

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                  Tuesday, September 20, 2016

11                   8:00 A.M.

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Wise, Virginia

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1 **APPEARANCES:**

2 The Honorable Kathy J. Byron, Chairman

3 The Honorable James W. Morefield, Vice Chairman

4 The Honorable Charles W. Carrico, Sr.

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

6 Ms. Rebecca Coleman

7 Ms. Cathy Lowe

8 The Honorable Daniel W. Marshall, III

9 Mr. Dale Moore

10 The Honorable Edward Owens

11 The Honorable Frank M. Ruff

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

2 COMMISSION STAFF:

3 Mr. Evan Feinman – Executive Director

4 Mr. Chris E. Piper – Deputy Executive Director

5 Mr. Timothy S. Pfohl – Grants Program Administration

6 Director

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

8 Southside Virginia

9 Ms. Michele Faircloth – Grants Assistant, Southside Virginia

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

11 Southwest Virginia

12 Ms. Jessica Stamper – Grants Assistant, Southwest Virginia

13 Ms. Jordan L. Butler – Public Relations Coordinator

14 Ms. Stacey Richardson – Executive Assistant

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16 COUNSEL FOR THE COMMISSION:

17 Ms. Elizabeth B. Myers, Assistant Attorney General

18 Richmond, Virginia

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1 DELEGATE BYRON: I'm going to call the  
2 meeting of the R&D Committee to order and I'll ask Evan to  
3 call the roll.

4 MR. FEINMAN: Delegate Byron?

5 DELEGATE BYRON: Here.

6 MR. FEINMAN: Senator Carrico?

7 SENATOR CARRICO: Here.

8 MR. FEINMAN: Ms. Coleman?

9 MS. COLEMAN: Here.

10 MR. FEINMAN: Ms. Carter?

11 MS. CARTER: Here.

12 MR. FEINMAN: Ms. Lowe?

13 MS. LOWE: Here.

14 MR. FEINMAN: Delegate Marshall?

15 DELEGATE MARSHALL: Here.

16 MR. FEINMAN: Mr. Moore?

17 MR. MOORE: Here.

18 MR. FEINMAN: Delegate Morefield?

19 DELEGATE MOREFIELD: Here.

20 MR. FEINMAN: Mr. Owens?

21 MR. OWENS: Here.

22 MR. FEINMAN: Senator Ruff?

23 SENATOR RUFF: Here.

24 MR. FEINMAN: You have a quorum,  
25 Madam Chairman.

1 DELEGATE BYRON: Thank you. I hope  
2 everyone read the minutes published on the website for our  
3 5/23/16 meeting. Is there a motion?

4 MR. OWENS: So moved.

5 DELEGATE BYRON: We have a motion  
6 and a second. All in favor say aye. (Ayes.) Opposed? (No  
7 response.) The minutes are approved.

8 The second set of minutes had to be  
9 corrected and they were on February 22<sup>nd</sup>, 2016. Those are  
10 also published on the website. Do I have a motion to approve  
11 those?

12 MR. OWENS: So moved.

13 DELEGATE BYRON: All in favor of  
14 approving the minute say aye. (Ayes.) Any opposed? (No  
15 response.) The minutes are approved. Today we're going to  
16 be looking at a continuation, we're going to continue to look at  
17 the applications and staff recommendations. It's my  
18 understanding this round we didn't receive any SBIR  
19 applications. We can talk about that after we go through  
20 these. So Tim, if you would take us through these.

21 MR. PFOHL: Good morning, Madam  
22 Chairman and members of the Committee. Just to give you a  
23 little background of what we're here to talk about today.  
24 When your Committee met in May, you directed staff to solicit  
25 for both proposals for previous R&D grantees who would only

1 receive one round of Commission funding and had completed  
2 their first phase of work or substantially. We received seven  
3 applications and a tremendous amount of information in those  
4 that have been provided to you. We'll do our best to be brief  
5 as we walk through these. Several representatives for these  
6 projects are here as we go through them and they can explain  
7 what they're doing.

8                   So let's start from the top the Dan River  
9 Business Development Center #3208. They submitted a \$1.5  
10 million request for a sustainable tree-free pulp form specialty  
11 tobacco and agricultural waste. The Tyton BioEnergy Systems  
12 is developing a solution for producing high value tree-free pulp  
13 from tobacco, agriculture products and ag waste leftover  
14 biomass after harvest. With completion of the first tobacco  
15 grant, Tyton succeeded in achieving its goal to develop a  
16 technology at a pilot scale to turn is proprietary tobacco into  
17 sugar and other coproducts for energy markets. It will allow  
18 rural Virginia to address underserved with nearly \$2.8 million.

19                   The next phase would expand field  
20 planting trials in four southern Virginia counties; Brunswick,  
21 Buckingham, Franklin and Mecklenburg. Secondly, update  
22 the pilot process from a phase one grant and would acquire  
23 equipment to scale up to industrial scale. A strong IP  
24 platform and there's several key market opportunities  
25 identified. The request in this phase has been revised, asking

1 \$309,000 in personnel, \$200,000 in contractual and  
2 \$910,000 in equipment. TRIC. The outcomes are entirely  
3 contingent on significant pulp processing and facilities  
4 constructed in the tobacco region. We've had conversations  
5 with the applicants about what might occur if the  
6 commercialization went outside the region. You can see it's  
7 part of our recommendation \$1.5 million and we are  
8 suggesting it be contingent upon a negotiated claw back  
9 provision to the effect that if commercialization does not occur  
10 in the Tobacco Region. There is a lot of information  
11 summarized there.

12 DELEGATE BYRON: First of all, I want to  
13 thank the entire staff for working the work they did and this is  
14 just some of the papers that they have been going through in  
15 order to make a decision today. There's confidential  
16 information included and if there is something any of the  
17 members want to ask in regard to this please be mindful that  
18 we need to go executive session if we do that. And we're glad  
19 to do that in order to answer questions. We're talking about a  
20 lot of money here and maybe there's some things that we need  
21 to discuss in executive session, so keep that in mind.

22 SENATOR RUFF: Tim, you mentioned  
23 the claw back provision. Would the claw back be just for  
24 phase two or phase one and two?

25 MR. PFOHL: I think the horse has left

1 the barn on phase one agreement, so I think we need to focus  
2 on phase two.

3 MR. FEINMAN: Moving forward, we'd like  
4 to do that on every one, for every R&D. We've had a variety of  
5 R&D performance agreements over the life of the Committee  
6 and moving forward it's our view that if we're funding R&D  
7 that should be very clear and very clearly laid out in the  
8 performance agreement and subject to claw back.

