

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

3 701 East Franklin Street, Suite 501
4 Richmond, Virginia 23219
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9 Research and Development Committee Meeting
10 Wednesday, October 27, 2010
11 3:00 p.m.
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13 R. T. Arnold Library
14 South Hill, Virginia
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1 **APPEARANCES**

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3 The Honorable Kathy J. Byron, Chairman

4 The Honorable Daniel W. Marshall, III, Vice Chairman

5 Mr. Burgess Hamlet

6 Ms. Connie L. Nyholm

7 The Honorable Edward Owens

8 The Honorable Philip P. Puckett

9 Mr. Kenneth O. Reynolds

10 The Honorable Frank M. Ruff, Jr.

11 Ms. Cindy M. Thomas

12 The Honorable William C. Wampler, Jr.

13

14 **COMMISSION STAFF**

15 Mr. Neal Noyes, Executive Director

16 Mr. Ned Stephenson, Deputy Executive Director

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

18 Ms. Sara G. Williams, Grants Coordinator, Southwest Virginia

19 Ms. Sarah K. Capps, Grants Coordinator, Southside Virginia

20

21 **Counsel to Commission**

22 Mr. Francis N. Ferguson, Esquire

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1 October 27, 2010

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4 DELEGATE BYRON: Good afternoon everyone,
5 it's now 3:05 and I'll call the meeting of the Research and
6 Development Committee to order. Neal would you call the roll.

7 MR. NOYES: Delegate Byron?

8 DELEGATE BYRON: Here.

9 MR. NOYES: Mr. Hamlet?

10 MR. HAMLET: Here.

11 MR. NOYES: Mr. Harwood

12 MR. HARWOOD: (No response).

13 MR. NOYES: Delegate Marshall?

14 DELEGATE MARSHALL: 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: Senator Ruff?

24 MR. RUFF: Here.

25 MR. NOYES: Ms. Thomas?

1 MS. THOMAS: Here.

2 MR. NOYES: Senator Wampler?

3 SENATOR WAMPLER: Here.

4 MR. NOYES: You have a quorum Ms.
5 Chairman.

6 DELEGATE BYRON: Thank you very much
7 Neal. We have to approve the minutes of October 6, 2010.

8 MR. NOYES: The minutes we don't have them
9 yet but they are on our website.

10 DELEGATE BYRON: Then we'll go ahead and
11 go into the presentation by Mr. Gerry Giles.

12 MR. GILES: I guess no matter where I stand
13 my back will be to somebody so I apologize for that. Good
14 afternoon to you all. I'm Gerry Giles from VEDP. One of my
15 activities is to manage the overall research and development
16 for the panel process in support of the Tobacco Commission
17 and the Research and Development Committee. We very
18 recently have finished up round three of the overall process.
19 We've had three installments in calendar year 2010. We have
20 five applications that were sent forward for the review process.
21 They're listed at the top of this particular slide. That also
22 indicates the dollar amounts that are covered. It's an
23 interesting portfolio of different scientific applications as well
24 as commercialization business models ranging from mine
25 safety technology which is number 2124, smart light

1 technology which is next on the list. A very innovative model
2 with respect to creating solar energy generation, battery
3 storage C and G for transportation purposes and then
4 technology relating to converting wood into a biochemical end
5 product specifically Lignin being one of the outcomes of that
6 technology.

7 The review panel member which is the second
8 part of the slide is the same group we've used throughout
9 2010. They work quite hard. I'm certainly pleased and I hope
10 you are on behalf of the process and the quality of work for the
11 effort. Just to refresh you, in the last presentation we use a
12 core level scoring system. There are five elements in the
13 science phase and five elements in the commercialization
14 phase. The system is specially constructed using an equal
15 weighting for each of those 10 elements. Each received a
16 numeric score. You can see from the slide up here and then
17 we use a simple averaging process by the expert members of
18 the review panel and then in turn required a comment on each
19 of the 10 elements as to why they suggested a particular
20 numeric score, whether it's four on one end or one at the other
21 extreme. The scores you see at the bottom we have not
22 necessarily matched those up with the applications themselves
23 due to confidentiality considerations. Those are the actual
24 scores that ended up being put forward.

25 The end step of the process is to take all of this

1 expert opinion if you will, and then kind of distill it down into
2 a final score card report which is sent forward to the Tobacco
3 Commission staff, they in turn provide it to the members of
4 the R & D Committee for their personal review in the process.

5 Now, in terms of lessons learned and Delegate
6 Byron asked me a few moments ago how was the process
7 going and are we seeing the game being elevated in terms of
8 execution by the application teams. The answer to that
9 question in the short order is yes. In each of the three rounds
10 the quality of the proposals and the quality of the defense of
11 those proposals really kind of exceeded in a face to face
12 presentation. The entire process has been elevated each time
13 we have gone through an iteration of it. Once again three
14 times thus far. I would point out for the benefit of all the
15 applicant teams here today and for all of you who may be
16 contemplating presenting an application in the future, this is
17 labeled on each of the score cards and the overall guidance for
18 round three for subsequent applicant teams.

19 Point number one, focus on your statements
20 on jobs to be created, investment dollars, dollar revenues
21 coming out of this grant being approved need to be included
22 and clearly defined. We did have some communications or
23 trying to dig through some material to figure out those key
24 elements in terms of economic impact, job creation
25 transformation. Secondly, transformers are attributes for the

1 Tobacco Commission, the tobacco region or claimed in the
2 application answers to how and why it would occur and how
3 sustainable it would be need to be provided or I should say
4 need to be defended. It's very important to make sure that
5 we're very serious about making sure that there's an impact
6 for the money spent. Finally, defend the size of the requested
7 dollar grant amount versus the declared outcomes which
8 would occur in job creation within the tobacco region. Some
9 of these projects have a reasonable level of job creation and
10 some do not so we're asking that all the applicant teams today
11 and going forward to be prepared to defend with a little bit
12 more intensity and in a more robust fashion. Now, I'll be
13 happy to answer any questions the panel may have.

