

1 **APPEARANCES:**

2 The Honorable Phillip P. Puckett, Chairman

3 The Honorable Kathy J. Byron, Vice Chairman

4 Ms. Linda P. DiYorio

5 The Honorable Patrick O. Gottschalk, Secretary of Commerce & Trade

6 The Honorable Terry G. Kilgore

7 The Honorable Daniel W. Marshall, III

8 Mr. Buddy Mayhew

9 Ms. Connie Lee Greene Nyholm

10 The Honorable Edward Owens

11 Mr. Kenneth O. Reynolds

12 The Honorable William C. Wampler, Jr.

13

14 COMMISSION STAFF:

15 Mr. Neal Noyes, Executive Director

16 Mr. Ned Stephenson, Deputy Director

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

18 Ms. Sarah Capps, Grants Coordinator - Southside Virginia

19 Ms. Sara Williams, Grants Coordinator - Southwest Virginia

20 Ms. Stephanie Wass - Director of Finance

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22 COMMISSION COUNSEL:

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

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1 SENATOR PUCKETT: I welcome you to the
2 R&D Committee meeting, and I'll ask Neal if he will call the roll?
3 MR. NOYES: Delegate Byron?
4 DELEGATE BYRON: Here.
5 MR. NOYES: Ms. DiYorio?
6 MS. DIYORIO: Here.
7 MR. NOYES: Secretary Gottschalk?
8 SECRETARY GOTTSCHALK: Here.
9 MR. NOYES: Delegate Kilgore?
10 DELEGATE KILGORE: Here.
11 MR. NOYES: Delegate Marshall?
12 DELEGATE MARSHALL: Here.
13 MR. NOYES: Mr. Mayhew?
14 MR. MAYHEW: Here.
15 MR. NOYES: Ms. Nyholm?
16 MS. NYHOLM: Here.
17 MR. NOYES: Mr. Owens?
18 MR. OWENS: Here.
19 MR. NOYES: Senator Puckett?
20 SENATOR PUCKETT: Here.
21 MR. NOYES: Mr. Reynolds?
22 MR. REYNOLDS: Here.
23 MR. NOYES: Mr. Thompson?
24 MR. THOMPSON: (No response.)
25 MR. NOYES: Senator Wampler?

1 SENATOR WAMPLER: Here.

2 MR. NOYES: You have a quorum, Mr. Chairman.

3 SENATOR PUCKETT: Thank you. I need a
4 motion for the approval of the Minutes of the December 8th, 2009 meeting.
5 It's been moved and seconded. Any discussion? All those in favor say aye?
6 (Ayes.) Opposed, like sign? (No response.) The Minutes are approved.

7 Before we go to the next item on the Agenda, Frank Ferguson
8 needs to address us.

9 MR. FERGUSON: Thank you, Mr. Chairman. I
10 just wanted to take a minute. You'll recall in the December meeting one of
11 the things that was passed to do was to look at the kind of intellectual
12 property ownership licensing issues, and I want to address those as we go
13 forward with some of these grants, because I think that's going to be a
14 subject that we really haven't had to address in the more conditional kinds of
15 grants that were given to the Technology Committee and Agribusiness, and
16 so forth. This is one that is likely to arise with some regularity and may in
17 fact arise with each case having its own set of issues to consult. I haven't
18 gotten along on that project as much as I had wanted to. I've been in and out
19 of the hospital the last couple of weeks. I've looked at some of the agencies,
20 both state and federal that have grants that have these kinds of issues
21 involved and what they do. As a general matter it seems to me we want to
22 end up somewhere between a situation where the Commission probably
23 doesn't want to be seen as owning and licensing out intellectual property,
24 and I don't think you want to get into that business. On the other hand you
25 don't want to be funding projects that create valuable intellectual property

1 that you don't get some return on that investment in our service area, and we
2 don't want to have it moved somewhere around the country where all the
3 money is taken off and the citizens of Southside and Southwest don't get any
4 benefit from it. There are different ways to go about this. I'll be talking with
5 some of the intellectual property attorneys dealing with some of these things,
6 and I'll get their points of view on it, and hopefully it will benefit all of us.

