

1 **TOBACCO REGION REVITALIZATION COMMISSION**

2 701 East Franklin Street, Suite 501

3 Richmond, Virginia 23219

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9 **Research & Development Committee Meeting**

10 Monday, May 21, 2018

11 3:30 P.M.

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14 Longwood University

15 Farmville, Virginia

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1 **APPEARANCES:**

2 The Honorable Kathy J. Byron – Chairman

3 The Honorable James W. (Will) Morefield – Vice Chairman

4 Ms. Rasnick

5 Mr. Ed Blevins

6 The Honorable Charles W. Carrico, Sr.

7 Ms. Gretchen Clark

8 Ms. Becky Coleman

9 The Honorable Daniel W. Marshall, III

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. Andy Sorrell – Deputy Director

5 Mr. Timothy S. Pfohl – Grants Director

6 Ms. Stephanie S. Kim – Director of Finance

7 Ms. Sarah K. Capps – Grants Program Administrator,
8 Southside Virginia

9 Ms. Sara G. Williams – Grants Program Administrator,
10 Southwest Virginia

11 Ms. Jessica Stamper – Grants Assistant, Southwest Virginia

12 Ms. Stacey Richardson – Administration Supervisor

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14 COUNSEL FOR THE COMMISSION:

15 Ms. Elizabeth Myers, Assistant Attorney General
16 Richmond, Virginia.

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

3 MR. FEINMAN: Ms. Ratliff?

4 MS. RATLIFF: Here.

5 MR. FEINMAN: Delegate Byron?

6 DELEGATE BYRON: Here.

7 MR. FEINMAN: Mr. Blevins?

8 MR. BLEVINS: Here.

9 MR. FEINMAN: Senator Carrico?

10 SENATOR CARRICO: Here.

11 MR. FEINMAN: Ms. Clark?

12 MS. CLARK: Here.

13 MR. FEINMAN: Ms. Coleman?

14 MS. COLEMAN: Here.

15 MR. FEINMAN: Delegate Marshall?

16 DELEGATE MARSHALL: Here.

17 MR. FEINMAN: Delegate Morefield?

18 DELEGATE MOREFIELD: Here.

19 MR. FEINMAN: Mr. Owens?

20 MR. OWENS: Here.

21 MR. FEINMAN: Senator Ruff?

22 SENATOR RUFF: Here.

23 MR. FEINMAN: You have a quorum.

24 DELEGATE MARSHALL: All right, thank
25 you all for being here. The first thing we need to do is ask for

1 approval of the March 8th, 2018 meeting.

2 MR. OWENS: I make a motion to
3 approve.

4 SENATOR CARRICO: Second.

5 DELEGATE BYRON: We have a motion
6 and a second to approve the minutes, all those in favor say
7 aye. (Ayes.) Opposed? (No response.) The minutes are
8 approved. We're going to talk about grant extensions.

9 MR. PFOHL: Our business today
10 involves the grant extension and some changes to budgets of
11 the projects. The folks that are new to this process, the
12 Commission's policy is that the projects have a standard three
13 year and if a fourth year is needed, that's delegated by the
14 Commission to the Executive Director as far as an extension
15 based on progress shown to date. All requests for extensions
16 beyond a fourth anniversary has to have approval along with
17 any projects requesting material changes to the scope of the
18 project originally approved by the Commission and those must
19 be acted on by your Committee, which is the source of the
20 funding.

21 The first one should be very quick,
22 Southwest Virginia Higher Education Center Foundation the
23 grantee on behalf of Litesheet, which involves LED lighting
24 fixtures in Bedford County. There was some communication
25 about the end date of the project. So the company and the

1 grantee are asking that the March 2018 expenses be eligible
2 for reimbursement, so it would effectively basically be a one
3 month retroactive extension to cover final expenses. Staff is
4 recommending a one month extension to allow reimbursement
5 of March 2018 expenses for grant 2699.

6 DELEGATE BYRON: Why don't we just
7 do all of them at the end but if anybody wants to take one out
8 of the block we can do it that way.

9 MR. PFOHL: All right, next one is also
10 Southwest Virginia Higher Education Center Foundation grant
11 2830, which is the battery powered coal hauler and this
12 involves Simmons Equipment in Tazewell. Simmons has
13 requested additional time to develop some customized options
14 for purchases of their coal haulers. No disbursements have
15 been made from this grant in nearly two years. The
16 Foundation has made repeated attempts to try to determine
17 what additional research tasks might be accomplished in the
18 requested fifth year extension but haven't received any
19 specifics in terms of research that is required beyond
20 customizing the hauler for customers. It appears the project's
21 primary research objectives have been accomplished. In
22 staff's opinion, the project should be complete and no further
23 extension. There's a current balance of just over \$217,000 on
24 what was originally a \$1.1 million grant. Staff is
25 recommending no further extension for project 2830.