14 DELEGATE BYRON: Are there any questions?
15 We certainly want to thank you once again for your hard work
16 getting us to this point. We're confused enough without
17 having some of the expertise handled by the partnership. We
18 certainly appreciate all the hard work you have done and the
19 hours you have spent and all the time you spent and our staff
20 as well. So I say thank you very much. You're not going
21 anywhere. Please don't go too far.

22 MR. GILES: All right.

23 DELEGATE BYRON: Now, before we look at
24 these individual applications in batch three, Neal has some
25 comments.

1 MR. NOYES: Ladies and gentlemen, in the
2 rounds already approved by the Board and recommended by
3 this committee it was delegated to staff to work with the chair
4 and vice chair to get the agreements completed and if you look
5 at this document, the second page in yellow, from batch one,
6 three projects were approved by the Commission and all three
7 that's numbers 2006, 2010 and 2022, all three have executed
8 agreements. In batch number two, 2050 is an executed
9 agreement, 2047 and 2054 are in the final editing stages in
10 the final stages of the agreement to have understandings on
11 both of those and we expect both of those to be completed in
12 the next 10 days. In addition to that in batch three where the
13 Committee recommended that the board approve direct grants
14 that is 2126 and 2128 I believe we're very close on those,
15 having executed agreements with Exhibit A. We're not a
16 hundred percent there in terms of getting executed agreements
17 but we're well along and we expect to be done within a week
18 maybe. Thank you. Thank you Madam Chairman. These are
19 already approved by the Board.

20 DELEGATE BYRON: We'll start out with
21 application number 2124. Probably the best thing I would
22 suggest is that we find our schedule, Exhibit A and that's what
23 we discussed at our last meeting.

24 MR. NOYES: Its page 19, lower right hand
25 corner and the project numbers are in the upper right.

1 DELEGATE BYRON: Does anyone have any
2 question on 2124. Do you have the paperwork in front of you?

3 SENATOR WAMPLER: Madam Chairman, if it
4 would be helpful, Ned's going to lead us through where we're
5 going with the applications and the staff's recommendations
6 and where there is perhaps a difference of opinion, agreement
7 among the parties that would be helpful to me.

8 MR. NOYES: Senator Wampler, the staff
9 recommended that this project be advanced for the vetting
10 process and the project would be vetted and we have the
11 aggregate scores and VEDP's comments and we now have
12 Exhibit A. That's what's new with this round. We now have
13 what this applicant expects to be accountable for written out
14 for your review at a point where you make a decision to
15 recommend that this go forward to the full board for approval
16 or pass it by. We haven't had that in the past.

17 SENATOR WAMPLER: In trying to understand
18 the way the staff tries to lead us through in our decision-
19 making. If I understand, so if I find the page that's highlighted
20 in yellow, that would lead us in decision-making where we're
21 headed.

22 DELEGATE BYRON: What we have done in
23 the past is we took the ratings from VEDP and we looked for
24 an aggregate score and we came up with 5, 5 and above is
25 basis for what we're going to be looking for. We generally get

1 questions from one of the applicants. Then we came into the
2 process of coming back with the outcome situation. Now what
3 we have is not only looking at whether or not we felt or
4 whether they passed the scoring test but we also now agreed
5 to the promises the staff has outlined for us. That's why it's
6 going to require a little more time going through these. I don't
7 know if the staff would help you with anything additional.
8 Certainly Ned could help us or he might have something to
9 offer.

10 MR. STEPHENSON: Madam Chairman, I do
11 have a few comments a little bit later on but just to get
12 everybody focused on the task before you, there's a single
13 sheet in your package that has the yellow ink on it and it's
14 broken up into batches. Batches one and two are historical
15 and they're done and you don't need to deal with them. The
16 yellow ink on the page indicates the areas where your
17 committee needs to act. The first being batch three which are
18 those on which Gerry Giles just reported. Batch four being
19 those that you're seeing for the very first time for which the
20 staff recommendation whether or not it should go to VEDP for
21 examination. I might suggest that you take first batch three
22 being the five applications that you sent to Gerry Giles' group
23 on which he reported to you today and if you need help, I'll
24 spread those in front of you in a minute.

25 DELEGATE BYRON: That's what we're

1 attempting to do right now. I think what would be helpful to
2 us and I know the staff has been swamped with trying to get
3 through each of those to get through much of this process. I
4 think in the future it would be very helpful to everyone if we go
5 a little bit further than that and take Exhibit A and be able to
6 make a recommendation whether or not you feel Schedule A
7 meets those outcomes that we have asked for in our
8 discussion as far as the tobacco region is concerned.

9 MR. NOYES: We will do that.

10 DELEGATE BYRON: You do not have that
11 today.

12 MR. NOYES: No.

13 DELEGATE BYRON: So if there is a situation
14 where you have read through Schedule A or if there's
15 something that clearly stands out, if they have created jobs
16 and they promise commercialization in the area we can deal
17 with those. If not, we may have to postpone some until our
18 December meeting.

19 MR. STEPHENSON: Madam Chairman, just to
20 help you a little bit, I have harvested all of the work that VEDP
21 has done for your Committee and they included the three
22 batches. I placed them in the order of the lowest total score
23 first going up to the highest and showing what your committee
24 has done in the past. The five blank spots are the ones that
25 Gerry presented to you today. Now, I just struck the names

1 off the list because I think Gerry mentioned the confidentiality
2 problem. I can direct you to which ones they are if you need
3 that but this is what's been done in the past. In summary, the
4 last line on the page, the highest total score was 7.10 and you
5 approved those three highest ones. You can see going up the
6 line, it goes up to the highest.

7 DELEGATE BYRON: I would say we approve
8 those but there are many that had to come back to us in
9 order, the Schedule A that is acceptable to the Committee.

10 MR. STEPHENSON: Your Committee approved
11 them, "subject to documentation satisfactory to the staff". The
12 staff has been looking to the chairman and vice chairman for
13 guidance on whether to approve some of these. Some have
14 been approved and put to bed and others are still in
15 conversation about whether the documentation is adequate or
16 not.

17 MR. NOYES: They're still in conversation. The
18 conversations are well advanced. There are four that are all
19 signed, sealed and delivered.