7 What I was hoping, Mr. Chairman, after I talk to Neal and Ned
8 and Tim a little more and we come up with two or three things that we think
9 ought to be part of whatever, recommend be part of whatever grant
10 requirements we put in, I'll send it around to the Committee for its
11 consideration. Any guidance you have as to how you believe we ought to be
12 at the end of the day on that, I'll be happy to deal with that. We will then
13 create a template for the grant agreements that will include intellectual
14 property provisions that are consistent with the way the Commission wants
15 to move forward on that.

16 SENATOR PUCKETT: Thank you, Frank. Does
17 anyone have any questions about what Frank has said?

18 MR. FERGUSON: We have two or three general
19 things but they aren't, they don't fit correctly with the Commission, so they're
20 going to require some adaptation, I think, before we're prepared to make a
21 recommendation.

22 SENATOR PUCKETT: All right. Neal, a recap
23 of the 12-08-09 meeting.

24 MR. NOYES: If you'll refer to page 22 in your
25 Board book, the results of your decisions you made on the 8th of December.

1 One change to that is that one tabled application has been withdrawn. That
2 project was funded using the Reserve line item. The Halifax County project
3 number 2004, that will not be considered today. There is a new application
4 on page 23 and has the Staff recommendation. There were two applications
5 from the same applicant for the same set of partners, and I missed it. That
6 didn't arrive by the deadline but needs to be considered by this Committee
7 this afternoon.

8 Does everyone have this sheet, VEDP?

9 That's it, Mr. Chairman.

10 SENATOR PUCKETT: Does anyone have any
11 question about the recap, particularly the new application that we have?

12 DELEGATE KILGORE: Twenty twenty-two, the
13 Martinsville/Henry County EDC application came in.

14 MR. NOYES: It is a distinct application, two
15 applications from the same applicant that came in, and the Staff reviewed
16 one of them and made a recommendation on that to be considered on the 8th
17 and did not review and make a recommendation on the second one; we were
18 confused.

19 SENATOR PUCKETT: Any other questions on
20 the new application?

21 SENATOR WAMPLER: Mr. Chairman, at the
22 appropriate time, whenever that may be, on 2022, the Advance Partnership is
23 what I was asking to consider hopefully in a friendly manner at the
24 appropriate time.

25 SENATOR PUCKETT: I don't see why we

1 couldn't do it right now. There has been a motion and a second to move the
2 application from Martinsville/Henry County EDC, 2022, for VEDP review.
3 Any questions on the motion? Any comments on the motion? All those in
4 favor of moving that say aye? (Ayes.) Opposed like sign? (No response.)
5 The motion carries.

6 That brings us to --

7 MR. NOYES: -- One of these projects was funded
8 with, with the new one we had two additional applications, 1991 City of
9 Danville. The Staff has reached out and met with this applicant, just as we
10 have with the CAER application, which is number 2000, and that
11 information is provided in your Board book. Nineteen ninety-one is on page
12 22. The Staff deferred at the last meeting. You wished us to have the folks
13 provide us additional information. We continue to defer to the will of the
14 Committee.

15 SENATOR PUCKETT: Does anyone have any
16 comments? Let's look at 1991, City of Danville. If you will, look at the
17 additional information that was provided. The only issue that I think may be
18 additional information that may be before us that we didn't have before,
19 there seems to be an effort to move this forward. As I understand what the
20 Staff has indicated here, it doesn't affect that, and it goes forward; it's already
21 approved, regardless of what we would do. I don't know if there is some
22 urgency to move it forward. We'll be glad to hear what anyone has to say.

23 DELEGATE BYRON: I have a question as far as
24 that urgency. What type of vetting do we know that's being done by DOE in
25 order to receive the grant?

1 SENATOR PUCKETT: I don't know. Can
2 anyone in the audience answer that?

3 MR. DELL: I'm Dick Dell with The Advanced
4 Vehicle Research Center. That DOE process takes about nine months' time
5 from the original appropriation that was granted. We have to go through a
6 complete financial review, a complete review of the project and the project
7 timeline, statement of objectives. We've got all of that completed, but it's a
8 long, very thorough process. All that information is available to your Staff.

