

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 Thursday, September 29, 2011  
11 8:00 p.m.

12  
13 Southwest Higher Education Center  
14 Abingdon, Virginia 24210

1    **APPEARANCES**

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4    The Honorable Kathy J. Byron, Chairman

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

6    Ms. Mary Rae Carter, Deputy Secretary of Commerce & Trade

7    Mr. Butch Hamlet, III

8    Mrs. Sandra F. Moss

9    Ms. Connie Greene Nyholm

10   The Honorable Edward Owens

11   The Honorable Philip P. Puckett

12   Mr. Kenneth O. Reynolds

13   The Honorable Frank M. Ruff, Jr.

14   Ms. Cindy M. Thomas

15   The Honorable William C. Wampler, Jr.

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17                   **COMMISSION STAFF**

18   Mr. Neal Noyes, Executive Director

19   Mr. Ned Stephenson, Deputy Executive Director

20   Mr. Timothy Phofl, Grants Program Administration Manager

21   Ms. Stephanie S. Kim, Director of Finance

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

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

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1 September 29, 2011

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4 DELEGATE BYRON: The R&D Committee will  
5 come to order and I'll ask Neal to call the roll.

6 MR. NOYES: Delegate Byron?

7 DELEGATE BYRON: Here.

8 MR. NOYES: Deputy Secretary Carter?

9 DEPUTY SECRETARY CARTER: Here.

10 MR. NOYES: Mr. Hamlet?

11 MR. HAMLET: Here.

12 MR. NOYES: Delegate Marshall?

13 DELEGATE MARSHALL: Here.

14 MR. NOYES: Ms. Moss?

15 MS. MOSS: Here.

16 MR. NOYES: Ms. Nyholm?

17 MS. NYHOLM: Here.

18 MR. NOYES: Mr. Owens?

19 MR. OWENS: Here.

20 MR. NOYES: Senator Puckett?

21 SENATOR PUCKETT: Here.

22 MR. NOYES: Mr. Reynolds?

23 MR. REYNOLDS: Here.

24 MR. NOYES: Senator Ruff?

25 SENATOR RUFF: Here.

1 MR. NOYES: Ms. Thomas?

2 MS. THOMAS: Here.

3 MR. NOYES: Senator Wampler?

4 SENATOR WAMPLER: Here.

5 MR. NOYES: You have a quorum.

6 DELEGATE BYRON: I just want to remind the  
7 committee members what our purpose is today and we're  
8 going to do a program review of the R&D process and look at  
9 that and look at any changes we might want to make going  
10 forward for the next application cycle. We got started just in  
11 our discussion process and in order to do that I'll turn it over  
12 to Ned.

13 MR. STEPHENSON: My contribution this  
14 morning is going to be very simple just to get you started. I  
15 have my co-pilot back in the corner that's going to help with  
16 this a little bit. This is fine print and I didn't intend for you to  
17 read it. This is a list of the 10 elements that VEDP scores  
18 each application with, things like the scale and does it have a  
19 good management team, is the science proven. These are the  
20 things that they score and they supply you with a score for  
21 each of the 10. Some of those scores are scientific that's  
22 added together in the score and the other five are commercial  
23 and they're added together and then those two scores are  
24 added together. You've been making those decisions based on  
25 aggregate single score. It came to the attention of the

1 committee after doing this a few times that an aggregate single  
2 score may not be taking you where you want to go and  
3 perhaps you want to dig deeper into these scores and assign a  
4 greater weight to some of them than to the others.

5                   Next slide please. This is very simple but there  
6 are 10 elements that are being scored and that's what you are  
7 doing right now, you're assigning a 10 percent weight to each  
8 one equally so that you wind up with the top five which are  
9 scientific being half of the score and the bottom five which are  
10 commercial being the other half of the score. I think Kathy,  
11 you might want to have some discussion among the committee  
12 this morning about changing these numbers and what is more  
13 important to you. The tough part of this is that if you think  
14 the proven concept is more important you can raise that  
15 weight but you have to take it away from something else that  
16 you think is less important but ends up with 100. I've kind of  
17 taken a pass at this and there's no right answer, it's a  
18 discussion point for you to start with.

19                   Next slide please. If you look at the bottom  
20 and based on your conversation at the last meeting, you  
21 started with a 70/30 split weighting more heavily towards the  
22 commercial side and then I worked backwards or worked  
23 through what might be more important than the other to make  
24 it add up. So Madam Chairman I was going to give this back  
25 to you and have you discuss with the committee how you

1 might want us to weight these scores going forward.

2 DELEGATE BYRON: Thank you Ned.

3 DELEGATE MARSHALL: Ned, I have my own  
4 definition of 1 through 10. Could you briefly go through and  
5 make sure we're all on the same page, what does concept  
6 moving mean and so forth all the way down?

7 This is the full definition that is given to us  
8 from VEDP for the elements. There's no text on it. The  
9 question they raised is what is the adequacy of the proof of  
10 concept? My understanding is does this stuff work  
11 scientifically; is this theory or is it proven in a laboratory that  
12 this can work. I think the VEDP tries to separate those two to  
13 avoid funding something that no one knows about or doesn't  
14 know if it works or not.

15 MR. NOYES: When Ned and I met with VEDP  
16 on this, they seemed okay with where applicants are coming  
17 from with the proven concept. People are coming in with a  
18 level of research that's already something that has been  
19 established and it establishes the scientific validity and the  
20 question is how far along is it rather than is it a proof of  
21 concept rather than research. That's the general sense I get  
22 from that.

23 DELEGATE BYRON: One question on number  
24 5 under scientific. Starting out with the project milestone, it  
25 certainly fits under scientific and then you get into resources.

1 I have to wonder if that isn't better achieved under commercial  
2 scores than scientific. Is that what that question is referring  
3 to?

4 MR. STEPHENSON: We've had great difficulty  
5 in getting applicants to articulate milestones and measurable  
6 and we've gone through a couple of different ways trying to get  
7 them to do that. We can't get them pinned down as far as  
8 milestones.

9 DELEGATE BYRON: Let's have a discussion  
10 on definitions before we get into it.

11 MS. NYHOLM: I think the point you made is a  
12 very good one without resources, without these milestones it's  
13 very hard to scale anything. I would prefer to see that as well  
14 as giving it more weight.

15 SENATOR RUFF: I'm wondering if those two  
16 could be separated from each other?

17 DELEGATE BYRON: Exactly, if you took that  
18 out of milestones, that's important and then you add the  
19 resource side of that to include milestones under commercial.  
20 We just add an addition percentage down there and change  
21 our whole formulary.

22 MS. THOMAS: I'm wondering if the rationale  
23 by having it under scientific to include if the team brings a  
24 project adds the extra piece to identify these.

