June 22, 2005

Robert Vaughn
Staff Director, House Appropriations Committee.
General Assembly Building
Room 947
Capital Square
Richmond, VA 23219

Dear Mr. Vaughn:

Please find enclosed the FY2006 Operating Plan for the Center for Innovative Technology (CIT). The 2006 Plan reflects necessary changes to respond to the 25% reduction in CIT appropriations, as well as direction for our continuing migration to federal and private sector funded services that support our Commonwealth mission

First, CIT's management and Board of Directors made tough decisions to terminate programs that the Commonwealth would no longer fund, despite the significant value to technology entrepreneurs. Second, we eliminated personnel associated with those programs. Third, we initiated a phased closing of regional offices and are transitioning CIT's field operations team from an office-based team to a field service team. Fourth, beginning in this new fiscal year, we will stop funding traditional partnership agreements that have helped universities and entrepreneurs for many years. These steps are necessary to produce the savings targets triggered by Commonwealth appropriation reductions.

In addition to terminating programs due to funding reduction, we are aggressively pursuing federal and private sector contracts that help us attract and accelerate the growth of high technology start-up companies that will serve as the backbone for future job creation. Decreases in research and development budgets for federal agencies and private sector companies have created an opportunity for technology start-up companies to serve as new sources of innovation for large-scale technology consumers. To assist in bringing together large-scale technology consumers and innovative companies, CIT is establishing a new service offering that will facilitate matching federal agencies and Fortune 500 companies with innovative technologies.

This Plan reflects a realistic and business-like response to the appropriation provided to us. As we enter into a new round of budget deliberations, I look forward to reviewing our progress on this plan and opportunities to restore the Commonwealth's focus for technology-based entrepreneurship.

Please feel free to call me at 703-689-3000 if you have any questions.

Respectfully,

Peter Jobse
President
The Center for Innovative Technology

Cc: Mr. Richard Brown, Director, Department of Planning and Budget
Mr. Billy Barbee, Senior Budget Analyst, Department of Planning and Budget
The Honorable Vincent F. Callahan, Jr. House Appropriations Committee
Ms. Betsy Daley, Staff Director, Senate Finance Committee
The Honorable John H. Chichester

Enclosure

June 22, 2005

Ms. Betsy Daley
Staff Director, Finance Committee
General Assembly Building
Room 626
Capital Square
Richmond, VA 23219

Dear Ms. Daley:

Please find enclosed the FY2006 Operating Plan for the Center for Innovative Technology (CIT). The 2006 Plan reflects necessary changes to respond to the 25% reduction in CIT appropriations, as well as direction for our continuing migration to federal and private sector funded services that support our Commonwealth mission

First, CIT's management and Board of Directors made tough decisions to terminate programs that the Commonwealth would no longer fund, despite the significant value to technology entrepreneurs. Second, we eliminated personnel associated with those programs. Third, we initiated a phased closing of regional offices and are transitioning CIT's field operations team from an office-based team to a field service team. Fourth, beginning in this new fiscal year, we will stop funding traditional partnership agreements that have helped universities and entrepreneurs for many years. These steps are necessary to produce the savings targets triggered by Commonwealth appropriation reductions.

In addition to terminating programs due to funding reduction, we are aggressively pursuing federal and private sector contracts that help us attract and accelerate the growth of high technology start-up companies that will serve as the backbone for future job creation. Decreases in research and development budgets for federal agencies and private sector companies have created an opportunity for technology start-up companies to serve as new sources of innovation for large-scale technology consumers. To assist in bringing together large-scale technology consumers and innovative companies, CIT is establishing a new service offering that will facilitate matching federal agencies and Fortune 500 companies with innovative technologies.

This Plan reflects a realistic and business-like response to the appropriation provided to us. As we enter into a new round of budget deliberations, I look forward to reviewing our progress on this plan and opportunities to restore the Commonwealth's focus for technology-based entrepreneurship.

Please feel free to call me at 703-689-3000 if you have any questions.

