

1 **TOBACCO REGION REVITALIZATION COMMISSION**

2 701 East Franklin Street, Suite 501

3 Richmond, Virginia 23219

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9 **R & D Committee Meeting**

10 Wednesday, September 23, 2015

11 8:30 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 The Honorable Charles W. Carrico, Sr.

4 Ms. Mary Rae Carter, Special Advisor for Rural Partnerships

5 Ms. Rebecca Coleman

6 The Honorable Daniel W. Marshall, III

7 Mr. Dale Moore

8 The Honorable Will Morefield

9 Ms. Sandra F. Moss

10 The Honorable Edward Owens

11 The Honorable Frank M. Ruff, Jr.

12 The Honorable Ralph K. Smith

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1 **APPEARANCES (cont'd):**

2 COMMISSION STAFF:

3 Mr. Evan Feinman – Executive Director

4 Mr. Ned Stephenson – Deputy Executive Director

5 Mr. Timothy S. Pfohl – Grants Program Administration

6 Director

7 Ms. Stephanie S. Kim – Director of Finance

8 Ms. Sarah K. Capps – Grants Program Administrator,

9 Southside Virginia

10 Ms. Sara G. Williams – Grants Program Administrator,

11 Southwest Virginia

12 Mr. Benjamin Dawson – Grants Assistant, Southside Virginia

13 Ms. Jessica Stamper – Grants Assistant, Southwest Virginia

14 Ms. Carolyn Bringman – Performance Data Analyst

15 Ms. Stacey Richardson – Executive Assistant

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17 COUNSELS FOR THE COMMISSION:

18 Ms. Elizabeth B. Myers, Assistant Attorney General

19 Richmond, Virginia

20 Ms. Kristina Stoney, Senior Assistant Attorney General

21 Richmond, Virginia.

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1 DELEGATE BYRON: Good morning,
2 everyone, glad you're all with us. Let's call the roll.

3 MR. FEINMAN: Delegate Byron?

4 DELEGATE BYRON: Here.

5 MR. FEINMAN: Senator Carrico?

6 SENATOR CARRICO: Here.

7 MR. FEINMAN: Ms. Coleman?

8 MS. COLEMAN: Here.

9 MR. FEINMAN: Ms. Carter?

10 MS. CARTER: Here.

11 MR. FEINMAN: Delegate Marshall?

12 DELEGATE MARSHALL: Here.

13 MR. FEINMAN: Mr. Moore?

14 MR. MOORE: Here.

15 MR. FEINMAN: Delegate Morefield?

16 DELEGATE MOREFIELD: Here.

17 MR. FEINMAN: Ms. Moss?

18 MS. MOSS: Here.

19 MR. FEINMAN: Mr. Owens?

20 MR. OWENS: Here.

21 MR. FEINMAN: Senator Ruff?

22 SENATOR RUFF: Here.

23 MR. FEINMAN: Senator Smith?

24 SENATOR SMITH: Here.

25 MR. FEINMAN: You have a quorum.

1 DELEGATE BYRON: Thank you, Evan.
2 Before we get started, I wanted to take a moment and just
3 share a sad part in the passing of Jerry Giles, the passing of a
4 good friend of ours, who was with the Virginia Economic
5 Development Partnership. He passed on Friday after a
6 courageous battle with cancer. Some of you probably weren't
7 aware of that because he was devoted to his job and he
8 continued to work even through his treatments and everything
9 and he lost that battle on Friday.

10 He did a great job for the Tobacco
11 Commission, especially with R&D and the vetting process and
12 helping us get through some initial development we had. I'd
13 ask if we all would just take a moment of silence in memory of
14 Jerry Giles. All right, thank you. In his memory and honor of
15 him. [A moment of silence.]

16 Thank you. All right, I hope everyone has
17 read the minutes. I'll entertain a motion for approval.

18 DELEGATE MARSHALL: So moved.

19 MR. OWENS: Second.

20 DELEGATE BYRON: All in favor say aye.
21 (Ayes.) All right, those are approved. I'm going to switch the
22 schedule around a little bit here and talk about some
23 applications we have before us. Tim, would you start us off,
24 please?

25 MR. PFOHL: The staff has been working

1 with a half dozen of these R&D grantees over the last several
2 weeks and months. Projects since the date of approval by the
3 Commission have had some changes. There are some specific
4 requests before you today that the staff considers to be
5 material changes generally. Per our grant agreement, the
6 grantees are not supposed to make material changes in their
7 project unless approved by the Commission so that's why
8 these are in front of you today.

9 The first one is a request by the Halifax
10 County Industrial Development Authority for project 2868,
11 Design, Development and Manufacturing of a New High
12 Performance Vehicle and Creation of Composite
13 Manufacturing Capabilities, an \$838,000 grant. The
14 beneficiary is TMI AutoTech. The original plan for TMI was to
15 develop a sports car the TMI Sniper. And right after the grant
16 approval or shortly thereafter, a competitor announced similar
17 projects and subsequently TMI had an opportunity to develop
18 a high performance off-road vehicle with exclusive licensing in
19 North and South America. So, TMI is before you today asking
20 that the focus of this research project will be towards this high
21 performance off-road vehicle as well as some additional
22 designing and research for the Ariel Atom sports car that TMI
23 is currently manufacturing in Halifax County.

24 The change would result in not one but
25 two vehicles that would be designed and researched and

1 developed in Halifax County. The staff is recommending
2 approval of that requested change in scope. The deliverables,
3 timelines and sales projections that were included in the
4 original application would be met or exceeded under these
5 revisions.