9 SENATOR RUFF: I would agree that if  
10 we're going to enter into a contract, part of the contract would  
11 be to include the part for phase one, why should we extend  
12 more if we don't have –

13 DELEGATE BYRON: - Those kind of  
14 questions we've got to bear in mind so that –

15 DELEGATE MARSHALL: The first  
16 question is when was phase one or what year was that?

17 MR. PFOHL: 2012.

18 DELEGATE MARSHALL: You and I have  
19 been over this before and I remember we had many, many  
20 meetings about this way back when. I thought all the projects  
21 had a claw back when we originally set this up. The idea was  
22 if it was not in the footprint, if the commercialization wasn't in  
23 the footprint that was it.

24 MR. PFOHL: I think it's safe to say that  
25 the agreements have evolved over time and in past years there

1 was wording that commercialization needed to occur first and  
2 fully in the words of the former Executive Director in the  
3 Tobacco Region. We have varied these agreements over the  
4 five or six year life of this program.

5 DELEGATE BYRON: Why not go back to  
6 phase one and address that situation, it might possible affect  
7 one way of the other?

8 MR. PFOHL: I'm not quite sure I  
9 understand the issue.

10 DELEGATE BYRON: Talking about  
11 dealing with the contracts.

12 MR. FEINMAN: Certainly you can enter  
13 into any agreement that you would like. The contract in its  
14 entirety itself that could inure to itself if it's properly drawn  
15 up.

16 DELEGATE BYRON: I'm not sure if I've  
17 seen this or not.

18 SENATOR RUFF: They're either  
19 committed to the footprint or not, so they'd probably have no  
20 problem with the Committee if they're just looking for the  
21 cash.

22 DELEGATE MARSHALL: I see somebody  
23 from the company shaking their head yes.

24 MR. FEINMAN: We'll work with counsel  
25 to get an answer to that. We understand the Committee

1 wants a large significant claw back if possible before monies  
2 are given out. That's about the best we can do now.

3 DELEGATE BYRON: Are there any other  
4 questions? Tim, do you want to take them one by one or?

5 MR. PFOHL: That's up to you.

6 DELEGATE BYRON: Go ahead then.

7 MR. PFOHL: The second request is from  
8 the Floyd County EDA Advanced Nonwoven Filtration Phase II,  
9 requesting \$500,000. Proposed Phase II research objectives  
10 and activities will continue the development of three of the five  
11 phase I tracks using market feedback with the intent to move  
12 towards customer sampling and commercialization. Phase I  
13 resulted in six and a half million of new capital.  
14 Commercialization will continue with 25 new jobs and \$12  
15 million of private capital investment and creation of 25 new  
16 jobs as they explore these product lines.

17 The Phase I investment and research  
18 results, they have a history of job creation in Floyd County.  
19 Phase I involved development and testing of the five tracks of  
20 new filtration media resulting in the addition of the Technostat  
21 line and proposed \$10 million investment and seventeen new  
22 jobs. And as I said, the commercialization goals appear to  
23 have been largely met. As such, this was the highest scoring  
24 project in this funding round and the staff recommends an  
25 award of \$500,000.

1 DELEGATE BYRON: Any questions?

2 MR. PFOHL: Next up is Halifax County  
3 Industrial Development Authority applied for \$275,000 for the  
4 TMI AutoTech continuation of grant #2868. Based on a grant  
5 of just shy of \$840,000 and this was to design and produce  
6 the off-road vehicle. This has been successful today in the  
7 marketing of the vehicle and initiation. A facility is being  
8 constructed with the Phase I grant. The Phase I grant and the  
9 facility is still under construction and sales should start  
10 within the next ninety days. This new phase requests  
11 \$275,000 to produce four prototype and that's a three wheeled  
12 vehicle for testing and marketing and the balance of the  
13 request is \$50,000 for personnel. Ultimately, this should  
14 create more job openings as indicated in the application and  
15 facility expansion as the production grows over the next  
16 several years and this will greatly enhance the turnaround  
17 investment. Staff recommends an award of \$275,000.

18 DELEGATE BYRON: Any questions?

19 MS. COLEMAN: I'm unclear as to what  
20 constitutes a continuation of the phase two grant and new  
21 products. I thought we funded for the prototype. This  
22 appears to be an application to develop a second product.  
23 Why the continuation? I'm also interested in the discussion  
24 about the business plan.

25 DELEGATE BYRON: And your question?

1 MS. COLEMAN: The business plan, I'm  
2 also interested in the job creation Phase I, what about  
3 marketing the product. What's the difference?

4 DELEGATE BYRON: The first one has to  
5 do with the different prototype. That involves the research  
6 and the R&D was involving the different things that are  
7 involved in the marketing and production.

8 MR. FEINMAN: This is going to be  
9 somewhat of a subjective question. If you're doing R&D on  
10 how to develop a side by side vehicle with three wheels and  
11 you come out with a couple of different products as a result of  
12 that R&D and I think the Committee could characterize that  
13 as a new application or a new line of products. Just as easily,  
14 the applicant could say look it's the same R&D as you all  
15 funded, here's how we're going to take it to market. It's up to  
16 the Committee, subjective policies that we try to make. Those  
17 aren't the type of subjective policies that we try to make on the  
18 staff level. I'm fairly comfortable the original R&D that went  
19 into the development of the product. This is additional  
20 refinement of trying to take a product to market, which is also  
21 something we really like to see. You're talking about taking  
22 something and selling it immediately as part of this plan and  
23 that's not something that most applicants are ready to do in a  
24 quick timeframe.

25 DELEGATE BYRON: The other question

1 you had about the business plan, Tim, can you help us?

2 MR. PFOHL: Sure. We received  
3 everything from PowerPoints including multiple pages up to a  
4 seventy-plus page business plan and extremely detailed. This  
5 one was on the lighter side. Staff has attended a ribbon  
6 cutting for the facility. It's an outstanding facility and we  
7 noted that yes, this is certainly a new product being built but I  
8 think we could also say that and point out that several of our  
9 R&D grantees have gotten into their processes and have  
10 identified markets or identifying different markets. Sometimes  
11 you hear the term paper production and one of the projects we  
12 saw yesterday, it didn't envision some of the markets that  
13 have come to light. Yes, it's a new product but it's very  
14 substantially built upon the capabilities that they have at  
15 their facility at TMI as well as the workforce. As Evan said, it's  
16 subjective and whether or not it's an appropriate investment,  
17 it's certainly a new product but certainly based on the  
18 capability of the development in Phase I.

19 SENATOR CARRICO: Madam Chair?

20 DELEGATE BYRON: Senator Carrico.

21 SENATOR CARRICO: As far as  
22 transportation, have we allowed this one?

23 DELEGATE MARSHALL: This is a vehicle  
24 and it was one in Charlottesville.

25 SENATOR CARRICO: Is this defined as a

1 vehicle or?