1 Next up is University of Virginia.

2 DELEGATE BYRON: Anyone have any
3 questions? It might be better to address it as we go along.
4 Any questions? All right, go ahead.

5 MR. PFOHL: Next up is University of
6 Virginia, a grantee for the Fermata V2G project number 2831.
7 This is a grant for \$2 million that was approved four years
8 ago. They've requested a fifth year extension. Fermata is
9 working with EIT in Danville to try to develop a vehicle and
10 this has to do with electricity. The prototype charger has been
11 developed. Fermata and UVA say that the drawdowns and
12 there's a pretty significant balance. At the end of this month
13 we're recommending a four month extension up to the
14 September meeting date hoping to avoid any hiccups or delays
15 in that process. So staff is recommending a four month
16 extension for number 2831.

17 DELEGATE BYRON: Have you gotten
18 correspondence from them?

19 MR. PFOHL: Yes, we've gotten some
20 emails and phone calls but it's not as detailed as specifically
21 as we would like how the balance of funds are going to be
22 used. So we advised the grantee we thought maybe an
23 extension would probably be wise, a short one, until the next
24 September Commission meeting.

25 DELEGATE BYRON: Any questions? All

1 right.

2 MR. PFOHL: Next up is Washington
3 County Industrial Development Authority for grant 2832.
4 Bristol Compressors International Flammable Refrigerated
5 Testing. This project is largely complete but there's been some
6 problem between Bristol Compressors and the vendor and
7 purchased a significant piece of equipment for the testing.
8 The Commission's award was used for the installation of the
9 calorimeter. We think this will be resolved well in advance of
10 the fifth year extension but the staff recommends approval of
11 a fifth year extension through May 21, 2019.

12 DELEGATE BYRON: Any questions on
13 that one? All right, next.

14 MR. PFOHL: Next up is the Institute for
15 Advanced Learning and Research number 2984. That's on
16 behalf of Synergy Packaging Systems LLC, Package Innovation
17 and Development Center. This is a grant from three years
18 ago, just shy of \$2 million. The request is for a change of
19 grantee as well as for the fifth year extension. The initial
20 location was Danville. No funds have been approved for
21 disbursement until the company has been able to secure the
22 matching funds. With this request, the Institute for Advanced
23 Learning is willing to cede the responsibility to the Floyd
24 County Economic Development Office and they would be the
25 grantee. The request to extend the grant to the fifth year is

1 problematic and the fact that after three years the grantee has
2 been unable to secure the required matching funds. We have
3 people here to speak to that if they want to. Staff is
4 recommending no further action.

5 MR. FOX: My name is Robert Fox,
6 founder and CEO of Synergy Packaging Systems. We're
7 focused on glass, steel and traditional packaging. We're
8 taking some of these processes beyond that. We're working on
9 several projects and we're coming to the end of some of the
10 projects. We recently came up with Quaker Oats and we're
11 working on some projects. Campbell's soup is one of our
12 clients in developing a bowl and the Smucker's organization
13 has contacted us about working with them and Folger's coffee
14 for a thirteen ounce canister. We also have an organization in
15 Charlottesville.

16 We've got four primary people that are
17 involved in the early days with about 130 years of experience
18 in this field. We're going to be using outside financial
19 resources, a contract CFO can come in and help us on the
20 financial side. We've also been working with Williams Mullen
21 and we're going to retain our relationship with ILAR and we'll
22 have a PhD Chemist working with us.

23 From the extension point of view, the first
24 year we started, the economy went in the dumps and we
25 couldn't find anybody that was interested in putting money in

1 this, into a startup that was capital intensive. The second
2 year things got a little bit better and certain areas we had no
3 interest concerning suppliers. In the third year we went after
4 machinery supplies and got a lot of interest and we were
5 talking about thirty percent of the value of the equipment.
6 That's like a four hundred thousand dollar savings and that's
7 kind of like money in the bank to us but not hard cash. From
8 a hard cash standpoint, we're dealing with a company that
9 produces propylene and we're in discussions with them and
10 they've shown a lot of interest. We're going to meet in
11 Pennsylvania with them the week after next. DuPont is also
12 interested and we've been working with them. They're going to
13 be working with us on the replacement items as well. The
14 problem with DuPont from a financial support point of view,
15 they basically split up. Dow Chemical took control of DuPont
16 and they're breaking it up into different groups. The group
17 that was going to be involved with us has now split into two,
18 we've got to figure out how to make both those pieces come
19 together.