9 SENATOR PUCKETT: Has the Staff looked at
10 that?

11 MR. NOYES: We've looked at all the information,
12 yes, sir.

13 SENATOR PUCKETT: Anyone have any
14 questions they'd like to ask about it?

15 MR. MAYHEW: Mr. Dell, could you tell us what
16 the long-term outcome is of this work? Looking down the road, where is
17 this going to lead to, or where are we going with it?

18 MR. DELL: As I mentioned earlier, our efforts are
19 primarily in the after-market electric and hybrid conversion area. It's an area
20 we see as a major possibility. Right now we're doing conversion work on
21 the Toyota Prius and the Ford Escape. The purpose of this project is to be
22 able to extend that with the DOE project as well to create a Ford F150
23 pickup hybrid conversion. We work with the utility companies and
24 municipalities largely, and all of those have asked for this. The potential
25 we've seen from one conservative estimate is 30,000 vehicles a year as the

1 potential. The potential is very large for this. There is no current plan for a
2 plug-in hybrid pickup truck. It's an opportunity that's available for quite a
3 few years.

4 DELEGATE MARSHALL: If you look at the
5 market, the F150 pickup is the number one selling vehicle in the U.S. This
6 is a very large market. The potential is unlimited.

7 MR. DELL: Yes, that's true. The Ford F150 has
8 been the number one selling vehicle in America for seven out of the last nine
9 years, and there's a tremendous volume with this vehicle.

10 DELEGATE BYRON: Isn't there concern about
11 developing the platform so it could be used by other hybrid developers?

12 MR. DELL: Yes. Part of the development of this
13 process, the final development, what we need to be able to do is to determine
14 the best motor and the best battery combinations and motor control tests.
15 That's where the test platform comes in. DOE is paying for that piece
16 primarily. That's a critical piece to this. We see a lot of opportunity for that,
17 and that's not included in this project, but it's clearly a predecessor to it, and
18 it has to be done for us to complete the F150. We know the opportunity for
19 that is pretty large. I just returned Friday from China and met with Chinese
20 auto manufacturers who are interested in using our test platform when it's
21 developed.

22 MR. NOYES: We've been in touch with the
23 applicant and ODU who is the owner of the platform which would be
24 modified, and ODU is in agreement with this so they can go forward.

25 MR. OWENS: What percentage of these

1 conversions would be done in Southside and Southwest?

2 MR. DELL: We do our conversion work between
3 Raleigh and Danville, and we're going to close down the Raleigh operation
4 and just focus on Danville. We anticipate all the work will be done in
5 Southside, with the only exception being that in some cases the utility
6 company, we travel as far as Florida. In that case, folks would rather have
7 us come down and do a few vehicles on-site there, rather than driving them
8 to our location. We have a facility in Danville large enough to do them all
9 here.

10 DELEGATE KILGORE: What employees would
11 be located in Danville?

12 MR. DELL: All of them.

13 SENATOR PUCKETT: Any other questions or
14 comments?

15 DELEGATE BYRON: I'd like to know from Staff
16 was there a case made for urgency? I want to try to understand the
17 difference as far as needs and rushing this through, versus one that we would
18 decide to send to VEDP.

19 MR. GILES: Delegate Byron, they're all urgent.

20 MR. STEPHENSON: The process that this
21 Committee tasked the Staff with was to figure out which one of these
22 projects should be studied further and which ones should not, and that was
23 our charge. We weren't charged with funding decisions. The Staff is trying
24 to adhere to the charges this Committee gave to us, and certainly the urgency
25 is apparent. If you want to approve it today, we can move forward

1 tomorrow.

2 DELEGATE BYRON: My concern is to ensure
3 that we have all the information in front of us, and the applicant is asking for
4 a substantial amount of money just for one individual project. Although it
5 might have great merit, I just don't feel I have enough information; I'd like to
6 hear it.