25 DELEGATE BYRON: That may be.

1 MR. STEPHENSON: The two credentials there  
2 including the scientific credentials and many credentials.

3 DELEGATE BYRON: Specifically referring to  
4 milestones. Does the Committee agree with that, if that's the  
5 sense of the committee we'll make that change then. Any  
6 other questions on; if not, let's refer to the next one. I think  
7 probably to get to this point of just looking, if not let's refer to  
8 the next weighed issue and then the discussion going here.  
9 And I think a couple of things to get us to this point, just  
10 looking at the weight and everything else, you've got a page  
11 that was distributed to you in front of you that has the  
12 different projects and the money we spent so far. This may be  
13 of interest to you to see that all in one sheet. Staff didn't do it  
14 but this was something that actually did kind of come from  
15 the staff and hurriedly a couple of comments myself from the  
16 end. Those figures are not confirmed. This is after the last  
17 meeting, the \$44 million I had down as or the Committee had  
18 in front of it to make decisions on it at that point. My figure  
19 show that we had already approved \$39 million but I think  
20 that was before the last couple of projects. One of them got  
21 approved or was up for recommendation this time. This gives  
22 you an idea, you said it's an estimate of money that's been  
23 disbursed. I think we're at a point now where the committee  
24 has had a lot of these applications coming forward in the  
25 committee process and see kind of see where the money is

1 going. We just want to make sure that the dollars we're  
2 spending in R&D are spent wisely and then going forward that  
3 we achieve the goals we want to achieve. That's where we are  
4 today as far as making sure that as we go forward we look  
5 more conservatively towards commercialization and what it's  
6 going to do for our areas in regard to this. Now, if we're going  
7 to add another line to this and I'm not sure if it fits. Does  
8 anyone have any thoughts or a bullet that we can talk about  
9 in the milestone that would be achievable under that bullet,  
10 that definition under that element.

11 MR. STEPHENSON: I understand the  
12 consensus of the committee was to split milestones and  
13 resources to two separate areas that you'd have to score for  
14 each, is that correct?

15 DELEGATE BYRON: Right. From the  
16 scientific side that would be under, it could fit within any of  
17 the other commercial lines that are already there.

18 MR. NOYES: When we talk about resources  
19 which is a big issue, these R&D projects, we're talking about  
20 this particular applicant having resources to go to full  
21 commercialization or are we talking about resources getting  
22 through that's referred to as valid steps between being able to  
23 go to the market for resources for commercialization. There's  
24 not a one that we have seen that has resources to go to full  
25 commercialization, none. I think it's clear what the

1 expectations are.

2 DELEGATE BYRON: Maybe that shouldn't be  
3 there in the first place.

4 MR. NOYES: I think as we and VEDP look at  
5 that, they want to know if that particular applicant has the  
6 resources available, financial resources and whatever other  
7 resources they might be considering to get it through that  
8 point where that particular technology can be commercialized.  
9 What we're asking under the definition of commercialization, if  
10 they might have the resources in hand for commercialization  
11 they would already be doing it. They wouldn't be talking to  
12 us.

13 DELEGATE BYRON: For a point of discussion,  
14 those of us that went to the last meeting at VEDP and you  
15 know, commented that if we had our meeting directly after  
16 their meeting because we all had opinions coming out of the  
17 meeting, how we felt about the projects. I don't know if it's  
18 something that could be accomplished by having a scoring  
19 session immediately following their meeting or if they'd have to  
20 go back and digest what they saw if we said we need your  
21 scores now, I don't know if that's achievable but I think it's  
22 worth talking about. I think one of two things, either that we,  
23 that I think would fit very well with R&D, the applications are  
24 there so if we need further questions then the Committee  
25 could also question them afterwards. If it's not possible to

1 achieve that, I would also consider the staff at this point as  
2 they do with our other applications, determined at one point  
3 that in these cases we need to be as, that we needed the  
4 expertise from the partnership and those that are involved in  
5 this process give us a score. If we can't accomplish that then  
6 the staff come up with a recommendation based on the scores  
7 and all the information we have before us for a meeting as  
8 well. We get one figure for an application in regard to the  
9 grand total and no one ever discusses what was asked for so  
10 therefore we don't review that part of the grant application in  
11 our discussions. I think that's another area of the meeting. I  
12 would like to hear some feedback from the Committee on that.

13 MR. OWENS: The people we met with, they  
14 were just the team leaders. They just take the information  
15 back to their subject matter experts. I think that's the way it  
16 happened. We met with the team leaders, they take it back to  
17 their subject matter experts.

18 MR. STEPHENSON: I think you met with the  
19 entire group, evaluated the scores and they may have gone  
20 home and talked to their colleagues about it. You met with  
21 the entire team.

22 MR. OWENS: That being true we may be able  
23 to ask them to give us quickly enough the scores soon enough  
24 after the staff meeting and that might be helpful in doing an  
25 evaluation and coming up with a recommendation.

1 DELEGATE MARSHALL: Let me ask Ned, in  
2 the real world there's some real good practical projects and  
3 some things to do.

4 MR. STEPHENSON: I think that review team  
5 would likely push back on that because they're going to, they  
6 haven't had time to distill the results of the meeting and  
7 produce a meaningful score. It may be quite possible that  
8 hearing those presentations that the Committee could at that  
9 point dismiss some applications or applicants. You know,  
10 we're done and we don't need to go any further. Getting a  
11 meaningful score in that limited time. My concern is that we  
12 have to be careful about returning this duty to staff because  
13 there's so much material in there that the staff respectfully  
14 had no clue of these scientific matters. This stuff is way over  
15 top. The value of this review process is that we have subject  
16 matter experts that's able to digest it.

17 DELEGATE BYRON: I think he was referring  
18 to taking it away from the project and adding a review of the  
19 same information we're given that you may give a  
20 recommendation based on that information that we're given as  
21 well.

22 MR. STEPHENSON: We can do that.

23 DELEGATE MARSHALL: One further thing.  
24 We went to watch the review and they only reviewed three  
25 applications. In years past and we sent more applications to

1 them. Do you remember what the high number was?

2 MR. STEPHENSON: I think 6 and 7 on the  
3 table and that was light the other day.

4 DELEGATE MARSHALL: So getting 6 or 7 that  
5 would be a long day for that review process. My only thing  
6 speaking from a practicality standpoint, maybe you had,  
7 publicly you got two-day meetings; reviewing them one day  
8 and maybe coming back the next day if we'd want to do it, I  
9 know that would take a lot of time.

10 MS. THOMAS: I would say for this Committee  
11 the dollars that we are granting through that vetting process  
12 and review would be a much better investment of our time.  
13 We would get so much out of doing the presentations and  
14 hearing what the panel of experts had to say about it. I came  
15 away with a whole different perspective on the vetting process  
16 on the applications that we were hearing.