Respectfully,

Peter Jobse
President
The Center for Innovative Technology

Cc: Mr. Richard Brown, Director, Department of Planning and Budget
Mr. Billy Barbee, Senior Budget Analyst, Department of Planning and Budget
The Honorable Vincent F. Callahan, Jr. House Appropriations Committee
The Honorable John H. Chichester
Mr. Robert Vaughn, Staff Director, House Appropriations Committee

Enclosure

June 22, 2005

Mr. Billy Barbee
Budget Analyst
Department of Planning and Budget
200 North Ninth Street
Room 418
Richmond, VA 23219

Dear Mr. Barbee:

Please find enclosed the FY2006 Operating Plan for the Center for Innovative Technology (CIT). The 2006 Plan reflects necessary changes to respond to the 25% reduction in CIT appropriations, as well as direction for our continuing migration to federal and private sector funded services that support our Commonwealth mission

First, CIT's management and Board of Directors made tough decisions to terminate programs that the Commonwealth would no longer fund, despite the significant value to technology entrepreneurs. Second, we eliminated personnel associated with those programs. Third, we initiated a phased closing of regional offices and are transitioning CIT's field operations team from an office-based team to a field service team. Fourth, beginning in this new fiscal year, we will stop funding traditional partnership agreements that have helped universities and entrepreneurs for many years. These steps are necessary to produce the savings targets triggered by Commonwealth appropriation reductions.

In addition to terminating programs due to funding reduction, we are aggressively pursuing federal and private sector contracts that help us attract and accelerate the growth of high technology start-up companies that will serve as the backbone for future job creation. Decreases in research and development budgets for federal agencies and private sector companies have created an opportunity for technology start-up companies to serve as new sources of innovation for large-scale technology consumers. To assist in bringing together large-scale technology consumers and innovative companies, CIT is establishing a new service offering that will facilitate matching federal agencies and Fortune 500 companies with innovative technologies.

This Plan reflects a realistic and business-like response to the appropriation provided to us. As we enter into a new round of budget deliberations, I look forward to reviewing our progress on this plan and opportunities to restore the Commonwealth's focus for technology-based entrepreneurship.

Please feel free to call me at 703-689-3000 if you have any questions.

Respectfully,

Peter Jobse
President
The Center for Innovative Technology

Cc: Mr. Richard Brown, Director, Department of Planning and Budget
The Honorable Vincent F. Callahan, Jr. House Appropriations Committee
Ms. Betsy Daley, Staff Director, Senate Finance Committee
The Honorable John H. Chichester
Mr. Robert Vaughn, Staff Director, House Appropriations Committee

Enclosure

June 22, 2005

Mr. Richard D. Brown
Director
Department of Planning and Budget
1111 East Broad Street, Room 5040
Richmond, Virginia 23219-3418

Dear Mr. Brown:

Please find enclosed the FY2006 Operating Plan for the Center for Innovative Technology (CIT). The 2006 Plan reflects necessary changes to respond to the 25% reduction in CIT appropriations, as well as direction for our continuing migration to federal and private sector funded services that support our Commonwealth mission

First, CIT's management and Board of Directors made tough decisions to terminate programs that the Commonwealth would no longer fund, despite the significant value to technology entrepreneurs. Second, we eliminated personnel associated with those programs. Third, we initiated a phased closing of regional offices and are transitioning CIT's field operations team from an office-based team to a field service team. Fourth, beginning in this new fiscal year, we will stop funding traditional partnership agreements that have helped universities and entrepreneurs for many years. These steps are necessary to produce the savings targets triggered by Commonwealth appropriation reductions.

In addition to terminating programs due to funding reduction, we are aggressively pursuing federal and private sector contracts that help us attract and accelerate the growth of high technology start-up companies that will serve as the backbone for future job creation. Decreases in research and development budgets for federal agencies and private sector companies have created an opportunity for technology start-up companies to serve as new sources of innovation for large-scale technology consumers. To assist in bringing together large-scale technology consumers and innovative companies, CIT is establishing a new service offering that will facilitate matching federal agencies and Fortune 500 companies with innovative technologies.