20 We are moving along and we have several
21 projects ongoing and last year has been a little tough and I
22 lost my computer and the hardware and the backup drive
23 went with it and had a family health issue that made me take
24 some time out. But that's all behind us now. I think we're at
25 the point where we're ready to go. I think our funding for the

1 first half, a million and a half will be put to bed this summer
2 and by the end of 2019 it will all be in place.

3 So I'm respectfully requesting the
4 extension to continue this and make this thing happen. We
5 have customers waiting for us, it's not a case of trying to find
6 them but they are actually waiting. Thank you for your
7 consideration.

8 DELEGATE BYRON: Any questions?

9 MS. RASNICK: Do you have
10 manufactured products for these customers?

11 MR. FOX: We've gotten to the
12 development stage on some foam products and we're talking
13 about propylene. The state of California has banned some of
14 these products about a year ago and that did also open up
15 some opportunity though for Synergy particularly in the first
16 year tests. So we're trying to work around that and we're
17 waiting to get that straight. Right now we're heavily involved
18 replacing microwaveable little bowls and putting foam into it
19 and that allows us to reduce the cup costs and provide an
20 insulated seal to the product, taking it out of the microwave.
21 The foam project is ongoing both on the yogurt side and on the
22 microwaveable cup side. We're coming to the end of that
23 project and we're waiting for the equipment to come in so we
24 can do the work we're doing with Campbell's Soup. We have
25 that project with Folger's Coffee and we have a technical

1 solution to a problem they have and we're waiting for the
2 equipment to take that to the next level.

3 MS. RASNICK: So for the packaging
4 product, do you have contracts and sales and deliverable
5 products for Graham Packaging?

6 MR. FOX: We have a contract with them
7 and we delivered products to them for testing and we're still
8 going through the testing phase. And when that goes into
9 production, the market they were looking at initially was a
10 hundred million and the plastic aerosol cans. The interest on
11 that has gone up significantly. That will happen and we'll
12 bring that to a commercial state this year. That's where we
13 are on the Graham project and bringing the Quaker Oats
14 project to full commercial production within this year as well.
15 Thank you.

16 DELEGATE BYRON: Tim, you knew all
17 this information when you made the recommendation?

18 MR. PFOHL: Yes, there's been a flurry of
19 communications in the last two or three weeks and we've had
20 a written request and a letter and updates. The big hurdle is
21 that the required matching funds have not been secured and
22 the communication we receive continues to talk about
23 potential investors. Aside from the donation of the reduced
24 costs about the manufacturer, we just don't have the required
25 matching funds after this period of time.

1 DELEGATE BYRON: It seems like maybe
2 the application has changed, talking about changing grantees
3 and we have so many moving parts, we seem to have gotten
4 away from our original approval that the Committee based
5 their decision on. We've had people that have actually come
6 back with the new information rather than having all these
7 changes.

8 MR. PFOHL: The core of the project was
9 developing an array of plastic based packaging material. It's
10 still the same. The change of the grantee and location,
11 primary location of the project to Floyd County. Floyd though
12 has offered up some funds to assist in the project. That's a
13 recent update. Mrs. Martin from the Floyd County EDA is
14 here.

15 MS. MARTIN: Good afternoon. We're
16 new into this project, really within the last six weeks. Of
17 course, we're trying to grow in Floyd County so I can't make
18 any guarantee that the cash match is going to be raised, but I
19 would ask you to grant at least a few months extension to see
20 if any money actually materializes and to give us time if that
21 happens to work on a facility. We're in the progress of maybe
22 buying a facility, building a facility, money has been allocated
23 and that's what brings me here today. But I can make no
24 commitment on their behalf. Our interest is in working with
25 them.

1 DELEGATE BYRON: Thank you.

2 SENATOR RUFF: Maybe I missed it but
3 how much private capital has been put into the project as of
4 today?

5 MR. FOX: We have used no funds from
6 the grant. What I needed the funds for was primarily the
7 capital equipment at the manufacturing level. What we've
8 been spending basically over the last three years is what's
9 coming out of our pocket.

10 SENATOR RUFF: But the question is
11 have you raised any money, the \$1.9 match?

12 MR. FOX: If I look at the funds in
13 exchange for equipment that's about a million point three in
14 terms of equipment value. And that's over the 25 percent
15 limitation that we have. I don't know how you quantify that in
16 terms of funds but from my standpoint of buying the
17 equipment \$1.3 for the equipment we needed early on. That's
18 pretty significant.