17 DELEGATE BYRON: You mentioned the  
18 meeting that we were able to not necessarily know what the  
19 right questions were to ask but being able to hear them and  
20 the answers to the questions that the experts brought up that  
21 enabled us to get a whole lot of consideration to different  
22 things, the scores coming back based on the question in front  
23 of you. Nevertheless, no matter what we do with the process,  
24 we have to come to the proposed weight, come to or compare  
25 the weight and then that part of the process can continue. So,

1 going back to the 70/30 apparently we don't, we're not going  
2 to do every line, the commercialization side of the financial, of  
3 the milestones, is that what they're saying?

4 MR. NOYES: What I'm saying is that on the  
5 research end or the scientific end that VEDP and the partners  
6 are looking at is whether or not the research or the resources  
7 that are possible and the resources proposed in that  
8 application allow the scope of work described in the  
9 application to get done. It has nothing to do with subsequent  
10 commercialization, it has to do with research and  
11 development. If I was weighing the science that came in and  
12 they came in and said we don't have the money for a 50  
13 percent match for the application process or something like  
14 that, going to call the group, if you have the resources to do  
15 what's in that application and the research and not  
16 commercialization, if they have it at that point of the  
17 application, I mean the money or is that returned. We say  
18 we're going to talk to you when you're in the money, which? I  
19 review these things and I provide write-ups for this Committee  
20 and it is rare, I mean rare that you see the money resources.  
21 Item number five.

22 DELEGATE BYRON: Are they evaluating the  
23 resources as an example \$2 million to do a project or whether  
24 or not what they're asking for is sufficient to reach that goal?

25 MR. NOYES: They're saying, what number five

1 is about in terms of resources, will the resources that are  
2 identified in this application allow this applicant to do what  
3 they're going to do in the application. They're not saying  
4 anything about whether or not resources actually exist. You  
5 can do this amount of work for that amount of dollars.

6 DELEGATE BYRON: I think you're looking at  
7 personal resources.

8 DELEGATE MARSHALL: Financial or human  
9 resources?

10 MR. NOYES: Human resources number three.

11 MR. HAMLET: I'd like to ask a little bit more  
12 from Ned about the financial modeling. I think it and when  
13 you consider the capital investment, and thinking about the  
14 modeling, financial modeling. Is our panel of experts  
15 employed by VEDP would they include people from the Darden  
16 School of Business. My sense of the experts, we're very  
17 powerful on the scientific side, resources available, and  
18 experts available. I wonder how much that is and when you  
19 consider using people from the Darden School of Business on  
20 the commercialization side in the way of the financial  
21 modeling. What I don't see or hear is anything about  
22 profitability and venture capitalism and the financial  
23 modeling. You know, the question is what's going to happen  
24 in three years, five years, 7 years, and how vigorous is the  
25 financial check?

1                   MR. NOYES: Butch, my understanding of the,  
2 they have at the table, scientist who can say whether this  
3 scientific stuff works or not. They have industry experts from  
4 the commercial world who can give an opinion as to whether  
5 this is viable commercially in the marketplace. What they do  
6 not have at the table is someone who can begin to speak to the  
7 business plans, cash flow, financial structure and how to get  
8 this done, capitalization, all of those things to make a project  
9 run. That's an excellent question. In our discussions with  
10 VEDP there is not a real business plan for commercialization  
11 for these projects and doesn't exist. People are not coming to  
12 the table with a full-blown business plan that doesn't do those  
13 things that you're talking about, almost never exists. Having  
14 said that and that's what the commercialization experts they  
15 would love to have their hands on that. These projects are not  
16 designed for that stage and these people are still in the  
17 research demonstration stage. So I'm not sure that if we get  
18 the Darden School because they don't know yet if it can work  
19 on a commercial level.

20                   MR. HAMLET: I would submit that they've got  
21 people at places like the Darden School that could know or  
22 figure out how commercially viable it is and how far out that  
23 would be from the modeling point of view.

24                   MR. NOYES: That would be very helpful if that  
25 was a requirement.

1 MS. NYHOLM: I would agree to that.

2 MR. STEPHENSON: Would that rise to the  
3 level of occupying a score line, a quality business plan?

4 MR. HAMLET: I certainly would say yes.

5 MS. NYHOLM: Would you recommend  
6 someone like from the Darden School, somebody with a  
7 commercial mind.

8 MR. HAMLET: Absolutely, yes. I thought  
9 about it and the reason why I wondered about it and especially  
10 venture capitalization, I don't know if there's a conflict but  
11 maybe somebody needs to come in and say all right, our group  
12 will not end up financing this thing but when you get the  
13 business type of folks looking at things like this, I think you  
14 need a very rigorous financial analysis. The Darden School,  
15 they've got people there that are just itching to do projects like  
16 that. They utilize case studies as a method of teaching rather  
17 than books and textbooks. Case study analysis, that's the  
18 way they teach, that's the way they think. They would love I'd  
19 dare say to be involved in case studies and that type of method  
20 of teaching and I'm sure they would have people that would be  
21 more than happy to be engaged in things like this.

22 MR. STEPHENSON: Madam Chairman, it  
23 seems very doable for the applications to require a business  
24 plan and for there to be a person at the table to evaluate and  
25 score the business plan or a business in general. That could

1 be one of your elements in the scoring.

2 MR. NOYES: The question would be who  
3 should do this, should it be an in house or some special  
4 company, I don't have an opinion on that, but we need to be  
5 able to respond to questions. I've heard many times that  
6 VEDP having a full-blown business plan and I think that  
7 would assist the group in evaluating the commercialization  
8 side, that potential of the project.

9 MS. NYHOLM: I understand what you said  
10 earlier Neal, that these types of people by and large may not  
11 have all the answers and that can be difficult but certainly a  
12 viable business plan would help any project. I think it would  
13 be a good idea and it should be required. I think there's  
14 resources at Virginia Tech as well as Virginia to look at these  
15 problems. Even the Higher Ed Center throughout the  
16 footprint. I think we've got a lot of resources and there are  
17 some that might not be as in depth as we'd like but when you  
18 talk about a plan, that certainly is a good place to start.

19 DELEGATE BYRON: When you look at  
20 applicants that are looking for large sums of money, as a  
21 minimum, I think we should have a business plan as a  
22 requirement based on that type of request.