20 DELEGATE BYRON: And we have five that
21 need to be addressed?

22 MR. NOYES: Yes.

23 MR. STEPHENSON: The five that Gerry
24 brought to you today.

25 MR. OWENS: Madam Chairman, is there a

1 minimum that VEDP –

2 DELEGATE BYRON: The only reason we
3 needed to look at this is because as you can see the approval
4 started with 5.05 scoring and went up to 7.1 historically and
5 that's what you have in front of you today. Now you can set
6 that aside. I think the other thing that or if you look at your
7 sheet, the summary and recommendations of this batch under
8 summary and recommendations you asked about the dollar
9 amount, 2124 they requested \$800,000. Does everyone have
10 that sheet? The amount of the grant request or the
11 application request Senator Wampler.

12 SENATOR WAMPLER: My question to Ned
13 would be in the committee summary of the requested amount
14 but I can't follow that in any of our other documentation as to
15 what was recommended. The requested amount is the
16 amount lesser or more, I don't know.

17 MR. NOYES: I think it's always the requested
18 amount that the staff reacts to in its recommendation. I don't
19 think there's been any variation on that, has there Ned?

20 MR. STEPHENSON: No. Senator Wampler,
21 unlike all other grants that you have observed the staff has
22 not brought to you a requested amount, a recommended
23 amount. The staff has brought the requested amount as
24 placed by the applicant and referred you to VEDP scoring for
25 you to chose up or down on the funding.

1 SENATOR WAMPLER: The requested amounts
2 would be roughly \$9 million for batch number three?

3 MR. STEPHENSON: Yes.

4 SENATOR WAMPLER: So the question is this
5 batch with the dollar amount valued at roughly \$9 million is
6 what the discussion is about.

7 DELEGATE BYRON: It's the dollar amount
8 that is in discussion. The reason we're not doing it in a batch,
9 once we approve it today, we're pretty much done with it.

10 MR. NOYES: Once you decide the
11 recommendation, the Board acts tomorrow, I assume the
12 expectation would be that the staff works out the final details.

13 MR. OWENS: Madam Chairman would that
14 mean then or are there any indications from Exhibit A that
15 they may have to certify?

16 DELEGATE BYRON: I don't know if we use the
17 word prepared, Schedule A came in late and a list of questions
18 was sent out. We did send out a list of questions from the last
19 meeting for example, 2124, we have 8 to 10 jobs being created.

20 MR. NOYES: The promise or Exhibit A it's
21 faithful to what the application contained at the point that it
22 was submitted and considered by this Committee and
23 recommended for vetting and come back. This Exhibit A is
24 consistent with what you saw, the staff recommendation was
25 for vetting, not approving it but that's where you are. 2124,

1 batch three the top one.

2 SENATOR RUFF: Being new to this
3 Committee, I'm going to ask Gerry on 2127, the
4 commercialization rank fairly low for competition
5 commercialization. Is that something that you are concerned
6 about?

7 MR. GILES: I believe your page 8 you see a
8 couple of comments related to what?

9 SENATOR RUFF: The question is competing
10 technology.

11 MR. GILES: Whether or not its attributes –

12 DELEGATE BYRON: Senator Ruff, what are
13 you suggesting, in the past we took each of the batches and
14 looked at that scoring and if we look at that first and eliminate
15 the ones that do not make the VEDP scoring and then go
16 through there, take each one and go through that process and
17 compare them to the others or that's how the Committee's
18 operated before.

19 SENATOR RUFF: I appreciate that. I wasn't
20 on the Committee before and the first time I saw it was at the
21 last meeting. If we're going to say they meet such a score, no
22 question about it.

23 DELEGATE BYRON: I didn't say that. I said
24 getting to the next level. Once we find that they meet the
25 expectations of the partnership and if we get the partnership

1 to evaluate these, if we just get the partnership to evaluate it,
2 if you take an aggregate score and divide it up but the score 5
3 and above you eliminate the others only from or they can come
4 back and review the application and they can bring their
5 project back to us again, you can look at the application a
6 second time is what I'm trying to say. We've done that before.
7 That doesn't automatically approve it. Then we get on
8 Schedule A.

9 SENATOR RUFF: I appreciate that. This is a
10 lot of money to me.

11 DELEGATE BYRON: I'm not trying to rush
12 through this. With that, we have the ones that are scheduled
13 and that's why I'm going through this number 2124 and that's
14 one of those that met the rating level. Schedule A meets the
15 criteria outlined in the application and that project is
16 requested at \$800,000 in order to make the award. If no one
17 has any further questions concerning it, are we ready to
18 approve it?

19 DELEGATE MARSHALL: You need a motion
20 individually?

21 SENATOR PUCKETT: Madam Chairman, I
22 move we approve 2124.

23 MR. OWENS: Second.

24 DELEGATE BYRON: All in favor of approving
25 application 2124 say aye. (Ayes). Any opposed? (No

1 response). The next one that was approved for vetting
2 application 2129 –

3 MR. NOYES: 2127 did not reach the proper
4 threshold.

5 DELEGATE BYRON: 2129 requested \$5
6 million and that involves the battery storage application. Do
7 we have any questions from the Committee or the staff? Does
8 anyone want to add anything with that application?

9 MR. NOYES: Exhibit A was accurate and
10 consistent with what we saw in the application and the staff
11 had recommended it for vetting.

12 DELEGATE BYRON: 147 permanent jobs in a
13 two year period of time?

14 MR. NOYES: There are measurable outcomes.

15 DELEGATE BYRON: And there's capital
16 investment.

17 MR. NOYES: For the total project between 32
18 and 37 and we don't know exactly how much.

19 MR. OWENS: I move we approve that.

20 SENATOR RUFF: Second.

21 DELEGATE BYRON: We have a motion moving
22 its acceptance and a second for application 2129 in the
23 amount of \$5 million. All in favor say aye. (Ayes). Opposed?
24 (No response). All right, that one is approved. The next one is
25 2130. That's a natural gas project and that was \$521,500.

1 Staff's comment on Schedule A.

2 MR. NOYES: Again consistent with what we
3 saw in the application and has measurable outcome, we've
4 talked with everybody about Schedule A's and they're not
5 consistent. They weren't perhaps initially, initially they
6 weren't consistent with the application but they are now.

