

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

3                   701 East Franklin Street, Suite 501  
4                   Richmond, Virginia 23219

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8                   **Research and Development Committee Meeting**

9                   Thursday, September 27, 2012

10                  8:30 o'clock a.m.

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14                  Wytheville Meeting Center  
15                  Wytheville, Virginia

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1     APPEARANCES:

2     The Honorable Kathy J. Byron, Chairman

3     Ms. Cindy M. Thomas, Vice Chairman

4     The Honorable Charles W. Carrico, Sr.

5     Ms. Mary Rae Carter, Deputy Secretary

6         Department of Commerce and Trade for Rural Development

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

8     The Honorable Daniel W. Marshall, III

9     Ms. Sandra F. Moss

10    Ms. Connie Greene Nyholm

11    The Honorable Edward Owens

12    Mr. Kenneth O. Reynolds

13    The Honorable Frank M. Ruff

14    The Honorable Ralph K. Smith

15    The Honorable Terry G. Kilgore, Chairman

16         Virginia Tobacco Indemnification and Community

17         Revitalization Commission

18

19    COMMISSION STAFF:

20    Mr. Neal Noyes, Executive Director

21    Mr. Ned Stephenson, Deputy Executive Director

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

23    Ms. Stephanie S. Kim, Budget Director

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

25

1 September 27, 2012

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

5 I'll start off by asking Neal to call roll.

6 MR. NOYES: Delegate Byron.

7 DELEGATE BYRON: Here.

8 MR. NOYES: Senator Carrico.

9 SENATOR CARRICO: Here.

10 MR. NOYES: Deputy Secretary Carter.

11 DEPUTY SECRETARY CARTER: Here.

12 MR. NOYES: Mr. Hamlet.

13 MR. HAMLET: Here.

14 MR. NOYES: Delegate Marshall.

15 DELEGATE MARSHALL: Here.

16 MR. NOYES: Ms. Moss.

17 MS. MOSS: Here.

18 MR. NOYES: Ms. Nyholm.

19 MS. NYHOLM: Here.

20 MR. NOYES: Mr. Owens.

21 MR. OWENS: Here.

22 MR. NOYES: Mr. Reynolds.

23 MR. REYNOLDS: Here.

24 MR. NOYES: Senator Ruff.

25 SENATOR RUFF: Here.

1 MR. NOYES: Senator Smith.

2 SENATOR SMITH: Here.

3 MR. NOYES: Ms. Thomas.

4 MS. THOMAS: Here.

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

6 DELEGATE BYRON: Welcome, everyone. We're going  
7 to move along on the agenda. We'll hold off on our minutes.  
8 They haven't been published on the website yet.

9 With that, we'll move along to Jerry Giles. And you  
10 can start us off with the three applications that we sent to you  
11 for vetting.

12 MR. GILES: Thank you, Madam Chairman, and  
13 members of the R & D Committee and the general public at  
14 large. Through a little miscue, we don't have the PowerPoint to  
15 show you this morning. I'll be a talking head. The members of  
16 the R & D Committee already received what I'll be speaking to  
17 about a week or so ago and have had a chance to review it.

18 I'm reporting this morning on Round 7 of the R & D  
19 Review Panel Process. I will say it was a successful round and  
20 we're generally seeing an elevation in the quality of applications  
21 and presentations over time. For the benefit of those of you who  
22 may be new to this process, let me recap in a general sense the  
23 approach that has been utilized.

24 The vetting review process consists of analyzing at  
25 considerable depth five key scoring elements pertaining to the

1 scientific piece grant applications, as well as the  
2 commercialization track capabilities. For Round 7, we explicitly  
3 added another element, which I have labeled Business Plan  
4 Quality and Value Proposition Defense. There are a total of 11  
5 elements that are scored, and we use a numeric scoring system,  
6 and I'll tell you what that is.

7 A Level 4 grade means that on the particular element  
8 and with respect to the business plan overall, if a reviewer gives  
9 a 4 score, it indicates that it exceeds the reviewer's expectations  
10 higher than that element or that overall track of information.

11 A score of 3 means the expectation level going in was  
12 met.

13 A score of 2 suggests that results fell short in some  
14 areas and maybe not in all areas, but it fell short in some areas  
15 to the expectation level.

