

**VIRGINIA TOBACCO INDEMNIFICATION
AND COMMUNITY REVITALIZATION COMMISSION**

701 East Franklin Street, Suite 501
Richmond, Virginia 23219

Research and Development Committee Meeting

Thursday, May 17, 2012

1:00 o'clock p.m.

The Hotel Roanoke & Conference Center
Roanoke, Virginia

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1 APPEARANCES:

2 The Honorable Kathy J. Byron, Chairman

3 Ms. Cindy M. Thomas, Vice Chairman

4 The Honorable Daniel W. Marshall, III

5 Ms. Mary Rae Carter, Deputy Secretary

6 Rural Economic Development

7 Mr. Burgess "Butch" H. Hamlet, III

8 Ms. Sandra F. Moss

9 Ms. Connie Greene Nyholm

10 The Honorable Edward Owens

11 Mr. Kenneth O. Reynolds

12 The Honorable Frank M. Ruff

13 The Honorable Thomas C. Wright, Jr.

14 The Honorable Ralph K. Smith

15

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17 COMMISSION STAFF:

18 Mr. Neal Noyes, Executive Director

19 Mr. Ned Stephenson, Deputy Executive Director

20 Mr. Timothy S. Pfohl, Grants Program Administration Director

21 Ms. Stephanie S. Kim, Budget Director

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

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1 May 17, 2012

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DELEGATE BYRON: Good afternoon, everyone. Thank
4 you all for coming.

5

Neal, I'd ask you to call roll, please.

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: Mr. Reynolds.

21

MR. REYNOLDS: Here.

22

MR. NOYES: Senator Ruff.

23

SENATOR RUFF: Here.

24

MR. NOYES: Ms. Thomas.

25

MS. THOMAS: Here.

1 MR. NOYES: Senator Smith.

2 SENATOR SMITH: Here.

3 MR. NOYES: The Chairman has agreed that you'll
4 serve on this committee.

5 SENATOR SMITH: I'm honored to serve on this
6 committee.

7 MR. NOYES: We have a quorum, perfect attendance.

8 DELEGATE BYRON: First of all, I'd like to welcome
9 everyone and make an announcement about some changes going
10 on within the Commission that maybe have not been announced
11 yet.

12 Delegate Marshall, thank you for your service as Vice
13 Chairman of this Committee and your time and effort to help me
14 better serve this Committee.

15 DELEGATE MARSHALL: Now, you're firing me.

16 DELEGATE BYRON: You got pulled away for a better
17 position, I would say, as chairman and of leadership of the
18 Special Projects Committee. The good thing is you'll still serve,
19 we can make sure that we're, that each other is doing the best
20 we can. So thank you for your time. You're leaving it in quite
21 capable hands for Ms. Cindy Thomas who's now vice chair of our
22 Committee, and I welcome Cindy into that position.

23 We also have a couple of new members that'll be
24 coming on because of changes in Senate appointments, one of
25 them, of course, is Senator Smith, and you'll find this is not a

1 simple process in the R & D Committee and will bring you up to
2 speed on the good things we're doing here that have already
3 taken place.

4 We also have Senator Carrico coming on board, and
5 Senator Stanley coming on the Commission. So with new
6 members, we'll spend a little time updating them on what's going
7 on with the R & D Committee, and this is a different process than
8 some of the other committees. One way we can do that, and I'll
9 call on Ned in just a minute.

10 But, first, do I have a motion for approval of the
11 minutes?

12 MR. OWENS: So moved.

13 DELEGATE BYRON: We have a motion and a second.
14 All those in favor, say aye (Ayes).

15 All right, the minutes are approved.

16 Ned, if you'd give us a status report.

17 MR. STEPHENSON: Thank you, Madam Chairman. My
18 remarks will be brief, and I want to catch you up on where the
19 work of the Committee is as you go forward today. I want to
20 catch you up and refresh you and tell you where the work of the
21 Committee is as you go forward with your work today. I'll give
22 you a brief funding history on what you've done to date.

23 Back in July of '08, the Special Projects Committee
24 funded the R & D Center for a total of \$36 million. Not long after
25 that in January of '09, you added \$100 million to the budget for

1 R & D. Right after that, you funded the Operation's Research
2 Centers for a total of \$4 million. Since that time, you have
3 funded 21 R & D grants, totaling \$52 million. You transferred
4 \$5 million out and you have the balance remaining today of
5 \$39 million. With the original 36 million, plus the 100, and with
6 39 remaining, we have collectively vested about \$100 million in
7 R & D efforts in the tobacco region since all this got started.
8 That's just a little history so you know where you are.

9 DELEGATE BYRON: I need to interrupt you before you
10 go on. Delegate Marshall has a question.

11 DELEGATE MARSHALL: Ned, one of the projects we
12 funded, I think it was a \$5 million project in Halifax County that's
13 now gone away, has that 5 million been added back to this?

14 MR. STEPHENSON: Yes, when that grant was
15 terminated, that \$5 million shows up in the balance available of
16 39, that's right.

17 DELEGATE BYRON: Is there any unspent money of
18 the 39 million, is that the actual balance?

19 MR. STEPHENSON: Thirty nine million is the
20 unobligated balance. There is considerably more money than
21 that that you have obligated away, the way you disbursed it, but
22 39 is available to you from this date forward.

23 Today, you're beginning your work on what we
24 insiders call Batch Number 7, this is the seventh group of
25 applications. There was a March 15th deadline. We got about six

1 or seven applications. Our work today is to decide simply
2 whether to vet them or not, in other words, to take a closer look
3 or set them aside. After we make that decision today, in
4 September, VEDP will go through their evaluation process and
5 bring us the scores, and then you'll have a chance to make a
6 final up or down approval on Batch Number 7 applications.

7 Just looking ahead a little bit so everybody can
8 understand how this works, we will most likely, including a Batch
9 8 deadline, application deadline on or about September 7th. And
10 in your September 7 meeting while you're making final approval
11 on Batch 7, we will likely also be making the decision to vet or
12 not on Batch Number 8.

13 Batch 8, of course, would appear before you in
14 January for final decision. So we have overlapping duties
15 between these batches, and I hope that helps you clarify in your
16 mind the work that you're going to do today.

17 Madam Chairman, I think that in addition to the Batch
18 7, there are six applications that you can see today, and I believe
19 the Committee has before it some policy issues. I've made a
20 quick list of these, and I think Mr. Noyes and Mr. Giles are going
21 to get into that in greater detail today, but these are some of the
22 policy issues that have collected through the process so far and
23 may result in some changes today. And that's essentially the
24 agenda that's before you.

25 DELEGATE BYRON: Thank you, Ned.

1 For the Committee members referenced, I discussed
2 with a couple of the members the policy discussion that we have
3 before us. And as you know, when we get in some of these
4 policy discussions surrounding research and development, it gets
5 very complex because the applications are of a different nature
6 and involve many different complexities for the sake of the type
7 of project that we have and the outcomes we expect from them
8 and the return and what we've asked for in regards to type of job
9 requirements that it brings to the area and all of the above.

10 In looking these over, I would suggest that in today's
11 meeting, because we have some new members and the policy is
12 critical to the decision-making in this Committee, that maybe we
13 have some brief discussion on each of these. I'd like to call
14 another meeting on another date but not before the next
15 meeting of the Commission to go over some work discussions
16 and policy issues. Because of the discussion today, we may
17 bring out additional things that are not included in that and also
18 sometimes it gets rather lengthy, the discussion on these. I
19 don't want to belabor it all afternoon either. We can identify
20 some of the key items and some additional things we want to
21 discuss.

22 One thing I think we could talk about multiple times
23 that I would like to make clear for future discussions, Number 3
24 on your packet on policy discussions, and that has to do with the
25 amount of the grant. I don't think we have a lot of disagreement

1 on recommending a minimum and maximum grant amount and
2 the situation where they can come back for an additional
3 application and funding limits anyone, but it's in line with other
4 application grant awards of this type.

5 So with that, Jerry, do you have something you want
6 to present to us with regard to how the partnership is coming
7 along and then answer any questions, would that be in order
8 now?

9 MR. GILES: Madam Chairman, I do have three slides
10 which deals really with the first items.

11 DELEGATE BYRON: Thank you for coming today with
12 your presentation. Why don't you go ahead and start the
13 presentation.

14 MR. GILES: I have several slides for the benefit of the
15 new members and those attending the session. This is a repeat
16 from what I showed in January. The first slide, just to point out
17 that our classic commercial and scientific and test points continue
18 and they're absolutely valid, that the suggestion of the R & D
19 Committee for adding distance and quality and value proposition,
20 which quite honestly and logically should be basically a
21 representation of 10 elements that precede it. You shouldn't
22 have scores of four, which is the highest score available on the
23 balance sheet, business plan, quality, and value proposition, an
24 average score of 2, which is not outstanding of the ones that
25 precede this. I'll just leave it at that particular point.

1 Since we had some time between reiteration on the
2 completion of Round 6, I'll refer to them as rounds post batch,
3 nevertheless. We finished up Round 6 in January, so we've had
4 some time to use that time to kind of look at the composition of
5 the Review Panel. This slide is intended not necessarily to get
6 your approval, because you already approved the construct, if
7 you will, back in July of '09, but to advise you in terms of what
8 has been put into place. The changes are really represented by
9 those names that show up in maroon color.

10 The first is the addition of a venture capital firm by
11 the name of SJF, and I want to tell you a little bit about them
12 and a little bit about the person that's going to serve as their
13 team leader, Cody Nystrom. SJF is a firm I've been familiar with
14 for the past seven years. As the footnote on the bottom refers
15 to, they are a well-established community development, "venture
16 capital firm". They were formed back in 1999, and they just
17 launched their third funding round in March of this year. Their
18 initial focus was really North Carolina, South Carolina, Virginia,
19 and Georgia. They're headquartered in Durham, North Carolina,
20 but they're now involved in some national-based firms with
21 offices in New York and San Francisco and the Silicon Valley.