7 SENATOR PUCKETT: Any other comments or
8 questions?

9 DELEGATE BYRON: I think when some of these
10 projects, not necessarily this one, but it's my understanding that when they
11 go through some of these other federally funded mechanisms and they go
12 through a lengthy process, then it may not need to go through our
13 Committee, depending on the VEDP, and they do their vetting process, and
14 that's a lengthy process, and it may not add anything, which is why I was
15 asking how much money did you get from the grant from DOE.

16 MR. DELL: A little over a million and six.

17 SENATOR PUCKETT: Anyone else have a
18 question? If we did send this forward, what would it mean to what you're
19 doing, when you consider delaying the time for approval, if it went to
20 vetting?

21 MR. DELL: One of the main reasons for moving
22 forward, from our point of view, is personnel. We have some critical skills
23 that we'd like to bring on board, and one of them is a professor of research
24 from Texas A&M who has been working with us, and we'd like him to move
25 into the Danville area with the AVRC to work on this project. When you're

1 trying to get top people, you have to sometimes move rather quickly; they
2 don't stay available very long. That's part of our reason.

3 SENATOR PUCKETT: You can't do that with the
4 million dollars you've already been given?

5 MR. DELL: That is essentially to do the test
6 platform. It doesn't give us any funding to do the F150 project at all, which
7 would be the follow-on or the companion project to the test platform.

8 MR. MAYHEW: How long do you think it would
9 be before you'd be hiring additional people if you got this grant and moved
10 forward?

11 MR. DELL: As we do the development and move
12 towards commercialization, we'd be bringing in at least 25 people, at least
13 that.

14 MR. MAYHEW: And how long a time?

15 MR. DELL: A year and a half. With the
16 exception of probably two people that we'll have to bring in from the outside
17 because the skills aren't available here in the Danville area or even in the
18 Raleigh area. We've got to have some people with specialized skills in
19 electric and hydraulic research. What that doesn't include is that if we get up
20 in the range of thousands or tens of thousands of vehicle conversions, then I
21 haven't even estimated the number of people that it would take to scale up to
22 that level. It would be very significant.

23 MR. MAYHEW: Do you have any idea what it
24 would cost to convert one of these?

25 MR. DELL: I would say roughly 15,000, our goal

1 is 15; the Ford Escape is 30,000, we've done about a hundred of those.

2 MR. MAYHEW: You take the engine out
3 completely?

4 MR. DELL: No, you continue to have the full
5 range of the Ford F150, you leave the engine on-board and you add three
6 primary components. One is the additional electric motor that mounts
7 head-up or behind the differential; the motor control unit and the batteries.
8 With those three components what you have is a hybrid assist. When you
9 step on the gas you start out using electric power, but when you get up to
10 speed or you're carrying a heavy load, then the gas engine is what you need.

11 DELEGATE MARSHALL: The conversion is
12 15,000. When you trade a pickup, that conversion could be moved from the
13 old pickup to the new pickup?

14 MR. DELL: It could, yes.

15 DELEGATE MARSHALL: A tax credit that
16 would offset the customer cost?

17 MR. DELL: There are tax credits, and there are
18 two other factors. It does add a lot to the residual value of the vehicle. It
19 can be taken off and moved to your next vehicle, or it will add significant
20 residual value at resale or trade-in time.

21 MR. MAYHEW: How close are you to perfecting
22 this, or is this something still in the development stage?

23 MR. DELL: Our prototyping is just about
24 complete and what we need to do now is the final assembly of the prototype.
25 It's been laboratory tested, and we've done it on other vehicles with a partner

1 in Australia. We've acquired the rights from that company. It hasn't been
2 built on the F150 yet.