2 DELEGATE MARSHALL: The reason it's  
3 called a, it wasn't crash tested. There's other branches.

4 SENATOR RUFF: Well, just to add to  
5 that, we're working with DMV to draft legislation to clarify  
6 those questions.

7 SENATOR CARRICO: There was some  
8 talk about it last year. I didn't know if we did anything with  
9 that.

10 SENATOR RUFF: I think there needs to  
11 be some modification of the law.

12 DELEGATE BYRON: Any further  
13 questions?

14 MR. PFOHL: The next request is from the  
15 Region 2000 Research Institute and most of you are familiar  
16 with the advanced research in Bedford. It's a \$2 million  
17 request for LiteSheet Energy Efficient and Lower Cost LED  
18 Lights Phase II. This request follows from a September 2013  
19 grant for \$2 million of which the vast majority has been  
20 released to date. The Phase I grant resulted in the  
21 certification of the facility in Bedford and several of its earlier  
22 generation products, which has resulted in early customer  
23 clientele and major corporations and institutions and other  
24 commercial buyers. This seems to be growing substantially  
25 and gaining consumer acceptance resulting in higher

1 efficiency and lower operating costs and industry leading  
2 power technology. The initial phase will continue with  
3 product development and continue with certification across a  
4 broad range of exterior lighting utilizing this technology.

5                   The company has a very thorough  
6 business plan. The company is on the leading edge of LED  
7 lighting in the commercial industrial marketplace. LiteSheet's  
8 technology delivers the most energy efficient, longest life,  
9 maintenance free with the lower cost of ownership of any LED  
10 lighting product in the commercial and industrial market.  
11 With the help of the Tobacco Phase I grant funding in the last  
12 three years, LiteSheet has opened a certified manufacturing  
13 facility and begun hiring employees. Commission funds will  
14 be used to construct a new facility to house LiteSheet, for  
15 personnel \$518,000, contractual \$103,000, supplies and  
16 equipment \$178,000 and equipment \$200,000 and plant  
17 improvements for a total of \$1 million. The company is still  
18 well short of 44 jobs as described in the Phase I request  
19 although the company has been restrained by zoning. The  
20 company has been making a search for a new and larger  
21 space and that would allow them to grow their product line.  
22 They've had some discussions with the Bedford County EDA  
23 on the subject of facilities. So at this point we don't have the  
24 specific details about a location and ownership of the building.  
25 Staff has noted that as discussed the subject of constructing

1 a building or private beneficiary should be a priority for the  
2 remaining R&D funding. We've asked the company for more  
3 specifics concerning a larger facility in the proposed project  
4 period. The response indicates \$720,000 of designated costs  
5 concerning a lease and operating in this space for the three  
6 year project period. Staff has suggested cost sharing with the  
7 applicant. We're supporting a million dollars of research plus  
8 \$360,000 for leasing and operating for a three year period to  
9 assist the company in relocated to a larger leased facility in  
10 the Tobacco Region.

11 DELEGATE BYRON: I'd like to make a  
12 comment. They have more research and more patents than I  
13 can keep track of and that research is really grasping the  
14 future and good things to come. The one thing that I wanted  
15 to note about this company is that this company really is  
16 important. The fact that they're investing their money and the  
17 plan, the fact that the people are coming there with orders for  
18 their product. I remember them buying something on EBay  
19 just to save costs, not go out and spend it just buy something  
20 right off of the market because they got grant money. They've  
21 been very frugal with their money and there aren't a lot of jobs  
22 yet because of the expansion and the equipment that they  
23 really started to utilize now. Once they can move into a bigger  
24 facility, you're going to start seeing the full production line and  
25 all these orders coming in will start to take place. I think

1 they've done a real good job of what they're doing. Are there  
2 any questions from Committee members in regards to what  
3 they're doing?

4 MS. LOWE: Is the \$1,360,000 relocation  
5 only?

6 DELEGATE BYRON: No.

7 MR. PFOHL: The research task to  
8 develop an exterior product line as well as relocation and  
9 operations.

10 SENATOR RUFF: Are they in a leased  
11 premises right now?

12 DELEGATE BYRON: Yes. Any more  
13 questions?

14 MR. PFOHL: The next request is from the  
15 Southwest Virginia Higher Education Center Foundation  
16 Phase II Micronic Technologies Water Field Pilot Program and  
17 they're requesting just shy of \$2 million. Micronics presents a  
18 well-developed business plan as well as reasonable and well-  
19 defined goals in their Phase II application. The staff notes that  
20 significant deliverables are not yet completed under the Phase  
21 I project and a balance remains in that grant to deploy four  
22 pilot plants. There's going to be continued testing of those  
23 pilots for up to a year. The current application UVA-Wise,  
24 although no longer survey, the applicant will with the Phase I  
25 grant will continue to partner with Micronics to conduct

1 testing with \$279,000 of requested funds. Approximately \$1.2  
2 million of requested funds will be used to support fifty  
3 percent, sixteen Micronic positions. Matching funds from  
4 People, Incorporated, Department of Mines, Mills and Energy  
5 for a potential application, some of those funds are not yet  
6 committed. Funding that remains in Phase I led staff to take  
7 the position that Phase II or work awarded at this time would  
8 be somewhat premature. Staff recommends the request be  
9 tabled pending substantial completion of Phase I activities and  
10 commitment of Phase II matching funds and updates on those  
11 positions.

12 DELEGATE BYRON: Any questions from  
13 the Committee?

14 MR. CARMACK: Thank you. I'm Duffy  
15 Carmack, Southwest Virginia Higher Ed Center. We've been  
16 working with Karen and Micronics for the last few months in  
17 this application. Yesterday there was some news that came to  
18 her in the form of a potential commitment and investment that  
19 we passed out to you today and also she can go over the  
20 timeline which shows where she is as far as completion of  
21 Phase I.

22 As Tim said, there are still dollars  
23 showing under the Phase I grant. Using round numbers, it's  
24 around \$830,000 but understand that approximately  
25 \$300,000 of that money will be used for UVA students,

1 engineering people that will be going out in the field once this  
2 project is put out for tests. Understand also, she has a piece  
3 of equipment ordered for \$150,000 that will come off that  
4 total. I think there's anywhere from \$300-\$340,000 left under  
5 the Phase I grant. There's going to be some overlap of this  
6 balance of \$340,000 on Phase I and if you approve a Phase II  
7 grant. I'll let her speak to you about that because she'd be  
8 more specific to answer your questions.