16 A score of 1 indicates or denotes the effort put forth  
17 and the information put forth did not, in fact, meet the  
18 expectation level.

19 Also, in terms of background for those of you that are  
20 new to this process, we used a Review Panel Team, Teams,  
21 rather, that's comprised of the following institutions and  
22 organizations: University of Virginia, Virginia Commonwealth  
23 University, CH2M Hill, which is a world-renowned engineering  
24 and design firm. This particular round, Round 7, we had the  
25 Center for Advanced Engineering and Research, which basically

1 was a replacement role, a planned replacement role. By that  
2 particular unit of the Tobacco Commission effort, replacing the  
3 Southwest Center for Advanced Education has been with us for  
4 the first two years of the program.

5 Moving on, Virginia Tech University, the Georgia  
6 Institute of Technology, Georgia Tech, SRI International, which is  
7 a locally well-known consulting firm, a scientific firm, West  
8 Virginia University, the University of Maryland. And we have  
9 added, beginning with Round 7, a venture capitalist firm, which is  
10 a team representation, which is SJF Ventures, and they're  
11 represented by Cody Nystrom, who has Virginia roots and, in  
12 fact, lives in Richmond herself working for that venture capitalist  
13 firm.

14 With respect to the actual applications for Round 7, I  
15 mentioned previously we had three that were sent forward to the  
16 Review Panel, review process, by the R & D Committee action.  
17 I'll give these in ascending numerical order.

18 Application 2509, which is Prasideux Temperature  
19 Indicators. That was a grant proposal request for \$510,000.

20 The second application was 2511, which is Virginia  
21 Shrimp Farms. That grant request was for \$673,000.

22 The third application, Number 2514, which was ASR  
23 Holdings, LLC, and that grant request was \$1,355,000.

24 Each of the three teams on September 10<sup>th</sup> came in  
25 for their verbal defenses of the application, and they'd all been

1 scored in my new detail. As far as that, we bring in each of the  
2 teams, they meet and review the Panel Team Leaders. We were  
3 also pleased to have three observers from the R & D Committee  
4 on Round 7 face to face. That happened to be Cindy Thomas,  
5 Vice Chairman; Secretary of Commerce and Trade, Jim Cheng  
6 was with us for about an half, and Senator Smith. And we're  
7 happy to have that participation and we welcome to have any of  
8 you at any time, and it's quite enlightening face to face  
9 meetings. I want to make that point.

10 The scoring profile for Round 7, all Committee  
11 members have those scores, they have it by element, and they  
12 have it based on merit averaging. On a total score basis after  
13 adding up the elements and the science and commercialization,  
14 the highest combined score was 6.02, followed by 5.86, and the  
15 third combined score was 4.41.

16 We also had a stand-alone score for business plan and  
17 value proposition, and those scores range from a high of 3.25  
18 and the lower number, 2.40.

19 I'll give a little bit of a recap, and this is the comments  
20 from the final commentaries, and I'll start with Application 2509.  
21 The first comment will be concerning scientific application.  
22 Observations made by the Review Panel Team Leaders starting  
23 with technology performance has been demonstrated adequately  
24 by this team. They're talking about a market space, has good  
25 size market potential exists, and the product they're working with

1 serves major needs from both the clinical and economic  
2 perspectives.

3 The Review Panel Team Leaders and the individual  
4 leaders felt that the product is at an appropriate stage of  
5 validation. And finally, in the science category, had good and  
6 solid scientific value proposition elements.

7 Staying on that same Application 2509,  
8 commercialization comments, and there are three market  
9 statements that identify with the product application. That  
10 includes pharmaceutical vaccine producers, doctors in the clinical  
11 setting, and individuals and patients. The progress to date with  
12 one of the big pharma players is quite noteworthy. Although a  
13 less costly product offering exists, it lacks the overall range of  
14 efficacy available in the Prasideux technology. They also conclude  
15 that the intellectual property is properly covered.

16 The Review Panel suggested that the Team give  
17 consideration biologics and clinical trials for market expansion  
18 opportunity, as well as future applications in nonmedical arenas,  
19 such as food products given the nature and technology. The  
20 concluding comment was very solid value proposition elements  
21 for both clinical and commercial value perspectives.