22 A community development venture capital fund, we
23 have none in Virginia that are officially headquartered here. The
24 way to distinguish them from every other venture capital firm,
25 they have a dual bottom line mission and responsibility. They

1 have the same mission that any venture capital firm has, and
2 that is to make a nice handsome return, a nice profit of the
3 investment of those partners who put money into that fund for,
4 to be managed by the venture capital firm itself.

5 The rule of thumb, quite honestly, is national
6 numbers, and I'm not making this up. You can talk to
7 everybody, that for every ten investments the venture capital
8 fund will make, hoping and praying that one of those ten, kind of
9 like the baseball player earlier this week had four homeruns in
10 one game. They're looking for one out of ten to pay for all of the
11 others that didn't make it.

12 So the hit rate, even for professional management
13 firms, venture capital firms, is not nine out of ten or even five out
14 of ten. Basically, we need one superstar to carry the weight of
15 the rest of the investments picked by the fund. So they have
16 that particular objective, return money invested and trusted to
17 them, their limited partners.

18 They have a second bottom line mission. That is what
19 are you doing for the community? What's the extent of job
20 creation and making money to cover their investment? What are
21 you doing and are you elevating the quality of life in the
22 community? Those two aspects I described really don't apply to
23 other venture capital firms grading in this country or around the
24 world for that matter.

25 So it sets them apart in making them very attractive

1 to certain entities and commercial banks who have community
2 reinvestment acts and responsibilities. Other venture capital
3 firms, for example, Kline Perkins, you heard me speak of
4 repeatedly, through the years, happens to be one of limited
5 partners in SJF Ventures. So they're carrying water not only for
6 their own investments, and they create companies, but also a
7 keen eye on what kind of job creation and what kind of quality
8 job creation takes place.

9 Using SJF Ventures versus two others I took a look at
10 during this period, if you will. I felt that was a very good
11 alignment to fit into what you're trying to accomplish with the
12 Committee. Cody Nystrom is the representative for SJF
13 Ventures. She is a native of Virginia. She's a summa cum laude
14 graduate of the University of Virginia in systems and information
15 engineering in business. She was an investment banker with a
16 firm which I've known personally for about 20 years, I guess.
17 Cody was an investment banker with that firm and dealt with
18 mergers and acquisitions and equities and various transactions
19 on behalf of their clients for over, for a total of over \$650 million.
20 She's been with SJF Ventures as a principal since 2007.

21 One of the other nice things about having Cody on this
22 team, she's a native of Richmond. We're close and we can reach
23 out and we don't have to pay airfares, et cetera. She's also
24 keenly enthusiastic about serving in this capacity.

25 She's had some involvement in other business

1 activities in the Commonwealth. She sits on the Advisory Board
2 of Dominion Resources, Commonwealth Community Fund, and
3 other industry-related activities. So she's not just buried in
4 business reviews day-in and day-out, but also active in the
5 community. So Cody has been a team leader.

6 The other changes that have taken place are really a
7 rotational change. When you agree to the structure of the panel
8 in terms of what I can do and not do, you basically said we'd like
9 to have one of our energy centers and one of our Tobacco
10 Commission Fund centers represented from the panel, and it's
11 not a permanent seat and it's a rotational seat.

12 We've been honored to have Dr. Rachel Fowlkes, I
13 think she's here, whom I would like to publicly compliment and
14 recognize as being part of the team that did the initial liftoff.
15 She's been with us for a couple of years now, six rounds of this
16 process. So, Rachel, we salute you and thank you.

17 When I talked to Rachel, she said, or I told her I had a
18 rotational replacement in mind, Bob Bailey with CAER. I think all
19 of you in the region know Bob. Just for the benefit of the
20 Committee overall, you may not know that much about his actual
21 background. Bob is a native of Lynchburg, Virginia. He's an
22 honors graduate of the College of William and Mary, was three
23 times, and with a concentration in physics, and he has a scientific
24 background to go with his community economic development
25 experiences. He has a balanced career thus far with 15 years in

1 technology-based workforce economic development and 15 years
2 of experience in industry, as well as a short teaching assignment
3 at Duke University, after he graduated from the College of
4 William and Mary.

5 Bob joined, joined Limitor Corporation, is now called
6 Flowserve, a sales engineer, and spent 15 years with them,
7 various types of high technology assignments. You may not
8 know, but Bob has some experience working on National Science
9 Foundation Review Panels. When I talked to Bob and sent him
10 some background information, he was excited, and we're excited
11 to have him along with CAER. So I salute Rachel and Bob in that
12 process.

13 Those are the changes that will take effect
14 immediately with respect to Round Number 7, that process. I'll
15 be happy to answer any questions you may have.

16 DELEGATE BYRON: Any of the members have any
17 questions? I would like to thank Rachel personally for her work
18 on the Commission's behalf, and Danny and I and others sat in
19 on one of those meetings and spent a lot of time and effort and I
20 know you spent a lot of time reviewing and seeing that our best
21 interests are served and identifying what we're looking for in
22 these applications. Thank you for your service.

23 The reason I was unaware about Bob Bailey, I think
24 he's going to be a great addition. He not only has all the
25 credentials, but worked in many businesses in the community

1 and certainly understands the job aspect of economic
2 development aspects of what we're looking for. We've been
3 asking for a venture capitalist for some time now, so the
4 members of this Committee can be very pleased with you
5 directing that need and giving a good one and looking forward to
6 hearing more about their input in this process at the next
7 meeting.

8 MR. GILES: Thank you. As you know, this is my first
9 attempt to find the right venture capitalist, but we've got a good
10 one at this time.

11 Let me make a couple of other quick comments. SJF
12 Ventures, in terms of what they do, are not free revenue
13 investors or not seed or retirement investors. There are many
14 other definitions talking about Venture. They require a minimum
15 of a million dollars of revenue, a management team in the
16 rearview mirror, meaning you've generated a million dollars of
17 revenue, and that's the way they operate.

18 Cody understands we're dealing with a situation that
19 is, in fact, a majority of which is free revenue. The reason they're
20 doing this, as you saw in January, is that most of the early stage
21 investments by outside parties really is going to be in Stages 4
22 and 5. Most of what you're seeing in your behalf is really more in
23 the Stage 2, 3, and maybe 4, and you're looking at a lot of free
24 revenue situations just by intuitive logic dealing with the risk
25 spectrum from day one. We understand that in talking about the

1 valley of death.

2 So to the extent you should decide to pare back the
3 level of the grants, that's not a good reflection on what we have
4 here. Please don't forget about this. Any questions?

5 DELEGATE BYRON: I would request you send that to
6 Neal, to the members of the Committee. Any questions?

7 MR. NOYES: The Chairman has asked that we move
8 to Item 3 under policy discussion in term of policies. There has
9 been considerable discussion on the January meeting between
10 Mr. Giles and myself on how to respond to issues of the size of
11 our awards. You recall that up to today, awards could go as high
12 as \$5 million with the possibility of as many as three rounds,
13 depending on performance, 400,000 to 500,000.

14 As I mentioned, this really relates to the burn rate and
15 the potential economic impact. After discussions with Jerry,
16 despite the fact that we have had some very substantial projects,
17 for example, the National Tire Research Center, Halifax County, a
18 \$5 million project, a \$5 million project at CAER; B&W, in
19 Martinsville, biomass manufacturing, \$5 million project.

20 After discussions with Jerry, based on his
21 conversations with the Vetting Panel that recommends lowering
22 the maximum annual grant to \$500,000 and \$1.5 million. Where
23 only \$1.5 million will be available, but the business plan,
24 research and commercialization milestones show a clear and
25 compelling pathway of commercialization within the

1 Commission's footprint within no more than 36 months and a
2 new criteria. Job creation not less than 25 net new jobs can
3 exceed the prevailing wage rate in that city or county from which
4 the project is going to be located. That is the new component
5 moving the ceiling from 5 million, 1.5 million, and that's based
6 on discussions that Jerry and I have had and Jerry's considerable
7 discussion with members of the Vetting Panel and VEDP, the
8 figure of 25 jobs. And if they don't meet 25 jobs and that's not
9 in the game and a clear and compelling pathway to
10 commercialization.

11 DELEGATE MARSHALL: First of all, if we do this, it
12 should be from that point forward and anybody that we've
13 already approved, they could still come back to us to reapply in
14 two or three years.

15 MR. NOYES: That's up to the Subcommittee to make
16 that decision on that.

17 DELEGATE BYRON: That's part of the policy decision.
18 We have a lot of meetings going on here because we are
19 looking at applications. And if you recall, some of them went
20 from 1 million to 5 million, quite a few of them, and that gets
21 down to the job creation. I think we need to have some
22 discussion and thought about what we're really hoping to achieve
23 from all of this based on the economic development projects that
24 some of them may be only 500,000 and whether they'll create
25 that 25-job threshold and is it a little bit extreme or not for the

1 application process. We want to show job creation and specifying
2 the amount there, and that's another question.

3 DELEGATE MARSHALL: The Governor's Opportunity
4 Fund have a formula, and there is a formula on the number of
5 jobs.

6 DEPUTY SECRETARY CARTER: It's different, maybe
7 we could have some go on their web page and have further
8 discussion.

9 DELEGATE MARSHALL: When you talk about 500,000
10 and 25 jobs is a whole lot different than 1.5 million and 25 jobs.

11 DEPUTY SECRETARY CARTER: Well, the Governor's
12 Opportunity Fund, and they talk about a two or three year period
13 that we get X number of dollar return, I don't know, we can be
14 mindful of what we're investing and what we get even though
15 there's changes in here. I understand that's the way to go or the
16 way it works, the Governor's GOF.