9 MS. SORBER: Good morning. The first  
10 thing I want to say is if I were the staff, I'd probably say the  
11 same thing. When you look under the surface, you might  
12 think maybe we haven't made the progress that we actually  
13 have. It came as a shock yesterday when I saw that we are  
14 substantially complete in our first pilot. From your  
15 perspective the critical risk area for you is are we going to get  
16 a pilot in the field and how quickly and how well will it  
17 perform. So we've got all of the design done on it and the  
18 applications. We have the inside of the tornado and the  
19 evaporator process manufactured and including in our tests  
20 right now. So it's very, very close to going into the field.

21 I would say that since we've had a  
22 Tobacco Commission grant, we've gotten two patents and  
23 what's going on inside the technology and we're about to get  
24 another one. And then we have another one in the queue.  
25 The technology development has been very robust. It's

1 engineering development and that takes time. We have twists  
2 and turns and right hand turns and left hand turns and  
3 troubles and then we fix them.

4                   What's very important while there's not  
5 much of a difference in your requirements and your legal  
6 aspects and oversight but to table this as opposed to  
7 approving it contingent on a couple of key items like getting  
8 the pilot in the field and like matching funds, could mean the  
9 difference in our company being successful or not and let me  
10 explain why. I'm in the process now of negotiating and due  
11 diligence with two \$100 million companies and a major  
12 investment group. We have tremendous support from DMME  
13 and continuing to do a proposal with them and we almost  
14 consider them as a strategic partner now. So let me give you a  
15 little bit of detail. We have a South American firm for example  
16 who wants an exclusive license to this technology and my  
17 lawyer is putting together now a letter of intent giving my first  
18 refusal for the country of Columbia and Peru and that's a big  
19 deal for the company and serves us well for investment group  
20 who is seriously considering an investment in the company  
21 along with matching funds.

22                   That CII and I gave you a copy of the  
23 letter, they can't make a commitment yet because they're  
24 raising the money and there's four impressive international  
25 investor financiers, very high integrity, just came out of the

1 Harvard Advanced Leadership Program and they want to  
2 invest in water technology and do good for the world. General  
3 Electric and you might remember we got an award from them  
4 in February where they and Terry in the General Assembly, a  
5 resolution, a commendation for this technology. We continue  
6 to do due diligence with General Electric and as a matter of  
7 fact, I got an email from them just the other day. So we hope  
8 that will release a second phase with General Electric and  
9 that's a big deal. Then we have another billion dollar company  
10 and they have a satellite plant in Virginia to do a pilot with the  
11 U.S. Department of Agriculture and it's a grant we still have.  
12 And the last thing I'll mention to you and I gave you a copy of  
13 it, the Department of Agriculture identified us as a success  
14 story. So in Southwest Virginia to these large companies and I  
15 discussed with them that there is a pending grant for \$2  
16 million and I need a \$2 million investment to match it. I've got  
17 about \$650 already so to speak in the bank heavily supported  
18 but I would like to have the extra funding of the \$2 million to  
19 show a real strong foundation here and internal. If this  
20 proposal we have for you is approved, I think the staff  
21 supported the proposal itself contingent upon us obtaining  
22 funding and doing the pilot in the field, your risk is reduced  
23 and we have the power to get that investment money that we  
24 desperately need to go to a commercial basis.

25 I hope all that makes sense and I would

1 just say that UVA-Wise, a strategic partner and I have over a  
2 dozen interns and this gives a huge opportunity to work in the  
3 field and they will continue to as the pilot goes out. We've  
4 hired seven people and put about \$2 million in the local  
5 economy.

6 With that, I'd be happy to answer any  
7 questions.

8 DELEGATE BYRON: Thank you.  
9 Delegate Marshall.

10 DELEGATE MARSHALL: I went on the  
11 tour yesterday, thank you. Let's go back to Phase I and an  
12 earlier conversation. Do you consider that if you do not  
13 commercialize you would owe us some money back?

14 MS. SORBER: I would never consider  
15 not commercializing in the footprint. In my grant agreement,  
16 there is no claw back per se. But if I start negotiating with an  
17 acquisition for example and someone came to me and said I  
18 want to buy your company and move it to New York, I would  
19 say we've got to pay back the Tobacco Commission. That's  
20 just the way it is.

21 DELEGATE MARSHALL: That was my  
22 second question also, thank you.

23 MS. SORBER: Thank you.

24 MR. FEINMAN: I think I get the  
25 impression that you've had some dialog back and forth with,

1 what specific contingencies might work and which ones might  
2 not. I know you don't want to get too deeply into what you're  
3 saying with your investors right now but we also have some  
4 concerns here both about the burn rate of our funds generally,  
5 not particularly your project because this is a fixed pot of  
6 money and of course, the whole Commission's financial  
7 situation. Secondly, if the R&D Committee is going to  
8 continue to be able to continue to have success stories like  
9 yours and others there needs to be a return to the R&D  
10 Committee at some point. I'm wondering if there is not some  
11 percentage of your request you might be willing to take out on  
12 a loan, which would seem to me to be a vote of confidence on  
13 the part of the Commonwealth and then you can turn around  
14 and show investors and say not only did the Commonwealth  
15 think our technology shows promise and the company has the  
16 wherewithal to service a debt back. There's an expectation  
17 that the R&D Committee could get some return.

18 Is there a portion of this request or  
19 maybe we could do it in stages such that there be a year down  
20 the road, you could begin loan service or are you not quite  
21 ready yet?

22 MS. SORBER: We certainly currently  
23 have loans. The disadvantage of having a loan of this nature  
24 would be that investors don't like debt, it doesn't make the  
25 balance sheet look as good otherwise. If you intend to have a

1 portion of each of these applications to be partially a loan,  
2 certainly I wouldn't want to be singled out for that but I  
3 understand your concern.

4 MR. CARMACK: One thing I'd like to say  
5 in relation to that, the servicing agency that we spoke of here  
6 before, the one servicing this loan, do you know at this point  
7 are they going to require the municipalities endorsement of  
8 the loan? Because we have problems in Southwest Virginia  
9 getting counties and localities to endorse and guarantee R&D  
10 loans.

11 MR. FEINMAN: We're working on that.  
12 The answer to that question is perhaps. We've been in dialog  
13 with VRA servicing loans and been talking to them for about a  
14 year now and it's been a slow start but that's something we're  
15 working on at the staff level.

16 MS. SORBER: If you approve it  
17 contingent upon this thing, I'd be happy to come to you in a  
18 year and sort it out and talk about that.

19 DELEGATE BYRON: I have some  
20 concerns in reference to that and I know you've done a lot of  
21 research and development with your company but you seem  
22 to be progressing on the different phases. I'm just not used to  
23 seeing in the application in the administration level that may  
24 necessarily be quick or sooner, maybe that's something that –

25 MS. SORBER: Administration and I

1 know what you're looking for.

