

1                   **TOBACCO REGION REVITALIZATION COMMISSION**

2                                   701 East Franklin Street, Suite 501

3                                   Richmond, Virginia 23219

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7                   **Research and Development Committee Meeting**

8                                   Wednesday, September 19, 2018

9                                   8:30 o'clock a.m.

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Floyd Event Center

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Floyd, Virginia

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1     APPEARANCES:

2     The Honorable Kathy J. Byron, Chairman

3     The Honorable James W. "Will" Morefield, Vice Chairman

4     Mr. Ed Blevins

5     The Honorable Charles W. Carrico, Sr.

6     Ms. Gretchen Clark

7     Ms. Rebecca Coleman

8     Mr. Robby Demeria

9     The Honorable Daniel W. Marshall, III

10    The Honorable Edward Owens

11    Ms. Sandy Ratliff

12    The Honorable Frank M. Ruff

13

14    COMMISSION STAFF:

15    Mr. Evan Feinman, Executive Director

16    Mr. Andrew V. "Andy" Sorrell, Deputy Director

17    Mr. Timothy S. Pfohl, Grants Director

18    Ms. Sarah K. Capps, Grants Program Administrator,

19        Southside Virginia

20    Ms. Sara G. Williams, Grants Program Administrator,

21        Southwest Virginia

22    Ms. Jessica Stamper, Grants Assistant,

23        Southwest Virginia

24    Ms. Stacey Richardson, Administrative Supervisor

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COUNSEL FOR THE COMMISSION:  
Ms. Elizabeth B. Myers, Assistant Attorney General  
Richmond, Virginia 23219

1 September 19, 2018

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

5

MR. FEINMAN: Mr. Demeria.

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MR. DEMERIA: Here.

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MR. FEINMAN: Mr. Blevins.

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MR. BLEVINS: Here.

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MR. FEINMAN: Delegate Byron.

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DELEGATE BYRON: Here.

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MR. FEINMAN: Senator Carrico.

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SENATOR CARRICO: Here.

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MR. FEINMAN: Ms. Clark.

14

MS. CLARK: Here.

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MR. FEINMAN: Ms. Coleman.

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MS. COLEMAN: Here.

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MR. FEINMAN: Delegate Marshall.

18

DELEGATE MARSHALL: Here.

19

MR. FEINMAN: Delegate Morefield.

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DELEGATE MOREFIELD: Here.

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MR. FEINMAN: Mr. Owens.

22

MR. OWENS: Here.

23

MR. FEINMAN: Ms. Ratliff.

24

MS. RATLIFF: Here.

25

MR. FEINMAN: Senator Ruff.

1 SENATOR RUFF: Here.

2 MR. FEINMAN: You have a quorum, Madam  
3 Chairman.

4 DELEGATE BYRON: Thank you. I just want to say  
5 that we really had some bigger meetings, but this may be one of  
6 our fastest meetings that we've had in a long time.

7 The first thing on the agenda is approval of our last  
8 minute meetings at Longwood. Do I have a motion to approve  
9 the minutes?

10

11 NOTE: A motion is made and seconded.

12

13 DELEGATE BYRON: All those in favor, say aye.  
14 (Ayes). The minutes are approved.

15 Now, we have some grants to talk about. Tim, do you  
16 want to start that?

17 MR. PFOHL: Yes, Madam Chair. We have two current  
18 active Research and Development grants, and then we tried to  
19 talk a little bit about plans for the second round of broadband.  
20 The first project is the Research grant awarded to Southwest  
21 Virginia Higher Education Center Foundation for Excavation  
22 Damage Prevention Devices, Number 2698. This is the  
23 \$1,500,000 grant awarded five years ago, and there's a balance  
24 of \$491,000-plus. This was originally a million and a half grant  
25 award in September of 2013. And this is a request for a six-year

1 extension until September 30, 2019.

2 Over the past year, the demand has been growing.  
3 As I say, this demand has been growing over the past year for  
4 new markets. I can go into this if you need, but the Staff  
5 supports this extension request.

6 DELEGATE BYRON: Any questions?

7 DELEGATE MARSHALL: Since we have a few minutes,  
8 is there anybody here that can come forward and tell us what  
9 they're doing and where they are?

10 MR. PARMAN: Yes, right now, when you talk about  
11 the single phase or the single phase bottom line, it's been about  
12 a year now, and the nature of this business and they're using  
13 these things for their facilities.

14 DELEGATE MARSHALL: As far as commercialization,  
15 going to market, what's your timeline?

16 MR. PARMAN: Well, we've been in this a little over a  
17 year, and the money we've used from the R&D, and we have  
18 some new customers and we have several other projects going.