17 MR. HAMLET, III: On the timing of the 25 new jobs,
18 when would that be?

19 MR. NOYES: Within three years.

20 MR. HAMLET, III: Just a clarification on the total
21 grant amount, the way it's stated here, it says annual grant 500,
22 what about Year 2 and 3?

23 MR. NOYES: Yes, if I may, Madam Chairman. We
24 have a formula in TROF just like the GOF. Ours isn't based on
25 the ROI, ours is based on accomplishing certain outcomes. We

1 have all those variables. We're sort of trending with the R & D
2 program in the direction of the TROF. It seems to me that may
3 be where we wind up after today.

4 DELEGATE BYRON: Some of the concerns I have, we
5 came up with a formula for VEDP to using in their vetting process
6 that has a certain potential to create for each of the things we're
7 looking for in job creation. I don't think we necessarily put a
8 limit on that, but it was a factor in carrying out or in figuring out
9 what the percentages were going to be for the Tobacco
10 Commission. I'm not sure that we need this job figure in there,
11 and that could be looked at objectively from the whole with the
12 information we put out classifying that we want to see job
13 creation and that's favorable in that application. I don't know if
14 there's any discussion on that.

15 DELEGATE MARSHAL: If you've got 25 jobs at 50,000
16 a year, a lot different than 25 jobs at 150,000 a year.

17 DELEGATE BYRON: What's the sense of the
18 Committee as far as or what is the concern or do we have an
19 agreement on the reducing the amount of the application or the
20 application grand amounts? Let's go back to the amount of the
21 application grant. Do we have any concern with what staff has
22 recommended so far in that regard?

23 Mr. Giles, when you discussed this the first time, you
24 said this would be in line with other grant awards, a similar thing.
25 You don't feel like we're hindering the process, the attraction of

1 the R & D process, do you?

2 MR. GILES: Madam Chairman, the feedback or the
3 discussion that I've had among the Team Leaders or among the
4 Review Panel Team Leaders, they're concerned, and I don't know
5 if concern is the proper word and whether the project is going to
6 be given \$4 million or \$4-and-a-half million or \$5 million in the
7 single grant and will it create 12 jobs over a three-year period of
8 time. Whether or not that is really reflective in the objective of
9 what their perception is, this R & D is one thing.

10 What is resonating with them, as I say, what's
11 resonating with them is the transformation and creation of jobs
12 and new companies and good quality jobs. The disconnect that
13 they're referring to, the order of magnitude of the dollars versus
14 the transformative impact, you have to measure or have some
15 kind of metric, just can't say I feel transformed. Our company is
16 formed and our 25 jobs created, or 10 or 50. Even though these
17 are business people and people with academic backgrounds,
18 they're looking at \$5 million divided by 10 jobs equal. I think
19 what Mr. Noyes was trying to get to, and then you go to the
20 upper end, which now could be a million five. It seems to me
21 you may want to say our expectation is 20 or 25, not four or five.

22 I'll also tell you that in places like New Jersey, their
23 programs, there tends to be job creation, a common thread, and
24 I can't give you as far as dollars versus jobs, but it's not unusual
25 that they will have some kind of minimum just as when you get

1 to TROF, hopefully that's helpful.

2 MR. OWENS: Madam Chair, the TROF right now,
3 what's the total for jobs with the TROF right now?

4 MR. STEPHENSON: There is a dollar threshold for the
5 award though with the model doesn't produce at least 50,000 will
6 not make an offer. So very few jobs with high pay in the area,
7 that doesn't work.

8 MR. OWENS: We do need some kind of job floor, 55
9 jobs, half million dollars, whether it's 25 or 15, I don't know.

10 DELEGATE BYRON: Which is why I guess I was
11 commenting on, that's why we're discussing it now, and that's
12 the reason we continue to emphasize that on the applications,
13 the ratings, instead of actually specifying it. So where there's a
14 moving target about how many jobs we can, we can go that way
15 if that's the desire of the Committee. I'm saying do we, we don't
16 have any floor, I don't know that there is.

17 MR. HAMLET, III: If I could just ask for a little more
18 clarification, you can give an example on the timing issues. Do I
19 understand correctly that it could, it would look like this for a
20 grant award of, for sake of argument, four-and-a-half million
21 dollars over three years, and at the end of the first year, pay a
22 million and a half each year for three years and if it's anticipated
23 at the end of the first year, certain set of criteria would have to
24 be met to get the second years' worth of grant.

25 MR. NOYES: We do not make three-year awards in

1 the program, we can make the award for a year, that can
2 sometimes stretch to six quarters, depending on how long it will
3 take for a particular scope of work. And then the applicant has
4 to come back with a new application and demonstrate that they
5 have met the milestones in a way satisfactory to this Committee
6 before we go forward with another second award or third award.

7 DELEGATE MARSHALL: We've only had two
8 companies that have come back.

9 DELEGATE BYRON: I think we've had three.

10 MR. NOYES: B&W has been twice to this Committee,
11 once to the Reserve Panel, and one of Mr. Rogers' projects in
12 Southwest, came back for a second award at the last meeting in
13 January. And those are the two I recall. I don't recall any
14 others.

15 Ned, do you?

16 MR. STEPHENSON: I think that's accurate.

17 MS. MOSS: Madam Chair, since this is a considerable
18 change in the amount of money and since the policy moving
19 forward, would it be best for us to look at the change in
20 financing, leave the job creation for perhaps another policy or
21 should we put the two together?

22 DELEGATE BYRON: The only thing that I feel they go
23 hand in hand with by putting out the application and information
24 out there. If we accept the application, I don't know --

25 MR. NOYES: We've got some applications to consider

1 today based on the old rule.

2 DELEGATE BYRON: We need to have a good workout
3 session and all the discussion that goes with it about some of the
4 proposals. They go together because it's part of the commitment
5 in the application because part of the criteria and operation and
6 all that goes together. It's presently all one discussion.

7 SENATOR RUFF: I think it's important that those that
8 are making application understand what our expectations are.
9 Our expectations is job creation. If they don't understand that
10 upfront, then they may not be focused on creating jobs. I think
11 it's important they know that.

12 One of the things that we might want to think about
13 as far as the criteria, Department of Business Assistance, they
14 have an expansion and they have what GOF has. If the
15 applicant, let's say they have \$1 million investment and they
16 have to create 10 jobs in order to get the assistance from the
17 Department of Business. We might want to look at the different
18 states. That might help us with this second and third round
19 because it's almost like an expansion.

20 MR. NOYES: We can look at what other states do, and
21 I'll be happy to do that if that's the direction from the
22 Committee. I can tell you that like in Virginia, multiple incentive
23 programs, a half a dozen or ten, the state level, plus local. You
24 can go to 50 states, and we would be evaluating thousands of
25 different tentative programs from here to way out here.

1 Massachusetts comes to mind, Michigan comes to mind. I'd have
2 very significant resources available to do what we're doing on a
3 small scale. They will spend \$10 million on a company that may
4 only create ten jobs.

5 DEPUTY SECRETARY CARTER: We might get criteria
6 from the different states --

7 MR. NOYES: At the state level?

8 DEPUTY SECRETARY CARTER: Yes, at the state level,
9 and that's one place we could start. I was telling Delegate
10 Marshall to start there. I'm assuming we're talking about coming
11 back for the second or third round, so to a certain degree, it's an
12 expansion. With the different criteria the state has and we could
13 get a better feel for the job numbers.

14 MR. NOYES: I'll be happy to do that, but I think what
15 you see in Round 1 applications is what the scope is after three
16 rounds of funding.

17 DELEGATE BYRON: The other question that comes to
18 my mind on some of the discussion we're having is you're talking
19 about a grant award and looking at R & D, sometimes there's one
20 project is riskier than the others. To some degree, some of those
21 applications, other assets, because in job creation, if you were
22 holding collateral and they didn't meet their agreement, so now
23 when you try, not that we don't want jobs, but we're also now
24 putting jobs into it. And if jobs aren't created, the risks, because
25 it's higher on the other end, too, in regard to the applicant. If

1 they don't create the jobs that you specify, money goes back. If
2 the money goes back and the jobs aren't created, maybe what
3 everyone is thinking.

4 MR. NOYES: There is no claw-back provision based on
5 failure to perform under the R & D Program as it currently exists.
6 The research may not be successful in its hoped-for outcomes.

7 DELEGATE BYRON: Your hoped-for outcomes is 25
8 jobs.

9 MR. NOYES: After the discussion with Jerry and based
10 on what the VED Panel did, you're saying to get to the high end,
11 new high end now, a million and a half per round up to three
12 rounds, if that's what the Committee decides, they'd better be
13 able to show in that first application a very clear path to get to
14 25 jobs and not then 25 more jobs for Round 2 and 25 more jobs
15 for Round 3. If what we're after is jobs, then we have to have a
16 signal and let these applicants know that that is what this
17 program is aimed for, it's important.

18 SENATOR RUFF: Also just said it, tell them what
19 we're expecting and they'll have to live with that.

20 DEPUTY SECRETARY CARTER: I agree with Senator
21 Ruff, and if there's some way that we could come up with good
22 criteria for what's needed to get to the jobs, because if we're not
23 careful, people will take our dollars for research, and Research
24 and Development, and then go somewhere else.

25 MR. NOYES: They cannot do that for three years

1 post-research without being in violation of the grant. Then there
2 is a claw-back. If research is unsuccessful, that is the distinction.
3 If it's not successful, we don't have the claw-back provision.