22 Application 2511, which is the Virginia Shrimp Farms.  
23 Comments from the science side of that scoring plate. The Blue  
24 Ridge Aquaculture or BRA team appears to have surrounded itself  
25 with appropriate domestic and foreign expertise to deal with the

1 scientific and safety issues attendant to this new live shrimp  
2 venture.

3           Teaming with Virginia Tech, a leading R & D university  
4 for animal science, is clearly a strong supplement to their own  
5 science and safety expertise. I might add, as I indicated in the  
6 recaps to the R & D Committee members, because of the Virginia  
7 Tech connection, Virginia Tech absolutely scored nothing they  
8 submitted, no review of this application as a standard operating  
9 procedure.

10           Moving on, competing science platform technologies  
11 are not a significant issue in this market space, as the product,  
12 shrimp, is more or less commodity in nature and demand for  
13 local, safe, premium live shrimp appears to exceed supply at  
14 least for the current time.

15           Science-based intellectual property is not as critical  
16 here as institutional know-how, and the inventor/founding team  
17 have proven themselves with a successful BRA tilapia operation.

18           Commercialization, aquaculture farms, including this  
19 operation, are just not highly scalable without significant  
20 additional CAPEX and growing linear risk, and recognition of a  
21 growing linear risk, that being the fine is a 1,000-ton facility has  
22 2X or two times the risk of a 500-ton facility, given the nature of  
23 the operation and the current risks in terms of raising a food  
24 product.

25           The target market for this particular venture is the

1 high end user, both restaurants and individuals, and there are  
2 some other competitors operating in this space. As stated  
3 earlier, demand appears to exceed supply at this time on the  
4 East Coast. We know it is questionable if strong brand loyalty  
5 can be established to drive pricing power at the individual  
6 producer level. Meaning I always buy this particular brand.

7 Capital required to enter this base is substantial for  
8 smaller companies. It is somewhat unclear or uncertain if equity  
9 investors will find the projected return on investment profile for  
10 this venture to be compelling. To be kind of a classic venture  
11 capital play, I guess we're not certain about that. It was  
12 suggested help from some USDA grants or guarantees of lender  
13 exposure may be required to fully capitalize the new venture.

14 Application 2514, ASR Holdings, LLC. This basically,  
15 ladies and gentlemen, is a process or a proposal that they  
16 basically use roofing shingles and put them through a process of  
17 grinding and a process utilizing chemistry and solvents and take  
18 the components that went into making the original roofing  
19 shingle and break it down to a purity level or actual product  
20 streams and coming out of the process with a limestone,  
21 fiberglass, and granules.

22 The scientific observation, ASR Holdings, proposes to  
23 develop a process for reclamation of raw materials, such as  
24 asphalt, limestone, fiberglass, and granules in asphalt roofing  
25 shingles. They lay out a series of steps for the process and their

1 planned business development. However, they provided no  
2 evidence that they have actually accomplished any of the  
3 technical steps in the process. The proprietary separation  
4 process, the ASR system, as described, is essentially to grind or  
5 crush the ARS, grind/crush the asphalt roofing shingles, and then  
6 separate the solids by size and density into three product  
7 streams, the limestone, fiberglass and granules, and finally use  
8 the solvent extraction to remove and separate the asphalt as a  
9 fourth product.

10 There was discussion in the business plan and during  
11 the face-to-face presentation about the solids separation  
12 processes, but essentially nothing about the solvent extraction  
13 process. Given the technical complexity and cost of the solvent  
14 extraction process, the Review Panel viewed this as a major  
15 oversight.

16 The third point is that there is an existing experience,  
17 assumed largely nontechnical, within the applicant team for  
18 typical ARS recycling, as well as in the sales/business  
19 development for the roofing materials manufacturing industry.  
20 However, all technical experience is being afforded through  
21 outside contractual arrangements. No Research and  
22 Development expertise in house, and that was a concern of the  
23 Panel. Comments concerning the commercialization  
24 characteristics.