23 SENATOR WAMPLER: I support the idea of a  
24 business plan. You could have a list of 20 I suppose, variables  
25 to consider. I do think we have a good way of measuring as

1 well as other things but what I'm concerned about is what do  
2 we do with the information once we get it because I'm sure  
3 that I know we're capable of different things and everybody  
4 else would have an opinion. I think we're limited by the  
5 budget and how much money do we have to spend and on  
6 what projects. If we know these projects will create jobs and  
7 bring corporate headquarters and increase the tax base which  
8 is what we're supposed to do, we know that. I'm unclear and I  
9 don't have an answer for it but where do we start spending our  
10 money, do we use the R&D somewhere in the very beginning  
11 or do we use it to try to create these jobs or do we come in at  
12 various points or do we go to other committees to help us out.  
13 It's great to have R&D dollars create jobs but I'm not sure  
14 what the Commission or Committee ought to be doing that  
15 would fit good but if the report comes back related to the  
16 scientific side and if the capital is there to create jobs, I'm not  
17 sure this Committee should be the one using it then cross the  
18 line to create jobs. Hopefully that's a complimentary point  
19 Ned for the matrix. I'm not sure that with all these variables  
20 that we can call that out. That's all just an observation, but  
21 understanding the scientific side is one thing, the business  
22 side is another.

23 MR. STEPHENSON: This is a little intense on  
24 the mathematics of it and when you do that, you sometimes  
25 lose something on the big picture. When you try to reduce it

1 to numbers, that's not always easily done and that might not  
2 be the ultimate answer.

3 SENATOR WAMPLER: My thought would be  
4 maybe if the Committee review weighted numbers but then we  
5 have staff to try to communicate in English so we can  
6 understand what's going on and really something other than  
7 just numbers as to comments and like this is what you all  
8 should pay attention to. This is where we believe the  
9 commercialization side is going. This is what it would take to  
10 invest in the community but again, those are my thoughts.

11 DELEGATE BYRON: This brings us back to  
12 the point that the process, I think it's very important that we  
13 have one or the other. Either the committee, we can also get a  
14 staff recommendation based on values that we put into our  
15 other applications coming before the Tobacco Commission.  
16 They know and understand what it is the Commission's  
17 mission is. They could relate that to us and then we'd have an  
18 opportunity to act and they can make a recommendation as to  
19 the amount as well and I think all that would be helpful to the  
20 Committee going forward.

21 Now, are we comfortable with the 70/30  
22 weighting generally? The quality of the business plan that's  
23 not rated up there and we all agree it's very important.

24 MR. STEPHENSON: It seems like the quality  
25 of the business plan should be on the bottom half being part

1 of the commercialization realm should share in the 70 percent  
2 number in some manner.

3 MR. NOYES: We've had a discussion with  
4 VEDP and working with Gerry Giles and we've done that a long  
5 time. The question is what do you mean by quality, what does  
6 quality mean and the question is tell me what quality is and  
7 I'll communicate that to them. What we really want in the end  
8 is the best business plan. How valid is it, whether it's critical  
9 or not based on what they see in the business plan.

10 DELEGATE MARSHALL: We can go back to  
11 element five, quality of the business plan.

12 MR. NOYES: We can define what we mean by  
13 quality. The quality can be was this plan developed by the  
14 Darden School? Is that the standard in the School of  
15 Business, I don't know, what is the criteria, what is it  
16 meeting?

17 DELEGATE MARSHALL: You referred to  
18 earlier reviewing a business plan, what is the standard and  
19 how do they get to the goal standard?

20 MR. HAMLET: I would submit to you it has a  
21 large part to do with assumption. Any sort of modeling effort,  
22 you're always going to have assumptions and that's a critical  
23 part of it. Assumptions can be well thought out, were they on  
24 point, an assumption, a financial modeling. Some input,  
25 figuring out the answer.

1 DELEGATE MARSHALL: Is it subjective?

2 MR. HAMLET: It's very subjective, the model. I  
3 should say the model is objective but the analysis of the  
4 business plan is much more than a lot of, there's a lot of  
5 subjective components to that. If I may back up for a minute,  
6 this is to Ned or to the staff, I would bet you that if the right  
7 person at the Darden or at the business program, if you can  
8 get to the right person there and tell them, explain what we do  
9 and what we're after, these professors are looking for projects  
10 to do and to analyze. They pay the Harvard Business School a  
11 lot of money for cases. I'll bet you somebody there or the right  
12 person at one of those schools would love to be involved in this  
13 process. I'm not saying they need to supersede VEDP and if  
14 that piece is more important than the overall analysis from  
15 VEDP but somehow to me there needs to be a component of  
16 that analysis that has to do with something like a case study  
17 that is done at the graduate business school.

18 SENATOR WAMPLER: If we were to add a 15  
19 percent weight on the quality of business plan, we could shave  
20 five percent off the scale of markets, five percent here and five  
21 percent off market demand and five percent off goals  
22 achievable or any combination thereof, you can bounce that  
23 around.

24 DELEGATE MARSHALL: Madam Chairman,  
25 just as a thought, I think Butch raises a good idea and we

1 don't need to decide about the Darden School today. We can  
2 certainly talk to them first but maybe these proposals that are  
3 tabled could go to them first and they could review it. They  
4 don't have to review the whole application, maybe send a  
5 report in and I think we should get them to look into this and  
6 just see what their thoughts are before we decide to do  
7 anything.

8 DELEGATE BYRON: I'm not so sure about  
9 that. If we were to send the applications to them, they don't  
10 have to really, or at what point do they become involved  
11 otherwise we're going to have an expenditure for an  
12 application and maybe they don't have the merits to go  
13 forward on and they're going to be evaluating things that don't  
14 need to be evaluated. I don't know if that's the right way.

15 MR. HAMLET: I can't agree with you more  
16 about the scientific side. The time you're looking at this is  
17 very important to me. I think maybe in the process the  
18 scientific should be first and then if it passes that litmus test  
19 for science if it passes that test, whether this Committee or the  
20 staff and if the science is looked at and it's determined to be  
21 viable, then the next step is commercialization/financial  
22 analysis/business world, that could be a second step. I might  
23 add that in my opinion if the right person in the graduate  
24 business school, that piece of the analysis would be free.  
25 They're hungry for case studies and they'd almost pay us to

1 allow them to study it. I won't go that far but I'll bet you it  
2 wouldn't cost us a penny. I don't think the timeliness will  
3 hurt. I think they'll turn it around quickly enough that it  
4 won't hold the process up at all for VEDP.

5 DELEGATE KILGORE: Mr. Chairman, sitting  
6 here and listening to all of this, I would agree with Butch. I  
7 think that's a good idea. I certainly think the business plan is  
8 something we ought to look into. I know we have the scientific  
9 stuff to look at but we have to remember if it doesn't create  
10 jobs and improve the economy to our area, I don't know that  
11 we're interested in doing it. When you talk about putting out  
12 \$5 million and they don't have a business plan, they don't  
13 have a plan to show us how they're going to market it and do  
14 that sort of thing then I don't know that it's the best thing to  
15 do. I think that's a very good idea that's been brought up. I  
16 think some very good ideas have been brought up.