6 DELEGATE BYRON: Let's stop in
7 between each one and see if there is any questions because
8 each of these has its own unique qualities that will give us an
9 opportunity while the discussion is ongoing if there is no
10 questions, we will assume that we can move on. Does anyone
11 have any questions about the staff's recommendation or the
12 changes that are requested?

13 MR. OWENS: I was wondering about the
14 changes?

15 DELEGATE BYRON: Is anyone here, let
16 me remind everyone so we can get the recording accurate so
17 you speak into the microphone so everyone can hear.

18 MR. SWAIN: Good morning, Mark Swain.

19 MR. OWENS: I see in here it says you're
20 going to create eighteen new jobs?

21 MR. SWAIN: Correct.

22 MR. OWENS: How many people work
23 there now?

24 MR. SWAIN: We currently have 22 staff
25 and the project going forward was to create eighteen new jobs

1 that are not currently at our facility.

2 MR. OWENS: This will take you up to
3 forty jobs?

4 MR. SWAIN: Yes.

5 MR. OWENS: Within what time period?

6 MR. SWAIN: Within the next three years.

7 We were awarded the grant last year, basically we lost a year
8 so we'll pick up, in the grant period we'll have eighteen new
9 jobs.

10 DELEGATE BYRON: Senator Smith?

11 SENATOR SMITH: Tell me where you're
12 located currently?

13 MR. SWAIN: We're in Halifax County.

14 SENATOR SMITH: Specifically.

15 MR. SWAIN: VIR.

16 SENATOR SMITH: Is it your intent to
17 relocate?

18 MR. SWAIN: Yes, we need to for long-
19 term expansion and we need more space. We're looking for
20 more space because these new projects bring more vehicles
21 and more equipment required and things like that. We are in
22 need of more space, correct.

23 SENATOR SMITH: Can you explain to
24 me why you originally located at VIR?

25 MR. SWAIN: At the time, that met what

1 our needs were and it's been a good home for us. The vehicle
2 we currently manufacture and we have a racing area for that
3 car and there was a focus on motorsports at the time where a
4 racetrack was appropriate but as any company grows, we've
5 expanded like a lot of businesses and we got our
6 manufacturing base away from motorsports. The challenge
7 now is to get good quality space that we can expand in.

8 SENATOR SMITH: So you no longer have
9 the need for the testing that you could do at VIR?

10 MR. SWAIN: We still have to test our
11 vehicles but like I said when you're talking about off-road
12 vehicles, but we still do tests there and it could work in the
13 future.

14 SENATOR SMITH: It's my understanding
15 that you are now requesting to use the local airport for your
16 testing, which was originally at VIR?

17 MR. SWAIN: Yes, we're looking into that.

18 SENATOR SMITH: Have you made that
19 request?

20 MR. SWAIN: We have not submitted a
21 request to the FAA but we're working with the board as well as
22 local authorities to see what might be required there.

23 SENATOR SMITH: Would it be
24 considered that part of this grant money would be used for
25 your move from one point to another, from one place in the

1 footprint to another place in the footprint? Obviously, there
2 would be costs.

3 MR. SWAIN: Yes, but the grant money
4 would not go towards that. The \$830,000 asked is still for the
5 project itself and that's completely separate from moving
6 costs, which are there but the grant project is outlined, we
7 need that for the actual project.

8 DELEGATE BYRON: Mr. Owens?

9 MR. OWENS: I'm a little confused.
10 You're going to do off-road testing where?

11 MR. SWAIN: The new vehicle is an off-
12 road vehicle that could be driven on the road. What is your
13 direct question, sir?

14 MR. OWENS: You're not going to test the
15 off-road?

16 MR. SWAIN: We will, but it's different
17 from what our needs are for the area right now, different
18 market.

19 MR. OWENS: That's why I was asking.
20 You're not going to need a facility to test it, the off-road
21 vehicle?

22 MR. SWAIN: We'll need a facility to do
23 acceleration tests and make sure the vehicle is safe and the
24 airport could be that facility. The grant was one year ago
25 today or September 24th at the Commission meeting this time

1 last year.

2 MR. OWENS: You haven't spent any of
3 that money yet?

4 MR. SWAIN: No, we have not.

5 DELEGATE BYRON: Any further
6 questions? Do I understand your sales projections look
7 promising as well?

8 MR. SWAIN: They do, yes. This will be a
9 broader market for us and that's a good position to be in. We
10 feel very confident about it, yes.

11 DELEGATE MARSHALL: Madam
12 Chairman, do you want to take these in a block or
13 individually?

14 DELEGATE BYRON: Whatever the will of
15 the Committee is. I believe we have six.

16 DELEGATE MARSHALL: I move that we
17 accept staff's recommendation for project number 2868.

18 SENATOR CARRICO: Second.

19 DELEGATE BYRON: We have a motion
20 and a second to accept the staff's recommendation. Any
21 further discussion? All in favor say aye. (Ayes.) Any
22 opposed?

23 SENATOR SMITH: No.

24 DELEGATE BYRON: That motion passes,
25 thank you. Tim?

1 MR. PFOHL: The second request is from
2 the Institute for Advanced Learning and Research for Package
3 Innovation and Development Center, project 2984. This is
4 \$1.997 million request. It was approved in the last round of
5 approvals.

6 The request is essentially, the grant is
7 approved to support equipment costs and a new packaging
8 system. With the Synergy Packaging System LLC. The
9 request is that when the private beneficiary has met their
10 proposed performance measures what we preapproved if you
11 will or approved today to be transferred to the private
12 beneficiary Synergy Packaging Systems. The project proposes
13 38 new jobs would be created and \$3.8 million of capital
14 investment, private capital investment. So, they are basically
15 requesting today approval of the transfer of ownership. Those
16 would be Commission funded equipment assets to the
17 beneficiary upon proof of attainment of performance measures
18 as proposed by the grantee and verified by Commission staff
19 prior to ownership transfer. That is the staff's
20 recommendation.