7 DELEGATE MARSHALL: Madam Chairman, I
8 see line 14, save at least 20 jobs.

9 DELEGATE BYRON: Whatever they promised
10 and retain the headquarters at least a minimum of 5 years so
11 we've got a 5 year commitment to the Tobacco Commission.

12 DELEGATE MARSHALL: I'd move we accept
13 that.

14 SENATOR WAMPLER: I'll second it.

15 DELEGATE BYRON: All right. All in favor of
16 approving application 2130 say aye. (Ayes). Opposed? (No
17 response). That one is approved. Next is application 2131.
18 That involves the Ethanol around \$2.6.

19 DELEGATE MARSHALL: I didn't see the
20 number of jobs in Exhibit A. Can someone help me with that?

21 UNIDENTIFIED: Twenty to 25 jobs in the
22 plant.

23 MR. NOYES: It resubmitted Exhibit A.

24 UNIDENTIFIED: I would point out that in full
25 scale we expect about 70 jobs per facility.

1 MR. NOYES: The full scale facility is not
2 guaranteed as part of the project.

3 UNIDENTIFIED: Promise to build one full
4 scale facility.

5 MR. NOYES: Correct.

6 DELEGATE MARSHALL: Twenty to 25 jobs.

7 UNIDENTIFIED: Twenty to 25 is just in the
8 pilot plant. I apologize for the oversight. It was a long four
9 day weekend when we were putting this together.

10 MR. OWENS: What's the average salary?

11 MR. RODGERS: I think the pilot plant; I think
12 most of those are white collar jobs.

13 UNIDENTIFIED: I think the technician range
14 \$30 to \$40.

15 UNIDENTIFIED: Madam Chairman, does the
16 staff have any comment on this particular project or review?
17 Did the staff have any comment on this particular application
18 I meant to say?

19 MR. STEPHENSON: Unlike other grant
20 rounds, the staff defers to VEDP studies and based on the
21 score from them and they give the recommendation. The staff
22 has not made a recommendation.

23 MR. NOYES: We've observed that Exhibit A is
24 consistent with what you saw in your original application that
25 was the basis for the referral for vetting.

1 SENATOR RUFF: We don't have the
2 commitment in writing that was just presented to us?

3 DELEGATE BYRON: We have a commitment,
4 we don't have a job.

5 MR. NOYES: It is in the application; those
6 numbers are in the application.

7 SENATOR WAMPLER: If the Committee is
8 ready for a motion, I move adoption of application number
9 2131 with the clear understanding that the application is
10 revised to an acceptable level of the executive director with
11 regard to the number of employment at the pilot plant 20 to 25
12 jobs.

13 SENATOR PUCKETT: Second.

14 DELEGATE BYRON: All in favor of 2131 with
15 those comments say aye. (Ayes). Opposed. (No response). All
16 right, that concludes batch number three. Moving onto batch
17 number 4 and we have new applicants before us again. Those
18 recommendations are, they have staff recommendations
19 whether or not they recommend moving forward to
20 partnership for vetting. They also carry with them Schedule A.
21 At our last meeting we determined we were going to have a
22 Schedule A, I won't say a full report but satisfied with
23 Schedule A. That doesn't mean that they can't make Schedule
24 A acceptable to the Committee and come back with the
25 application. Does the staff want to review them? Some were

1 withdrawn.

2 MR. NOYES: I'll be happy to do that. EnerSol
3 Technologies, that's the Northern Virginia project that we
4 passed by last time and that is withdrawn. Interestingly,
5 Fairfax brought the entire plant so EnerSol is no longer an
6 applicant.

7 2121 County of Franklin. The County of
8 Franklin has applied on behalf of ADNA Corporation \$4 million
9 for construction and operation of a staging facility. The
10 corporation anticipates developing the GEM STAR nuclear
11 technology and have applications for both electricity
12 generation and production of liquid transportation fuel using
13 coal. Thirty-five to 40 persons would be employed. Average
14 salary \$21,000 for up to five years after which the facility will
15 be made available or revert to an R & D consortium.
16 University is Jefferson Lab. The apparent follow on activity
17 described by ADNA, the application involves construction of a
18 \$160 million demonstration facility in New Mexico where, in
19 fact, the \$4 million match to the Commission's investment
20 would be used for demonstration facility design. Exhibit A
21 includes language indicating that a longer term goal,
22 regulations permitting, is construction of a demonstration
23 facility in southern Virginia. The Commission has offered
24 equity in ADNA Corporation and the amount of equity to be
25 negotiated. Staff recommends no further action.

1 MR. OWENS: Madam Chairman, are we going
2 to take these in a block?

3 MR. NOYES: One objection rule. 2222
4 Southwest Virginia Higher Ed Center Foundation, AdvanSorb
5 Landfill Gas, \$1,530,000 for applied R & D demonstration for
6 an existing landfill to be sold into the natural gas pipeline,
7 located in Tazewell County to be used for training purposes for
8 future developers and operators. Matching funds from
9 Appalachia Natural Gas Distribution Company are approved.
10 This is the important part. Subject to gas quality and quantity
11 measures would be used for a pipeline extension. The reason
12 that this is very important members of the Committee is
13 because there's a caveat and there is an assumption that there
14 is a match at this point and there's no reason to think that
15 there will not be a match if the gas does not meet the quality.
16 It's different in this respect. The beneficiaries offer in kind
17 monies. Commission funds will be used for contractual,
18 supplies and equipment costs. The Commission has offered
19 revenue sharing to be negotiated. Beyond RFI committing to
20 establish an office at the Southwest Virginia Clean Energy R &
21 D Center in Abingdon, outcomes appears to be limited to
22 modest revenues at this point as the Commission's ROI. So
23 long as RFI acknowledges and is agreeable that
24 commercialization going forward must take place exclusively
25 within the Commission's footprint for a defined period, staff

1 recommends this project for VEDP vetting. My only
2 reservation is an out on the match rather than a firm
3 commitment of the match and still recommend it for VEDP
4 vetting.