2 DELEGATE BYRON: I know there's  
3 people working on the research and not so much maybe in the  
4 office. And there's other things that you don't always see in  
5 the applications and some of the work that's going on. I'm  
6 trying to get a grip around that expenditure. Sometimes we  
7 see lots of figures for the equipment that's going to be used in  
8 the technology or what's used for the administrative side.

9 MS. SORBER: Well, from the standpoint  
10 of labor but in terms of the vehicles, we had that in the first  
11 grant and we needed heavy duty equipment, loaders and  
12 blowers and tanks for gas. Just the other day we had to pick  
13 up a tank to fill our propane. We need a truck and this is  
14 going on as well. But if that's an issue, we can work that out.

15 DELEGATE BYRON: Well, I don't want to  
16 get too deep into that.

17 MS. SORBER: I'd be happy to have a  
18 conversation with you about anything associated with this.

19 DELEGATE BYRON: As far as your  
20 matching grants.

21 MS. SORBER: DMME, actually three  
22 proposals to go to EDA and to ARC for a couple of million  
23 dollars in grants. But the power money has apparently dried  
24 up, which was what was going to fund that. In the meantime,  
25 we have another potential source for that proposal and moving

1 towards getting those established but I don't know exactly  
2 when that happens. We have three pending proposals the  
3 U.S. Agency for International Development and we intend to  
4 submit two on the 10<sup>th</sup> of October and one on the 1<sup>st</sup> of  
5 November. One with a Columbian firm, two Columbian firms.  
6 That's U.S. AID trying to bring food and water into some of  
7 these areas in the world. Then we have the CII, we have a  
8 letter from they're trying to raise some funds within this next  
9 six months or so and they'll be ready to invest and they're  
10 doing their due diligence. They've been very supportive. I'll  
11 get that match and it would be a lot easier if this proposal was  
12 approved contingent rather than being tabled and that's my  
13 whole point. I hope you'll see the distinction and the  
14 difference and you won't release the funds until we comply  
15 with what you want us to comply with. In the meantime, I've  
16 got the power and the leverage to seek matching funds.

17 DELEGATE BYRON: Very impressive,  
18 thank you.

19 MR. PFOHL: Next up is VTT, LLC  
20 number 3209, Acquisition of Equipment to Expand Tire Test  
21 and Research Capabilities at The Global Center for Automotive  
22 Performance Simulation \$2 million requested. The initial  
23 grant on this project was in 2010 when the cap was \$5  
24 million. Virginia Tech Foundation was the recipient of \$5  
25 million in Phase I and they were to purchase the initial tire



1 request is likely to produce several well-paying jobs and  
2 significant economic impact in the foreseeable future. Staff  
3 recommends that this be referred to VRA for loan credit  
4 analysis with VTT EDI, the revised applicant on behalf of VTT,  
5 LLC.

6 DELEGATE BYRON: Any comments?

7 MR. OWENS: We have a representative  
8 here from Virginia Tech.

9 MR. DINGUS: Good morning, my name  
10 is Tom Dingus, I'm president of VTT, LLC. I'm also the  
11 director of the Virginia Tech Transportation Institute and a  
12 professor of engineering at Virginia Tech.

13 MR. OWENS: You've had a grant since  
14 2010?

15 MR. DINGUS: Yes.

16 MR. OWENS: Did you get your matches  
17 at that time?

18 MR. DINGUS: Yes.

19 MR. OWENS: How many other  
20 companies do you have that are willing as far as this request?

21 MR. DINGUS: We're working with three  
22 other companies at \$2 million apiece.

23 MR. OWENS: It's been recommended a  
24 loan, could you tell us why that won't work for you?

25 MR. DINGUS: What we need to consider

1 with VTT, LLC, a nonprofit corporation so we have a very tight  
2 operating margin and we have reserves at any given time of  
3 about \$10,000. Paying back a loan would be difficult. One  
4 thing to consider about a nonprofit, all the revenue stays in  
5 the company, every dime. It all stays in the footprint, every  
6 dime. Rent, electricity, payroll. We already have a line of  
7 credit from the Foundation that allows us to make the cash  
8 flow and things like that but it would be difficult for us to pay  
9 back a loan. Any additional revenue would also stay  
10 completely in the footprint.

11 MR. OWENS: When you develop it here,  
12 is there going to be a job somewhere?

13 MR. DINGUS: Yes, we're in competition  
14 with a company called Smithers in Ohio. This is going to be  
15 done. It's either going to be done in the footprint or in Ohio.

16 DELEGATE BYRON: Delegate Marshall?

17 DELEGATE MARSHALL: This is plowing  
18 new ground so to speak as a loan. I could also make an  
19 argument that every project we've talked about this morning  
20 could follow in the same path. Some people are aghast in the  
21 audience with that. Why single this group out as opposed to  
22 the others?

23 MR. PFOHL: Our thinking was that  
24 unlike other projects that have a private beneficiary that we  
25 talked about like Bristol Compressors, who are indicating they

1 will add significant jobs, capital investments and presumably  
2 will assist with TROF. This because it's purely a research  
3 facility, we don't have significant private sector job creation  
4 like we would have in most other R&D projects. We also look  
5 at it from the standpoint of the amount of information we had  
6 and appears there would be surplus revenues that would  
7 enable consideration for a loan.

8 MR. FEINMAN: It's our understanding  
9 you can run literally three shifts with this equipment and this  
10 would free up additional equipment time to take on more  
11 contracts and should provide more revenue, is that correct?

12 MR. DINGUS: This is a growth plan and  
13 will provide revenue and free up machine time and other  
14 clients using the other machines. The machines are difficult,  
15 some of the equipment purchased with the 2010 money is like  
16 your bathroom scale. It can take a much heavier load for  
17 instance like drag racing tires or NASCAR tires. If you watch a  
18 drag racing tire during a launch phase, there's enough force  
19 on the tire where it completely changes shape and all those  
20 kinds of things. The new machine is more like a scale where  
21 you can do many more things. So they're not very  
22 complementary and it will increase revenue. We're very  
23 conservative in our job creation level and at some point we'll  
24 create critical mass where a company starts to locate like  
25 some of these tire company personnel, VIR, I think there can

1 be some stable growth and it can be done in the footprint.

2 DELEGATE MARSHALL: You have 22  
3 FTEs?

4 MR. DINGUS: We have 23 positions, 23  
5 staff and three other positions.

6 DELEGATE MARSHALL: Are they living  
7 in the area, payroll of \$1.1 million?

8 MR. DINGUS: They all live in the area, a  
9 third in North Carolina, two-thirds live in Virginia.

10 DELEGATE MARSHALL: You know, Tim,  
11 the devil is always in the details. That's as far as the loan is  
12 concerned, just like these rebates or Ford has this program  
13 zero financing for so many months and those type of terms.