21 DELEGATE BYRON: Any questions?

22 DELEGATE MARSHALL: I move we
23 accept the staff's recommendation for project 2984.

24 MR. OWENS: Second.

25 DELEGATE BYRON: Any further

1 discussion? All in favor of accepting the staff's
2 recommendation on project 2984 say aye. (Ayes.) Any
3 opposed? (No response.) Thank you. Tim?

4 MR. PFOHL: Okay, number three is the
5 grant to the University of Virginia for the Fermata V2G Project
6 number 2831, a \$2 million grant award. The project originally
7 approved to fund eleven research engineers to be based in
8 Danville to develop a vehicle to grid, V2G electric charger with
9 commercialization to create 127 new jobs by the private
10 beneficiary Fermata.

11 As the project stands right now, the grant
12 funds that would have been used for creation of those
13 research positions in Danville are now being proposed to be
14 used in another manner. The research based jobs are now no
15 longer on the table. The space being leased in Danville is no
16 longer being anticipated to be needed. The Fermata principals
17 are working with a number of companies, including one based
18 in Princeton that has a currently available charger that is to
19 be used and to be purchased and used in demonstrations to
20 be used by City of Danville Department of Utilities. The
21 commercialization that was anticipated is no longer 127 new
22 jobs but something in the range of 20-50 jobs by a third party
23 company that's based in Danville, Pittsylvania. That involves
24 EIT, some of you may know the principals.

25 We see a number of changes and there's

1 still some issues to be identified including the fact that the
2 Princeton charger was too expensive for commercial
3 application though Fermata is working with a couple of other
4 companies, one in Blacksburg, to potentially develop a more
5 cost-effective charger.

6 The staff feels that these changes are
7 significant and material in scope. We would support
8 continuing the release of grant funds for those Tobacco Region
9 expenses that are clearly identified at this point to the
10 acquisition of the Nissan Leaf, acquisition of the chargers to
11 be installed in Danville and the related project costs. Holding
12 back the rest of the grant funds for the time being and give
13 Fermata an opportunity to come back and explain exactly
14 what balance of the grant would accomplish their goals and
15 how the funds would be used.

16 So the staff's recommendation specifically
17 is the staff finds these changes to the project to be significant
18 and material in scope, and recommends approval of use of
19 grant funds for only those project costs directly incurred in the
20 Tobacco Region and matched equally by additional project
21 expenses, with the balance of grant funds to be held by the
22 Tobacco Commission pending additional classification of
23 research tasks and project costs, subject to approval of
24 revised use of funds.

25 DELEGATE BYRON: That's a mouthful.

1 I think it sounds a little more complicated than it really needs
2 to be. Does somebody from Fermata want to come up? It's
3 not necessary but, any questions?

4 MR. OWENS: The match you're talking
5 about, that's the same match that has to be spent in the
6 Tobacco footprint?

7 MR. PFOHL: Certainly the Committee
8 has shown a preference for the match to be spent in the
9 Commission footprint. It's not always the case. The
10 Committee has approved matches spent outside the footprint.
11 In rare cases, some use of Commission funds have been
12 outside the footprint. But that's been putting lines across
13 Kentucky and places like that and so forth to test their
14 equipment and it was felt that was an important step for their
15 project. The staff is always adamant about ensuring that our
16 funds be spent in the footprint. The issue of matches being
17 spent subject to the Committee's approval.

18 DELEGATE BYRON: Do you want to
19 comment?

20 MR. SLUTZKY: I appreciate the question,
21 I'll try to address that. If I could sort of summarize what's
22 different. I'm David Slutzky. I'm the principal for Fermata.
23 We originally intended to start from scratch to design and
24 develop the charger that we would need to deploy along with
25 some other related technology. We found that there's a

1 company in Blacksburg that's pretty far along with related
2 technology and what we decided to do instead was get to
3 market quicker and use their technology to complete the R&D
4 in Danville and by deploying some other company chargers
5 that are too expensive and big as a refrigerator so making sure
6 we know all the challenges of grid and that's what these
7 chargers are used for. Then we will also during that time be
8 developing in Blacksburg the prototype which will then be
9 designed for manufacturing in Danville with the CIT staff.
10 There will be some engineering work done in Danville on this
11 particular prototype.

12 The question was about expenditures for
13 the match outside of the footprint. When we originally
14 submitted our application and was approved, the expectation
15 was that all of the Tobacco Commission money would be spent
16 in the footprint basically funding those eleven jobs and facility
17 and that we would be spending money outside the footprint
18 and inside the footprint with our match. We spent somewhere
19 over \$800,000 on this project so far without asking for
20 reimbursement from this Commission and we did that
21 because we didn't want to reach in and take money until we
22 were very confident we were going to obtain these jobs. We're
23 at that point now and we have high confidence that we will be
24 commercializing this technology. We have some very bright
25 people and this team has evaluated the technology in

1 Blacksburg and they are excited about working with us on
2 this project, providing design and manufacturing services,
3 which they usually do.

4 Some of the things that we were originally
5 going to need to spend, for example, you can take an
6 electronics device like this and have to get the Underwriter's
7 approval and we've identified someone in the footprint that
8 can do UL certification on this particular technology but it
9 looks like we'll have to go Maryland for that. We hope that's
10 directly related to the development of the product. We'll have
11 to use some sources outside the footprint but be reimbursed
12 by the Commission. The money spent in Blacksburg, we
13 would not come to the Commission and ask reimbursement
14 for. I don't know if that clarifies your question.