17 MS. THOMAS: Talking about the financial side  
18 from my banking background, I've looked at a lot of business  
19 plans and a lot of startup companies, some already in  
20 business, some are very good and some are very bad and some  
21 are made up. There's a lot of them that contain pie in the sky.  
22 I would offer that we may be or have a good scenario or maybe  
23 putting too much weight on the business plan and maybe not  
24 putting enough emphasis on and whether there's a market for  
25 this. I might offer that we change it to a 5 or 7 ½ percent of

1 the business plan and split the rest of it between market  
2 demand and the goals achievable and actually what we're  
3 looking at in the commercialization of it. You might be putting  
4 too much weight on the business plan. I think we're very  
5 heavily weighing it here as far as the viability of the company  
6 making it.

7 MS. CARTER: Doesn't the business plan  
8 address those issues like marketing and ability of –

9 MS. THOMAS: It addresses it but it stops. It's  
10 somewhat false because it's not proven.

11 MS. CARTER: Then I don't see why we require  
12 a business plan if it's false.

13 MS. THOMAS: I didn't say it was false, I said  
14 it is projected which doesn't take into account if it's going to  
15 happen. It's an opinion of the perspective that they hope to  
16 accomplish. Many times these business plans are just not  
17 realistic. I think it's important to look at market demand and  
18 things like that.

19 MS. NYHOLM: That goes back to Neal's point  
20 about the quality of the business plan. Many times it's not  
21 worth the paper it's written on. If we can narrow it down, that  
22 might help some and maybe businesses or what they really  
23 need to target maybe keeping in mind a review process.

24 MR. NOYES: We have the same discussions  
25 about capital projects and other programs. Should we have

1 independent economic impact analysis done? I was asked to  
2 check on the cost of that depending on the projects and work  
3 that's got to be done by consultants and the answer is between  
4 \$3,000 and \$20,000 per economic analysis. We're talking  
5 about a \$5 million project or a \$2 million project and when  
6 you consider \$20,000 is not too much to spend and expect  
7 somebody to pay it to get this information. This committee or  
8 other committees need to make a decision if that's possible  
9 whether or not something is available. There's no reason this  
10 Committee can't say a formal business plan from the president  
11 of the institution or university. That can come in with an  
12 application and don't come back until you have this. If it costs  
13 10, 15, 20 thousand and they're asking for \$2 million, why  
14 can't they do that?

15 MS. NYHOLM: That's fine for universities and  
16 people like that but are those people accomplished in that  
17 field. Would it not be impractical to do it in two stages where  
18 you have your scientific and then your commercialization  
19 side? Some people have expertise in the scientific side and  
20 then people have expertise on the practical side.

21 DELEGATE BYRON: That's an interesting  
22 idea. We might want to be reminded of the cost of the VEDP  
23 vetting process as well when we're deciding whether to spend  
24 this money or not. That reminds me of another point that was  
25 brought up to me about staff as to whether or not in the

1 original application that when the first applications come to us  
2 and a determination is made whether or not to move forward  
3 for vetting if we shouldn't have a group requirement that they  
4 have to have the match available before we go forward in the  
5 expense of vetting out that project and right now that's not a  
6 requirement. I would say that's minimal that they have a  
7 match. We're spending a lot of money in this vetting process  
8 and I think we need to know that.

9 MR. STEPHENSON: We did that with the  
10 reserve program, we required a half match commitment signed  
11 in writing with details before we would move forward. That  
12 has proved to be very effective and knocks a lot of them out.  
13 We don't do that with this, they tell us they have the match  
14 and we all believe them, we go down the road and the match  
15 never comes. With the reserve program we made it that they  
16 had to do it.

17 MR. NOYES: That's a good idea.

18 SENATOR WAMPLER: When you consider the  
19 scientific applications and now we're referring to the business  
20 plan. If we had a \$100 million pool, I wouldn't be so  
21 concerned about spending some money to realizing the initial  
22 costs per application because if you spend some money to find  
23 out if the results are going to be good, that's good and I think  
24 it's a fiduciary responsibility. The other observation I would  
25 make is that this is in the form of a question Ned. Presumably

1 a quality business plan can be scored from 0 to 10. If any of  
2 those categories have a 0 to 10 and even if the business plan  
3 had an average of 5 or 15 percent, I don't think it would move  
4 the needle too much to be able to score a 10.

5 MR. STEPHENSON: It's only 15 percent, it's  
6 hard to move the needle up or down.

7 SENATOR WAMPLER: It really doesn't have  
8 too much weight.

9 MR. HAMLET: To me a business plan is not  
10 just a financial model. When I talk about a business plan, I'm  
11 not speaking about a financial model. To me a business plan  
12 incorporates scale, adequacy, market demand, management  
13 credentials, goals that are achievable and maybe three or four  
14 other things. I would suggest that the quality of the business  
15 plan is 70 percent and the business plan has a lot of  
16 components including number 6 through 10 and others. I  
17 would almost call it science in the business plan period.

18 DELEGATE BYRON: When you consider the  
19 market demand though through some value to the folks I saw  
20 sitting around that table, understand the market demand of  
21 that science. They also understand the different stages where  
22 some of the science has gone or what they value in the science  
23 that's presented. In some regard the market demand helps  
24 both areas.

25 MR. HAMLET: And I agree with you, almost

1 we would need the science and once it passes the science test  
2 and you'd almost need a scientist as part of the business plan  
3 to talk about the viability of the market demand for this  
4 particular piece of science as it relates to the business plan.

5 DELEGATE BYRON: Whether it's Darden or  
6 whoever is determined to evaluate the business plan. I still  
7 think the market demand we put another bullet up there but  
8 you still have a rating because as far as moving that needle,  
9 you're still going to get the rating from the science. We could  
10 put that as an additional part of the science discussion.

11 MR. HAMLET: Agreed that is a part of the  
12 science analysis.

13 DELEGATE BYRON: That's right, you could  
14 eliminate the concept five and make market demand five and  
15 arrive at a reasonable science rating.

16 MR. NOYES: You may want to take this  
17 conversation further. Ned and I met with VEDP and you get  
18 five on each science and commercialization side. Among the  
19 people on the Committee, what are they concerned about,  
20 where would you not assign a weight, there is most of the  
21 discussion. Ned, correct me if I'm wrong but milestones and  
22 resources and credentials and the third one on the science  
23 side.

24 MR. STEPHENSON: Ned, do you remember  
25 that? It's stage development. That's where they said these

1 experts spend most of their time, more concerned that they  
2 develop a score. When they get down to the commercial side,  
3 fails ability, management, credentials and I can't remember  
4 the third one; it could be market demand. That's the people  
5 that were paid for this, those 6 up there. That's what some of  
6 the concerns were of the experts that are paid to do this stuff.

7 DELEGATE BYRON: Where are we now on  
8 the, what part of the process are we in?

9 MR. STEPHENSON: When we met a week ago  
10 we had three applications before you and you funded one of  
11 them and tabled the other two until January. At the same  
12 time last week I believe you sent Neal four or three new  
13 applications. VEDP will do their work and report that to you  
14 early January.