25 The Review Panel agrees with the business plan

1 assertion that nationally there is a tremendous market for both  
2 asphalt shingle recycling and the proposed products from this  
3 recycling process. However, the regional impact of the proposed  
4 solution is a single recycle facility that may be replicated by  
5 others. The scale of the recycle facility and its impact on the  
6 region will be limited by rail and truck transport of shingles to the  
7 facility and, to a lesser degree, shipment of products from the  
8 facility. Very importantly, economic impact will depend on the  
9 ability to achieve the technical goal of producing pure products.

10 The declared market is sufficient to meet projected  
11 growth projections if technical success at separating products is  
12 achieved at a cost below current suppliers. Moreover, there is a  
13 significant margin; however, there is insufficient data to  
14 demonstrate the technology solution cost is less than the margin.

15 The lack of verifiable technology process details and  
16 product output purity metrics, when coupled with no convincing  
17 operating cost details, is reflected in overall scoring for this  
18 application.

19 Those are the three applications in Round 7, and those  
20 are the scientific and commercialization comments which were  
21 shared with the individual teams following today's R & D  
22 Committee meeting. If there's any questions, I'll be glad to  
23 answer them, Madam Chairman.

24 DELEGATE BYRON: Do any members have any  
25 questions from Jerry or Mr. Giles? I want to thank you again for

1 your hard word in regard to the vetting and reviewing all this  
2 material. Thank you very much.

3 I would like to recognize that Cindy Thomas and Ralph  
4 Smith and Secretary Cheng were present at the vetting process.  
5 Anyone that hasn't gone, and we'll keep announcing this, and  
6 you're welcome and encouraged to attend any of these sessions  
7 if you haven't had an opportunity to do that. It's a very  
8 impressive process, and I would encourage anyone to attend.  
9 I'm glad you both were able to attend that process.

10 MS. THOMAS: I want to thank Jerry and his team for  
11 allowing me to stay and listen to their discussion after the  
12 presenters made their case. And that was very informative. I'd  
13 just like to reiterate, Madam Chairman, that if you haven't gone,  
14 members of the Committee should go any time they can because  
15 it's very informative as far as the application process. It's a  
16 great process.

17 SENATOR SMITH: I would just share with you, I  
18 thought it was very professionally done, very important step.

19 DELEGATE BYRON: Again, I want to thank you very  
20 much for all the work you've done.

21 MR. GILES: Thank you for your feedback and we're  
22 happy to serve.

23 DELEGATE BYRON: Before we accept a motion, are  
24 any of the applicants here that feel compelled to make any  
25 comment? And we've certainly reviewed and spent time getting

1 these together before it went to VEDP for vetting. You've heard  
2 from Jerry on the details of their review. If you want to say hello  
3 or say something that maybe wasn't mentioned, if you'd step  
4 forward at this time and introduce yourself.

5 MR. ROGERS: Ed Rogers for ASR. We haven't seen  
6 the scores, but based upon Jerry's comments, we assume we've  
7 got the low score and disappointed by that. The scores are what  
8 they are. I can't speak specifically to the scores, they are what  
9 they are. And we respect the process.

10 I just wanted to quickly comment on the general  
11 comments about how we became interested in this. We see your  
12 mission in the R & D Committee as far as the Tobacco  
13 Commission is that you're trying to improve the economy in  
14 Southwest and Southside Virginia. We're trying to do the same  
15 thing, and the way we approach it is we're trying to identify  
16 appropriate companies that we feel have growth potential outside  
17 the region and transplant them into the region. You have the  
18 funding, and our job is to sell that to companies and attract them  
19 to Southwest Virginia.

20 We felt like ASR fit the model, but obviously with the  
21 scores, we were disappointed. The reason we felt like it fit our  
22 model is because of the closest to commercialization and they're  
23 already doing some of these processes now making revenue, and  
24 this is not far off into the future.

25 Secondly, it's an evolutionary technology they're

1 building, and they are already building incrementally upon steps  
2 that go upon the steps before, lower technology risks. With  
3 extraction, there's some high technology risks, but the other  
4 steps are much lower technology risks and as a viable business  
5 model here, even without the extraction, this is a viable model in  
6 Southwest Virginia.