4 DELEGATE MARSHALL: Madam Chair, are you going
5 to call a special meeting?

6 DELEGATE BYRON: I think we discussed a time, we
7 do need to set a time, and I think we're going to need to do what
8 we can do today to hold off on some. I didn't think we were
9 ready to do all these because I thought the new members should
10 be on board on this process. So we'll have to call another
11 meeting, and I'd ask everyone to do their homework and read up
12 on this and I'll try to call some of the members and discuss. If
13 you have any additional thoughts, you can share it with me or
14 Neal to get familiar with the Staff's recommendations, and then
15 we'll have another meeting, as well.

16 Any other comments on that part of the agenda? So
17 hearing none, Neal, do you want to start on the agenda?

18 MR. GILES: Madam Chairman, with respect to the
19 recommendations concerning Items 2 and 4 and 5, not using this
20 recap, but using other factors, I was interested in some feedback
21 from three sources, the venture capital firms and director of the
22 Virginia-based investment group with issues related to this as far
23 as the security interests and provision about the punitive
24 damages, and there's been an issue about milestones audit.

25 I have provided information and in between now and

1 the next convened meeting, I'd like to see feedback, and the only
2 condition I'd put on it is to ask if the comments would be without
3 attribution. I can send that information, but it's not going to say
4 who said what. For obvious reasons, people don't say sometimes
5 what they're really thinking.

6 DELEGATE BYRON: We appreciate any input that you
7 can give us.

8 MR. GILES: Not all seven, but the ones that I think
9 are appropriate.

10 DELEGATE BYRON: Thank you.

11 MR. NOYES: Madam Chairman, the Committee
12 received six applications by the established deadline. One of
13 those, Number 2510, City of Danville, which was withdrawn after
14 discussions between myself and the applicant. I'll start at the
15 top and go through these.

16 2509, City of Danville. Commercialization of Prasideux
17 Temperature Indicators. The City of Danville is requesting
18 \$510,000 to engineer and test a pilot production facility for
19 smart-gel technology that is intended for use by pharmaceutical
20 manufacturers. A relationship with GlaxoSmithKline appears to
21 already be established, and the application asserts that four of
22 the largest vaccine manufacturers in the nation are located within
23 a 130-mile radius of Danville.

24 Smart-gel indicators are designed to provide a visual
25 indication when the product is exposed to a harmful temperature.

1 Project milestones and budget requirements are clear, though
2 Prasideux has not yet raised the full matching amount. Costs are
3 to be shared across budget categories and include personnel,
4 contractual services, continuous charges and equipment. The
5 City of Danville will own the equipment purchased with Tobacco
6 Commission monies. While only a limited number of employees
7 would be involved in this stage of Research and Development,
8 the beneficiary indicates that employment at full
9 commercialization is projected to be 40 persons. With the
10 understanding that our funds will not be disbursed until all funds
11 necessary to complete this pilot manufacturing initiative are
12 committed and available. Staff recommends referral to the VEDP
13 for vetting.

14 DELEGATE BYRON: Anyone have questions with
15 regard to 2509? Anyone here that wants to speak to this
16 application?

17 MR. WRIGHT: Madam Chairman, I'm Linwood Wright,
18 representing the City of Danville.

19 MS. THOMAS: You mentioned the, talk about the
20 facility and then talk about possibly 40 jobs. Would all the jobs
21 be in the footprint?

22 MR. WRIGHT: All the jobs will be in Danville.

23 MR. OWENS: When you say the City will own all the
24 equipment, do you list the equipment that they will own?

25 MR. WRIGHT: If anything goes wrong with the

1 equipment, it's on us.

2 MR. OWENS: So that won't impact --

3 MR. WRIGHT: Not until they've met the requirements
4 and grants and operating commercially, and at that point, they
5 will pay taxes on the equipment.

6 DELEGATE BYRON: Is this product already in use
7 somewhere? People have come that are researching products
8 that have been done in other countries but not done in the U.S.?
9 Is this something that's already being used by manufacturers or
10 the vaccine manufacturers?

11 MR. WRIGHT: Vaccine manufacturers have
12 manufactured devices, but they are not nearly as accurate. We
13 think this gel technology is and providing a visual range of the
14 temperatures the package would be exposed to. This is new
15 technology. We've seen prototypes that work.

16 DELEGATE MARSHALL: Linwood, talking about the
17 shelf life of medicine now and how much is wasted, and what will
18 this do in that regard?

19 MR. WRIGHT: Well, pharmaceuticals that are exposed
20 to temperature outside the permitted ranges really have to be
21 thrown away. We know that a case of pharmaceuticals or
22 vaccines will not experience the same temperature from the
23 outside the carton to inside the carton. Right now, temperature
24 device is on cartons, and the FDA requires that, and the entire
25 case, if it gets out of the permissible range has to be discarded.

1 That can be very expensive when you're dealing with vaccines
2 that cost thousands of dollars per dose.

3 In this case, each dose can be sensed. And for
4 example, half the vials of vaccine in the case, excessive
5 temperatures either high or low and that vaccine can be used.
6 The vaccine that gets outside the range will be discarded. That'll
7 save a tremendous amount of money for very expensive drugs.
8 It's costing now about a billion dollars to do the clinical trial
9 studies, to get FDA approval for new pharmaceutical vaccines. If
10 we can reduce that cost significantly, I think this is another way
11 of doing that. It's certainly not the only way, but the use of
12 technology to reduce the cost of getting a pharmaceutical or
13 vaccine approved for clinical use, we'll ultimately be able to begin
14 to control the runaway costs of health care delivery, and that's a
15 major issue for the entire country.

16 One of our advantages candidly close enough to the
17 Research Triangle Park to take advantage of the concentration of
18 pharmaceutical activity at RTP without having to pay the RTP
19 prices.

20 SENATOR RUFF: The write-up refers to the
21 manufacturers in the region, refers to one manufacturer you're
22 all working with. Would this manufacturer be cooperative with
23 the others, or is this a division that will be blind?

24 MR. WRIGHT: If we knew all the answers, we
25 wouldn't have to do the research. That's my stock answer.

1 Frank, I think that we will find reasonable cooperation and
2 certainly GSK will not hold exclusivity to the intellectual property.
3 There are some people here that may wish to speak to that, but
4 is that a fair representation? All right, they're saying yes.

5 Anything else?

6 DELEGATE BYRON: Thank you.

7 MR. NOYES: The next project is 2511. Martinsville-
8 Henry County Economic Development Corporation, Marine
9 Shrimp Culture in Recirculating Aquaculture Systems. EDC is
10 requesting \$673,000 on behalf of Blue Ridge Aquaculture to
11 further develop commercial scale viability of recirculating
12 aquaculture technology for shrimp production. The budget and
13 timeline are clear, and the required matching funds appear to be
14 committed and available. Commission funds would be used for
15 personnel, contractual, and continuous charges, supplies, and
16 marketing. Virginia Tech continues its participation, reserving
17 the right to negotiate the subcontract under the proposed award
18 with the Commission and requesting that Blue Ridge Aquaculture
19 seek exceptions to standard provisions of the agreement; that is,
20 no security interest, indemnification, liability, or remedy clauses,
21 such as sovereign immunity.

22 Please note that Virginia Tech is neither the applicant
23 nor the beneficiary, and enjoys no rights. If the university's
24 claim of immunity is correct, there is no reason for any sidebar
25 agreement that might dilute the intent of the Commission to

1 require commercialization within the footprint. Staff finds no
2 compelling reason to modify any terms of the agreement due to
3 Virginia Tech's involvement in this initiative. Based upon the
4 successful completion of this R & D phase, Blue Ridge
5 Aquaculture anticipates establishing a commercial scale
6 production facility that would employ 25 persons and require a
7 capital investment of approximately \$10 million. Staff
8 recommends referral to VEDP for vetting. Please note this
9 investment, if approved, would bring the Commission investment
10 in Blue Ridge Aquaculture to approximately \$1 million.

11 DELEGATE MARSHALL: Madam Chairman, I'd ask that
12 someone from Blue Ridge please step up to the microphone,
13 please.

14 MR. FRANKLIN: My name is Jim Franklin, and I'm
15 with Blue Ridge Aquaculture, Vice President.

16 DELEGATE MARSHALL: My question to you, Jim, is I
17 assume that the shrimp is purchased in the U.S.?

18 MR. FRANKLIN: Correct, shrimp is the number one
19 seafood consumed per capita. Last year, in the U.S., we
20 imported 1.2 billion pounds of shrimp into the U.S.

21 DELEGATE MARSHALL: The shrimp right now, not
22 coming off the North Carolina coast, where is it coming from?

23 MR. FRANKLIN: It's coming from Asia.

24 DELEGATE MARSHALL: What percentage is imported?

25 MR. FRANKLIN: I'm not sure of that number, but it's

1 very high, I would say, maybe 90 percent or more.

2 DELEGATE MARSHALL: Madam Chair, I'm involved in
3 the project, and if you drive up I-81 toward Harrisonburg, you
4 see all those poultry houses there, if you went back 25 years
5 ago, they were not there. And with that amount of shrimp that's
6 being imported, I think this possibly could be, these shrimp
7 houses could replace the chicken houses.

8 DEPUTY SECRETARY CARTER: Is the R & D going to
9 take place at Virginia Tech? Where is the R & D going to take
10 place?

11 MR. FRANKLIN: The R & D is intended to take place
12 on the premises of Blue Ridge Aquaculture in Martinsville. Some
13 of it will be done at Blacksburg, and they have some equipment
14 that's not available, not available in Martinsville.

15 DEPUTY SECRETARY CARTER: Money from the R & D,
16 that'll be done on site?

17 MR. FRANKLIN: Yes, Martinsville.

18 DEPUTY SECRETARY CARTER: It won't be done in the
19 Hampton Roads facility?

20 MR. FRANKLIN: Some of these people will be in
21 Martinsville, and that's where the jobs will be performed.

22 SENATOR RUFF: I understand this will bring our total
23 investment to \$1 million, but how is the previous investment
24 moving forward?