5 DELEGATE MARSHALL: Do we know when
6 that match will be established?

7 MR. NOYES: We can ask them.

8 MR. RODGERS: The time schedule set forth in
9 the application has included the gas quality that's established.
10 The volume we already know, the gas quality we're highly
11 confident that the, we're confident the quality of the 7 ½ and
12 we determined that their distribution line to the landfill.
13 What's significant is down Highway 19 and 460, in front of
14 Bluestone Energy Technology Park. We believe it's significant
15 that the existing facility would submit that funding.

16 DELEGATE MARSHALL: If all this doesn't
17 happen, then what?

18 MR. RODGERS: The plan B is electricity
19 generation to raise funds for electricity generation. We want to
20 point out to the staff that it is a match but it is in fact
21 preconditioned which if we do not satisfy, would be violating
22 the terms of our Exhibit A.

23 DELEGATE MARSHALL: My only concern is
24 that the Tobacco Commission and if we move forward, we are
25 in a partnership so we have a cost in sending this forward to

1 the partnership. I would hate to see us spend money sending
2 this to the partnership and then it's not successful.

3 MR. RODGERS: There is a risk and this is a
4 pretty significant project and it involves an extensive pipeline
5 but there is a risk.

6 MR. NOYES: The staff does not have concerns
7 with its recommendation for this to be advanced for vetting.
8 The obligation on our part is to point out to you that the
9 match is not firm and that doesn't mean it's not going to
10 happen.

11 MR. RODGERS: Three hundred thousand of
12 the match is firm from the company.

13 MR. NOYES: In kind.

14 MR. OWENS: I understand you have \$300,000
15 committed from the company now.

16 MR. RODGERS: Yes.

17 MR. OWENS: But in kind?

18 MR. RODGERS: Yes.

19 MR. OWENS: Do you have any other funding?

20 MR. RODGERS: We did apply to Appalachian

21 —

22 MR. OWENS: - I mean in place?

23 MR. RODGERS: No other than A & G
24 Appalachian Natural Gas to do it provided we meet the quality
25 and quantity requirements. A & G is not going to buy bad gas.

1 SENATOR WAMPLER: Ed, so the variable in
2 this equation is are you going to have pipeline quality gas or
3 are you going to have moisture in the chemicals in the landfill
4 or are you going to have pipeline quality?

5 MR. RODGERS: Yes.

6 SENATOR WAMPLER: That's the biggest risk
7 that we assume in this model sending it forward. We won't
8 know that until we start stimulating the methane, would that
9 be correct?

10 MR. RODGERS: Until that's extracted and
11 purified.

12 MR. WAMPLER: Madam Chair, the last
13 component then would be the capital expenditure of the
14 partner that being in the \$7 million range for the pipeline
15 intervention?

16 MR. RODGERS: 7 ½ miles a \$1.3 or a \$1.4.
17 I've been dealing with; I've talked to an individual from A & G,
18 the CEO of the company.

19 SENATOR WAMPLER: I think the risk then is
20 are we going to send it forward to be vetted and I think I've
21 seen a lot of projects that have similar amounts of risk. I don't
22 know that we really, I don't know if it's that much of a risk,
23 financial risk at this point but if you want to wait and do this
24 in a block, I'll wait.

25 DELEGATE BYRON: I want to point out in

1 Schedule A that they referred to using, they talk about what
2 system they're going to use and they talk about 40 jobs with
3 an average compensation of \$72,000 during the development
4 period.

5 MR. RODGERS: Five years extrapolation.

6 SENATOR PUCKETT: I'm prepared to make a
7 motion that we send it to vetting.

8 DELEGATE BYRON: We'll take it up in a
9 block.

10 MR. NOYES: The next one is 2223 and 2227.
11 Campbell County and Pittsylvania County has applied on
12 behalf of Edison 2 for \$5 million to be used to refine, design
13 and technical innovations that have already demonstrated
14 remarkable success for development for a new class of highly
15 efficient, safe, affordable and practical automobile. All
16 matching financing is pending at this time. Commission
17 monies would be used primarily for capital expenditures,
18 equipment and contractual services, with the beneficiaries
19 stipulating that all assets will be the property of Edison 2.
20 Twenty-five existing jobs and 18 new Edison 2 jobs are
21 promised. It is anticipated that additional economic activity
22 would occur over time from co-location of R & D partners. The
23 applicant is clear that the public purpose is returning an
24 empty factory to operational status and creating new
25 employment opportunities. The IP developed using

1 Commission funds would be licensed for production within the
2 Commonwealth of Virginia without fees and that's a direct
3 quote from the application but presumably, would be generally
4 available for licensing outside of the footprint. Exhibit A
5 clarifies some of these factors and Exhibit A has come in later
6 and there now appears to be an understanding that the
7 commercialization really needs to be limited to the Tobacco
8 Commission footprint for a particular time. I think that's
9 reflected in Exhibit A that arrived after the staff's
10 recommendation. Assuming that the beneficiary is prepared
11 to share title to assets of facility and equipment with the
12 grantee, which is consistent with the Commission policy, and
13 further assuming that all funds noted in the application are
14 secured prior to disbursement of Commission monies, the staff
15 recommends this project for VEDP vetting. This is a very
16 exciting project. I think there was not an understanding of
17 our policies when the application was prepared.

18 DELEGATE BYRON: We have some people
19 here from Edison 2 if you want to question them. This
20 project's been mentioned in the newspaper several times in the
21 last couple of weeks.

22 DELEGATE MARSHALL: I believe it says it's
23 going to create 36 jobs, 18 of which will be renovation work.
24 They're going to be renovating this building?

25 MR. BROWN: I'm David Brown with Edison 2,

1 the founder is a very experienced real estate developer and
2 we're going to oversee the renovation that's required.

3 DELEGATE MARSHALL: So 18 of the jobs will
4 be doing renovation work only?

5 MR. BROWN: Yes, we anticipate the first year
6 of this project will create 18 new jobs toward research and
7 development.

8 DELEGATE MARSHALL: Eighteen jobs would
9 be doing R & D and 18 would be doing renovation work.
10 Those 18 jobs for renovation work will go away in a certain
11 period of time?