7 Thirdly, the grant we saw, we try to do this with most  
8 of our applications for hard expenses for equipment, I think up to  
9 1.3 million, and 97 percent for equipment, costs for real hard  
10 dollars, and equipment if something were to go wrong could be  
11 recovered. So, that's all I wanted to say. I'll be happy to  
12 answer any questions. Those are the comments I wanted to  
13 make.

14 DELEGATE BYRON: Thank you. Anyone else?

15 MR. FRANKLIN: Good afternoon. My name is Jim  
16 Franklin, and I'm here representing Application 2511. First of all,  
17 I'd like to thank everyone for the opportunity to participate in  
18 this application process for your consideration. We'd like to  
19 remind everyone that we're trying to build on the successful  
20 operation of Blue Ridge Aquaculture and expand this technology.  
21 We want to expand this technology into new stages in the marine  
22 shrimp operation.

23 We're going to build on this. We're going to build with  
24 some of the leading researchers in the field. We're very excited  
25 about all these things, and we thank you for the opportunity and

1 appreciate your consideration.

2 MR. BURTON; Good afternoon. I'm with Prasideuz,  
3 Application 2509. I want to thank you for your consideration and  
4 also for Jerry Giles and that process. It was very professionally  
5 done. Thank you again for that opportunity.

6 DELEGATE BYRON: All right. Do we have a motion?

7 MS. THOMAS: Madam Chairman, I'd like to move that  
8 we approve the funding of Applications 2509 and 2511.

9 DELEGATE BYRON: We have a motion to approve  
10 Application 2509 and 2511. Any discussion or questions from  
11 committee members?

12 MR. NOYES: Members of the Committee, sometime  
13 ago you asked us to do a weighting, those weighted scores, 2509  
14 is 5.98, and 2511 is 5.88, and 2514 is 4.58. Those are the  
15 weighted scores.

16 DELEGATE BYRON: Any questions? We have a  
17 motion and a second. All those in favor of approving Applications  
18 2509 and 2511, say aye. (Ayes). Opposed? (No response).

19 Before we move on, Ned, you're up next. I need to  
20 ask something that some of us may not have thought of or be  
21 aware of. The last meeting or maybe it was the one before we  
22 made some changes in the R & D Committee that reflect changes  
23 in our contracts that we do with each of these applicants. Right  
24 now, we don't have a valid contract that's been approved by  
25 legal because we don't have legal counsel.

1           We have some issues at hand where we're going to  
2 have some concerns about us going forward and we don't have  
3 anything signed. So I don't know if we have to wait on, based on  
4 our program, are we starting to go backwards, or if those of you  
5 that were in the committees yesterday were, who were  
6 discussing legal. Some thoughts came up maybe we should as  
7 part of our contingency on approving money from now on should  
8 be that we have things that are taken care of before we  
9 disburse any money, to talk with the attorneys and maybe  
10 get them to work a little quicker and get some of these  
11 solutions. So we're open for discussion. We have concerns and I  
12 think that the applicants need to be aware of that moving  
13 forward.

14           Ned, are there any other ones that would be affected  
15 by this?

16           MR. STEPHENSON: No, only R & D grants from this  
17 day forward. The others were already under an agreement. For  
18 the benefit of the Committee, Madam Chairman, an applicant's, I  
19 believe your committee met in June and made substantial  
20 changes to the grant agreements that you wanted to make and  
21 largely to remove IP provisions, plus other changes. I have  
22 written those changes into a draft agreement which appears in  
23 your book, Draft Form. It has not been exposed to the  
24 applicants or released outside of the Commission pending legal  
25 review. That is the conundrum that we have. The Committee

1 hasn't approved the grant today. But there are some issues, a  
2 question of the grant agreement, and obviously disbursement of  
3 funds until all this is resolved.

4 DELEGATE BYRON: It was my understanding that  
5 there may be some second phases of projects out there that  
6 might require contractual agreements that would fall into this  
7 track, as well. We do need to have legal exposure.

8 MR. STEPHENSON: If an existing grantee appears  
9 before your Committee for rendering an old agreement, appears  
10 before your Committee for Phase II, if you will, subsequent  
11 phases would be affected by this.