19 DELEGATE BYRON: Thank you. Next?

20 MR. PFOHL: The sixth and final project
21 is the Region 2000 Research Institute is the grantee, project
22 grant number 3336 advanced coatings to enable next
23 generation products. This is a private beneficiary Directed
24 Vapor Technologies for its vapor deposition coating
25 technologies. This is used for aerospace and other

1 forecast. The overall project hasn't changed. We're still
2 looking at significant amounts of capital investment, a
3 significant number of jobs and once this scales up it will be
4 even better. I stand to answer any questions you might have.
5 For the record, the building I own is a commercial piece of
6 property. I'm not the sole owner. I'm part of the group that
7 owns it. It would be an arm's length transaction and it would
8 be completely available for anybody's scrutiny and any
9 questions. I can tell you that when we do the math, that's the
10 least expensive way for us to build the project. However, it
11 may not go there when we put in that big piece of equipment
12 and that decision has not been made, it just hasn't been
13 made. We don't want to make a commitment with that large
14 piece of equipment and a large number of jobs until we know
15 it's all going to work. I hope that's consistent with the
16 conversation that we've had. Questions or comments, please?

17 MR. BURNS: My name is Jerry Burns
18 and I'm president of Directed Vapor. This is really an
19 unusually positive situation. What really drives the change in
20 the budget and by surprise, I might add, our early research
21 actually did much better than we ever imagined. And that
22 doesn't happen very often. I'm surprised I could say that. As
23 a result of that, that's allowed us to move up the timetable
24 and do things which we believe the Commission wanted us to
25 do, which is to start construction and do more activities within

1 the region. We're largely finished with anything to do with
2 Charlottesville and we've come up with a way to build a
3 prototype coater, which would be located in the region and our
4 additional work will be there. The initial work for the follow-
5 up there. The initial work worked out just fine and it's done
6 and made all this happen. The other major benefit of this is
7 by this change it just accelerates how quickly we can be
8 producing product and to get into the business and to build a
9 bigger plant, speeds up the time and number of jobs and
10 speeds up revenues coming into the region. It seems positive
11 all the way around. That's really what drove this. We
12 appreciate your consideration and glad to answer any
13 questions.

14 DELEGATE BYRON: Any questions?

15 MS. RASNICK: Can you quantify the
16 \$300,000 upgrade to the building, just for information?

17 MR. DOUGLAS: In talking to staff
18 because the building is rather large and we'd only use a
19 portion of it and there's a metering system and as you can
20 imagine, metal is a rather energy intensive process. The
21 HVAC system is a little different. That covers the entire
22 building. That hundred thousand is a placeholder. I wouldn't
23 expect to spend that much but I don't know. That's where
24 that number comes from.

25 MR. BURNS: Minor budget revisions are

1 fairly common. Frequently we'll get a budget, we think it will
2 be this or that and they come back with maybe 85 instead of a
3 hundred.

4 DELEGATE BYRON: Does staff have a
5 recommendation on what we've just heard, do you have any
6 issues with the changes?

7 MR. PFOHL: I think we just wanted to
8 make sure that the Committee was aware that Commission
9 funds that are requested to be used in Charlottesville where
10 the intellectual property and the testing capability and that
11 there are some improvements to the private properties and so
12 forth. But I think generally that this is a project that has
13 tremendous global interest according to these gentlemen from
14 some very big players in the defense and aerospace arenas
15 and this could be a very significant project for the Tobacco
16 Region. So we are supportive. There is more than twenty
17 percent of the approved budget that somebody's asking to
18 change and want to bring that back that back to the
19 Committee and this represents a little more than twenty
20 percent and wanted to make sure you saw this and were
21 aware of it and some of the specifics of it. We remain
22 supportive of the project.

23 MR. OWENS: How many jobs at the end
24 of three years will be created by this?

25 MR. DOUGLAS: When we moved into the

1 production operation, we're anticipating 21 jobs, production
2 jobs. Then it will scale up from there based on the demand.
3 At the time we put the application in, we're looking at trying to
4 get at least a hundred jobs when we're in full production and
5 that won't happen within the three year window but we'll
6 certainly hit the first mark as we get to that third year and
7 scale up will drive the rest of it.

8 MR. OWENS: That's with the small
9 machine you're talking about?

10 MR. DOUGLAS: No, the small machine,
11 there's five or six depending upon and that will be with the
12 small machine. The first one comes online there will be seven
13 people per shift so that's the 21. But we will get there,
14 absolutely we'll get there and get bigger.