25 MR. FRANKLIN: The previous investment was used to

1 construct the model and the systems we have in place now,
2 those concepts, and operating that system for about a year and a
3 half now to help with the production.

4 SENATOR RUFF: Has that accomplished what you
5 expected it to?

6 MR. FRANKLIN: We've certainly made a lot of
7 advancement in a year and a half, but we're not to the point
8 where we can commercialize it yet, proof of concept at this point,
9 not a hundred percent at this point.

10 SENATOR RUFF: When Neal went through that
11 discussion, right to negotiate the subcontract, does that give us
12 some heartburn if we don't agree with that concept?

13 MR. FRANKLIN: I'm not with Virginia Tech, and I can't
14 speak for them as far as their responsibilities. Perhaps
15 somebody from Virginia Tech can speak to that.

16 MR. YOUNKEE: My name is Michael Younkee, I'm a
17 professor of Food Science and Technology at Virginia Tech, and
18 I'm responsible for research. I can't speak for this program
19 either. My suggestion is that we came in as a subcontractor, and
20 part of the concern for Virginia Tech was financial liability and put
21 those statements in there. My suggestion is that in the next few
22 weeks or something and whether it's people from the
23 Commission or Blue Ridge can have a discussion with our Office
24 of Sponsored Programs to settle these matters. I can't speak for
25 the Office of Sponsored Programs.

1 DELEGATE MARSHALL: With all due respect to
2 Virginia Tech, they're not the ones that are going to create the
3 jobs. The ones behind this are the ones that are going to create
4 jobs. If they can live with that, Virginia Tech will do the
5 research, money provided.

6 SENATOR RUFF: My only point is I don't think we
7 need to go to the expense of vetting anything if we don't have an
8 agreement before we go into it. If we're not going to accept
9 these changes, there's got to be an understanding here between
10 everyone.

11 DELEGATE MARSHALL: That's a condition of the
12 vetting.

13 SENATOR RUFF: I think that would be agreed on.

14 MR. NOYES: The staff recommendation is rather than
15 do sidebar agreements, people that are not party to the
16 agreement and whether the Office of Sponsored Programs thinks
17 it's a good idea, and I can tell you the Office of Sponsored
18 Programs thinks it's a good idea to have no accountability.
19 They're not a party to the agreement. Having sidebar
20 agreements, we'll wind up with a grantee and a beneficiary and
21 endless numbers of sidebar agreements and many
22 subcontractors, many of the grants you do going forward. It's
23 bad policy to have sidebar agreements unless somebody wants
24 one.

25 SENATOR RUFF: After hearing that, I still say that we

1 need to make as part of the recommendation that only if that
2 issue is straight. I see no reason to spend money if they're not
3 on board.

4 DELEGATE MARSHALL: Who is they?

5 SENATOR RUFF: Blue Ridge, the applicant and all,
6 Blue Ridge and the applicant having all their ducks in a row.

7 MR. NOYES: Project 2513. One Care of Southwest
8 Virginia, Incorporated. Divert-X: Systems to monitor and reduce
9 the diversion of prescription medications.

10 One Care of Southwest Virginia, Inc. is requesting
11 \$650,000 to design and implement a clinical protocol intended to
12 provide patient data that can be used to develop a fully-
13 integrated patient monitoring system to detect anomalous usage
14 of prescription medications, and, further, to demonstrate the
15 ability of Divert-X to generate overall cost savings to health care
16 providers. The basic technology exists, though the proposed
17 scope-of-work is intended to support necessary software
18 development.

19 Commission funds would be used for patient and clinic
20 fees, pharmaceutical and hardware costs, clinical trial design and
21 project management. The beneficiary indicates that it will site its
22 business in Southwestern Virginia for the commercial roll-out of
23 Divert-X, with the expectation of hiring 40 individuals and
24 providing \$3 million in private capital investment.

25 Matching financing is not yet in place. It is clear that

1 the intent of this project is to support marketing of Divert-X.
2 Given that the subjects already have access to health care, it
3 appears that this is as much about law enforcement as it is about
4 public health. Staff recommends referral to VEDP for vetting,
5 with the understanding that no Commission funds will be
6 disbursed until all financing necessary to complete the project is
7 committed and available.

8 DELEGATE BYRON: Do we have any representatives
9 here?

10 MR. SELLERS: My name is Simon Sellers from
11 Southwest Virginia, a Coalition of Health Care Officials. Our
12 business model is to reduce concerning prescription medications,
13 controlled substances. And this is a problem throughout the
14 nation, but primarily controlled substances are monitored
15 rigorously by the Federal agencies, such as the DEA and the
16 FDA.

17 While prescriptions are given to patients, there needs
18 to be continuous scrutiny on how the drugs are used. Various
19 tests suggests that 25 to 30 percent of controlled substances end
20 up on the street being sold. So the project we're developing
21 withstands the scrutiny of the controlled substances,
22 pharmaceutical to individual patient access.

23 I have a show-and-tell here with me that can help
24 demonstrate what I'm speaking about. This is connected to a
25 transmitter and connected to the package, and there are so

1 many slots here, as you can see in the package here. When the
2 patient takes that, there's an electronic connection, and that
3 transmits, so the monitor, the patient access to the individual
4 drugs.

5 The idea of all this is that that is analyzed and the
6 data is, and that's analyzed to patient behavior. It involves three
7 different categories of patients. You have the patients who are
8 taking their drugs as prescribed by the doctor and consistent with
9 that type of usage.

10 There are instances where patients take their pain
11 killers and Oxycodone and they'll take it out and sell it right on
12 the street. And this is to help divert that. That activity can be
13 identified.

14 Then the third is the people who are perhaps
15 becoming dependent on pain killers and controlled substances,
16 and that represents a large number of this.

17 This is designed to both prevent this and reduce this
18 from happening and identify individuals, and this device is
19 available to help to stop that. So this helps to track patients, and
20 when they see it, there can be a cancelling or by referral. And
21 the whole idea is to stop this widespread misuse.

22 DELEGATE BYRON: How do you know they actually
23 took the pill? They might have given it to somebody else.

24 MR. SELLERS: It's such a chronic issue. Divergence
25 has increased and the impact is estimated to be about \$75 billion

1 a year. Essentially, what we're doing is developing a tool to
2 address the problem and reduce the problem. Health care
3 providers have raised this issue. Basically, we're analyzing the
4 patient and the behavior. Chronic issues, chronic divergent
5 issues where, and we've tried to identify those. We're trying to
6 get our hands on this issue and we're trying to de-industrialize
7 the issue.

8 MR. OWENS: I'm not familiar where you are, where
9 are you located in the footprint, Southwest? Which portion of
10 this money would be spent in the footprint?

11 MR. SELLERS: We would locate our company in the
12 tobacco region, and the grant application specifically supports the
13 evaluation and test of our product. And that evaluation will be
14 done in the Southwest Region.

15 MR. OWENS: The drug costs and the clinic costs and
16 patient fees, is money spent on that?

17 MR. SELLERS: Yes, we need to have a commercial
18 product. That should be toward the end of next year and
19 probably four or five months after the expenditure of the grant
20 money should we be successful.

21 DELEGATE MARSHALL: The extra cost per
22 prescription, are these just prescription drugs?

23 MR. SELLERS: Just prescription drugs, specifically
24 controlled substances.

25 DELEGATE MARSHALL: The extra cost for the

1 prescription would be what?

2 MR. SELLERS: We haven't gotten to the price of the
3 product yet. One of the major drivers for the clinical evaluation
4 is to generate data to indicate what reduction in drug calibration
5 we're achieving. But to answer your question, yes, cost per
6 prescription would be around 20 or 25 a month.

7 DELEGATE BYRON: Let me try to understand
8 something here. The state law that tracks prescriptions are
9 being prescribed for some of the drugs you mentioned, my
10 question is really who are you going to be selling these products
11 to? Who's using your product?

12 MR. SELLERS: The target market is for controlled
13 substances. Basically, we'll be marketing it to private health
14 insurance communities, to the VA, Medicare, and Medicaid.
15 These are customers that would be through that mechanism.

16 DELEGATE BYRON: Do you have any support as of
17 this date for what you're doing?

18 MR. SELLERS: We started a dialogue with the VA, the
19 largest centrally managed medical providers in the companies.
20 They have a problem with, I mean it's just in preliminary
21 discussion stage.

22 DELEGATE BYRON: You did say to Mr. Owens part of
23 this money goes towards patient fees and drug costs?

24 MR. SELLERS: When we do a clinical evaluation like
25 this, you form a network of sites that treat patients, participate

1 in the study. And ordinarily, you'd appeal to the patients
2 involved in the clinical trials, positions that are involved and want
3 to participate. Those are the part of the fees in the grand
4 application.

5 DEPUTY SECRETARY CARTER: This has nothing to do
6 with your application. The problem I have is that coming from a
7 group that's outside the Tobacco Commission.

8 MR. NOYES: Based in Radford, but the requirement of
9 the program is that amount equivalent to the investment that we
10 make must be spent in the footprint. Certainly anybody in state
11 or outside state can come in, but generally this has to be within
12 the footprint. Now, if that's going to be different, then the
13 Subcommittee has to speak.

14 MR. SELLERS: That's in the footprint at Radford.

15 SENATOR SMITH: Packaging of medications, is that
16 what's going to be produced of the system generally, the
17 packaging and control and the benefits of the usual system is the
18 data access and analysis using this to make judgments how that
19 patient is behaving compared to how they should be.

20 SENATOR SMITH: Is that going to be generated? Is
21 that information generated through the packaging you've
22 demonstrated?

23 MR. SELLERS: That's correct. Each data point will be
24 created. That event and data representing that event and the
25 location and the event and the fact that the event occurred

1 transmitted in real time by the transmitter for the product area.
2 The data is created by that packaging unit.

