All those in favor say aye. (Ayes). Opposed like sign.
13 (No response). The motion carries.

14 MR. STEPHENSON: Next up Mr. Chairman is
15 2004 which is the Halifax project that we talked about. This is
16 a group in North Carolina who indicate that their ready to
17 commercialize and sell Galion nitride semiconductors. There
18 lies the evidence for the need for VEDP, vetting of this
19 particular project to see if it's viable or not and that's why we
20 bring it to you at this time.

21 SENATOR PUCKETT: Thank you Ned.

22 MR. OWENS: I'd like to make a motion that
23 we forward this for our consideration at the January 11th
24 meeting and ask that the staff both legal and hopefully worked
25 out.

1 SENATOR PUCKETT: It's been moved and
2 seconded that this item be placed on the agenda at the
3 January 11th meeting with appropriate documentation from
4 legal counsel to provide to the staff. Does anyone have a
5 question?

6 MR. THOMPSON: I have a question about the
7 R&D \$17 million funding for that.

8 MR. NOYES: That's a good question Mr.
9 Thompson and we're told that's in progress. I had a
10 conversation with a staff person at the IDA, in our telephone
11 conversation two banks have shown an interest in the
12 guaranty. If the Committee determines to recommend this for
13 approval and if the Commission agrees, I think there should
14 be a condition that nothing be disbursed until such time as all
15 financing necessary to complete the project is in place.

16 MR. THOMPSON: I would agree.

17 MR. NOYES: The staff would expect to have
18 that condition on all aspirational matches.

19 SENATOR PUCKETT: All right. I don't think
20 that affects the motion on the floor but that clarifies what the
21 expectations are. All those in favor of the motion say aye.
22 (Ayes). Opposed like sign. (No response). Motion carries.

23 MR. STEPHENSON: Mr. Chairman, that's the
24 end of the five unless you want to open the floor for the
25 remaining 9 that staff did not recommend?

1 SENATOR PUCKETT: I didn't want to open the
2 floor. As I said earlier, if you're not where you want to be with
3 your grant request, I think it's very important you work with
4 the staff to see what the issues really are and if it can be fixed,
5 you're welcomed back at the next meeting whenever we
6 consider these grant requests again. I hope I was clear earlier,
7 we are not killing anyone's proposal and it's always open if you
8 can bring an R&D project to us. We're willing to listen. That's
9 why I think it's important you work with the staff when you
10 have something out there and maybe even before you put one
11 of these together and contact staff and say here's what we're
12 thinking about doing, tell us if we're headed in the right
13 direction or not. We're looking for good projects and we're
14 careful about putting money out there that we are concerned
15 about the final result. Keep that in mind and we thank you
16 again for the projects that have been brought before the
17 Committee at this time.

18 MR. MAYHEW: I'd like to call the Committees
19 attention back to 1991. I think we voted a little bit earlier and
20 maybe there was some confusion by recommending that it go
21 to VEDP. I'd like to open it back up and recommend that
22 instead of sending it to VEDP at least bring it up again at our
23 January 11th meeting with the idea of possibly not having to go
24 through VEDP and I so move.

25 SENATOR PUCKETT: Correct me someone if I

1 am wrong.

2 DELEGATE MARSHALL: We sent 1991 to
3 VEDP and I'd like to reconsider that motion.

4 SENATOR PUCKETT: It's been moved and
5 seconded, all those in favor of a reconsideration say aye.
6 (Ayes). Opposed like sign. (No response). The matter is before
7 us again.

8 MR. MAYHEW: You heard my motion and I so
9 move.

10 SENATOR PUCKETT: It's been moved and
11 seconded that 1991 be moved to the agenda on January 11th.
12 Does everyone understand the motion? All those in favor of
13 the motion say aye. (Ayes). Those opposed like sign. (No
14 response).

15 MS. NYHOLM: I abstain.

16 SENATOR PUCKETT: The motion carries.

17 DELEGATE MARSHALL: Can we consider any
18 other applications on here at this time?

19 SENATOR PUCKETT: I don't think we can in
20 view of the original motion which Buddy made that we
21 consider what the staff had recommended. We've done that
22 up until this time so if you undo Buddy's motion, we probably
23 have to do a lot of other things, I don't know.

24 MR. OWENS: Those people that were in the
25 group that that got cut off this time, they have the ability to

1 come back and work with the staff and find out what they
2 need to work on.

3 SENATOR PUCKETT: That's our
4 encouragement to say that we're looking for good projects. All
5 right, in the matter of housekeeping, we talked about the next
6 committee meeting on January 11th in Richmond. Are there
7 any public comments? All right, there's none. Housekeeping.
8 Frank.

9 MR. FERGUSON: Mr. Chairman, the
10 chairman and Delegate Kilgore have agreed to introduce
11 legislation and this is really for the benefit of our audience.
12 For those of you and your grant applications and in the grant
13 process, submit the proprietary or confidential information or
14 trade secrets and so forth, we do expect to introduce
15 legislation that would give you specific information to protect
16 that information. I believe the four exclusions currently cover
17 that anyway. We're going to ask the General Assembly to at
18 least consider a specific exclusion for the Tobacco Commission
19 grant process. If that's something that appeals to you, you
20 may want to talk to your local folks about it and I'll ask the
21 legislative members of this group to consider supporting that
22 as well. Having heard what I heard today, I may amend it so it
23 also covers the ability to go into executive session to discuss
24 that information.

25 SENATOR PUCKETT: Senator Wampler and

1 Delegate Kilgore, thank you for joining us. Thank you all.

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4 PROCEEDINGS CONCLUDED

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