15 MR. OWENS: Wasn't the intent to
16 leverage our money and your money to have some economic
17 development in the footprint? Now, you're saying you're going
18 to use our money in the footprint and your money somewhere
19 else, is that what I understand?

20 MR. SLUTZKY: For the most part, the
21 only exception is the Nissan Leaf we will purchase probably
22 through the Danville Nissan but certainly the footprint, the
23 cars are made in the footprint and there's nothing we can do
24 about that but we'll make sure that we at least benefit a local
25 car dealer with some componentry that will need to be

1 purchased by the folks in Blacksburg for the development of
2 the prototype. We will be able to purchase or we think we've
3 identified someone we can purchase those from in the
4 footprint. So for footprint expenditures, we would ask for
5 reimbursement. Occasionally in the case of a UL approval, we
6 would like you to give the staff some discretion that would be
7 allowed appropriate outside the footprint as needed
8 reimbursement as well although it would be a relatively small
9 amount.

10 MR. OWENS: Relatively, you mean five
11 percent, ten percent, fifteen percent?

12 MR. SLUTZKY: I would be surprised if it
13 was much more than fifteen percent, I really don't know. The
14 other thing is we're not going to need as much money to
15 develop this specific charger. For example, this charger
16 requires a cable to connect the charger to a vehicle and those
17 cables are now available from one source in Japan, \$1500
18 apiece and takes eight to twelve weeks to get one. We talked
19 with the CIT folks about designing and developing our own
20 charger connector and we might end up making a significant
21 number of those in the footprint as well.

22 What we're going to do beyond this first
23 project, over the next couple of years is a little unclear and we
24 propose to come back to you and say here's our next project
25 component and bring you up to date and ask for your support.

1 MR. OWENS: The staff recommendation
2 is to approve the change and let the money be spent in the
3 footprint.

4 MR. SLUTZKY: That's the staff
5 recommendation. And I'm asking you if it's possible to give
6 the staff some appropriate discretion on the matter of all
7 money being spent in the footprint because there are a few
8 expenditures that would be appropriate outside the footprint.
9 We've gone from 127 to fifty or 55 in the next two to three
10 years. We have so much more confidence in the 55 number
11 right now. We thought 127 was realistic and weren't sure
12 about the timing but we expect under the current estimates
13 there will then be further jobs in Danville as we grow the
14 business. It won't happen in the next three years.

15 DELEGATE BYRON: I understand you
16 were estimating production would start as early as December
17 2016?

18 MR. SLUTZKY: Probably earlier than
19 that. The last conversation I had about this was it was felt
20 that the state of the current design was far enough along that
21 the main prototype hopefully by the end of this year and
22 certainly by the end of the first quarter of '16. Then CIT will
23 do some design work for engineering and then we'll take what
24 we're doing through you all's certification. Joe's estimate was
25 probably made about in May or June and should have a

1 commercialized project and at that point be ready for
2 manufacturing. If we stay on that trajectory, and I intend
3 starting in March into the market development so we can have
4 the Nissan Leaf deployed in the summer of 2016. I think we'll
5 actually be wrapping up in July of 2016. How fast we do this
6 is a subject to how rapidly the market accepts the proposition
7 with the fast chargers that we're offering. We're very
8 encouraged that the U.S. government and the Air Force has
9 started a pilot project demonstrating the same technology
10 here. They're using the very expensive chargers that we'll be
11 deploying in Danville and they're not ready for
12 commercialization, they clearly have shown interest as far as
13 the technology on a very large scale. We're in the discussion
14 with the Air Force of possibly providing them information. It's
15 all in the preliminary stages.

16 DELEGATE BYRON: Any other
17 questions?

18 DELEGATE MARSHALL: Madam Chair, I
19 move we accept staff's recommendation on project number
20 2831, the staff finds that these changes including any direct
21 expense for certification of the chargers outside the footprint.

22 MR. OWENS: Second.

23 DELEGATE BYRON: Any further
24 discussion on that motion? All those in favor say aye. (Ayes.)
25 Opposed? (No response.)

1 MR. PFOHL: The next request is
2 Southwest Virginia Higher Education Center Foundation the
3 LiteSheet project 2699. This is a \$2 million grant approved
4 two years ago to develop an LED lighting system. The
5 company is based in Bedford.

6 In January of 2014, let me back up. The
7 entire \$2 million was to acquire equipment for a private
8 beneficiary. In January 2014, the Commission approved the
9 reapplication of just over \$1 million for personal services as
10 well as some continuous charges in plant and equipment
11 categories and that was approved by the Commission. In
12 March of 2014, additional administrative approval was given
13 for just under \$200,000 for equipment and personal services
14 approved by staff and the Executive Director. Those shifts
15 resulted in a total of \$1.2 million allocated to salaries and
16 \$600,000 and change for equipment. This past July there
17 was another reallocation request submitted by the company
18 and that was an additional \$450,000 in shifting funds to the
19 following areas: personal services by \$300,000 to fully fund an
20 electrical engineer, additional compensation for the CEO and
21 additional compensation for the office manager. \$150,000
22 would be for contractual services for product certification
23 expenses since January 2015, previously submitted to us as
24 matching funds.