3 SENATOR PUCKETT: Any other questions?
4 You said something in our December meeting that concerned me a little bit,
5 and long before I came on this Committee we set up a process, not to say it
6 couldn't be changed but we're just starting the process, and I really am a little
7 bit concerned if we're going to start doing something different than what the
8 Committee approved as far as the vetting process. I think we might be
9 opening the door for very little vetting down the road if we're not careful.
10 The project sounds very worthy and probably wouldn't have gotten the DOE
11 grant if it didn't have some merit. My question is if it does have that kind of
12 merit we probably would like to go through, but as someone has already
13 said, I don't know that we have enough information. I haven't seen the
14 information that DOE made their matching funds available. I'd very much
15 like for it to go through the vetting process and to take a look at it as quickly
16 as possible so we could have access to what the DOE has had. If they can
17 give us that information and we can concur, then I'd feel more comfortable
18 about it myself. That's just an opinion of mine.

19 MR. OWENS: You're saying by not getting it now
20 you lose these personnel or potential personnel?

21 MR. DELL: There is a potential, and we need to
22 bring on some additional skills to be able to do these things. We're really
23 looking for a chief scientist, and local people could be hired for other
24 positions.

25 MR. OWENS: Right now you have the money to

1 do what?

2 MR. DELL: We have the money to do what we'd
3 call a rolling laboratory. A vehicle platform or vehicle chassis that we've put
4 multiple configurations of energy storage systems like batteries, motors and
5 drive trains, and we should be able to test what would be the most effective
6 combination of batteries and motors for specific weights of vehicles. That's
7 the part that we have the fully DOE funding for, and that allows us to be able
8 to focus on the F150 utility truck platform.

9 MR. OWENS: So you've got money now enough
10 to take you to the point where you can start this?

11 MR. DELL: But it's not specifically, it's not a one
12 follows the other. We can start the process on the test platform and
13 concurrently start the development of the F150 so that when we have the test
14 platform complete we'll be able to use the data for that to complete the F150
15 project, so there's a lot of overlap.

16 SENATOR PUCKETT: Any other questions from
17 any Committee members? The Committee operates on a motion.

18 SENATOR WAMPLER: I think it's certainly, we
19 have invested money elsewhere with less substantiation. I think it has lots of
20 merits, but I'd like to see it go through the process. I understand the
21 concerns about expediting, and the last thing VEDP wants to hear from the
22 Commission is expediting something. If you put this one on top of the list to
23 review, I don't think they'd be very happy. I think we can say that and hope
24 the review is completed in a timely manner so that we have a chance. I'd say
25 that if it gets lost at VEDP or DOE there are other funding sources from this

1 Committee that could treat this more as a traditional project or economic
2 development project. So I'd make the motion that we send this to VEDP.

3 SENATOR PUCKETT: You've heard the motion.
4 Is there a second? It's been moved and seconded. Any discussion?
5 Hearing no comments, all those in favor of the motion say aye? (Ayes.) All
6 those opposed, like sign? (No response.)

7 MS. NYHOLM: I'll abstain.

8 SENATOR PUCKETT: This will be referred to
9 the VEDP, and we'd encourage them to move the vetting process along as
10 quickly as possible.

11 All right, that brings us to number 2000, Center of Advanced
12 Engineering and Research, which we also tabled. Any comments on that?

13 DELEGATE BYRON: My understanding is that
14 we tabled this to bring it back before the Committee because it didn't have a
15 current need that was expressed and vetted through the Staff. We heard
16 about it at the last meeting.

17 MR. NOYES: The urgency is related to the
18 decision by B&W on where to locate a particular component of the larger
19 project and reactor. The proposal was to do that at CAER in Bedford
20 County. They need a decision quickly. There are other sites. Related to this
21 reason there are design engineering issues associated with building this
22 simulation center. CAER is getting ready to go under construction. I
23 understand they're getting ready to pour concrete, so before they pour
24 concrete we have to move rather quickly, if we are in a position where they
25 might have to tear up the concrete. That's the reason it was tabled for you to

1 discuss this proposal today.

2 DELEGATE BYRON: Mr. Chairman, I'd like to
3 remind everyone that we talked about this because it consists of several
4 hundred jobs and certainly would help create the things that we're trying to
5 do.