This Plan reflects a realistic and business-like response to the appropriation provided to us. As we enter into a new round of budget deliberations, I look forward to reviewing our progress on this plan and opportunities to restore the Commonwealth's focus for technology-based entrepreneurship.

Please feel free to call me at 703-689-3000 if you have any questions.

Respectfully,

Peter ~~A.~~ Jobse
President
The Center for Innovative Technology

Cc: Mr. Billy Barbee, Senior Budget Analyst, Department of Planning and Budget
The Honorable Vincent F. Callahan, Jr. House Appropriations Committee
Ms. Betsy Daley, Staff Director, Senate Finance Committee
The Honorable John H. Chichester
Mr. Robert Vaughn, Staff Director, House Appropriations Committee

Enclosure

June 22, 2005

The Honorable Vincent F. Callahan, Jr.
Chairman
Virginia House Appropriations Committee
Post Office Box 406
Richmond, Virginia 23218

Dear Chairman Callahan:

Please find enclosed the FY2006 Operating Plan for the Center for Innovative Technology (CIT). The 2006 Plan reflects necessary changes to respond to the 25% reduction in CIT appropriations, as well as direction for our continuing migration to federal and private sector funded services that support our Commonwealth mission

First, CIT's management and Board of Directors made tough decisions to terminate programs that the Commonwealth would no longer fund, despite the significant value to technology entrepreneurs. Second, we eliminated personnel associated with those programs. Third, we initiated a phased closing of regional offices and are transitioning CIT's field operations team from an office-based team to a field service team. Fourth, beginning in this new fiscal year, we will stop funding traditional partnership agreements that have helped universities and entrepreneurs for many years. These steps are necessary to produce the savings targets triggered by Commonwealth appropriation reductions.

In addition to terminating programs due to funding reduction, we are aggressively pursuing federal and private sector contracts that help us attract and accelerate the growth of high technology start-up companies that will serve as the backbone for future job creation. Decreases in research and development budgets for federal agencies and private sector companies have created an opportunity for technology start-up companies to serve as new sources of innovation for large-scale technology consumers. To assist in bringing together large-scale technology consumers and innovative companies, CIT is establishing a new service offering that will facilitate matching federal agencies and Fortune 500 companies with innovative technologies.

This Plan reflects a realistic and business-like response to the appropriation provided to us. As we enter into a new round of budget deliberations, I look forward to reviewing our progress on this plan and opportunities to restore the Commonwealth's focus for technology-based entrepreneurship.

Please feel free to call me at 703-689-3000 if you have any questions.

Respectfully,

Peter ~~A.~~ Jobse
President
The Center for Innovative Technology

Cc: Mr. Richard Brown, Director, Department of Planning and Budget
Mr. Billy Barbee, Senior Budget Analyst, Department of Planning and Budget
Ms. Betsy Daley, Staff Director, Senate Finance Committee
The Honorable John H. Chichester
Mr. Robert Vaughn, Staff Director, House Appropriations Committee

Enclosure

June 22, 2005

The Honorable John H. Chichester
Chairman
Virginia Senate Finance Committee
10th Floor, General Assembly Building
910 Capitol Street
Richmond, Virginia 23219

Dear Chairman Chichester:

Please find enclosed the FY2006 Operating Plan for the Center for Innovative Technology (CIT). The 2006 Plan reflects necessary changes to respond to the 25% reduction in CIT appropriations, as well as direction for our continuing migration to federal and private sector funded services that support our Commonwealth mission

First, CIT's management and Board of Directors made tough decisions to terminate programs that the Commonwealth would no longer fund, despite the significant value to technology entrepreneurs. Second, we eliminated personnel associated with those programs. Third, we initiated a phased closing of regional offices and are transitioning CIT's field operations team from an office-based team to a field service team. Fourth, beginning in this new fiscal year, we will stop funding traditional partnership agreements that have helped universities and entrepreneurs for many years. These steps are necessary to produce the savings targets triggered by Commonwealth appropriation reductions.