25 There are some expenses requested

1 under contractual that were incurred since this past January
2 and they have already been submitted as a match to the
3 Commission grant. We asked them to reimburse Commission
4 funds. The staff would note that the Committee had
5 previously approved the guideline for these grants, no more
6 than ten percent of grant funds can be used for general
7 administrative expenses. It appears that the cumulative
8 reallocations, now in this request before us would exceed the
9 Committee policy and for that reason, the staff did not feel
10 empowered to authorize direct approval of this allocation given
11 that that appears to be in conflict with your program policies.

12 DELEGATE BYRON: Thank you. I'm a
13 little surprised at some of the ways this is written up and I'm
14 going to ask Dr. White with LiteSheet to come forward. One
15 thing that our subcommittee that met recently talked about is
16 our ability to actually instead of just on paper meet with some
17 of these people we have given awards to and actually talk to
18 them about what states they're in and what they're doing. I
19 have to say it's really beneficial that we all are busy but it's
20 beneficial for all of us to have that opportunity. What they
21 have done is so impressive in the last two years I guess it's
22 been in Bedford County. I was hoping we'd still had our
23 screens up and I could show you some of the pictures that
24 were shared with me of the products they have done. One in
25 the Woolworth building in New York and absolutely

1 breathtaking. Some work they've done for large companies in
2 Virginia and some work at UVA, very impressive. They've been
3 very frugal with the money that we've given them. I have a
4 little bit of a question as to whether or not maybe as
5 sometimes happens that the allocations were not defined as
6 properly as they could be. To me it seems like a lot of the
7 funds that were disbursed were really all R&D, part of the
8 R&D but came across as personnel costs. So I'm going to ask
9 Mr. White to give us a brief summary of where we are.

10 MR. WHITE: I'm Roger White, CEO of
11 LiteSheet solutions. And thank you very much for the
12 opportunity to bring you up to speed on things we're doing
13 with the Tobacco Commission funds and bring you up to
14 speed. At the time of the original award, as you're aware, we
15 were just entering into a patent IP, we first achieved a patent
16 with the U.S. Patent and Trademark Office. In fact, four of
17 them now have been patented and we've been commercializing
18 that product. When the grant was awarded to us, we were
19 pre-revenue and that's no longer the case. We have
20 commercialized now a dozen products. In March, due to the
21 funding the Tobacco Commission has provided to us, we now
22 employ thirteen people and almost all of those in Bedford in a
23 facility that we lease. And we are shoulder to shoulder in that
24 facility now and we're in conversations with the County of
25 Bedford about a new facility so we can continue our

1 The reallocation that we're asking for is a
2 move from equipment to engineering to applying our
3 technology to a wide array of fixtures so we can continue to
4 expand in Bedford County.

5 The term administrative is a bit of a
6 misnomer, particularly in my case. I am CEO of the company
7 but I can assure you that my administrative duties this week
8 are pretty much confined to this meeting. Almost everything I
9 do is regarding research, development and advancement of
10 our products or either that and the manufacturing processes.

11 Funds that we have used graciously from
12 the Tobacco Commission include our line at Bedford so we are
13 up and running and manufacturing. And every one of our
14 light fixtures in the Commonwealth of Virginia in Bedford
15 employing not only folks in our facility but also companies in
16 Bedford that supply stamped metal parts and other
17 components.

18 Now, Madam Chairman's comments
19 about the definition of administrative tasks and I'd ask you
20 not to get focused on title because in a small business like
21 ours, we don't have room for a lot of administrative and
22 overhead. It's not how we use our funds. Titles are important
23 and required certainly in any business that's about as best as
24 I can explain it. We have progressed and advanced and
25 speaking about the reallocation as being reflected. Right now

1 in the facility I'm in I have no more room for additional capital
2 equipment. Funds can be used to continue to advance the
3 development and expanding for purposes of
4 commercialization.

5 DELEGATE BYRON: Any questions?

6 DELEGATE MOREFIELD: Do the light
7 sheet lights blink like the ones here?

8 MR. WHITE: There are certification
9 standards that were mentioned in the reallocation and in
10 addition to our patent, there are several hoops you have to
11 overcome. One of those is flicker and it may cause headaches
12 for example. And there are standards that you have to meet.
13 In addition to our patents being issued which was a gateway
14 to be able to sell our product, we also have achieved UL
15 certification on our products and we continue to do that.
16 Another standard is the DL requirement and that focuses on
17 flicker and we meet that standard as well.

18 DELEGATE MOREFIELD: Madam Chair,
19 that was to be a joke.

20 DELEGATE BYRON: We're very seriously
21 involved in our grant application.

22 MR. CARMACK: Madam Chairman, I'm
23 Duffy Carmack of the Higher Education Center in Abingdon.
24 I'd like to make one comment. LiteSheets has done a great job
25 with this grant. We visited the site about five weeks ago and

1 they are working shoulder to shoulder there. One other point
2 I think that's relevant, this is one of the projects that our
3 foundation set up as an investment tool with LiteSheets. For
4 every dollar that the Tobacco Commission has put in the
5 project, there is a return of 1.8 coming back currently to the
6 Higher Ed Center. That's been discussed multiple times as an
7 investment. This is a poster child of the successes of the
8 project.

9 MR. WHITE: I understand that from the
10 entrepreneurial view, a lot of folks prefer a grant because it's
11 free money. We don't view it that way. Our relationship and
12 partnership with the Commonwealth of Virginia is very, very
13 powerful marketplace for us and we value and treasure it. We
14 view the Commonwealth as a partner and not an equity
15 position as it's termed. It's very important to us and we view it
16 as a very strong relationship.