3 SENATOR SMITH: Has the packaging been created,
4 passed around, has that already been created?

5 MR. SELLERS: Yes, what you see is part of the
6 commercial unit which is developed by a finish company that'll be
7 modified for the capability we need.

8 SENATOR SMITH: I guess my question is how much
9 of it is developing product and how much of it is developing
10 marketing, because really that the product has been developed
11 and now we're marketing it?

12 MR. SELLERS: The product is not developed
13 specifically to address everything, but we're adding additional
14 features to it to allow the data to generate the uniform for that
15 application. It's evolving to have products utilize drugs for final
16 market.

17 DEPUTY SECRETARY CARTER: If the products will be
18 modified for use, will they be used in manufacturing?

19 MR. SELLERS: Just the hardware have to conform.
20 My company will use software and analytical tools to take that
21 data and interpret it and then access to the health care providers
22 so they can monitor the patient.

23 DEPUTY SECRETARY CARTER: Manufacturing of the
24 product will not happen.

25 MR. SELLERS: The packaging unit and the

1 transmitter, that would not.

2 DELEGATE BYRON: I still don't understand how you
3 know who takes the pill. If I'm going and getting my medication
4 and taking it like I should, how are you addressing that?

5 MR. SELLERS: Access to the drugs being analyzed. If
6 you have the prescription and the requirements like one pill twice
7 a day and you're removing four or five pills a day, it would be a
8 red flag to the physician to address that and what's happening to
9 your supply.

10 DELEGATE BYRON: Any other questions? Thank you
11 very much.

12 MR. NOYES: Project 2514. Southwest Virginia Higher
13 Education Center Foundation. Separation and Extraction of Raw
14 Materials from Residential Roofing Products. The applicant is
15 requesting \$1,355,000 on behalf of ASR Holdings, to enhance its
16 process for disaggregating asphalt shingles into constituent
17 ingredients. ASR has a patent-pending proprietary process that
18 is to be refined in order to extract value from material that
19 currently has low or negative market value. Most Commission
20 funds would be used for equipment needed for processing of
21 waste shingles. Matching funds appear to be committed, and
22 both timeline and milestones are clear.

23 ASR indicates that 28 net new jobs and a further \$1.7
24 million in capital investment will come to the City of Bristol for
25 ongoing R & D activities for a period of not less than five years.

1 The application notes that full-scale processing is not to be
2 expected within the Commission footprint, so there is no
3 commercialization component. Not every viable R & D project is
4 a good fit for the Commission's program. Absent
5 commercialization potential that is expected to lead to
6 employment opportunities and significant taxable capital
7 investment within the Commission footprint. Staff recommends
8 no further action.

9 DELEGATE BYRON: Would you like to address that?

10 MR. RODGERS: Just to clarify. I was unaware that
11 there was a need for the staff and I can address the R & D
12 Center. Just to clarify, as far as the headquarters facility for the
13 company in the tobacco region, headquarters in the R & D facility
14 primary, we believe jobs will follow that. It's a good company
15 and jobs will follow that.

16 In this case, the raw materials required for processing
17 are most likely found in metropolitan areas. There are no such
18 areas we need in the tobacco area. However, there are at least
19 two ways the company has for addressing that. We believe the
20 job creation figures did, in fact, consider a full manufacturing
21 facility in the region. Coal trains are going from Southwest
22 Virginia to Hampton Roads and hauling the shingles back from
23 Hampton Roads into a facility somewhere in the tobacco region
24 along the train route.

25 The company is actually committed to developing a

1 full-scale facility in the tobacco region, and that's important to
2 the Commission and also important to the company and the
3 investors are based in the region.

4 Secondly, Roanoke has the potential source of
5 shingles, and just down the road in Rocky Mount and over in
6 Franklin County, there'll be a facility there. We've looked at this,
7 and we think this is an opportunity for full-scale manufacturing,
8 but just to be upfront, we wanted to base our application, and
9 even without that headquarters and R & D facility, if you think of
10 Alpha Resources, they have no coal mine in Bristol and very
11 significant to the City of Bristol.

12 MR. REYNOLDS: Madam Chairman, they're applying
13 for a patent, the way I understand it.

14 MR. RODGERS: A patent is pending. The patent
15 application was part of all this. Making this grant contingent
16 upon building a full-scale facility would be acceptable.
17 Apparently, I wasn't clear enough in the application.

18 MR. NOYES: Ed, you mentioned manufacturing
19 facilities, but aggregating shingles and those components, is that
20 your manufacturing facility?

21 MR. RODGERS: In cases where we're dealing with,
22 that do have a manufacturing component and all these requires
23 and the Tobacco Commission requires they have their capacity in
24 the tobacco region. In this case, they're not making anything,
25 but they're taking something that has negative value and

1 extracting out valuable ingredients, and that's something that
2 can be licensed worldwide.

3 There are no coal mines in Bristol, but the
4 headquarters is there, and that's consistent. Beyond that, the
5 company is absolutely committed. We talked about it before the
6 meeting, place a facility within the tobacco region, but the
7 realities are there's not a major metropolitan area in the tobacco
8 region.

9 MR. NOYES: I'm not arguing, but the staff
10 recommendation doesn't say this is not a good R & D project. It
11 says it doesn't fit our program. It's a square peg in a round hole.

12 MR. RODGERS: Obviously, I disagree with that, and I
13 would have preferred to have had an opportunity to address this
14 with you before today. I thought we had a very compelling
15 application for the company that's committed to bringing white
16 collar and blue collar jobs to the region, that's what we try to do
17 with all our applications.

18 DELEGATE MARSHALL: Ed, with this raw material, are
19 you going to take these shingles and sell them back to or end up,
20 you're going to end up with a raw material. You want to sell it
21 back and make shingles again.

22 MR. RODGERS: Either making shingles or in case of
23 the limestone comes out of the product. For example, Dominion
24 Resources and the plant in Wise County uses limestone in the
25 process, so this would be a green limestone. There's other

1 sources besides that.

2 DELEGATE MARSHALL: So the original limestone and
3 if I go to a rock quarry and buy limestone, 15 bucks a ton?

4 MR. RODGERS: Yes, but no higher price than the
5 original limestone. Dominion might want to use this particular
6 limestone, and there's other examples. It's very similar, just like
7 the company that takes sawdust away from wood and extracts
8 out the ingredients and turns that into valuable inputs into other
9 processes. In fact, the extraction process that would be used,
10 we believe would be applicable to this company.

11 DELEGATE BYRON: What are the specific jobs?

12 MR. RODGERS: The 28 jobs were eight in the R & D
13 facility and ten in the headquarters. I'm sure ten is an
14 understatement in the manufacturing facility. That's what we
15 assumed at first with the application.

16 DELEGATE BYRON: All right, thank you very much

17 MR. NOYES: The final application is 2540 from
18 Nottoway County. Development of Band Selective Relay Station
19 for In-Building Solutions.

20 Nottoway County is requesting \$1,208,320 to support
21 applied research and development by StratCom International on
22 its digital optical switching and repeater technologies. The
23 objective is to refine existing applications for use in mobile
24 devices, such as cell phones, tablets, and laptop computers, as
25 well as structures. StratCom International anticipates

1 coordinating this research with Virginia Tech’s advances in wide-
2 band antenna integration in order to improve wireless broad
3 band connectivity. Matching funds appear to be committed and
4 available, with disbursement on a dollar-for-dollar matching basis
5 for personnel, facility leasing, including continuous charges,
6 supplies, and equipment, and contractual and limited travel
7 expenses.

8 The timeline and milestones are clear. Sixteen net
9 new jobs are projected. Please note that Nottoway County, while
10 providing a letter of support, will not vote on a formal resolution
11 agreeing to serve as applicant until May 17th, 2012.

12 Members of the staff, please note they won’t vote on
13 that until later today. Staff recommends referral to VEDP for
14 vetting only if Nottoway County provides the necessary
15 resolution.

16 DELEGATE BYRON: Anyone here to speak? I note we
17 have 16 net new jobs here or \$1.2 million dollar grant. And I
18 think we should keep that in mind due to our earlier discussion.

19 DEPUTY SECRETARY CARTER: Is this the same
20 project that was given to Mid-Atlantic Broadband for \$250,000?

21 MR. NEWMAN: This is a project that originally went to
22 Mid-Atlantic, but we decided we were going to fund the TV, last
23 mile to the homes where we’re funding that ourselves. But this
24 is a separate project. This is to develop a repeater similar to the
25 ones that we sell to Telecom. We’re going to bring that

1 technology, basically, this is an implied R & D project, has some
2 risks, we're building modules for AT&T T-Mobile so that they can
3 actually bring that mainline signal tester to an area where the TV
4 can pick it up and deliver it to the homes. We believe this is a
5 better mousetrap that we've been waiting for so that we can
6 really deploy 4G around the country. We believe this has been
7 held up because they don't have a very fast interference
8 cancelling the high quality service for people.

9 MR. NOYES: Four G technology, the electronics go up
10 on 4G.

11 MR. NEWMAN: Some of these products have been
12 developed. We are the differentiators, same ones that create,
13 we have much better interference insulation and much faster,
14 less interference, less expensive, and quality service. We believe
15 by working with each of the carriers, the interface requirements,
16 and in essence better distribute the 4G services, LTD, a long-
17 term resolution architecture.

18 We're trying to enhance confidence for wireless
19 communication in Nottoway County. If you want the project to
20 be successful, you have to become a magnet for other companies
21 and a lot of other industries come in and complicate it, we
22 believe this project can do all these things if we're successful.

23 DEPUTY SECRETARY CARTER: Where are these
24 devices made?

25 MR. NEWMAN: They're not in the U.S., but they're

1 made in Korea by our subsidiaries. We're bringing two engineers
2 over. We're going to bring over some core technology and start
3 with that and then start modifying it for the U.S.