15 MR. NOYES: The Committee gave an  
16 instruction between now and January to follow up with the  
17 two that are tabled so we can have a more detailed discussion  
18 on the commercialization part. That wasn't clear in the single  
19 summary score that you got.

20 MR. STEPHENSON: If we are going to redirect  
21 any efforts of the review team, we need to do that promptly  
22 because they start soon in order to make the January  
23 deadline.

24 DELEGATE BYRON: Are you suggesting and  
25 in order to summarize this, are we going to make a change, I

1 mean this 70/30, we can do that ourselves and that part we  
2 can achieve just by the staff weighting things. We can do that  
3 through our own evaluation. We can basically score it that  
4 way and that could be just our view.

5 DELEGATE MARSHALL: Madam Chairman,  
6 should we not before we change too quickly, should we not get  
7 recommendation reports from the group before we do all this  
8 right now? They might bring information to us. Do we have to  
9 make a decision today? My suggestion is to ask the staff to  
10 talk to Darden and whoever else that we might want to talk to  
11 them; maybe not just one but maybe several and see if we can  
12 get some feedback from them or recommendation from them  
13 before we set any standard policy or make a decision.

14 DELEGATE BYRON: With that in mind, if we  
15 make any changes that require any further budget items or if  
16 it's within the scope of what we're already doing, the full  
17 Commission doesn't meet until January and maybe that's  
18 something we need to get some approval of.

19 MR. NOYES: If this committee is going to or if  
20 you're willing to pay for a formal business plan as it need some  
21 specifics for doing a business plan.

22 DELEGATE MARSHALL: VEDP –

23 MR. NOYES: You mean specific instructions of  
24 future projects that would require a business plan. What I'm  
25 saying is that if the committee requires a business plan and

1 whether we should pay for it then I need more approval in  
2 order to do that just like VEDP.

3 DELEGATE BYRON: I don't think anyone on  
4 the Committee when we reference the fact that there is, if we  
5 have a project worth \$5 million they ought to be able to  
6 introduce a business plan.

7 MR. NOYES: The only thing is that we can  
8 have an expenditure for. I was really trying to respond to the  
9 question of whether we need to do that today.

10 SENATOR WAMPLER: I would say that within  
11 the allocated dollars we already approved for R&D the staff  
12 would have discretion to retain additional review for that or for  
13 a business plan. I don't know if you want to take action on  
14 that when you consider the remaining dollars are \$60 million  
15 and if we allocate it to R&D, I think we have the sources to do  
16 that. I would strongly encourage that we consider paying for a  
17 review just so we can control it. They can tell us all about it  
18 but this way we know who works for who.

19 MR. NOYES: The Senator's right, if we pay for  
20 it, we won't get the blindside Ms. Thomas was referring to  
21 because I'm using your funds to pay for it. We need to get the  
22 best.

23 MR. HAMLET: I would ask for a little bit of  
24 clarity, clarification. It sounds like to me Neal you were  
25 talking about paying for the plan. To me we pay for the

1 analysis of the plan. Somebody coming to us and requesting  
2 multi-millions of dollars, they'd better have their ducks in a  
3 row before they have a plan and we're just analyzing the plan.

4 MR. NOYES: We have the resources to pay for  
5 it.

6 MR. HAMLET: I'm talking about the analysis  
7 of the plan.

8 DELEGATE BYRON: We're paying for it like  
9 VEDP.

10 MR. HAMLET: But doing an analysis of the  
11 business plan.

12 DELEGATE BYRON: What I'm saying is that  
13 the team is evaluating the plan, evaluating the business plan  
14 like we were before. That way somebody else is doing it.

15 MS. NYHOLM: I would agree or encourage,  
16 business plan is not the only thing. I think it's up to the  
17 applicant to hire someone to do the business plan. So it's up  
18 to them to get all this done, hire whoever they need. Then we  
19 could analyze it.

20 DELEGATE BYRON: Did you get that Ned?

21 MR. STEPHENSON: For clarity, it's my  
22 understanding that it's the duty of the applicant to prepare a  
23 plan but that the Commission and its resources will pay for  
24 the evaluation of the plan.

25 DELEGATE BYRON: That's correct, that's

1 what I heard.

2 DELEGATE MARSHALL: We need to talk  
3 about the timing of this. We first review the science and make  
4 sure it's sound before we pay for a review of the business plan.

5 MS. THOMAS: Is that the review of the  
6 business plan and not part of the vetting process?

7 MR. NOYES: There's very few business plans  
8 submitted with the applications for R&D.

9 DELEGATE BYRON: There is a team looking  
10 at the science and there's one or two people on there that have  
11 the expertise to evaluate that, especially the scientific.

12 MS. THOMAS: How are they looking at it?

13 MR. NOYES: They have the organizations  
14 behind them and they have two national or international level  
15 companies that have the expertise for this in house. Those  
16 people are principally or have the ability to say whether this  
17 will fly.

18 MS. THOMAS: Getting back to my point, are  
19 they not considered to have the expertise to review the  
20 business plan?

21 MR. NOYES: The business plan isn't required  
22 today. Yes, they do have the expertise under the current  
23 arrangement to review business plans and I could check this  
24 with VEDP but I think that group is out of Oregon.

25 DELEGATE MARSHALL: Just so I

1 understand, I'm going to ask staff to take a look at the Darden  
2 School or at least talk to Darden and give them our wishes  
3 and get some thoughts for them as far as a plan and how to  
4 review a business plan and then have another meeting to  
5 discuss all that so we can agree on 1 through 10, is that  
6 correct?

7 MR. STEPHENSON: I see two approaches to  
8 merging. One is to require a business plan as part of the  
9 application and to ask the VEDP commercial guys to make  
10 and evaluate this business plan as part of their duties. The  
11 other approach is we seek the evaluation of the business plan  
12 outside of the current team and Darden and have that done as  
13 a separate process then compare them and decide which one  
14 you're going to talk to.

15 MR. HAMLET: If I could ask Ned to talk, the  
16 business plan commercialization analysis, in the current  
17 model we use, who does VEDP use for that part of the  
18 analysis?

19 MR. STEPHENSON: I think that coming out of  
20 today a business plan is not a requirement of the application  
21 so there's very few of them that have it. It's really not being  
22 done at this time. I think the commercial guys on the team  
23 have the capability to evaluate a business plan if the plan is  
24 before them, they're asked to do it. I think they can do it.

25 MR. HAMLET: The commercial guys you're

1 talking about are part of the VEDP staff?

2 MR. STEPHENSON: Yes. That's part of the  
3 team but there are some scientist there and some industry  
4 people at the table. The scientist do the first five and the  
5 industry people do the bottom five. They know all about  
6 business plans and are capable of doing that particularly since  
7 we add that to their duties.