19 DELEGATE MARSHALL: Where do you see your  
20 markets in the future?

21 MR. PARMAN: Well, we have like six distributors, and  
22 the international distribution in Australia and the EU, and this  
23 involves various manufacturing rights. We also have some  
24 markets in Canada and in South Africa, as well. All comments  
25 are not included per Mr. Parman.

1 DELEGATE MARSHALL: Thank you.

2 DELEGATE BYRON: Thank you. Anything else?

3 All right. Tim

4 MR. PFOHL: Our second is the Dan River Business  
5 Development Center for the Sustainable Tree-Free Pulp from  
6 Specialty Tobacco and Ag Waste, Number 3208. This is a  
7 \$1,500,000 grant award, awarded two years ago. A little more  
8 than half of that balance is still available.

9 This is a request for a re-budget. The project was  
10 approved initially for a Phase One grant in 2012, just shy of \$2.8  
11 million. This is a Phase Two grant. Phase Two work is now  
12 exploring used textile fibers, which is discarded clothing and  
13 industrial hemp as additional feed stocks to generate pulp for a  
14 variety of end uses.

15 The Dan River Business Development Center and  
16 Tyton Biosciences, LLC, which is the project's private beneficiary,  
17 submitted a request for a substantial budget revision in July,  
18 which move nearly a half million dollars from equipment funded  
19 for personnel expenses. This is about a third of the change to  
20 the budget, and that was originally approved by the Committee.

21 The Staff notified the Business Development Center  
22 that policy dictates this revision must be approved by the R&D  
23 Committee. In addition, new feed stock research activities, and  
24 we asked the Development Center to work with Genedge, who  
25 assessed the impact of the new research focus on the anticipated

1 outcomes of the project relative to commercialization potential.

2 We just received a report from Genedge on August  
3 31<sup>st</sup> as far as the business plan. We're working on scheduling a  
4 face-to-face meeting with the company to get into the Genedge  
5 process, which I think you heard about that yesterday.

6 As far as the Staff recommendation, I think at this  
7 point we would like to suggest that to try to set up a meeting in  
8 the next few weeks with Genedge and the Business Development  
9 Center and suggest you authorize the Executive Director to make  
10 a determination on the budget revision and scope of work and  
11 the results of that conversation.

12 DELEGATE MARSHALL: Madam Chairman, there are  
13 representatives from the company here. Maybe they can come  
14 forward and talk to us a little bit about where they are on that.

15 MR. MAJERANOWSKI: Good morning, my name is  
16 Peter Majeranowski. Thank you for this opportunity to give you  
17 an update on our status. We're about halfway through the  
18 project, and we're working on our commercialization partnership,  
19 and we've gotten back a two-to-one match on the last voucher,  
20 but we're in good shape there. The last milestone is getting from  
21 textile companies, and we're asking for this budget allocation so  
22 we can commercialize hopefully within the next six to eight  
23 months actually contracting high value pulp.

24 We're very excited about all this. And this is going to  
25 produce high value for the textile industry. And Danville has a

1 very rich textile history, so it's a nice full circle for the City of  
2 Danville.

3 DELEGATE MARSHALL: We have some new members  
4 here when we first entered into this with you. Maybe you can tell  
5 us a little bit about that.

6 MR. MAJERANOWSKI: Sure. This technology, or we  
7 have a machine that can properly extract high value molecules.  
8 And in the industry, we started working with tobacco and other  
9 biofuels and wastes, and that progressed into pulp. And we've  
10 continued to work with pulp, the highest value pulp, tobacco  
11 plants, tobacco wastes, and a new type of feed stock, and that  
12 has turned out to be a major problem solver. And there's a lot of  
13 international organizations that have recognized the value of all  
14 this, and this has brought about an award in California and  
15 another one in Amsterdam.

16 The industry is really looking for a solution. When you  
17 look at this as far as commercialization, we'll be able to take  
18 these different feed stocks, like textile wastes and high value  
19 pulp. This will be environmentally friendly.

20 DELEGATE MARSHALL: So I assume the wastes from  
21 textiles, can this be, can it be polyester or?

22 MR. MAJERANOWSKI: It can be both. We can  
23 separate the different particles and we can turn that polyester  
24 back to where it's productive.

25 SENATOR RUFF: I think Tim talked about you

1 meeting with Genedge. Have you all looked at that?