6 DELEGATE MARSHALL: For all the reasons we
7 said for the last application being in a hurry and so forth to get the funding
8 lined up, why would they not have to go through the same process? Both
9 projects, it sounds like they both have merit. As Senator Wampler said,
10 maybe we need to think about another avenue. That brings up a good point,
11 because if we start skirting the issues as far as asking the Partnership to look
12 at these projects more in-depth in the future or if we have a different process,
13 that's another thing.

14 DELEGATE BYRON: I think this has a big
15 difference between this one and the last one; this is a location grant. If we
16 don't make a decision it's going to go somewhere else, and that's something
17 completely different. I understand the concern we all have with regard to
18 possibly looking at a process that might fit better, or if it's a sub-committee
19 of the Commission that could, or if you extended it to VEDP, but with
20 regard to this particular application I would have to say this is entirely
21 different than the last one. We asked several times if there was any urgency
22 in the last application. I'm not really opposed to the last one, but I didn't
23 hear that.

24 DELEGATE KILGORE: I'd like to know if there
25 is anybody here to say that, we're looking at 200 jobs here, and I think that's

1 a very important consideration, from my standpoint. Two hundred jobs is a
2 lot of jobs today. I'd like to hear about that and like to hear about the
3 urgency of the situation if there is someone here to address that.

4 MR. BAILEY: My name is Bob Bailey, and I'm
5 the executive director for the Center for Advanced Engineering and
6 Research. I also have with me today Doug Lee and others; I can let them
7 speak if you want to hear from them. Certainly one of our concerns is the
8 construction schedule and the economy and the savings and the trouble. It's
9 much easier to make changes now on drawings on paper than it is six months
10 from now when the concrete and steel are ready to go. That's a decision that
11 needs to be made.

12 The second part of the urgency has to do with their own
13 schedule. We're bringing this modular reactor to the market. I'll let them
14 speak to that and to the job situation.

15 MR. LEE: My name is Doug Lee. I'm with
16 Babcock & Wilcox, Lynchburg, Virginia. The test program on the table for
17 consideration is part of a much larger program to design and develop and
18 deliver to the market place a small integral modular reactor. The potential
19 for this reactor is a whole fleet of small units providing electricity to small
20 entities such as municipalities and have an incremental capacity to larger
21 electric utilities. Also to the worldwide market where infrastructure is not
22 nearly as substantial as it is in North America where it can handle a high
23 capacity output. Units that are currently being considered in a so-called
24 nuclear renaissance. This test is very important because we're going through
25 an extensive licensing process with the Nuclear Regulatory Commission.

1 The research and the development that comes out of this test is an essential
2 ingredient in being able to substantiate the safety design of this reactor plant.
3 Timing is very critical, and we're on a competitive worldwide market
4 schedule to get this project to market, and we're on a very tight schedule to
5 get the engineering completed and the licensing done. As Bob mentioned,
6 the ideal location is the CAER, and they are well along in initial
7 construction. I've been to the site, and the ground is cleared. They'll start
8 pouring concrete right away.

9 As far as the job issue, the entire program is a program that will
10 bring hundreds of jobs into the central Virginia area. The CAER specifically
11 is a test program and would result in 10 permanent jobs at the facility to
12 accomplish the test. There is a significant construction program incremental
13 to the CAER which will provide a number, depending on how you work the
14 numbers, a number of temporary construction jobs that are in addition to the
15 CAER to install the test facility for this test. In addition, a significant
16 number of additional jobs will be required during the engineering,
17 subcontract and engineering and architectural firms, and we'd like to use one
18 headquartered in central Virginia. So there will be a significant number of
19 jobs on a six-month basis to get this building designed or changes that
20 CAER designed and engineered. This is a very significant part of a huge
21 commitment that Babcock & Wilcox is making to central Virginia and to the
22 nuclear program for the United States, as well as worldwide. We think it's a
23 very appropriate use of the Tobacco Commission money to house this in
24 central Virginia. There are competing interests, and I don't say this to
25 pressurize the Committee, but there have been some other states that are

1 pretty aggressive competing for this facility, and they view it as a significant
2 addition to their overall technical portfolio the kind of work done that we're
3 proposing to bring to central Virginia. As many of you are aware, central
4 Virginia is becoming an important center of excellence for nuclear power in
5 the United States, with the presence not only of Babcock & Wilcox and the
6 CAER in concert with this integrating systems test program will further
7 enhance that center of excellence and will have many, many spin-offs that
8 we can visualize at this point so we can quantify the results of this center of
9 excellence.