12 MR. NOYES: The applications that you have handled  
13 here today, grantees, beneficiaries, we have requested review,  
14 it's not happened yet, and that doesn't mean it's not going to  
15 happen tomorrow or the next week. This is an issue of what it is.  
16 We don't want to move forward with new contract documents  
17 before they're properly concluded.

18 DELEGATE BYRON: I wanted to bring that to your  
19 attention, and I'm sure our Chair is working diligently on  
20 resolving that issue.

21 DELEGATE KILGORE: I am.

22 DELEGATE BYRON: Do you have something else,  
23 Ned?

24 MR. STEPHENSON: Yes, a matter of grant  
25 modification for Virginia Tech, and I think Mr. Noyes may want to

1 speak to that.

2 MR. NOYES: Members of the Committee, turn to page  
3 24 in your book. What you see on page 24 is not agreed to, not  
4 because of objections to the transaction. There's a process  
5 issue. When a situation like this happened, which is a normal  
6 business transaction, it shifts from an existing grantee to another  
7 eligible grantee, then that grantee must come before this  
8 Committee and explain why one transaction, why isn't it  
9 important. You are to give your approval to go forward. The  
10 Executive Director does not have the authority to do this as a  
11 correction. This is something that can happen. The Executive  
12 Director can't do this absent permission from the Committee.  
13 This is something that can happen. I just said no, we can't do it  
14 that way.

15 So you have in front of you a letter from the  
16 foundation which meets all of those requirements, explains why  
17 it's a good idea and how it's going to go forward. I entirely  
18 support going forward with it, but I wanted this before you so  
19 you can indicate to me that this is something you're aware of,  
20 that you agree to absent an objection, and the important  
21 paragraph is that final paragraph Absent an objection, it's my  
22 intention to execute this. We don't have to change the grant  
23 agreement. All that's happening is removing control of the asset  
24 to an LLC within the Virginia Tech foundation.

25 DELEGATE BYRON: Neal, normally if we had legal

1 counsel, have we had anyone remove this or deal with this?

2 MR. NOYES: We have had on a separate matter the  
3 issue of moving assets into a properly constituted LLC that has  
4 been reviewed by counsel, and this replicates that, and it's not  
5 something without precedent in the Commission. What would  
6 have been without precedent the Executive Director agreed to do  
7 this without the Committee being aware of it. The last  
8 communication has the name and explanation why this is a  
9 good idea. I can do this absent an objection from the  
10 Committee, and I intend to execute it. I don't hear any  
11 objection.

12 DELEGATE BYRON: Without objection.

13 MS. CARTER: The third paragraph says that minimize  
14 the tax consequences and potential operational liabilities  
15 associated with the period.

16 MR. NOYES: That's right, the foundation will no  
17 longer be subject to those concerns and the LLC will be.

18 DELEGATE BYRON: Any other questions about the  
19 agreement?

20 MR. STEPHENSON: We just talked about that a  
21 moment ago and we're out of order on the agenda a little bit, but  
22 we're satisfied with that.

23 DELEGATE BYRON: Next application deadline?

24 MR. NOYES: October 26<sup>th</sup>.

25 DELEGATE MARSHALL: Just on the applications, they

1 seem to be going down, but I've sent a couple of people that I  
2 know throughout the county to the staff that has the possibility  
3 of making an application through R & D. It didn't work out, but  
4 hopefully if you know somebody or a company that's doing  
5 something like this, it's a great opportunity to work with the  
6 staff. The two I sent I thought were very hopeful and the staff  
7 was very helpful. So if you have anybody, I'd refer them to the  
8 staff.

9 DELEGATE BYRON: We did make some changes back  
10 in June, as I recall, as far as the levels of the amount of the  
11 application, but we'll continue to watch as we go through this  
12 next cycle to see if there's any reason we feel and review the  
13 applications as they go forward with our next meeting. The next  
14 committee meeting will be determined on application.