8 DELEGATE BYRON: We can send everyone by  
9 email people on, the names of people on that team. You can  
10 look at that as well and see what their credentials are. So,  
11 that brings question for me too. When we look at the  
12 commercial side, I should have asked Gerry about this. When  
13 you look at these commercial ratings and not everyone on the  
14 team is as experienced in that area. Do they just get the  
15 rating from those that have that experience or does the other  
16 also rate. The scale here if you think about this, ones have  
17 expertise and are not the only ones weighing that out and you  
18 could get a difference in the rating.

19 DELEGATE MARSHALL: The same thing on  
20 the scientific side.

21 MS. THOMAS: Are we going to adopt the  
22 70/30 and work through a breakdown beyond that?

23 DELEGATE BYRON: I think the Committee  
24 should adopt what we feel the final outcome and as I said, I  
25 don't think it really reflects on the partnership weighting.

1 They haven't given us a score, they didn't give us a combined  
2 score but we have also the 70/30. The Tobacco Commission  
3 staff having a recommendation, I think the final  
4 recommendation from the staff should include a 70/30 weight.

5 DELEGATE MARSHALL: Ned, I think we sent  
6 four applications for vetting and my question is, we talk about  
7 70/30 with the new applications for vetting, are we going to  
8 start this on January 1<sup>st</sup>? The four applications that are or  
9 did everything are we asking them to, is there going to be a  
10 struggle to tell us developing the timeline, in other words, are  
11 we going to be able to do all of this, are we going to be fair to  
12 them to do all this?

13 MR. STEPHENSON: Delegate Marshall we're  
14 receiving new applications right now and a business plan is  
15 not required yet so we'll have to have a cutoff to be fair to  
16 these people.

17 DELEGATE MARSHALL: So we have to have  
18 an agreement for changing our rules.

19 MR. STEPHENSON: It would be unfair if you  
20 don't do that.

21 DELEGATE MARSHALL: So some people will  
22 think we're unfair, the prudent person rule.

23 DELEGATE BYRON: The other thing too is  
24 that VEDP said they go through this process for review of  
25 these applications and if we make additional requirements it

1 will take a little longer for the applicant to bring them back to  
2 them. We need to address or be specific. I don't know if that  
3 affects the final outcome or not. I think the 70/30 weighting  
4 and even if we make a decision not to have this go back to the  
5 ones that are being vetted now, business plan.

6 MR. HAMLET: Madam Chairman, if I might  
7 ask Ned a question if we could be very careful particularly  
8 about how we describe a business plan. Someone asking for a  
9 grant and make sure they don't interpret that as being a  
10 financial model. Somehow that we have a definition of what a  
11 business plan is and we're not just talking about the model.

12 MR. STEPHENSON: A business plan means  
13 different things to different people. That is a big challenge I  
14 think. If we say you have to provide a business plan you get a  
15 wide variety of things.

16 DELEGATE MARSHALL: We need to get an  
17 outline of what we're talking about from Darden.

18 MR. HAMLET: A business plan 101, that's  
19 almost like a litmus test for someone asking for this much  
20 money. We have to understand what we're talking about.

21 DELEGATE BYRON: Let me make a  
22 suggestion here or a couple of things. This application process  
23 right now and if we continue the same vetting process with the  
24 expectation that we're going to weigh more heavily on the  
25 commercialization side. They can still continue with this

1 process going forward and if they don't meet the criteria and  
2 the staff's recommendations, I think we should complete the  
3 staff's recommendations immediately in the next vetting  
4 process. Based on that and if the application doesn't come up  
5 to the standards or minimum standards that we're looking for,  
6 go right back and start over. So they're going to be aware of  
7 what's going on with the application and they can make their  
8 application as strong as they can or think about the efforts  
9 they're making. I think our next deadline is November 18<sup>th</sup>  
10 and nothing says we can't change that date. I think the  
11 money invested by the companies to bring the materials that  
12 we require going forward that support this and then having  
13 the business plan, you have to go back and produce the  
14 second one because it didn't meet our standards we have in  
15 place and we should consider backing up that deadline date  
16 and coming out with what we want, exactly what we want for  
17 them to produce.

18 MS. NYHOLM: Can you clarify something, I  
19 think you were suggesting that we take two of the items, 6  
20 through 10 and include that in 1 through 5, leaving the rest of  
21 the elements 6 through 10 to be further flushed out, business  
22 plan included.

23 DELEGATE BYRON: My concern was that if  
24 we make that change and I think it might be wise for us to  
25 delay or move forward the deadline base for the applications

1 because I don't think we'd be able to resolve it today. I think if  
2 we were to change it and have each of those evaluated  
3 separately, if we go through that change, it's important that we  
4 move them up into the scientific area. In spite of the fact that  
5 we don't make that change today, that still would have to be  
6 discussed and as we get information back from the staff and  
7 Darden, the idea is we came forward today with regard to two  
8 different evaluation processes so I don't think we're going to be  
9 able to resolve this in the next 10 minutes before the full  
10 meeting. I think we've had some real good discussion on what  
11 we can do for this round sitting out there. People that have  
12 been waiting and going through the process and that VEDP  
13 move forward with their vetting and that we change the rating  
14 or the weighing on the commercialization or scientific going  
15 forward. We'll have to go through this process and come back  
16 to the committee or have another committee meeting and come  
17 back and make a decision soon after the meeting. We'll have  
18 to do that to go forward with the next round.

19 MS. NYHOLM: I might suggest that if we were  
20 going to get into the scoring, each of the 10 elements and for  
21 the ones that already went through, the ones that are  
22 submitted now, it could be disruptive. Maybe we need to  
23 resolve that first if that makes sense.

24 MR. NOYES: We have, we can and we have  
25 when considering all these items, we can weight those. This

1 can be reported back to you how they scored if that's what  
2 you're talking about and you also would be looking at that  
3 70/30. It's up to the committee.

4 MR. STEPHENSON: If the committee wishes to  
5 make changes to the process, whatever you do, I think it's  
6 essential you make those changes and set a future effective  
7 date for those changes whatever you choose because some of  
8 the applications on the table will have a business plan and  
9 some will not. How do you score one that doesn't have a  
10 business plan? VEDP will have a very difficult time. My other  
11 thought is that if the committee wishes, you can just skip a  
12 whole cycle, you're not married to November 18<sup>th</sup> and there's  
13 no urgency. You can just skip a cycle until you get these  
14 things resolved. You can set it in February or March.

15 DELEGATE BYRON: That's what I was trying  
16 to say before, maybe needing another meeting and go through  
17 our thoughts based on all our discussions today and make a  
18 decision at that point, the application process moving forward.  
19 I think it's important to take the time to really decide what  
20 process we're going to use with these applications going  
21 forward and if there's any changes we'll talk about how that  
22 will be handled. However, Gerry is expecting us to come back  
23 with a definite weight for commercialization but without a  
24 business plan and all the other things we didn't require before.