10 SENATOR PUCKETT: Anyone have a question?

11 You may have answered this. Did I hear you say you're going to pour
12 concrete as soon as the weather breaks? This is where?

13 MR. BAILEY: In Bedford County, the CAER
14 research facility is in Bedford County. We had the groundbreaking in
15 November and the site cleared. There is a schedule to begin pouring
16 concrete next week.

17 SENATOR PUCKETT: What happens to the
18 project, or where does it go if we move it to VEDP for vetting? You say it
19 would take four months?

20 MR. LEE: You must understand we're on an
21 extremely tight schedule, and another state is making a very, very strong bid
22 for this project. In all likelihood we may move from Virginia to this other
23 state. I'm not trying to put the Committee under pressure, but it is reality.
24 The other state which Babcock has significant resources in at the governor
25 level the federal center level the federal at the senator level is putting a lot of

1 pressure on our president to make a decision to put that in their state. This is
2 a very key element in the decision making process. Probably with a four-
3 month delay or so, of course, because of the reality of our market and our
4 schedule to move to another state.

5 SENATOR WAMPLER: I'm really going to walk
6 out on the plank here. It seems to me our process is at a point where we
7 have some applications that are very meritorious, and we knew in this
8 funding cycle we've got to get some of the bugs out of the system. I offer
9 this for discussion purpose to see what this Committee would say about it. If
10 we move this project forward to VEDP for its examination in an expedited
11 fashion and we recognize this Commission has other sources of money to
12 commit to a deal of this magnitude and a corporate citizen of Virginia who
13 has been around a long time, we could always backstop from the entire
14 Commission the financial incentives that they have and we could work that
15 through the various committees we have, if that's the will of this
16 Commission. So we can make a commitment to them if the Tobacco
17 Commission supports the project in the amount that they ask, but we still
18 have the bureaucracy to try to satisfy. I suspect if I were to ask the Director
19 or the Staff do we have the ability in the short term to backstop 2.4 million
20 the answer would be yes, as I read the ledger the other evening.

21 MR. NOYES: I would answer yes, Senator.

22 SENATOR WAMPLER: I don't know that's the
23 path we're going to take, Mr. Chairman. It seems to me that Delegate Byron
24 would agree to do that.

25 DELEGATE KILGORE: Maybe I could direct

1 this to Delegate Byron and make sure I understand William, Senator
2 Wampler's comment. We want to make sure that these investments are in
3 Virginia and encourages Virginians. You all don't really care where it
4 comes from, do you? You don't care what pot it comes from?

5 MR. BAILEY: Timing is much more critical.

6 DELEGATE BYRON: I don't know how to get
7 the money, either. I just want to make sure that we have an opportunity to
8 be able to provide an increase in the jobs. The state needs it, people need it,
9 everybody needs the work. We don't want to miss an opportunity like this if
10 we can help it. With that said, I'm not going to worry about what happens
11 down the road in R&D, and we'll worry about that later, and I think we can
12 do it without that. If that's what it takes to get the project through or as
13 Senator Wampler suggested, then that's the route we should take.

14 MR. MAYHEW; I'm wondering what difference
15 it's going to make if we sort of de facto approve the money and run it
16 through or backstop it as you say, but in effect we would be approving it, we
17 just wouldn't be doing it now through R&D. I think we're all afraid we're
18 going to set a precedent and open the floodgates going forward and find
19 ourselves under more pressure to fund everything right on the spot without
20 the vetting. It's also important to look at the other side of it and to have our
21 hands tied to the point where we've got to go that way and have very few
22 exceptions made. In a case like this, particularly where you've got a large
23 number of jobs, that would appeal to me more than any part of this R&D.
24 When there's jobs involved and in today's market and with the research
25 center that we've already funded in the Bedford area, this would tie into that

1 and give them, I would think there would be some incentive there. I know
2 there are some people on the Committee who don't want to do anything
3 without going through VEDP. With the time element involved in this case, I
4 don't think we should have our hands tied to the point where we've got to do
5 it that way. I'd like to think that every once in a great while we could hold it
6 down to a bare minimum so we could approve something on the spot if we
7 had to. And, that's my opinion.