4 MR. OWENS: What is your investment?

5 MR. NEWMAN: We're going to match dollar for dollar
6 what the Commission invests.

7 DELEGATE BYRON: Thank you very much. I just
8 want to remind the Commission, that I remind you today we're
9 only voting on whether or not, whether the application merits
10 going forward to vetting, and then come back to us with
11 additional information as a group and what they put together,
12 evaluate the projects. If for some reason the application that
13 doesn't meet the initial process, the applicant can spend
14 additional time for the new application and also discussion with
15 the Tobacco Commission members and find out what specifically
16 would make that project more agreeable of the things we're
17 looking for.

18 Are there any questions on the applications?

19 DELEGATE MARSHALL: I'd make a motion that
20 Applications 2509, 2511, 2513, 2540 be sent to VEDP for vetting,
21 staff recommendation.

22 MS. THOMAS: I think we should pull Application
23 2513.

24 DELEGATE BYRON: We have a substitute motion to
25 agree with the staff recommendation on 2509, 2511, 2540.

1 SENATOR RUFF: I think we need to get the language
2 straight on 2511.

3 DELEGATE BYRON: I don't think I got a second on
4 that unless Delegate Marshall withdraws it on the substitute.

5 SENATOR RUFF: What I said before, 2511, I would
6 like to substitute the original motion to say that the issue of
7 license issues, the subcontract to completely agreeable between
8 the applicant and Commission staff as part of that agreement go
9 forward to vet, in addition, take out Number 2513.

10 DELEGATE BYRON: Are you referring to this or part of
11 the process?

12 SENATOR RUFF: Before it goes to vetting, to have it
13 worked out.

14 DELEGATE MARSHALL: I said staff recommendations
15 and restrictions.

16 DELEGATE BYRON: Just to make that clear on the
17 record, when we vote on that, I'll ask you to restate it, that's the
18 understanding for Application 2511.

19 MR. HAMLET, III: On 2511, at such time as staff is
20 comfortable with the arrangements between Blue Ridge and
21 Tech, at that time, it would be sent for vetting.

22 MR. NOYES: That's the intent of the language in the
23 motion. It can't go to vetting. Members of the Subcommittee,
24 the issue is not Virginia Tech, the issue is having an entity that's
25 not a party to the application demanding sidebar agreement, that

1 opens up an entire Pandora's box. Virginia Tech put that in
2 there. If they never sponsor programs, because if you have it,
3 you have to have a sidebar agreement not going to vet then. Is
4 that clear? Because if every subcontractor has his own sidebar
5 agreement, it's absolutely impossible. We can't have a process
6 that has that complexity. The applicant, we expect them to talk
7 and negotiate with contractors and suppliers.

8 MR. REYNOLDS: I'm not sure what process there is to
9 make recommendations, but let's go back to 2514, and it was
10 said that this project can be in the footprint, but as a whole, I
11 think this project has some merit in our area.

12 DELEGATE BYRON: We can discuss that separately
13 after we, we can still bring that up for discussion. That's not a
14 part of this motion. Right now, we have a motion on the table to
15 accept the staff's recommendation on Application 2509, 2511,
16 and 2540. That's the understanding in regards to the 2511
17 project and staff understands the approval.

18 MR. NOYES: It will not go forward to vetting until
19 such time as the matter is resolved.

20 DELEGATE BYRON: That's exactly what I was going to
21 say. Do we have a second?

22 MS. NYHOLM: Second.

23 DELEGATE BYRON: Does everybody understand the
24 motion? Are you ready to vote? All in favor, say aye. (Ayes).
25 Opposed, no? (No response).

1 Those projects will go to VEDP for vetting. I believe
2 those will come back to us in September.

3 Mr. Reynolds, do you want to discuss 2514?

4 MR. REYNOLDS: As I said earlier, I think this project
5 has some merit. Maybe it can be refined or revised. Maybe
6 there's a misunderstanding. I think this is a good program. I'd
7 like to give these people some advice and give them a chance to
8 get this where we can go forward.

9 DELEGATE BYRON: We got this before with some of
10 our applications because of the fact that we agreed to in
11 September to go to vetting and then come back to us in January.
12 So, Ed, is there a pressing need to have this application go
13 forward now?

14 MR. RODGERS: There's always a pressing need,
15 Madam Chairman. We started working with these folks
16 sometime in mid-year last year, and the application wasn't ready
17 at the round prior to March round. I got it ready for the March
18 round, and they were aware the funding wouldn't be available
19 until September. That, itself, is a long delay, and to understand
20 that, we were able to build things around that. And if we
21 increase the uncertainty on this application until September, I
22 think possibly sometime a year from now, reality is not going to
23 happen.

24 As a contingency, we would make a condition the
25 award that they put it into the deliverable, whatever you want,

1 it'll be a full-scale facility, or, if not, there'll be claw back.

2 DEPUTY SECRETARY CARTER: What is it that changes
3 your mind?

4 MR. NOYES: Certainly, the application says we're not
5 going to put a commercial facility in the footprint because you
6 don't have your critical mass that you need. Therefore, the staff
7 recommendation which says it's not a good fit for the program.
8 The staff recommendation is not saying that this is a bad project,
9 but now they're offering to do the other, consideration might
10 have been different then.

11 I would also suggest, if you recall, the problem with
12 the application is that a return for a million three was to have X
13 number of jobs for not less than five years. And that's a new
14 wrinkle in terms of what, we'll take it for five years, but then
15 maybe we'll move out. Now, if that's what the subcommittee
16 wants to do and didn't say that they would move out, but the
17 application says for not less than five years.

18 MR. RODGERS: Which is actually a year or two what's
19 typically required in the grand application or in the grand security
20 agreement. We felt like we were going beyond that and always
21 try to go on what's required by the Commission. I apologize that
22 I apparently was less eloquent than I thought I was.

23 With respect to the location, the Coal Field facility, we
24 do not say we would not, I was trying to err on the side of
25 transparency to say not really the ideal place, but we do have

1 some ideas for doing that. I conferred with the company today,
2 and they are committed to doing that, not only because the
3 Commission requires it, but ultimately because their own private
4 investors want to do that. We'll make it a condition.

5 DEPUTY SECRETARY CARTER: Matching funds appear
6 to be committed, where are those funds coming from?

7 MR. RODGERS: I believe it's institutional or the high
8 net worth individual. This is Dan Horton, CEO of the company.

9 MR. HORTON: Thank you to the Committee, and I
10 appreciate the opportunity to come to this meeting and talk to
11 you about the project. Our group is three, one high net worth
12 individual, two investors that would be active in the day-to-day
13 operation in the facility that is currently selling products that was
14 a negative 35 or it's a positive 25. We want to bring that number
15 for a recycled material up to the \$85 range.

16 We have started, and we do have customers, and we
17 look forward to moving our corporate operations from Rhode
18 Island to Bristol, Virginia. We have every intention of moving our
19 facility, our corporate offices, and managing what we hope to be
20 a network of recycling facilities, managing them out of Bristol,
21 Virginia. We have every intention to have administrative staff, as
22 well as having a group of individuals that would need our
23 research and development.

24 In addition to that, we have reviewed and discussed a
25 full scale operation. Before I came into here today, I thought it

1 was a greater argument to put that there or put a full-scale
2 operation, manufacturing facility in the region. Our business
3 model has full-scale operations in the metropolitan statistical
4 areas, are fairly large, but to do a project with lesser material is
5 viable here, and that's exactly what we talked about earlier
6 today.

7 MR. RODGERS: If I can just follow up. We already
8 have revenues from selling material to parking lots, New Food
9 City stores in Bristol, and now the proposal is to enhance that
10 value and make it much more valuable than it is now.

11 DELEGATE MARSHALL: The business model is going
12 to take the shingles that are now in the landfill and you're going
13 to take them, move them to your facility and decompose those,
14 take like the rock in there and turn around and sell it. What
15 you're going to do is take those shingles in the landfill and pay
16 35 or 40 bucks a tipping fee, and that's the negative that you will
17 have to pay. Then you're going to take out the gravel that you
18 can go out on the market and buy for \$15 or \$20 a ton. And now
19 you're up to about 60. And the problem there is you've got
20 freight and you've only got one location, and you're going to
21 move these things from where the population is. Wouldn't the
22 freight eat up and tipping fees, how is this going to be viable?

23 MR. RODGERS: We'll discuss the commercialization
24 and the value proposition during the vetting. How we get to the
25 \$115 a ton range is, shingles are made of four things, pure

1 asphalt, fiberglass, granules, and limestone. Limestone is \$15 a
2 ton, and granules are roughly 75 a ton or somewhere in that
3 range. Pure asphalt is in the \$400 range. And fiberglass is \$400
4 to \$1,000 a ton. By being able to disaggregate the essential
5 ingredients of the asphalt shingles, they become all of a sudden a
6 lot more valuable than they otherwise would be.

7 We believe we can get them from what they're
8 currently worth just by grinding them up and throwing them into
9 asphalt roads about \$25 a ton, which will triple or quadruple the
10 value. Pure asphalt and pure fiberglass is the venture here.

11 DELEGATE BYRON: Thank you. Members of the
12 Committee, we have two applicants that are still sitting here. Is
13 there any further discussion? Without a motion, we can't
14 operate.

15 MR. REYNOLDS: Madam Chairman, I'll make a motion
16 that we do something to let this applicant know, Mr. Rodgers is
17 very sincere and thinks it'll work, and it's worthy of our
18 consideration.

19 DELEGATE BYRON: Referring to 2514. Any further
20 discussion?

21 MR. REYNOLDS: I think an advised application would
22 be something good for the footprint, he needs to do that, and
23 then if he wants to run that process, could revise it.