2 MR. MAJERANOWSKI: Yes, we had a very positive  
3 experience with Genedge and really focusing on our market. And  
4 I think the result of that process, and we have to listen to the  
5 market and going to the market the lowest entry point and with  
6 textiles and what's good for the environment. And we've shared  
7 with these folks the confidential commercialization with several  
8 major companies and organizations.

9 MS. CLARK: In Phase One you have biofuels, and  
10 which phase are you extracting the pulp?

11 MR. MAJERANOWSKI: Developing the pulp is high  
12 value, high value pulp. That commodity can be used in other  
13 products, but this coincides with what is the desirable  
14 environmental products, too.

15 DELEGATE BYRON: We've got some interruption here  
16 with these phones. All right, I think we've done that.

17 Any other questions?

18 MR. MAJERANOWSKI: We have some alternatives in  
19 the industry, and the products we're developing would go into  
20 that, developing that pulp to go into all that.

21 DELEGATE BYRON: Any further questions? What is  
22 the recommendation?

23 MR. PFOHL: Madam Chairman, we would suggest to  
24 authorize the Executive Director to make a determination  
25 concerning the budget requests and so forth based on the results

1 of the upcoming meeting and have a face-to-face with Genedge,  
2 and we're trying to set all this up as soon as possible, maybe  
3 within the next two or three weeks. And rather than keep the  
4 company on hold until January, we would suggest that the  
5 Committee authorize the Executive Director to undertake this  
6 based on the results of that meeting.

7 DELEGATE MARSHALL: I have a motion. I move we  
8 accept the Staff recommendation for Number 2698 and 3208.

9 DELEGATE BYRON: There's a motion to accept the  
10 Staff's recommendation on these projects. Any further  
11 questions? All those in favor, say aye. (Ayes.) Opposed? (No  
12 response.

13 MR. FEINMAN: We will publish a notice of that  
14 meeting and members of the Committee can see a report of what  
15 we've done. There'll be a public meeting then, like an executive  
16 session, and this will give members of the Business Support  
17 Committee, and you all can see how the report looks. We'll be in  
18 executive session at the courthouse.

19 But, members of the Commission, we welcome your  
20 comments, particularly members of the Business Support  
21 Committee, and that'll give you an opportunity for you to get the  
22 experience with actual Q and As.

23 DELEGATE BYRON: Last Mile Broadband update.

24 MR. FEINMAN: Madam Chairman, we have gotten into  
25 a number of conversations with a number of our different

1 grantees, some of them surprisingly with a new program and  
2 new grantees and the Commission standard contract  
3 agreements, et cetera, and a few folks have some corporate  
4 policies, and they do work well with our secured interest, and  
5 we're trying to solve those problems. There remains one  
6 outstanding agreement that we had to sign and we've agreed.  
7 So, what I can say is that everything else seems to be on track.

8 We anticipate fulfilling the goals right around getting  
9 31,000 on businesses connected. We did have the very small, as  
10 you recall, grant, which fell through. And it was about 40,000 for  
11 one neighborhood and it turned out that part of that area was  
12 already served. And they tried to find a similar small area and  
13 we decided that rather than getting into a special meeting or  
14 schedule a meeting for a \$50,000 grant. We told them to come  
15 back the next time.

16 What I'm hoping we can do today is have this  
17 Committee provide, and provided this Committee is pleased with  
18 the results of the Last Mile Broadband round. Now that Staff  
19 knows better how to do that, set a new application deadline and  
20 a new budget for the fourth coming round.

21 Our recommendation would be that the deadline no  
22 earlier than late February, early March. We have been told that  
23 the longer runway is better for the projects and I think that lines  
24 up well with our experience. Then my recommendation would be  
25 the \$5 million round with set-asides for projects in Southwest

1 and the last round in Southside.

2 DEELEGATE BYRON: My understanding was the last  
3 ones or there were several applications from the Southwest and  
4 that we were waiting on some information and so we could  
5 understand Southwest. In Southwest, we'd look at all of that  
6 again and go over those applications.

7 The other thing I'd like to bring to your attention for  
8 those of you that are not aware, congratulations is in order for  
9 our Executive Director, and he was named by the Governor to be  
10 the broadband advisor, and now he's involved in broadband in  
11 the Commonwealth.

12 MR. FEINMAN: I can separate the two hats.

13 DELEGATE BYRON: That'll give you an opportunity to  
14 really get engaged in this broadband deployment. I also think  
15 the Committee will benefit in our future meetings, because we'll  
16 have some of the grantees back to tell us where they're at and  
17 most of them actually have gotten started, and we're always  
18 interested in knowing what's going on in the different areas. We  
19 can do that at a future meeting and you can tell us about that.