In addition to terminating programs due to funding reduction, we are aggressively pursuing federal and private sector contracts that help us attract and accelerate the growth of high technology start-up companies that will serve as the backbone for future job creation. Decreases in research and development budgets for federal agencies and private sector companies have created an opportunity for technology start-up companies to serve as new sources of innovation for large-scale technology consumers. To assist in bringing together large-scale technology consumers and innovative companies, CIT is establishing a new service offering that will facilitate matching federal agencies and Fortune 500 companies with innovative technologies.

This Plan reflects a realistic and business-like response to the appropriation provided to us. As we enter into a new round of budget deliberations, I look forward to reviewing our progress on this plan and opportunities to restore the Commonwealth's focus for technology-based entrepreneurship.

Please feel free to call me at 703-689-3000 if you have any questions.

Respectfully,

Peter ~~A.~~ Jobse
President
The Center for Innovative Technology

Cc: Mr. Richard Brown, Director, Department of Planning and Budget
Mr. Billy Barbee, Senior Budget Analyst, Department of Planning and Budget
The Honorable Vincent F. Callahan, Jr. House Appropriations Committee
Ms. Betsy Daley, Staff Director, Senate Finance Committee
Mr. Robert Vaughn, Staff Director, House Appropriations Committee

Enclosure

*The Center for Innovative Technology*

# *OPERATING PLAN*

*Fiscal Year 2006*

*Approved by the Board of Directors*
*June 1, 2005*

# *Table of Contents*

## *Executive Summary*

### *Introduction*

Global competition for economic development fueled by technology continues to intensify as Asian nations accelerate their emphasis on innovation and the development of technologically educated workforce members. Within the United States, each state has developed and funded a sophisticated plan for securing a portion of the global technology based economy.

The Commonwealth of Virginia has chartered the non-profit corporation 'The Center for Innovative Technology' (CIT) with the mission of identifying, communicating and accelerating advanced technology and the companies that produce and use this technology. The end result of the work conducted by CIT is an increase in desired industry segments and a corresponding increase in high wage employment within the Commonwealth.

For fiscal year 2006, the Commonwealth of Virginia appropriated $6.087M for CIT to pursue its mission. This represents a 25% reduction from the previous year funding. Additionally, CIT has been requested to secure alternative sources of funding to complement the Commonwealth's appropriation.

To respond to the challenges resulting from funding reductions while staying true to the original CIT mission, management has developed a plan that streamlines current operations and expands service into new market segments.

New service offerings have been designed to deliver value as required in the original CIT mission, as well as recover all costs associated with the services. The diversification of revenue sources will enable CIT to continue to operate during periods of reduced Virginia funding, and react swiftly to address Commonwealth issues that will be funded in the future.

Annually, CIT reviews the economic climate for technology development and advancement in the Commonwealth. The following observations identified in the 2004 and 2005 CIT Operating Plans continue to be issues for fiscal year 2006. These observations include:

- There is a significant void in angel and venture investment for seed-stage technology firms in Virginia.
- The increased need for technological solutions in defense and homeland security creates opportunities for Virginia's technology researchers and businesses, whose proximity to the federal government offers a competitive advantage.
- Virginia's ability to capitalize on emerging fields and industry drivers such as nanotechnology and life sciences requires identification and pursuit of a specialized market segment.
- Access to affordable broadband is unevenly distributed in Virginia, slowing economic recovery for rural communities.

- Federal dollars play a substantial role in R&D funding for small businesses in Virginia, offering both a non-diluting source of capital as well as a validation for early-stage innovation.

These environmental observations, coupled with an increasing emphasis for funding self sufficiency have served as key considerations for the 2006 plan.

For fiscal year (FY) 2006, CIT's mission remains the same:

CIT accelerates Virginia's next generation of technology and technology companies.