12 MR. BROWN: Yes. We also had conversations
13 with other automobile innovators and they seem to be
14 interested in joining us and we anticipate other related entities
15 to be at our center. All this would be related to what we're
16 doing.

17 DELEGATE MARSHALL: So is the plan to
18 produce cars?

19 MR. BROWN: I would say our plan is to
20 partner with and produce cars, we don't anticipate Edison 2
21 will become a manufacturer but we do anticipate that we're at
22 the forefront or we have a head start to play a significant part
23 in this new market and this will be a very light car and a very
24 dynamic and pushing component production. We entirely
25 anticipate component production would occur within the

1 tobacco region.

2 SENATOR RUFF: What role or what will we
3 learn by sending it to the partnership; it's already won a
4 national award?

5 DELEGATE MARSHALL: That's a different
6 question. Edison 2, their goal is to try to, I believe their goal is
7 commercialization but I do have some reservations about this
8 because I think there are a lot of companies doing what they're
9 doing right now.

10 SENATOR RUFF: I'm not sure but I'm just
11 asking a question.

12 DELEGATE BYRON: All right, let's go ahead.

13 MR. NOYES; Project 2224, Floyd County EDA
14 improving health through biomedical. This project was passed
15 by in the last round and significantly modified by the budget.
16 Floyd County Economic Development Authority has applied for
17 \$700,000 on behalf of BC Genesis, LLC, a medical products
18 firm seeking to develop a commercially viable suture product
19 using bacterial cellulose material. Most matching funds are
20 now approved and available for the scope of work described
21 which is now better focused on actual post proof-of-concept
22 research and product development. Most Commission
23 financing would be used for personnel and contractual
24 services. Note that the requested amount is half that
25 originally sought and staff recommends this project for VEDP

1 vetting.

2 DELEGATE BYRON: Neal, what is the cap
3 amount?

4 MR. NOYES: The research pieces were
5 retained, some of the overhead was marketing and things like
6 that. This is a matter as described in the staff's
7 recommendation last time and it needed more work.

8 DELEGATE BYRON: What are the outcomes?

9 MR. NOYES: You have that in the schedule.

10 DELEGATE MARSHALL: I didn't see the
11 number of jobs.

12 MR. NOYES: Some for personnel. I think in
13 the application four or five positions. This is a very short term
14 project about a year long project.

15 MS. MARTIN: I'm from Floyd County.

16 DELEGATE BYRON: What is your name?

17 MS. MARTIN: Lydeana Martin. There are 15
18 jobs and this will carry all the way through for
19 commercialization efforts. I guess I should have clarified that
20 in the application. I was going to focus on the R & D work.

21 MR. NOYES: They did that, they promised 15
22 jobs five years out if successful. I think there were 4 or 5
23 positions during this research period.

24 DELEGATE BYRON: Any other questions from
25 the Commission? All right.

1 MR. NOYES: The next one is 2225, Floyd
2 County EDA Project Porter. The County is seeking \$750,000
3 on behalf of a long established local business that is “is the
4 technology leader in specialty fibrous composite and nonwoven
5 materials and is the largest microglass fiber manufacturer in
6 the U.S. This project develops a new generation of filter media
7 with vastly improved filtration performance. Commission
8 funds would be used for personnel including existing
9 employees assigned to new research and development
10 activities, contractual, supplies and equipment. Matching
11 funds are committed and the staff recommends this project for
12 VEDP vetting.

13 Project 2226 People Incorporated of Virginia
14 requesting \$2,526,220.00 for construction of affordable
15 housing. The University of Virginia School of Architecture and
16 School of Engineering and Applied Science to work with the
17 applicant to prove if net-zero or near net-zero energy multi-
18 family housing units are affordable to build, operate, and rent
19 to low to moderate income residents in rural Southwest
20 Virginia. There are attached market studies established that
21 capture rates that fall within acceptable limits and there is
22 energy efficiency that was not per se, part of the equation.
23 Commission funds would be used for personnel, land
24 acquisition and construction. Applications are pending or
25 intended for virtually all other funds necessary for this project.

1 Some of these are pretty far out like 2012. The Commission
2 has not previously supported housing construction activities
3 and the staff recommends no further action.

4 DELEGATE BYRON: Any questions?

5 MR. NOYES: 2228 Wise County IDA, AAERC
6 Clean Energy. The Wise County IDA is requesting \$1.3 million
7 for a multi-faceted clean coal, environmental remediation,
8 polymeric system research and development program. This is
9 not a project, this is a program and it will be located in the
10 Appalachia American Energy Resource Center. It is
11 anticipated that new employment may reach 24 in year three
12 as commercialization takes place and that the energy center
13 would be fully occupied and I might add that you all funded
14 the energy center 18 months to two years ago and as I said,
15 would be fully occupied. Commission funds would be used for
16 personnel and equipment. All funds necessary to initiate this
17 project are in hand at point of application. Application
18 material suggest that Commission funds may be used for
19 market research, an activity that has been excluded in both
20 the R & D and other Commission programs. That can be
21 worked out in budget discussions but staff recommends this
22 project for VEDP vetting.

23 DELEGATE BYRON: Any questions?

24 SENATOR WAMPLER: I would ask staff to
25 make sure that their performance agreement in this

1 Committee is consistent with what we had and agreed to in
2 the Special Projects Committee with the intent being that any
3 technology or patents further developed remain in the
4 Commonwealth of Virginia which is the same with Special
5 Projects.

6 MR. NOYES: Yes, sir.

7 DELEGATE BYRON: If we don't have any
8 other questions, we'll take these in a block.

9 MR. BURNETTE: Madam Chair, my name is
10 Mike Burnette and I'm with Franklin County and we'd ask that
11 you all reconsider the staff recommendation on Franklin
12 County ADNA Corporation project. We introduced Dr.
13 Bowman. He's head of ADNA Corporation. Obviously we
14 haven't given you a very good answer to one of the questions
15 that the staff brought up which was the future location of the
16 demonstration project. The Corporation is willing and
17 hopefully in Schedule A that they would be putting that in a
18 Tobacco Commission footprint. They were trying to be as open
19 as they possibly could and maybe didn't point out in the
20 permit that the process would be able to be permitted in
21 Virginia. They're not aware of all the regulations and
22 requirements or what's required and I just wanted to make
23 sure that that was known. Dr. Bowman is here to answer any
24 questions you all might have.