17 DELEGATE BYRON: Thank you. Mr.
18 Owens?

19 MR. OWENS: The original grant was \$2
20 million?

21 MR. PFOHL: Yes.

22 MR. OWENS: What percent of the \$2
23 million has gone to equipment or personnel?

24 MR. PFOHL: The percentage for
25 personnel?

1 MS. WILLIAMS: \$1.2.

2 MR. PFOHL: This would increase that by
3 up to \$1.5 roughly.

4 DELEGATE BYRON: Is any of that
5 designed as engineering or R&D?

6 MS. WILLIAMS: We're funding a variety
7 of positions including the office manager and Roger but also
8 funding engineering and manufacturing that is clearly
9 research R&D. We're also funding a variety of other expenses,
10 operational stuff, building lease, insurance for the building
11 and some maintenance at a very small amount overall but
12 when you put it together we felt that the ten percent, that the
13 policy had been exceeded.

14 DELEGATE BYRON: I think one of the
15 things I wanted to point out to the Committee when we talk
16 about some of our R&Ds and our thoughts of
17 commercialization and added it to our application. I'm not
18 suggesting that we defer from the guidelines that we've had for
19 administration but when you see a company such as this and
20 made the equity investment back to the Southwest Higher Ed
21 Center and them or the Commonwealth, it's still in Virginia.
22 You're also seeing someone that's been very frugal and I
23 understand you've even gotten equipment on EBay. People
24 that could go out now and buy a piece of equipment because
25 the grant says so and keep a cover over it as I've seen in some

1 of our other situations and that's happened where they bought
2 equipment and were not able to use it yet. Here you've got a
3 company that is saying we're being very careful and planning
4 things out well and we don't have room for that extra piece of
5 equipment. So how do we deal with situations like that to
6 continue to support in other ways the grants?

7 SENATOR RUFF: I guess I'm a little bit
8 confused in that you have spoken very eloquently on some of
9 the projects you've been doing across the country and I
10 commend that. New York, what's happening to that coming
11 in, can't that absorb some of these overhead costs?

12 MR. WHITE: It does, actually. And there
13 was some conversation on some of the prior presentations
14 about matching. We're well ahead in our match of the
15 Tobacco Commission funds on an order of probably half a
16 million dollars ahead of what we requested in reimbursement.
17 So the answer is yes to your question. That's current and
18 there's no doubt about it.

19 SENATOR RUFF: Madam Chairman, that
20 being the case, I don't quite understand the need for so much
21 overhead.

22 MR. WHITE: My understanding of the
23 staff recommendation really boils down to the terminology of
24 administrative versus R&D. The staff has said the CEO is all
25 administrative and I can assure you that at LiteSheet, my role

1 is very, very minimal on the administrative side and I can't
2 run a company this way and be successful. This is my fourth
3 startup and respectfully if I was administrative and overhead,
4 the company wouldn't survive if I was in that function. I've
5 seen that time and time again. My time is spent in R&D
6 developing product and technology, creating IPs to move this
7 company forward in a unique way that protects our great
8 strategy and supports what we're trying to do for the
9 Commonwealth of Virginia. We are here because I'm a
10 Virginian and it's important to me that we create jobs to grow
11 this company in the Commonwealth.

12 SENATOR RUFF: We have a number of
13 people in the audience that are watching us that come to
14 R&D, they're interested in doing things. We have worked to
15 shift money from the original proposal \$2 million for
16 equipment to other things. I think we need to be very
17 cautious that we're setting a precedent. I can see a minor
18 change but when we start changing and making a major
19 change, we need to be very careful where we go.

20 MR. PFOHL: Madam Chair, I'd like to
21 respond to Mr. White. Staff has not stated a CEO position is
22 one hundred percent administrative. We have not said that.
23 But I think what we're saying is that we have an office
24 assistant who's clearly not in a research position. That's
25 already eight percent of the grant plus some of the contractual

1 things that Sara mentioned, lawn mowing and insurance and
2 things like that and some portion of the CEO's time.
3 Certainly, we feel that's exceeding the Committee's guidelines.
4 We're not doing this in any way to impair or restrain a good
5 product, merely to apply the program guidelines fairly and
6 equitably.

7 DELEGATE BYRON: Senator Smith?

8 SENATOR SMITH: I'd like to know more
9 about the product line. I have spent a lifetime in
10 manufacturing, I'm interested in what you're making. I
11 understand it's an advanced lightbulb. What makes a
12 lightbulb work or can you give me some information?

13 MR. WHITE: LED lighting is obviously a
14 high technology right now. It's being employed primarily
15 because of policy shifts and the outlawing of incandescent
16 lights. All LED lighting, all traditional LED lighting utilizing
17 AC to DC power supply to convert AC current to DC direct,
18 which is what LED lights run on. That's like your laptop, your
19 cell phone, that power supply is embedded in everything. So
20 when you go to Home Depot or Lowes and pick up an LED
21 bulb, the first thing you notice about it is the weight. That's
22 because there's a power supply in the base that's converted
23 AC to DC. Our patent eliminates that power supply. We run
24 our lights directly off of AC. There's a little card that we
25 manufacture on the S and T line that was purchased with

1 Tobacco Commission funds in our factory in Bedford along
2 with LED boards we manufacture in Bedford as well. We
3 assemble and test there, too, at that facility. The R&D
4 component of this is that light has to be configured for each of
5 these, that light engine, what we call a light engine has to be
6 configured for each one of these, size and power.

7 SENATOR SMITH: I'm trying to
8 understand the product. Is it primarily a circuit board of a
9 transformer?

10 MR. WHITE: It's a light fixture.

11 SENATOR SMITH: Bulbs are very
12 expensive so I'm sure that's a major part of this. Explain to
13 me where is the expense of the components, the circuit board?