8 DELEGATE KILGORE: Mr. Chairman, I think
9 we could do this if we could backstop it. It would be out of the Reserve
10 Fund, and four of us that are on the TROF or Reserve Panel, we can look at
11 these issues. I think this is one, I'll speak for myself, that we shouldn't walk
12 away from it without addressing it. I think if we can --

13 MR. NOYES: -- We have the capacity to do that,
14 and we can convene that body and make that recommendation; maybe we
15 can do that tomorrow while we're here in Richmond.

16 DELEGATE MARSHALL: I did not hear the pay
17 schedule or scale of the people that would be employed.

18 MR. LEE: This would involve test engineers,
19 technicians, mechanical types, and the engineers would be at the higher end
20 of the pay scale. Test engineers and technicians are certainly highly trained.
21 I can't quote you the exact rates, but it would be appropriate for central
22 Virginia at this point. We'll have to bring these technicians into the region,
23 and they don't exist at the CAER. This is the kind of capability that the
24 CAER needs to have in order to be successful in fulfilling its mission.
25 Skilled workers are going to be absolutely essential in order to have a high

1 grade R&D center. We're just getting a jump on that. This will bring
2 infrastructure into the region that is not here now.

3 SENATOR PUCKETT: Do you want to make a
4 motion?

5 DELEGATE BYRON: I move that we send this
6 application to the Reserve Fund.

7 SENATOR PUCKETT: It's been moved and
8 seconded that we move this project to the Reserve Fund with the
9 understanding that we're going to, the motion is this. The request is that we
10 move this to the Reserve Fund, and the Reserve Committee will meet either
11 today or tomorrow.

12 MR. NOYES: That's correct, Mr. Chairman.

13 SENATOR PUCKETT: Does anyone have a
14 question about the motion? All those in favor of moving this request to the
15 Reserve Fund with that being resolved before tomorrow ends, say aye?
16 (Ayes.) Opposed like sign? (No response.) The motion carries.

17 MR. NOYES: I'll report back tomorrow.

18 SENATOR PUCKETT: The next meeting is
19 scheduled for April 21.

20 MR. NOYES: We have an application deadline
21 that allows the Staff time to review submissions. We have other applications
22 due the 2nd of March for Agribusiness and for Southside Economic
23 Development.

24 MR. PFOHL: Monday the 1st is the application
25 due dates.

1 SENATOR PUCKETT: April 21st, 2010 is the
2 next meeting. All right.

3 MR. NOYES: That would be on the 20th instead
4 of the 21st, but the applications are due March 1st.

5 SENATOR PUCKETT: We're down to anyone
6 wishing to make a public comment. Anyone from the audience who would
7 like to comment or ask questions? All right, there are no comments.

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9 PROCEEDINGS CONCLUDED.

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22 CERTIFICATE OF THE COURT REPORTER

23

24 I, Medford W. Howard, Registered Professional
25 Reporter and Notary Public for the State of Virginia at large, do hereby

CRANE-SNEAD & ASSOCIATES, INC.

1 certify that I was the court reporter who took down and transcribed the
2 proceedings of the **Virginia Tobacco Indemnification and Community**
3 **Revitalization Commission Research and Development Committee**
4 **Meeting when held on Monday, January 11, 2010 at 3:30 p.m. at the**
5 **Richmond Marriott Hotel (Downtown), Richmond, Virginia.**

6 I further certify this is a true and accurate
7 transcript, to the best of my ability to hear and understand the proceedings.

8 Given under my hand this 28th day of January,
9 2010.

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20 My Commission Expires: October 31, 2010.

21 Notary Registration Number: 224566

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