25 DR. BOWMAN: I would just like to add that

1 this technology was developed in Virginia in Franklin County
2 and it was carried to universities for further study. It's been
3 taken up by Virginia Tech by the Jefferson Labs in Newport
4 News. This technology has roots in Virginia although I live in
5 New Mexico now. I lived in Roanoke and my wife and I work
6 and we have a farm here and that's where the work is done in
7 Franklin County. This is going to be a Virginia project and I
8 won't go into details about the proposal but that is the
9 situation. Things have been moving rapidly in regard to
10 funding, matching funding from private investments. Time is
11 of the essence for us. I suppose we could bring back the
12 proposal later but we're anxious to move ahead with this. I
13 appreciate consideration by the Commission.

14 DELEGATE BYRON: I would just remind the
15 Committee and those that have established deadlines for
16 applications. The next deadline for applications is December
17 10th. At that time that batch will go at the same time for
18 vetting. Anything that comes in new after the application
19 deadline gets revised and comes back before us; we'll look at it
20 at that time.

21 DELEGATE MARSHALL: The applications
22 coming up on the 10th of December we can take it and look at
23 it again at our January board meeting?

24 MR. NOYES: The vetting will take place
25 whether or not it's acted on today or acted on in January. The

1 decision date by the Commission for these projects is May, end
2 of May. There's an opportunity to clarify and redo the
3 applications, it doesn't delay any action on the part of the
4 Commission.

5 DR. BOWMAN: Thank you.

6 DELEGATE BYRON: Thank you. I'll entertain
7 a motion to accept the Committee recommendations in a
8 block.

9 MR. OWENS: So moved.

10 DELEGATE MARSHALL: Madam Chair, I'd
11 like to pull out using the one objection rule, 2223, take it out
12 of the block.

13 DELEGATE BYRON: Any others to be pulled
14 out of the block?

15 SENATOR PUCKETT: I'll second the motion.

16 DELEGATE BYRON: Mr. Owens made the first
17 motion, seconded by Senator Puckett. So we're voting on the
18 staff recommendations on 2221, 2224, 2225, 2226 and 2228,
19 all those in favor of accepting the staff's recommendation say
20 aye. (Ayes). Opposed. (No response). Now we have
21 application 2223.

22 DELEGATE MARSHALL: Madam Chair, I have
23 questions about this I would like to ask as one member of the
24 Committee. I think we should go forward too just like Neal
25 said and push this back to the next meeting on December 10.

1 We need to get additional information. I have concerns that
2 this is already being done in the marketplace. What we're
3 going to do is we're going to fund this to the tune of \$5 million
4 for 18 jobs, ultimately 18 jobs. Eighteen will be to renovate
5 the building but ultimately there's going to be 18 jobs and
6 that's a lot of money per job.

7 DELEGATE BYRON: As I mentioned to other
8 applicants and certainly this is something that I support in
9 concept and we can probably work on or maybe look through
10 this application and coming back with a stronger line and it
11 doesn't affect anyone's timeline and maybe not get a company
12 response right away. It still has to go through vetting anyway.
13 Is anyone uncomfortable with that?

14 MR. OWENS: Are you saying that we'll send it
15 back to the applicant to work with the staff and come back in
16 January?

17 DELEGATE BYRON: Yes, I think that will be
18 more helpful to the applicant and the rest of the Committee.

19 MR. OWENS: Is there a motion?

20 DELEGATE BYRON: No.

21 MR. NOYES: We don't need one.

22 DELEGATE BYRON: We've already announced
23 our next application deadline that's Friday, December 10th.

24 MR. STEPHENSON: Earlier in your meeting
25 your Committee approved some 8 odd million dollars worth of

1 obligations. I would like for the Committee to consider
2 amending that motion to include the word, “subject to
3 documentation satisfactory to staff and counsel.” I ask for this
4 because we continue to have grant agreement difficulties in
5 that counsel is helping us to develop a grant agreement for
6 each and every grantee that we send it out to and then it
7 comes back with a flood of redline comments, lawyers have
8 commented on it and they don’t want to sign it and we’re
9 having difficulties. Some of the comments are valid and we try
10 to accommodate them. Some of the comments are not. I’m
11 simply asking would the Committee give us latitude to work
12 through those grant agreements subject to staff and counsel’s
13 approval.

14 SENATOR PUCKETT: So moved.

15 DELEGATE MARSHALL: I think we ought to
16 do that always.

17 MR. STEPHENSON: We generally do Delegate
18 Marshall and if there’s a small item in the contract and a
19 small adjustment is made. These adjustments arise regularly.

20 DELEGATE BYRON: I would expect that if it’s
21 something that is really a problem in the context of that
22 agreement, you could bring it back to the Committee anyway.

23 MR. NOYES: We would and I would just point
24 I fully agree with what Ned is saying in asking the Committee
25 to do this. At every step where there has been some change,

1 staff has advised the chair and vice chair of what that is and
2 make sure everybody understands we're acting consistent with
3 the intent of the program. It's not just the staff is doing this
4 and the chair and vice chair are not aware of how things are
5 proceeding.

6 MR. STEPHENSON: The other item I have –
7 DELEGATE BYRON: We have a motion to
8 allow the staff authority to do that. All in favor ayes. (Ayes).
9 Opposed. (No response).

10 MR. STEPHENSON: Madam Chairman and
11 Committee members I have some comments which I wish to
12 bring. I must tell you that, I want to ask if we can have a
13 frank discussion with this Committee about Exhibit A. What
14 I'm about to present to you in no way is intended to undo
15 anything you did today. I feel duty bound to the Committee to
16 tell you that some of the things happening in Exhibit A so that
17 you are not, so that you don't misunderstand but so you know
18 some of the facts as to what has happened. If you would
19 indulge me for just a moment Madam Chairman. All of your
20 grants or all of the Commission grants with the exception of
21 TROF are made to public entities or non-profit entities and
22 public works. In that connection, that money goes to a public
23 entity. TROF money, unlike all the other grants takes your
24 money and public money and puts it into a private pocket and
25 for that reason, we have to extract a promise from that

1 company that we'll get something in return that you want.
2 Typically that's jobs and investments and that's okay and that
3 works. I want you to know that as an aside for many of those
4 promises, they are overstated and under delivered and we
5 have difficulty in enforcing those promises to make sure that
6 you get what you pay for and you know the history on that.
7 These R & D grants are similar to TROF grants in that you're
8 putting public money into private pockets. I understand from
9 counsel and from common sense that you need to get
10 something for your money. The contracts we have written are
11 three three party contracts unlike the rest of yours. They are
12 between the Commission, the grantee and the beneficiary and
13 the beneficiary is often the private entity that's really going to
14 get the benefit of this money.