15 DELEGATE BYRON: Thank you. Is that
16 the last one?

17 MR. PFOHL: Yes.

18 DELEGATE BYRON: We have a
19 recommendation and a motion or does anybody want to make
20 any changes? All right. We have a motion and a second to
21 accept the staff's recommendation or request for extensions.
22 All those in favor say aye. (Ayes.) Any opposed? (No
23 response.) All right, those are approved.

24 The last item on the agenda is to, what
25 are we approving here?

1 MR. FEINMAN: Yes, we actually, this is a
2 reaffirmation. Over the past several years, a migration to a
3 new website had to do with the new strategic plan, a number
4 of different documents had been moved around. While staff
5 has not changed policy, it was the view of the staff that it
6 would be helpful to reaffirm some of the basic principles that
7 we use when we are funding these projects. This should really
8 go very quickly. Our money would be spent on activities
9 inside the region barring a specific exception and half the
10 money comes from non-Commission sources. We prefer to
11 buy things and not pay for people's time and protects us and
12 gives us an opportunity to take a security interest in objects
13 and what we purchase will stay in the footprint and provide
14 security for us. Personnel salaries will be cost-shared dollar
15 for dollar. We're not going to support more than ten percent of
16 any administrative expenses. By and large the running of
17 your business is primarily yours. That will be very helpful to
18 Sara and Sarah and also to the staff generally so that we're
19 very clear on what we're doing. With all that said, do we need
20 to have a motion?

21 SENATOR RUFF: Madam Chairman, I
22 think he said all the Tobacco Commission money has to be
23 spent on the project but the matching money does not have to,
24 is that correct?

25 MR. FEINMAN: It does not necessarily

1 have to be. In general, what's before you is the project.
2 Sometimes there will be something come up where we're
3 dealing with somebody who is doing research on the internet
4 or doing something out of the footprint and they'll do that as a
5 match and sometimes you just have to really work on focusing
6 internally.

7 DELEGATE BYRON: Any questions?

8 MR. OWENS: How do you quantify
9 preferred? You're talking about use of grant funds for capital
10 expenses is preferred. You give five hundred thousand and
11 spend 495,000, is that preferred or how do you quantify that?

12 MR. FEINMAN: Referring to the grant
13 scheme but the fundamental principal there is even as
14 equipment is being purchased, it is our funds that is being
15 used to purchase the equipment. If there was a half a million
16 dollars research or time and a half a million worth of stuff and
17 we had allocated a half million dollars to the project, our half
18 million is going to buy the stuff first. That's the principle.
19 That's very important, that's very important.

20 MR. OWENS: Then the last point talking
21 about personnel salaries if requested shall be cost-shared.
22 Who makes the request, you or the Commission?

23 MR. FEINMAN: First they request it from
24 the Commission. The Commission is first and then they may
25 apply to have a budget and a budget provision for that

1 equipment concerning the scope of the project.

2 MS. CAPPs: If it's a budget matter, on a
3 budget revision, if it's substantial, we get evidence on that.
4 We can pin that down.

5 MR. FEINMAN: I'll try to make a
6 judgement call but if it's a material change in scope, we'll
7 come back before the Committee.

8 MS. CAPPs: The budget that you all
9 approved, if there is significant changes that would come
10 before the Commission.

11 SENATOR RUFF: Madam Chairman, I
12 would move that we reaffirm the policy.

13 MR. OWENS: Second.

14 DELEGATE BYRON: You've all heard the
15 motion, all those in favor say aye. (Ayes.) Opposed? (No
16 response.) All right, that's approved.

17 We need to go back to grant 3336 and
18 2831.

19 MR. FEINMAN: The motion was to do the
20 staff requirement. I think what you need to do there is but for
21 2831 the staff recommended a four month extension and for
22 3336, we recommended that the budget be ---

23 DELEGATE BYRON: Do we have a
24 motion for those two? All right, it's been moved.

25 MR. OWENS: I'll second.

1 DELEGATE BYRON: All in favor say aye.
2 (Ayes.) Any opposed? (No response.)

3 MR. FEINMAN: That will do it.

4 DELEGATE BYRON: Any public
5 comment? Hearing none, we're adjourned.

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7 PROCEEDINGS CONCLUDED.

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CERTIFICATE OF THE COURT REPORTER

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at large, do hereby certify that I was the court reporter who took down and transcribed the proceedings of the **Tobacco Region Revitalization Commission Research and Development Committee meeting when held on Monday, May 21, 2018 at 3:30 p.m. at Longwood University, Farmville, 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 11th day of June, 2018.

Medford W. Howard
CCR #0313137