20 Delegate Marshall.

21 DELEGATE MARSHALL: So, Evan, you will wear that  
22 additional hat, and are you aware that by middle November, and  
23 I understand right now like 500 miles of power throughout  
24 Southwest Virginia. So, that'll figure in into this next round and  
25 how that all could be used?

1 MR. FEINMAN: I'm informed, but considering this as  
2 long-term, and they are excited about the opportunity to  
3 leverage their middle mile and the co-ops will have more  
4 opportunity, and Dominion, if we can get them interested and a  
5 similar opportunity. There will need to be a legislative change for  
6 them to be able to do that. So, I've been in dialogue on this and  
7 how that might work. If we can get to the place where the  
8 utilities and the co-ops and make some investments in their own  
9 network for Middle Mile, that'll make it much cheaper for us to do  
10 the Last Mile.

11 DELEGATE BYRON: Another thought for the  
12 Committee, if you're interested in this, we had Senator Ruff take  
13 the lead on the Senate side and try to put some money into the  
14 state programs for broadband, so your localities will have an  
15 opportunity to go out and apply for funding through the value  
16 round. And that's been going on for several years now in trying  
17 to close the gaps in certain areas for those people that do not  
18 have broadband and are unserved.

19 So, we'll have at least two opportunities now to try to  
20 do this in our district. We're also working on some other  
21 projects. And Senator Carrico has taken a lead on that. And  
22 some of the issues we have with the railroads coming in, and, of  
23 course, there's some high costs in that regard. So, a lot of  
24 things going on and efforts being made, and those are very good  
25 signs in our committee, it is hopeful we can all move forward on

1 these.

2 MR. FEINMAN: We need some guidance from the  
3 Committee on when you'd like that deadline, and so the grantees  
4 have time to work out their applications.

5 DELEGATE BYRON: Well, one question I have because  
6 there are two initiatives, what our balances are, and that we  
7 have an opportunity to make these decisions in the best interest.

8 We also made a commitment, and there's  
9 opportunities left out there to offer some services next year for  
10 Phase Two for some of our original R&D projects, and those that  
11 have gotten through Phase One, and we want to make sure that  
12 we get to the finish line, if we have to put some money aside, or  
13 have it available. Then, of course, broadband is like education,  
14 there's two different hats competitive and other programs  
15 through R&D right now.

16 MR. FEINMAN: Madam Chairman, we currently have  
17 an R&D budget, eleven and a quarter million dollars, and the only  
18 outstanding Phase Two grantees, I can only think of two that  
19 would be eligible to apply at this time.

20 DELEGATE BYRON: You're talking about that five  
21 million dollar budget?

22 MR. FEINMAN: It may be less than that.

23 DELEGATE BYRON: I don't know how much money  
24 that's being asked for in the Southside region.

25 MR. FEINMAN: I don't believe we could fully fund with

1 \$5 million all these projects that we didn't fund last time, but our  
2 hope would be that we get, first and part of the reason is to have  
3 set aside or slightly different scoring criteria for Southwest versus  
4 Southside. It's the nature in Southwest because it's more  
5 expensive for the topography. Sort of the core efficiency  
6 measure course, and that's not really surprising considering all  
7 the problems. We don't necessarily look at it from the financial  
8 side, maybe a set-aside, but we have to take all of that into  
9 account, however the Committee prefers to do these things or  
10 set aside a certain amount for Southside and Southwest.

11 The second issue would be with the longer project  
12 development time and considering the time to develop projects  
13 and needing a better understanding of the ways we coordinate  
14 this and then you've got to consider the most efficient way to go  
15 and where we put our Commission dollars, that seems to be the  
16 metric.

17 DELEGATE BYRON: We're going to need a spring  
18 meeting.

19 MR. FEINMAN: It'll be sometime in May.

20 DELEGATE BYRON: R&D with these projects though  
21 need more time to meet before that. What would you suggest,  
22 March or April?

23 MR. FEINMAN: What we need to do is have a  
24 Committee meeting in April and we could take guidance from you  
25 all and probably have a second R&D meeting before the Full

1 Commission meeting in May.

2 MS. COLEMAN: When you consider these grants and  
3 the budget limitations, would they be specific as to the amount of  
4 money that's available?

5 DELEGATE BYRON: Well, I don't know if that will work  
6 exactly. We'll just have to put this out there to see what can be  
7 done in the region.