15 I took a look through the applications that we
16 got and I looked through and tried to pick out some of the
17 words in the applications that describe what the applicant is
18 going to do for you and I'll give you a sample of the application
19 vocabulary that is described in these. I didn't make these up
20 and they're right out of these applications. I think you get the
21 point that you cannot tell from the application exactly what it
22 is you're going to get. So in preparing these grant agreements
23 a certain promise has to be made and we came up with the
24 idea that we would ask the grantee for what we call the
25 deliverables for Exhibit A. We said we want these deliverables

1 to be written by the beneficiary and by the person that's
2 getting the money and that this Committee would either
3 accept that promise or not but you might choose. We require
4 that those deliverables be clear, definitive and measurable,
5 within mission and worth the money. That's so you will get
6 what you ought to get for your \$5 million. I went through
7 Exhibit A that you have in your packet and I took out a bunch
8 of the words that I found in those Exhibit A's as to the
9 deliverables. We will collaborate and optimize and wrap up
10 and upset and these are the words that are in Exhibit A's. So
11 what I want to say to you is you must not be deceived into
12 thinking that we can prove we got what we paid for because
13 you can't figure out when somebody says they optimize
14 something or if they up fitted or if they partner with. Now,
15 there are exceptions. Some of them did a better job than
16 others trying to put clear, definitive, measurable and
17 deliverables but I can tell you that most of them do not. I
18 don't want the Committee to be misled in thinking that we
19 have hard contracts with provable deliveries that can be
20 checked up on and followed up on if they're not delivered.

21 Now, that's harsh Madam Chairman and I say
22 that we have good partners and these are good projects and
23 people doing good work. Without these partners we wouldn't
24 have any projects. I want that to be known to you and also
25 the applicants. I feel like it's important you know that these

1 Exhibit A's are really not a deliverable that you can take and
2 figure out whether you got what you paid for. I leave that
3 thought with you and I'll be happy to answer any questions.

4 MS. THOMAS: Do we need a cheat sheet that
5 will say we will create 50 jobs?

6 MR. NOYES: What we need is that for every
7 member of this Committee, as you're considering which ones
8 to advance and which ones to recommend to the full Board for
9 approval to look at the Exhibit A and examine it. Am I
10 satisfied that I'm going to get what I'm paying for? We haven't
11 had that in batches one and two but we're catching up on that
12 and Ned is exactly right. Exhibit A is important and look it
13 over, like the one in Halifax says 147 jobs. It says it in Exhibit
14 A, we don't know because VEC will tell us if there are 147
15 jobs, that's what we're looking for, that level of scrutiny.

16 DELEGATE KILGORE: I was thinking it would
17 be a lot easier if on Schedule A that job creation was put
18 somewhere near the top and the investment was put
19 somewhere near the top and you don't have to spend a lot of
20 time flipping through here like line 14 or line 12 over here or
21 here. I think it would be a lot better on Exhibit A what the
22 total investment is, here's the number of jobs, that's the way
23 we do with TROF and it's a lot easier to follow and you know
24 what you're supposed to get.

25 DELEGATE MARSHALL: We have those

1 almost a template for economic development in TROF. When
2 you read through this you see blue sky and all this other stuff.
3 I'm a country guy and I like to see it. I would encourage staff
4 to come up with a template so that we could advise the chair
5 and vice chair so that we know exactly what we see and it's
6 pretty clear.

7 DELEGATE BYRON: Those things we see in
8 our deliverables it's important to highlight that and emphasize
9 that at the top and then if they want to elaborate separately on
10 that we can do it with all the other details. I think we should
11 have it at first and then we can go from there.

12 DELEGATE MARSHALL: Madam Chair, what's
13 important is investment and jobs. That's why we're here.

14 MS. NYHOLM: Does it matter to you if the
15 grant has a list. In the R & D summary the number of jobs
16 and the average salary per job and the match dollar provided
17 answer no in hand and the investment dollars?

18 MS. THOMAS: Madam Chair, might I had
19 location, where is the investment going to go.

20 DELEGATE KILGORE: That's a good point.
21 When it says going in Campbell County, where in Campbell
22 County.

23 MR. NOYES: The application is clear on that.

24 DELEGATE BYRON: Anything else from the
25 Committee? I certainly want to commend the staff for the

1 amount of time. I don't know if people realize the amount of
2 time and effort the staff puts into getting all this information
3 together. I know some nights you spend a lot of time on the
4 telephone to get things resolved. I know that from my
5 experience but the work that's being done to get where we are
6 I'm very appreciative of that and all the work the staff does.

7 Now, is there any public comment, hearing
8 none?

9 MR. NOYES: The reception is next door.
10 Please also remember the conflict of interest training tomorrow
11 morning at 8:30.

12 DELEGATE BYRON: If there's nothing further,
13 then I'll entertain a motion to adjourn. It's been moved to
14 adjourn.

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16 PROCEEDINGS CONCLUDED

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the VIRGINIA TOBACCO INDEMNIFICATION AND COMMUNITY REVITALIZATION COMMISSION, Research and Development Committee Meeting when held on Wednesday, October 27, 2010, at 3:00 o'clock a.m. at the R. T. Arnold Library in South Hill, Virginia.

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

Given under my hand this 17th day of November, 2010.



Medford W. Howard
Registered Professional Reporter
Notary Public for the State of Virginia at Large
MY COMMISSION EXPIRES: October 31, 2014
CERTIFICATE NUMBER: 224566