14 MR. WHITE: There's three primary parts.

15 SENATOR SMITH: Would you describe
16 those to me?

17 MR. WHITE: There's three. One is the
18 housing fixture itself.

19 SENATOR SMITH: Is that a metal
20 stamping?

21 MR. WHITE: Yes.

22 SENATOR SMITH: Do you make that in
23 your plant?

24 MR. WHITE: We actually contract that to
25 a company called CEM in Bedford about a mile and a half

1 away from us.

2 SENATOR SMITH: That's one of the
3 three.

4 MR. WHITE: The other two are the LED
5 board itself.

6 SENATOR SMITH: Which is essentially a
7 circuit board?

8 MR. WHITE: It is. And then there's what
9 we call a power board and that's the interface between the AC
10 and that's another circuit board.

11 SENATOR SMITH: You make the circuit
12 board in your plant?

13 MR. WHITE: Yes, we do.

14 SENATOR SMITH: Do you normally
15 contract that out somewhere else?

16 MR. WHITE: We did until we got a
17 facility up and running in Bedford. Now we do all of that in
18 house.

19 SENATOR SMITH: The third component?

20 MR. WHITE: The housing, LED board
21 and the power, those are the three components. We make two
22 of them in Bedford in our factory there and the third one, the
23 housing, we actually contract to a manufacturer in Bedford
24 and then we marry them together, test and do everything else
25 out of Bedford. Our light is one hundred percent made in

1 Bedford.

2 SENATOR SMITH: So your
3 manufacturing essentially is assembling the circuit board?

4 MR. WHITE: Yes.

5 SENATOR SMITH: Thank you.

6 DELEGATE BYRON: Delegate Marshall?

7 DELEGATE MARSHALL: I have a motion.

8 I move that grant number 2699 that we approve \$140,000
9 and change for the electrical engineering and \$150,000 for
10 contractual, for the match to the grant dollars and that's my
11 motion. Would someone like to explain that motion?

12 DELEGATE BYRON: Tim?

13 MR. PFOHL: That would address the
14 staff's concerns.

15 DELEGATE MARSHALL: Tim, do you
16 think that this is legitimate expenses that will occur?

17 MR. PFOHL: Right, I think your
18 certification and the contractual, certainly very critical project
19 costs, yes.

20 DELEGATE BYRON: Do we have a
21 second?

22 DELEGATE MARSHALL: Did we get a
23 second?

24 DELEGATE BYRON: We did not get a
25 second.

1 DELEGATE MARSHALL: Then I have
2 another motion. I move that we table project number 2699 so
3 that the company and the staff can work out the details and
4 we would have this back before us at our January 16th
5 meeting. I'd also ask the company to email members of the
6 Committee information on your business, I saw your video.

7 DELEGATE BYRON: We have a motion
8 to table this until the January meeting so the staff can review,
9 I would like to review the whole evaluation of the project until
10 we have accurate information and make sure that the
11 company has not portrayed anything inaccurately and that we
12 have everything in the right order within our guidelines.

13 MR. OWENS: Does that mean there will
14 be no more disbursements until we come back?

15 MR. PFOHL: Madam Chair, I would
16 assume that the reallocations that have already been
17 approved would still be open to reimbursement. I believe
18 Delegate Marshall is suggesting that this reflect the
19 reallocation.

20 DELEGATE BYRON: This was an
21 extension to extend their time, not to increase the amount
22 since they're not ready to move yet. Anything under the
23 original grant and I assume that was a part of this and is still
24 part of an agreement that we have, am I correct?

25 MR. PFOHL: Correct.

1 DELEGATE BYRON: Now, we have a
2 motion that has been seconded. All in favor say aye. (Ayes.)
3 Opposed? (No response.) Thank you.

4 MR. PFOHL: We have two other matters,
5 I'll move quickly. Another request from the Southwest
6 Virginia Higher Education Center Foundation and this is for
7 Excavation Damage Prevention Devices, grant number 2698 a
8 \$1.5 million grant award. Excavation Alert Systems LLC is the
9 private beneficiary to develop an innovative system to market
10 protect pipeline and other infrastructure from excavation
11 damage. The grant was approved two years ago this month.
12 So far, correspondence from the company indicates that a
13 little over half a million dollars has been raised with additional
14 funds anticipated by the end of this month.

15 At that time, the company intends to get
16 a two year project and achieve certain milestones and the
17 development and demonstration of their products. The project
18 scope and budget is provided this June reflecting a total
19 project cost for that two year period of \$1.5 million of which
20 staff is recommending that half of that or \$750,000 of the
21 current grant to be available for disbursement when the
22 company has shown equal, committed and available
23 matching funds with the remaining \$750,000 of grant funds to
24 be held by the Commission pending additional commitment of
25 matching funds, clarification of revised research tasks and

1 milestones and approval of revised uses of funds.
2 Additionally, staff recommends the project be extended until
3 October 1, 2017. These revisions, if approved, will be reflected
4 in a new Letter of Agreement to be issued for the project.