14 MR. PFOHL: The MOU that the  
15 Commission signed with VRA empowers VRA to set the loan,  
16 we're not trying to do that by Committee here. The direction  
17 of VRA is to be below market rate but not well below market  
18 rate. They'll set the length of the loan and the interest rate.  
19 They can structure it so it's interest paying only. It's fairly up  
20 to VRA.

21 DELEGATE MARSHALL: In terms of,  
22 how many years is the loan? I don't think we've done it  
23 before.

24 MR. PFOHL: VRA would use their  
25 underwriting process and they look at the use of the assets,

1 what's being purchased and what's reasonable for the life of  
2 the assets.

3 DELEGATE MARSHALL: What's the life  
4 of this machine?

5 MR. DINGUS: Probably twenty years.

6 MR. FEINMAN: We directed VRA not to  
7 go above twenty years. Considering the particulars of the  
8 given loan, whatever time is appropriate. Ten is what we  
9 based our loan term financial predictions on and what  
10 percentage of our resources would be given out in loans. I  
11 know it's easier to go through VRA. Sooner or later we need to  
12 get more serious about the loans if we're going to stick to the  
13 long term financial plan that we discussed in the strategic  
14 plan and discussed previously in this Committee.

15 DELEGATE MARSHALL: Did staff think  
16 about a grant for Southside and possibly a loan also?

17 MR. PFOHL: That was not an issue that  
18 was raised by the applicant or the staff.

19 MR. OWENS: Even with a loan, you have  
20 to get –

21 MR. PFOHL: - That's something that  
22 we're in conversations with VRA and we have a follow-up  
23 meeting with them. They have a position that a local  
24 government needs to provide a moral obligation for any loan.

25 MR. FEINMAN: It's our hope that, we're

1 going to discuss in the Executive Committee the possibility  
2 that we as an organization accepting the guarantees of other  
3 adequately funded organizations who might be able to back us  
4 in some of our work. We can take that position we can go  
5 back to VRA and say why don't you allow people to shop  
6 around and folks who have the wherewithal to guarantee some  
7 of these loans. And that could go a long way and it also might  
8 work down the road for TROF and others but the localities are  
9 wary.

10 MR. OWENS: But today or right now  
11 they have to have a municipality cosign?

12 MR. FEINMAN: Yes.

13 DELEGATE MARSHALL: Madam  
14 Chairman?

15 DELEGATE BYRON: Delegate Marshall.

16 DELEGATE MARSHALL: With this  
17 particular project before us now it's a little bit different than  
18 another small business. I would think this would warrant  
19 some consideration.

20 MR. FEINMAN: I have high confidence  
21 we'd be able to find a solution and we need money back.

22 MR. OWENS: So there's a potential of  
23 attracting a manufacturing facility with the research and the  
24 creation of jobs. The only other component is as far as the  
25 machine, are they willing to pay in lieu of machine or tools tax

1 to pay anything to the municipality?

2 MR. DINGUS: With a new machine, we  
3 certainly would be willing to pay that tax, assuming we're  
4 allowed to do that as a nonprofit.

5 MR. OWENS: Can they do that?

6 MS. MYERS: Yes.

7 MR. FEINMAN: I keep coming back to  
8 the idea here that when there is additional revenue generated  
9 by, new revenue being generated by equipment being  
10 purchased the revenue seems to be adequate, we think,  
11 maybe a below market rate loan. And that allows the  
12 organization to grow and their goal is to, and then upon a  
13 twenty year lifespan, when you consider a five or ten year  
14 loan, they get a full decade to grow and get revenue out of the  
15 equipment, absent any debt service. Sooner or later, no  
16 applicant would prefer a loan to a grant. That's going to be  
17 true every single time. The Committee makes a decision here  
18 at some point to stay on track then at some point the  
19 Committee is going to need to recommend loans.

20 MR. OWENS: Can we go into closed  
21 session at some point to discuss the financials?

22 DELEGATE MARSHALL: Well, before we  
23 do that, we'd better ask Tom do they have the space to do  
24 that, that he can put the new machine in and calculating how  
25 much. I guess what I'm asking is how much extra income

1 that would produce.

2 MR. DINGUS: You'd have to modify the  
3 building to get the machinery in. It's an interesting operation.  
4 You have to understand for profit and nonprofit and every  
5 time goes into job creation. While we'd love to create more  
6 revenue, we can hire some people that we can stand and that  
7 we can possibly afford to manage our cash flow in order to  
8 grow the business. That's all we do, there's no profit taking  
9 and no reserve and we do have a lot of credit but I have to tell  
10 you they look at us funny when we ask to extend that line of  
11 credit, accepting another loan may not be practical.

12 DELEGATE MARSHALL: Is that a yes or  
13 no?

14 MR. DINGUS: I believe that was yes.

15 DELEGATE BYRON: When we get down  
16 to voting on the block, we can go into executive session and  
17 discuss this. Thank you.

18 MR. DINGUS: Thank you.

19 MR. PFOHL: Madam Chair, the seventh  
20 and final request was the Washington County Industrial  
21 Development Authority number 3213 requesting \$1 million of  
22 Brand X New Compression Technology. The beneficiary  
23 company is Bristol Compressors International, LLC and DHX  
24 Electric Machines, Inc. Their first grant or Phase I grant was  
25 for \$808,744 to establish a testing lab for testing of

1 compressors using flammable refrigerants. As we move away  
2 from the traditional refrigerants, this stage would include the  
3 testing lab and construction is now complete, the Phase I  
4 testing lab and the equipment is being placed in the facility  
5 and that's largely complete. Bristol Compressors would  
6 partner with DHX and introduce new compression technology  
7 to meet the HVAC market. The detailed business plan was  
8 provided outlining the commercial potential for this product.  
9 As I said, Brand X will introduce new compression technology  
10 to the HVAC market using the highest efficiency and the  
11 smallest size motor technology and combining those with a  
12 new power terminal for higher product safety standard and  
13 lower overall product system risk with flammable refrigerants.  
14 This is more in line with competing technology and some of  
15 this technology is owned exclusively by BCI and DHX. The  
16 commercialization, there's already a patent that's in place so  
17 that's patent protected. This will result in DHX's production  
18 and their production will be in Washington County. There's  
19 significant outcome projections provided in this application  
20 and it includes only the emissions commercialization of the  
21 product. The outcomes include \$4 million of private  
22 investment, 200 plus production jobs. Those figures could  
23 change significantly as the demand for this technology rises.  
24 Staff recommends an award of \$1 million.

25 DELEGATE BYRON: Thank you. Any

1 questions? Hearing none, that completes the R&D  
2 applications.