15 MR. NOYES: There's a discussion point I want to raise  
16 so members of the Committee will know. It has been relatively  
17 few instances, been a problem that our grantees and your staff,  
18 difficulty verifying the matching funds. We have one situation  
19 which we're working through the parent organization, self-certify,  
20 we don't see an invoice. I'm uncomfortable with this, and I think  
21 you should be, too. So unless we have clear documentation, not  
22 self-certification unless we did this, some type of invoice or  
23 cancelled check or something, then we run some risk in a default  
24 case. This continued to be a problem not just for staff but for  
25 your grantees because it's not clear to some of the beneficiaries

1 the level of proof required. We're taking a very close stand  
2 rather than laying back and just going forward.

3 A second matter happened in one case, and I bring  
4 this to your attention. Matching dollar requirements are in place,  
5 but for the total project, and that raises the matched portion.  
6 For instance, ten dollars from us and ten dollars from them, it's a  
7 thirty dollar project. We're asking, we're being asked to disburse  
8 funds, but the matching requirement or, in essence, the total  
9 project costs, and what I'm saying is that we may wind up with  
10 two-thirds of the project done. What I'm saying to you is that as  
11 we're looking at applications and hearing from applicants and  
12 beneficiaries, I don't want to disburse the first Tobacco  
13 Commission dollar until all funds necessary to accomplish the  
14 goal is in place. And we talked about this at our meeting in June.

15 The point is folks have to match before we get  
16 started. I want everybody, as you look at the next batch of  
17 applications, to understand my position, and hopefully yours,  
18 which is supported, that all monies be there before we start, not  
19 just the required match, some portion of the required match. We  
20 just want to get it right. Thank you.

21 DELEGATE BYRON: On Page 20, 23, we have a list of  
22 R & D grants that have been approved. I'd like to maybe at  
23 some point look back at some of those that are moving along  
24 maybe and see how they're doing. I was going to ask for the full  
25 Commission to see a video of one of our successes in the

1 Advanced Engineering and Research field, and it's a brief video  
2 highlighting the Tobacco Commission work and to share that with  
3 you. So we'll do that in front of the full Commission.

4 Before we adjourn, are there any public comments,  
5 anyone in the audience?

6 MR. TODD CHRISTIANSON: I just thought it would be  
7 important to point out that just up the road is the Natural Gas  
8 Fueling Stations, the first one in western Virginia. The reason it's  
9 relative to R & D is because it's related to the Commonwealth  
10 network to adopt alternative fuels for the State Police which was  
11 spurred on by legislation introduced by Delegate Marshall. It's  
12 also relevant to one of the R & D projects. It's a \$2 million  
13 project and there's matching funds that we had in that project.  
14 Anyway, it's a good facility, and it's clean, clean energy, I  
15 believe. There'll be some kind of ribbon cutting, hopefully in  
16 conjunction with another project. Thank you.

17 MS. LYDEANA MARTIN: Good morning. My name is  
18 Lydeana Martin from Floyd County. I just want to thank you all  
19 for the funding you made available for us for our R & D project. I  
20 just want to tell you what you've helped fund, we've surpassed  
21 our original project, maybe about 60 percent above that. I'm  
22 really excited that they are less likely to look off shore and stay  
23 in Floyd County.

24 Secondly, we have another project, and they've hired  
25 a couple of people locally already, and most importantly, they're

1 going to do some research that's creating through R & D work for  
2 implants and sutures and as well as meniscus. I'm really excited  
3 about the opportunities that have been created in our county.  
4 Thank you all and the staff for that help.

5 DELEGATE BYRON: Before we adjourn, there's a  
6 video, hope some of you will stay in the room and watch it. MBC  
7 is a foundation for the work being done and they're talking about  
8 the genomics sequencing that's being done. I think you heard a  
9 little bit about that yesterday. I'm going to go ahead and  
10 adjourn our Committee meeting, but if you'd like to stay, I  
11 encourage you to.

12 MR. NOYES: If it's all right with you, I think the full  
13 Commission would enjoy seeing it.

14 DELEGATE BYRON: I'm informed we'll have enough  
15 time, so what we'll do is show it to the full Commission.

16 All right, is there anything further? If not, I'll adjourn  
17 the meeting.

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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, September 27th, 2012, at 8:30 o'clock a.m., at the Wytheville Meeting Center, Wytheville, 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 8<sup>th</sup> day of October, 2012.

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

MY COMMISSION EXPIRES: October 31, 2014.