5 DELEGATE BYRON: Mr. Owens?

6 MR. OWENS: Madam Chair, I move that
7 we approve this staff recommendation.

8 SENATOR SMITH: Second.

9 DELEGATE BYRON: Any further
10 questions or comments? All in favor say aye. (Ayes.)
11 Opposed? (No response.) Next?

12 MR. PFOHL: The final item before you is
13 also from Southwest Virginia Higher Education Center
14 Foundation. Development and Demonstration of AdvanSorb
15 Landfill Gas Upgrading Technology number 2222, a grant
16 award of \$1,529,000 and change to upgrade the methane
17 landfill gas to pipeline quality. The project was approved in
18 May of 2011 slightly more than four years ago. During the life
19 of this project, it became apparent that the landfill would not
20 be able to produce the gas necessary to justify the
21 construction of a pipeline extension that was to serve as the
22 majority of the match for the project. The grantee has
23 requested an extension of the project to allow time to support
24 testing the use of the gas produced at the landfill as an on-site
25 energy source. This change in scope will result in additional

1 matching funds for the project. Staff recommends approval of
2 the change in scope and extension of the project until October
3 1, 2016.

4 DELEGATE MOREFIELD: Madam Chair,
5 is there a representative from the landfill here?

6 MR. CARMACK: Delegate Morefield,
7 Duffy Carmack again. I'm here on behalf of the project.

8 DELEGATE MOREFIELD: The only
9 question I have with natural gas prices where they are, what
10 happens here?

11 MR. CARMACK: The issue at Tazewell is
12 the amount of moisture in the landfill has greatly affected the
13 production of the methane gas being extracted. Coming out of
14 the ground, yes, to answer your question there are economic
15 advantages to this. It is a change in scope because it's not
16 using enough methane to put into a natural gas pipeline. It's
17 producing enough methane to use for one of three ways.
18 Tazewell County is requesting, they're building a new sewer
19 line in Tazewell and they're having a difficult time getting the
20 leachate out of the landfill and trucked into the sewer
21 treatment plant. The power to pump the leachate from the
22 sewer line would be generated by the gas out of the landfill
23 and that's what the change in scope is.

24 DELEGATE MOREFIELD: The electrical
25 costs, are they planning to produce electricity?

1 MR. CARMACK: If they didn't use the
2 methane gas as the electrical production source to run a
3 generator pump then yes, they'd have to use commercial
4 electricity. There is enough methane also to power the
5 electrical generator and power the shop at the plant. An
6 engineering firm has been working, they're measuring right
7 now the capacity with the amount of methane coming out of
8 the ground.

9 DELEGATE MOREFIELD: Here it says
10 the pipeline sales will be possibly due to a 7.6 mile extension
11 from Appalachian Natural Gas Distribution Company. Have
12 they gone into an agreement to build this pipeline?

13 MR. CARMACK: That's the change in
14 scope. Since the landfill is not producing enough methane to
15 make it economically feasible for the gas company to lay the
16 pipeline, we're asking for a change in scope. The methane will
17 now be used to power generators and electrical pumps on the
18 landfill site that is a change of scope.

19 DELEGATE MOREFIELD: If you look at
20 the price of electricity, the cost of electricity and the cost to
21 extract from the landfill, that's the knowledge that I have the
22 cost of producing electricity, it seems to me it's not
23 economically viable. The price of natural gas is trading at
24 \$2.60 and we have a glut of natural gas in Southwest Virginia.
25 Most operators are not drilling because gas prices are so

1 cheap so that's why I asked the question, is this economical.
2 In reference to the infrastructure, the natural gas pipeline
3 infrastructure in Bluefield, Virginia and that's the reason I
4 asked the question.

5 DELEGATE BYRON: Any other
6 questions? Thank you very much.

7 DELEGATE MARSHALL: I move we
8 accept staff's recommendation on project number 2222.

9 DELEGATE BYRON: I don't have a
10 second.

11 MR. FEINMAN: Madam Chairman, we
12 discussed at the subcommittee meetings the changes in the
13 vetting process that the R&D Committee uses. It's my
14 understanding we are not planning on doing another round of
15 R&D funding prior to or ahead of our January meeting. I can
16 summarize for those members who were not at the
17 subcommittee meeting and that we will schedule an additional
18 meeting to talk about this.

19 Essentially, there was dissatisfaction with
20 the cost and manner in which VEDP was doing the vetting of
21 the projects for this Committee. In conversation and in staff
22 deliberation, it was to merge the three potential options for
23 vetting future projects for this Committee. The first is the
24 status quo, even with the sad news about Mr. Giles, VEDP
25 stands ready to continue to function as they had before. The

1 second option to cap the amount of expenditures that we are
2 willing to do per project on a total basis by this Committee.
3 The third option would be to scrap VEDP entirely and ask staff
4 to assemble quote unquote counsel technology executives to
5 do the vetting for the Committee on a cost basis as opposed to
6 the hourly fees that are charged by VEDP experts. Those are
7 things that the Committee will consider. We may not reach a
8 decision on that today.

9 DELEGATE BYRON: Yes, as Chair of the
10 subcommittee, that's pretty much the discussion we had.
11 Looking at, we really don't have the time that's needed to get
12 to where we need to be on this. With the staff's approval, we
13 will continue to discuss this and look at other options.

14 One of the options I wanted to throw out
15 to you to consider between now and our January meeting, one
16 was to in discussion with the Strategic Planning Committee
17 and to look at where the Commission feels R&D should be
18 going. Because of our diminishing funds, we need to look at
19 whether or not we are going to resort to some type of return on
20 investment or some way to reinvest funds. We have a balance
21 but I think that our staff has told us that would require a
22 change in policy and law.

23 The other was to possibly see what type
24 of a system can be offered to applicants that are getting ready
25 to commercialize because that is what our main goal is in

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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 **Tobacco Region Revitalization Commission R & D Committee meeting when held on Wednesday, September 23, 2015 at 8:30 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 4th day of October, 2015.

Medford W. Howard

Registered Professional Reporter

Notary Public for the State of Virginia at Large

My Commission Expires: October 31, 2018.

Notary Registration Number: 224566