3 MS. CARTER: I have one question. I  
4 don't understand why this wouldn't be a loan as opposed to  
5 an award, a grant award.

6 MR. PFOHL: We're getting  
7 commercialization results. There's not revenue in the  
8 research phase. This is purely testing and development of  
9 prototypes. The return on investment comes when they  
10 commercialize it and create new production jobs and this  
11 would assist with the Tobacco Region Opportunity Fund. If  
12 you want to make it a loan, I'm sure they would discuss that  
13 with you.

14 MS. CARTER: I'm just curious why some  
15 are loans and others are not.

16 MR. FEINMAN: The real difference is  
17 making an investment and down the road might at some point  
18 yield revenue related to commercialization and that's  
19 somewhat distinct from immediate creation of new revenue in  
20 the life of the grant. That's one of the key factors in trying to  
21 determine a loan or not.

22 MS. LOWE: The job creation would be in  
23 Southwest Virginia footprint?

24 MR. FEINMAN: Yes.

25 DELEGATE BYRON: Any further

1 questions or discussion? All right. On this grant or any  
2 others? Before we do that, let's go ahead and consider the  
3 other business.

4 MR. PFOHL: In the other business  
5 category at the end of your staff report, the Wise County  
6 Industrial Development Authority grant #1840. That was  
7 approved for \$750,000 in July of '09 for initial startup  
8 operating costs for the Appalachian America Energy Research  
9 Center that you visited yesterday where Micronics is located.  
10 This \$750,000 has a remaining balance of more than  
11 \$326,000 and the grant was extended a year ago and the  
12 revised budget was provided to the staff. Staff recommends a  
13 final extension through year end December 31, 2016 for use of  
14 the final \$166,116.84 remaining in the 2015 budget revisions  
15 be approved with no further extension is recommended for the  
16 remainder of the grant balance, \$260,000 and they will be de-  
17 obligated and returned to the R&D program budget. In effect,  
18 we have a seven year old grant and drawing down funds  
19 relatively slowly, about \$3,000 a month. At that rate, we'd be  
20 extending this up to ten more years.

21 DELEGATE BYRON: Any questions on  
22 that? Do we have a motion? I have a motion and a second.  
23 All those in favor of the extension say aye. (Ayes.) Opposed?  
24 (No response.)

25 All right, now we have a block for all of

1 our grant requests that we just went through.

2 DELEGATE MARSHALL: Madam  
3 Chairman, I make a motion we accept the staff  
4 recommendations 3208, 3290, 3211, 3207, 3213 and 1840.

5 MR. OWENS: Second.

6 SENATOR RUFF: Delegate Byron?

7 DELEGATE BYRON: Senator Ruff?

8 SENATOR RUFF: I request that 3208 be  
9 pulled out of the block for clarification.

10 DELEGATE BYRON: You want to  
11 address that?

12 MR. FEINMAN: Madam Chairman, I  
13 think the staff supports a blanket policy of a strong claw back  
14 provision on all of our agreements. I don't have any particular  
15 issue with that. If you want to pull that out and have a  
16 discussion, if the Committee wants to address it that way we  
17 can do that and eliminate that concern.

18 SENATOR RUFF: Then I would withdraw  
19 my request and ask Delegate Marshall to withdraw the motion  
20 and the proposal that Mr. Feinman or what he just expressed.

21 DELEGATE MARSHALL: Yes.

22 SENATOR RUFF: I would move the  
23 recommendation that the claw back on Phase I be part of any  
24 future contract.

25 MR. OWENS: Second.

1 DELEGATE BYRON: Any discussion? All  
2 in favor say aye. (Ayes.) Opposed, no? (No response.)

3 Now, do you want to have any further  
4 discussion on these or are we ready to vote in a block?

5 DELEGATE MARSHALL: My motion is to  
6 the staff recommendations for 3208, 3210, 3211, 3207, 3213  
7 and 1840.

8 MR. OWENS: Second.

9 DELEGATE BYRON: Any final  
10 discussion? All right, all those in favor say aye. (Ayes.)  
11 Opposed? (No response.)

12 Now, any further thoughts or any further  
13 discussion before we go into executive session?

14 MR. OWENS: Madam Chairman, I move  
15 we go into executive session in accordance with the provisions  
16 of the Virginia Freedom of Information Act, section 2.2-  
17 3711(A)5 of the Code of Virginia for the purpose of discussing  
18 prospective business matters.

19 DELEGATE BYRON: All in favor say aye.  
20 (Ayes.) Opposed? (No response.) We're now in executive  
21 session.

22  
23 NOTE: AN EXECUTIVE SESSION IS HAD; WHEREUPON AT  
24 THE COMPLETION OF THE EXECUTIVE SESSION, THE  
25 COMMITTEE RESUMES IN OPEN SESSION.

1  
2 MR. OWENS: Madam Chairman,  
3 whereas the R&D Committee of the Virginia Tobacco  
4 Commission has convened a closed meeting on this date  
5 pursuant to an affirmative recorded vote and in accordance  
6 with the provisions of the Virginia Freedom of Information Act;  
7 and whereas the act requires a certification by the Committee  
8 that such a meeting was conducted in conformity with Virginia  
9 law. Now, therefore, be it resolved that the Committee hereby  
10 certifies that to the best of each member's knowledge, that  
11 only public business matters lawfully exempt from open  
12 meeting requirements under the Act and only such public  
13 business matters as were identified in the motion by which  
14 the closed meeting was convened, were heard, discussed, or  
15 considered by the Committee in that meeting. I move that we  
16 have a roll call vote.

17 MR. FEINMAN: Senator Carrico?

18 SENATOR CARRICO: Yes.

19 MR. FEINMAN: Ms. Coleman?

20 MS. COLEMAN: Yes.

21 MR. FEINMAN: Ms. Carter?

22 MS. CARTER: Yes.

23 MR. FEINMAN: Delegate Byron?

24 DELEGATE BYRON: Yes.

25 MR. FEINMAN: Ms. Lowe?

1 MS. LOWE: Yes.

2 MR. FEINMAN: Delegate Marshall?

3 DELEGATE MARSHALL: Yes.

4 MR. FEINMAN: Mr. Moore?

5 MR. MOORE: Yes.

6 MR. FEINMAN: Delegate Morefield?

7 DELEGATE MOREFIELD: Yes.

8 MR. FEINMAN: Mr. Owens?

9 MR. OWENS: Yes.

10 MR. FEINMAN: Senator Ruff?

11 SENATOR RUFF: Yes.

12 MR. FEINMAN: That's the roll call.

13 DELEGATE BYRON: We're back in open  
14 session.

15 MR. OWENS: Grant number 3209, I  
16 move that we grant VTT EDI a grant for \$1 million and have  
17 the option of coming back before the Committee within twelve  
18 months for a potential grant or loan for another million  
19 dollars.