24 MR. RODGERS: I'll give you a revised application
25 tomorrow.

1 MR. OWENS: If you took a revised application
2 tomorrow, I know that's out of the ordinary. I believe maybe
3 you could work out something with the staff and work out and
4 find out the reasons why they did not recommend it and they'll
5 forward that.

6 DELEGATE BYRON: In the present situation that, and
7 some of the commitment that was stated, that was not made to
8 the staff in this process, hearing the different commitments that
9 are viable for those areas that they're talking about. Moving the
10 headquarters, and that certainly could be contingent. I'm
11 concerned with the model that Delegate Marshall brought up, and
12 that could be addressed in the vetting process.

13 I'd also encourage applicants to try to address this at
14 the beginning, because the committee you're in front of, if you
15 don't get past that one, you won't get a second one. Something
16 needs to be vetted through this Committee itself in order to go
17 forward, and that's very important as you can see we need to
18 have a good model. So perhaps we need to have some changes
19 in this process.

20 MR. NOYES; I think the decision today is you sent it
21 forward for vetting. I'm not going to have time tomorrow to look
22 through this new application. The Committee won't have an
23 opportunity to or even at a special called meeting to consider
24 this. This is at the Chair's discretion. That's not my decision.

25 DELEGATE MARSHALL: The question before us is

1 whether it goes to vetting, to vet or not to vet.

2 The second question is what does it cost to vet or not
3 to vet, and if it comes back, if it's not enough, then what we're
4 out is the cost of the vetting. What's it cost to vet?

5 MR. NOYES: About 20,000 per application.

6 DEPUTY SECRETARY CARTER: That's not bad.

7 MR. NOYES: Actually about ten.

8 UNIDENTIFIED: Madam Chair, we're familiar with
9 something if it goes by us for a day. What would be the
10 equivalent on this Committee to allow them to go back, I don't
11 think we have information to change on the spot.

12 DELEGATE BYRON: That's where the Tobacco
13 Commission differs a little bit, and right now, we're just going
14 through an initial process to determine whether or not we expend
15 the funds and the group that we put together and the
16 partnership. If we go further and deeper, but the difference is if
17 it doesn't go forward today, it would be delayed until the final
18 outcome like January, and that's the difference.

19 MR. OWENS: We pay the vetting fee for application.

20 MR. NOYES: We have a budget that Mr. Giles uses to
21 gather his people on the other end, and maybe I was
22 misinformed on what the average was.

23 MR. GILES: Around six total cost, 63,000. That
24 particular one involved four hours.

25 MR. OWENS: If we vet four or five, would it be 53 or

1 63 or?

2 MR. GILES: Some of the cost is different.

3 DELEGATE MARSHALL: Those people come for a
4 period of time, so if they have perhaps three, I don't think it's
5 going to impact the cost that much.

6 DELEGATE BYRON: I think the idea of what we were
7 trying to accomplish, but we need to have maybe a better
8 understanding of what we feel has enough merit to go forward.
9 We're not going to get every answer to our questions in this
10 particular time slot, but the idea was to get some minimal criteria
11 that we had in mind for the application to go forward because
12 that's why we have people with all the expertise doing that. We
13 have to have some minimal requirement to determine whether
14 certain ones are worth going forward with or not. They may
15 come back with a different result.

16 MR. GILES: I don't want to make life more
17 complicated than it is, but I would point out to you that
18 hypothetically, and that's all I'm saying, if we were to approve all
19 the projects on this list, it would be better. There is at least a
20 three-week period between today and when the applicant teams
21 will have to submit their best. It'll be a much more exhaustive
22 package.

23 Secondly, you've made reference in terms of policy
24 issues. If all that were to occur in the next three weeks before I
25 actually send out anything for people to start spending money, at

1 least one of the applications dealt with a university, which there
2 might be a contract depending on how you apply the policy.
3 That issue all of a sudden could go poof. I can't speak for the
4 universities. They could say as a subcontractor, we'll sign
5 this.

6 DELEGATE BYRON: Just so everyone knows, the
7 policy changes that we're going to do, you must send an
8 application. And my thought has always been they came in
9 with an application based on policies that were already there
10 before, they're pretty much grandfathered out there or some of
11 them.

12 DEPUTY SECRETARY CARTER: On these applications,
13 obviously, is there some way we could go ahead and move this
14 into the vetting process, I think that something maybe the
15 Subcommittee could consider?

16 DELEGATE BYRON: It's up to the Commission.

17 MR. MARSHALL: We have a motion and a second to
18 send 2514 to vetting. Is that right?

19 DELEGATE BYRON: That is correct. Any further
20 discussion? All in favor, say aye? (Ayes). No? (No). All right,
21 the ayes have it.

22 MR. NOYES: Send it forward for vetting based on
23 discussion here today.

24 DELEGATE BYRON: We had three opposed. That's
25 approved, and that'll go forward for vetting to the partnership.

1 SENATOR RUFF: Is that moving forward in a written
2 form currently there or the amended form?

3 DELEGATE BYRON: I would suggest they seriously
4 consider the comments that were made here today and changes
5 and commitments to that application to meet the concerns that
6 they heard, and I know that Mr. Giles during the process ends up
7 doing the same thing to the applicants if they need to. Thank
8 you for that.

9 MR. RODGERS: We're on the record today saying that
10 we will follow up in writing the commitments and concerns made
11 today.

12 DELEGATE BYRON: Just so you're aware, the
13 Committee and the staff here is not going to be looking at just
14 any further --

15 MR. RODGERS: -- I understand.

16 MS. THOMAS: Is it my understanding based on the
17 comments that the application that's going for vetting is going to
18 be different than what we've already heard?

19 DELEGATE BYRON: He has to have changes to the
20 application through the process as far as our commitment, not in
21 the substance of what they're doing. Is that correct, Jerry?

22 MR. OWENS: It's up through the stipulation about the
23 problems he made today based on those, is that correct?

24 MR. NOYES: I don't know that they'll be more
25 evaluated than the Chairman may want.

1 MS. THOMAS: I have a concern that sending them to
2 vetting is different from what we've had to review.

3 DELEGATE BYRON: I think that comment may be
4 misunderstood, that's not what the intent was, and I just know,
5 and maybe we haven't gotten into it that deeply yet or into the
6 application before we have this particular go-around. Sometimes
7 when applications are vague in certain areas and certain criteria
8 that the partnership has asked for and additional information
9 from the applicant to help do the process that they're vetting. I
10 don't think we're talking about substance of the actual research,
11 maybe for commercialization and other things.

12 MS. THOMAS: The ones that were not going to go
13 forward and as a result of the discussions today, there is an
14 amendment to one, is that correct, that this information wasn't
15 in the application, would that be considered a substantial
16 change?

17 MR. NOYES: That was said, there would be a
18 commercial facility, and whether that is a pilot facility because of
19 issues of density or whether that is a full -- we are interested in
20 jobs and we're interested in transformational process. The pilot
21 facility is a transformational project, and there would be capital
22 investment. This will come out during the vetting process. This
23 Subcommittee will know whether or not there's going to be
24 significant taxable assets in the footprint and at the point where
25 we're advised by VEDP, I guess that's what's going to happen.

1 It's not clear to me what the promises are, I know what the
2 application says.

3 MR. RODGERS: I guess that's poor writing on my
4 part, indicated by Ms. Carter's motion. Our job creation numbers
5 and capital investment do include a full-scale facility and at very
6 modest estimates as far as job creation, they're likely under
7 estimated. The company will state today and reiterate in writing
8 that's a condition that's part of the application that this facility
9 and this all be done in the footprint.

10 DELEGATE BYRON: This is a point well taken, as Ms.
11 Thomas said, and we'll discuss this at our next meeting as part of
12 the policy changes that we want to hear more information about,
13 about the applications when they come before us. We're not
14 going to change them on the fly. Most of the people that come
15 before us are well aware of what our criteria is. So we need to
16 start getting things right and we don't want to spend hours in
17 discussion. And I don't think that's what we intended. We want
18 to make sure the applications are perfectly clear and in their best
19 form when they come before us.

20 DEPUTY SECRETARY CARTER: As far as policy and
21 criteria, it should be spelled out and clear.

22 DELEGATE BYRON: I know we've talked about it
23 before, but it was sort of generic.

24 DELEGATE BYRON: All right, anything else to come
25 before the Committee?

1 MR. OWENS: What about 2510?

2 DELEGATE BYRON: That was withdrawn.

3 All right, our next application deadline is when?

4 MR. NOYES: July 20th.

5 MR. PFOHL: Madam Chairman, do you anticipate
6 planning to revise your policy threshold, funding threshold before
7 that?

8 DELEGATE BYRON: Absolutely, and we need to look
9 for some dates as we get into the summer months. We need to
10 pull for some dates to have that meeting. We'll try to do that in
11 the next couple of weeks.

12 DELEGATE MARSHALL: If we could get Jerry to give
13 us the dates of these vetting sessions, and some of us have been
14 there, but those that haven't and especially the new members, I
15 think it would be very beneficial and worthwhile to go down and
16 watch how this works and the process works. Once you sit there
17 and see the vetting power inside that room as they go over the
18 application, I would encourage anybody that hasn't been there to
19 go.

20 MR. GILES: I can get a date and share that with staff.

21 DELEGATE BYRON: We have July 20th is the next
22 application deadlight. The next Committee meeting date is not
23 announced yet. The one in September is scheduled for the 26th
24 based on the full Commission meeting.

25 Now, any comments from the staff or any public

1 comments? All right, hearing none, we have a motion to
2 adjourn.

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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 Thursday, May 17th, 2012, at 1:00 o'clock p.m., at The Hotel Roanoke & Conference Center, Roanoke, 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 31st day of May, 2012.

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

MY COMMISSION EXPIRES: October 31, 2014.