8 MR. FEINMAN: Well, I might advise against it, but  
9 certainly we'll do whatever the Committee wants to do, but there  
10 is value, with the greater efficiency for these projects, but if this  
11 Committee wants to or have a \$5 million project, if that walks in  
12 the door, and who's going to hook up the most folks for the least  
13 amount of dollars, we certainly would put that in front of you, but  
14 I don't think you'd want to limit your options. Many small  
15 projects would be much less efficient.

16 SENATOR RUFF: Madam Chair.

17 DELEGATE BYRON: Senator Ruff.

18 SENATOR RUFF: As an alternative, we ask them to  
19 apply so we'd have some idea what plans they may have,  
20 including the costs, and then we can pull the trigger on what we  
21 can get.

22 MR. PFOHL: Madam Chair, as a follow-up to that, an  
23 optional pre-application process for all of our grant programs,  
24 and it gives the applicant an opportunity to go ahead and submit  
25 and based on Senator Ruff's suggestion and ask for a pre-

1 application in December or something like that prior to the  
2 January meeting.

3 MR. FEINMAN: We can do that and have it be general  
4 information. I think that could be somewhat helpful to some  
5 applicants and considering the private sector and they do it on a  
6 per cost basis. Even it might even be arranged, I think the  
7 Committee might be interested in that for these various projects.  
8 I have great confidence if we want to spend \$100 million, a lot of  
9 people would walk in the door, I don't think we'd overshoot it.

10 DELEGATE MARSHALL: We talked about this, but not  
11 recently. The project in Southwest Virginia, are we going to get  
12 money back from?

13 MR. FEINMAN: Are you talking about BVU?

14 DELEGATE MARSHALL: My thought is that money  
15 should stay in Southwest Virginia.

16 SENATOR CARRICO: I agree.

17 MR. FEINMAN: Money will be coming in and we'll  
18 have to have some flexibility and if the Commission is patient  
19 and the rate of return might be greater, so it may make  
20 economic sense.

21 DELEGATE MARSHALL: How much is that?

22 MR. FEINMAN: A thousand five hundred dollars, and  
23 then you've got three-quarters of a million dollars in.

24 DELEGATE MARSHALL: Do we have or can we get  
25 that money to R&D for Southwest Virginia broadband, so moved.

1 MR. FEINMAN: The R&D Committee is not actually  
2 able to appropriate money to itself, Executive Committee.

3 DELEGATE BYRON: So, is everyone in agreement,  
4 generally in agreement with the discussion we've had and the  
5 Staff, maybe the date of March 1<sup>st</sup> put out there and that would  
6 free up these projects that Senator Ruff said, and we would  
7 actually do the approval at the May meeting for the broadband  
8 projects?

9 All right. Is there any public comment briefly?

10 UNIDENTIFIED: I'll be very brief. Good afternoon,  
11 welcome to Floyd, Virginia, and I welcome you, Chairman Byron,  
12 and Executive Director, Mr. Feinman, and the rest of the R&D  
13 Committee and welcome you to beautiful Floyd County, Virginia.  
14 I want you to know this area is rich in artists and music. Our  
15 claim to fame is that we have one stoplight in the county, but we  
16 are rich in broadband.

17 Currently, we're doing fiber to the home. We  
18 completed the Town of Floyd, and we're going to do 85 percent  
19 of the county over the next several years, one gigabit speed, and  
20 that's the only speed we're on at this time, and we've had some  
21 funding sources that have helped us greatly, and it's a thirty-plus  
22 million dollar project.

23 We've been good stewards of the Tobacco Commission  
24 funding over the years and a couple of other grants that we've  
25 received, and we've been very successful with our ultimate

1 mission.

2 We look forward to any opportunity in the future. So,  
3 we thank you for being here and coming to our beautiful town. If  
4 any of you would like to see how our businesses are doing and  
5 how we are doing it, you can contact us at any time. Glad to  
6 show you around what we're doing and how we're doing it. So,  
7 thank you very much.

8 DELEGATE BYRON: Thank you. Is there any other  
9 public comment? Then do we have a motion to adjourn?

10 MR. OWENS: So moved.

11 DELEGATE BYRON: All in favor, say aye. (Ayes).  
12 Then we're adjourned.

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**PROCEEDINGS CONCLUDED.**

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**CERTIFICATE OF THE COURT REPORTER**

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Tobacco Region Revitalization Commission, Research and Development Committee Meeting**, when held on Wednesday, September 19, 2018, at 8:30 a.m., at the Floyd Event Center in Floyd, 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 the 10<sup>th</sup> day of October, 2018.

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

MY COMMISSION EXPIRES: October 31, 2018.