20 SENATOR RUFF: Second.

21 DELEGATE BYRON: Any further  
22 discussion on that? All those in favor say aye. (Ayes.) Any  
23 opposed?

24 DELEGATE MARSHALL: Abstain.

25 DELEGATE BYRON: One abstention.

1 Grant number 3212.

2 SENATOR CARRICO: Grant 3212, I  
3 make a motion that we fund \$1 million for matching purposes  
4 of the \$999,750 from the Commission. My motion was to fund  
5 \$1,999,750. The request is for \$1,999,750.

6 MR. FEINMAN: Subject to the  
7 conditions.

8 SENATOR CARRICO: Yes.

9 MR. FEINMAN: Do we want the same  
10 opportunity with 3209 to come back before the Committee?

11 SENATOR CARRICO: Yes. If you want  
12 me to include it in the motion, I'll be happy to do that.

13 MR. FEINMAN: I just want to know what  
14 you all want to do.

15 DELEGATE BYRON: Do you want to  
16 withdraw it or amend your motion and restate it in proper  
17 form?

18 MR. FEINMAN: Let me see, Madam  
19 Chairman, if I understand the motion. Amend 3212 with the  
20 following conditions, that they get the pilot in the field in  
21 Phase I. The received million dollar match subject to the  
22 requirements to match that dollar for dollar now and they  
23 have the option to come back for an additional million dollars  
24 or \$999,749.61 at a future R&D meeting.

25 SENATOR CARRICO: Correct.

1 MR. OWENS: Second.

2 DELEGATE BYRON: Everyone  
3 understand that motion? What is your question Karen?

4 MS. SORBER: Whether or not I'm raising  
5 \$2 million for a \$2 million grant as a match. In other words, if  
6 I'm looking for \$1.999 and I'm looking for a hundred percent  
7 match for that.

8 MR. FEINMAN: My understanding of the  
9 motion before is that we pledge a million dollars and should  
10 you raise a million dollar match, give you an opportunity to  
11 come back before this Committee to raise another \$999,749 or  
12 whatever figure that was.

13 MS. SORBER: Same proposal.

14 MR. FEINMAN: Yes.

15 DELEGATE BYRON: All in favor say aye.  
16 (Ayes.) Opposed? (No response.)

17 MR. FEINMAN: Bob Stolle was on the  
18 agenda. He couldn't make it today but very quickly in our last  
19 R&D meeting and the Committee had directed us to create a  
20 proposal for the SBIR program and the current proposal we  
21 have for the Committee was handed out. A potential SBIR  
22 applicant shall have completed an SBIR Phase I and they  
23 should have applied SBIR Phase II requesting less than  
24 \$50,000 or more than \$2 million funding subject to staff  
25 recommendation and clearly no guarantee of the amount of

1 money for funding. Essentially what we would do is that an  
2 award of an SBIR Phase II would be a requirement for receipt  
3 of our funds. Our funds would be recommended in  
4 accordance with their business. It's not a mechanical match.  
5 We would look at their business plan, between fifty thousand  
6 and two million. Whatever makes sense to bring them  
7 through Phase III. All grantees would have the same claw  
8 back provisions that we described for the current round. That  
9 claw back provision would apply. If the Committee is  
10 agreeable with that proposal, we'd like to set a deadline for  
11 application for an SBIR loan in late February. That's long run  
12 but this is a new and complicated program and that would  
13 give us more time to work on this and that would make a lot of  
14 sense.

15 SENATOR RUFF: Just for clarification,  
16 they'd have to come back to the R&D Committee?

17 MR. FEINMAN: What we would do is we  
18 would grant contingent upon receipt of the SBIR Phase II.  
19 They wouldn't need to come before us twice if they receive the  
20 SBIR Phase II and meet all the requirements. If they meet all  
21 the requirements, a grant could be made right then.  
22 Otherwise, what we would do is similar to the contingent  
23 grants we've done here today. We would simply say if you  
24 receive SBIR Phase II funding, then we will support your  
25 business to the tune of X dollars. They wouldn't need to

1 reappear.

2 SENATOR RUFF: We would be receiving  
3 the staff final approval?

4 MR. FEINMAN: The Committee would be  
5 approving subject to the conditions, if the conditions are met.

6 DELEGATE BYRON: If approved by the  
7 SBIR and the vetting process and then that comes to us?

8 MR. FEINMAN: Madam Chair, we could  
9 do approval contingent upon them getting that. There are  
10 some applicants that have expressed having our commitment  
11 to support the project in hand might enhance their chances of  
12 receiving an SBIR Phase II. That's up to the Committee. If  
13 you say you must complete it, then that's something we would  
14 address.

15 DELEGATE BYRON: When they want to  
16 revisit the matter and you determine because the SBIR would  
17 allow for vetting, but the staff would do double duty again and  
18 having to address science and a lot of other things that we did  
19 intend to address. That was the biggest concern.

20 MR. FEINMAN: I'm comfortable with the  
21 staff being able to evaluate whether or not a business plan  
22 makes sense should the science work and then we simply say  
23 this makes sense to us. If it turns out that the technology  
24 side will and they get the SBIR and if they don't pass then  
25 they won't.

1 DELEGATE BYRON: When the  
2 applications come in, it's got to be clear to us.

3 MR. FEINMAN: You get at least this  
4 much reading material as you got this time.

5 SENATOR RUFF: Do we need a motion?

6 MR. FEINMAN: If you want to approve  
7 these guidelines and instruct us as to that.

8 MR. OWENS: I'd so move.

9 DELEGATE BYRON: All in favor say aye.  
10 (Ayes.) Opposed? (No response.)

11 MR. FEINMAN: Probably we're talking  
12 late February to be working on this.

13 DELEGATE BYRON: All right, any public  
14 comment? Hearing none, we're adjourned.

15

16 PROCEEDINGS CONCLUDED.

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## 1 CERTIFICATE OF THE COURT REPORTER

2  
3 I, Medford W. Howard, Registered Professional  
4 Reporter and Notary Public for the State of Virginia at large,  
5 do hereby certify that I was the court reporter who took down  
6 and transcribed the proceedings of the **Tobacco Region**  
7 **Revitalization Commission R & D Committee meeting**  
8 **when held on Tuesday, September 20, 2016 at 8:00 a.m.**  
9 **at the Inn at Wise in Wise, Virginia.**

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

13 Given under my hand this 20<sup>th</sup> day of October,  
14 2016.

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17  
18 \_\_\_\_\_  
19 Medford W. Howard

20 Registered Professional Reporter

21 Notary Public for the State of Virginia at Large

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23  
24 My Commission Expires: October 31, 2018.

25 Notary Registration Number: 224566