25 MR. STEPHENSON: We had a discussion with

1 Gerry that whatever weights this Committee may choose to do,  
2 it will do independent or it will be independent of what Gerry's  
3 doing. He'll furnish you scores and you do with them what  
4 you want to do. The weighting process really doesn't interfere  
5 with anything Gerry does. If we add the quality of the  
6 business plan to his list, he needs to know about that so he  
7 can score it. You can change the weights every cycle if you  
8 want to.

9 DELEGATE MARSHALL: Madam Chair, a  
10 suggestion that we have the actual score from the 1 to 10  
11 that's before us on the two applications that have been tabled.  
12 The ones in front of the Commission, the ones you have now,  
13 we can do our own weighting. My suggestion would be that we  
14 let everyone know moving forward and my suggestion that we  
15 get a date for the review panel so that anybody that would like  
16 to set in they can do it. Maybe we have our meeting that  
17 afternoon or the following morning to get the ideas from  
18 Darden or whoever else we talk to and maybe the next day we  
19 can get the fall applications for R&D.

20 DELEGATE BYRON: The only thing that  
21 concerns me about the timeline is if they don't meet until  
22 December or early January, in the December meeting go  
23 through the whole process and then the full Commission  
24 meeting right after the holiday right before the session. I think  
25 this Committee could make a decision before that in order to

1 get the timeline what applicants seek moving forward even if  
2 we don't take applications until the next round. We can still  
3 notify the committee on this. It's an important decision today  
4 and ones already in house that need to be dealt with. That's a  
5 total of four and two were tabled. The two that were tabled we  
6 can get that information back, let the staff do a  
7 recommendation for the Committee at the next meeting. It's  
8 important we know where we're going with those and we're  
9 working on them. I think the staff recommendation on those  
10 four give an opportunity to evaluate that part of the process.

11 MR. STEPHENSON: So we should use these  
12 weights on those that are in the pipeline currently?

13 DELEGATE BYRON: The question of the  
14 business plan is brought up. You can include it or eliminate it  
15 and say that it's not a requirement but we're also considering  
16 that.

17 MR. STEPHENSON: The November 18<sup>th</sup>  
18 deadline stands or not?

19 DELEGATE BYRON: No, we were going to skip  
20 a cycle which would put the next one approximately –

21 MR. NOYES: March.

22 MR. STEPHENSON: At the May Commission  
23 meeting so somewhere ahead of the May Commission meeting,  
24 maybe mid-March.

25 MR. HAMLET: To me it's not asking too much

1 to have or for anybody in the pipeline today and those tabled  
2 to go back to them and ask for a business plan. That to me is  
3 not asking too much. That shouldn't delay our process at all.  
4 Somebody can come up with a business plan in at least 45  
5 days and if they can't get that done, I don't think they deserve  
6 our money. I know time is very important. I'd ask Ned or the  
7 staff if they wouldn't consider suggesting about potentially  
8 getting a venture capitalist for the analysis process in addition  
9 to someone like at the Darden School and those people. Using  
10 some real world folks that do this every day.

11 DELEGATE BYRON: I think it would be good  
12 to add credentials and get that feel for anything additional to  
13 be part of the process.

14 MR. HAMLET: That would mean a lot to me to  
15 see who the team or the people currently involved in this,  
16 might know it but that would be helpful.

17 DELEGATE BYRON: Do you see what we're  
18 trying to do going forward? Now, I think all these discussions  
19 and questions, I think we're getting there and it's important  
20 that we talk and go through this process and try to improve it  
21 and I think we covered a pretty good amount of ground today.

22 MR. OWENS: Do we know what the amount of  
23 money is, is there an unlimited amount of money?

24 MR. NOYES: The program is a 50/50 match  
25 and it's based on the ask. You could ask for \$5 million right

1 now and some people on the VEDP review panel that would  
2 look at these applicants, description of the jobs that will result  
3 during this phase, during two years or three years, some of  
4 these might be 8 jobs or 15 jobs and want \$2 million, \$3 or \$5  
5 million. They're saying we think, that's what the staff's review  
6 is all about. Maybe you're ending up paying \$400,000 per job  
7 over a three year time period. That's the type of question this  
8 Committee has to ask. You can say how much are you willing  
9 to pay. That will drive the amount of the ask.

10 DELEGATE BYRON: The partnership cares  
11 enough that actually the amounts that are asked for are  
12 relatively higher than what we normally see as far as other  
13 government agencies and agencies giving amounts of grants.  
14 Our number is considerably higher. Another consideration is  
15 to start taking a red pen to it and come back to our  
16 recommendation cycle making a different amount than what  
17 was suggested and that might put a little bit of a light on the  
18 amount of the grant as well. I don't know if we have an  
19 answer today on that and it might be something we bring back  
20 to the next meeting if we can go into the details.

21 DELEGATE MARSHALL: One of the things you  
22 look at on this sheet that was passed out, if you look at the  
23 total score and there's no correlation between the total score,  
24 money is awarded because we award what people ask for.  
25 When you look at the score here and you've got a low and then

1 an arbitrary number and then we got somebody here that gets  
2 a 5.0 or 5 and they get what they ask for while somebody else  
3 here that's got a 7, they don't get what they've asked for but  
4 somebody with a 5 gets what they asked for. There should be  
5 some kind of correlation between the score you get and how  
6 much money you get. Another thing we want to look at; what  
7 is the minimum score, what is that number or look at  
8 something like that.

9 DELEGATE BYRON: The score that's referred  
10 to as a big part of it and I don't know if that has to really deal  
11 with the money. If the score is low then is the project  
12 evaluated as low. Does the money equate to that and then you  
13 got to talk about the final decision as far as the amount of that  
14 grant, the grant that goes through. The score is one thing but  
15 as far as the ask, if you're asking for a building, \$500,000 and  
16 you only get 350, and don't finish it so. So I would move that  
17 whatever they're asking for is what they need for that  
18 particular application.

19 DELEGATE MARSHALL: The ask is not always  
20 what's given.

21 DELEGATE BYRON: We've had a great  
22 discussion. I think it has been very meaningful and I  
23 appreciate everyone's comments and thoughts and I feel like  
24 we've accomplished a lot this morning and in a relatively brief  
25 period of time. Let me ask if there's any public comments? So

1 hearing no comments, I believe our next meeting date is  
2 scheduled for January 10<sup>th</sup> but I believe we'll have a meeting  
3 before that and everybody will get notified.

4 MR. STEPHENSON: I'd like to ask that the  
5 members of the TROF panel if we could gather here at the end  
6 of the table, immediately upon adjournment. Senator  
7 Wampler might want to come.

8 DELEGATE BYRON: So thank everybody and  
9 we'll conclude the meeting then.

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11 PROCEEDINGS CONCLUDED

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