***2006 Goals***

To continue maximizing value for the Commonwealth's technology economy, CIT has defined five specific strategic goals:

1. Create new industry clusters in Virginia
2. Make Virginia a global leader in the development of entrepreneurial technology ventures
3. Advance Virginia's technology commissions and policy initiatives
4. Solve national and regional technological challenges through world-class R&D programs
5. Deliver innovation, identification, and assimilation services

To achieve goal one, *Create new industry clusters in Virginia*, CIT will continue education and advocacy for nanotechnology and establish a regional initiative to bring together Maryland, Virginia and the District of Columbia to pursue joint research and development opportunities. CIT will also continue its SmartBio program and to concentrate on educational and advocacy for growing R&D in the biotechnology-computer science field.

For goal two, *Make Virginia a global leader in the development of entrepreneurial technology ventures*, CIT will continue its Federal Funding Assistance Programs to help Virginia's technology companies obtain funding through federal research programs.

Through the Capital Access Program, which is designed to help the Commonwealth's high-potential early stage companies obtain private funding, CIT anticipates assisting more than 30 early-stage technology companies. CIT will help these firms gain critical exposure to the region's early-stage investment community and contribute to the ability of Virginia's companies to raise $5M from placement of institutional and angel funds.

For 2006, CIT will restructure its current regional operations program. Instead of engaging 300 to 400 developing technology companies annually using a service intensive 'hands-on' approach, the organization will expand the number of companies reached to over 1,200 and reduce the level of service provided to referral and brokering assistance. Additionally, field personnel will relinquish their office space and replace it with a mobile working environment.

In goal three, *Advance Virginia's technology commissions and policy initiatives,* CIT will continue to provide administrative and technology policy support for the Virginia Research and Technology Advisory Commission, the Commonwealth of Virginia's Information Technology Symposium, and the Commonwealth Technology Research Fund.

As part of goal four, *Solve national and regional technological challenges through world-class R&D programs*, CIT will operate the Institute for Defense and Homeland Security and provide research and development services to the Departments of Defense and Homeland Security. Additionally, CIT will engage in R&D services for oceanic observation, broadband deployment, and economic development.

Goal five, *Deliver innovation, identification, and assimilation* services is a new goal. In support of goal five, CIT will establish a new service line dedicated to helping large scale consumers of technology such as the federal government and Fortune 500 technology companies identify and assimilate innovation created in private sector start-up companies. This new service will accelerate adoption of new technology on a national scale and serve to diversify CIT's revenue base.

***2006 Economic Impact Projection***

The economic impact of the five goals of the 2006 operating plan is projected to be $45.5 million allocated as follows:

- Cash - $6.4 million in revenue for CIT
- Leveraged Cash - $12.7 million in revenue and investment for Commonwealth entities
- Economic Value - $26.4 million in wages and sales gains for Commonwealth entities

## *Detailed Strategic Goals, Plan of Work, Milestones, and Metrics for Fiscal Year 2006*

## *Goal 1: Create new industry clusters in Virginia*

### *Activity 1.1* – Identify opportunities to accelerate nanomanufacturing research, development, and commercialization in Virginia

**Program and Plan of Work**

Nanotechnology, which is research and technology at the atomic, molecular, and macromolecular levels, is expected to be the next significant enabling technology, affecting nearly every industry. Lux Research estimated that in 2004, $13 billion worth of products incorporated nanotechnology, less than one-tenth of global manufactured output. In 2014, Lux projects that this figure will rise to $2.6 trillion, or 15% of manufacturing output in that year. By 2015, the National Nanotechnology Initiative expects that nanotechnology will support two million workers, 800,000 to 900,000 of whom are expected to be employed in the United States.

In December 2003, the United States affirmed its commitment to nanotechnology by enacting the nearly $3.7 billion 21st Century Nanotechnology Research and Development Act. Lux Research estimated that in 2004, $13 billion worth of products incorporated nanotechnology, less than one-tenth of one percent of global manufactured output. California, Georgia, New York, Illinois, and Oregon are among the more than 25 states that have nanotechnology initiatives or programs designed to capture and lead this nascent sector. Many in the international community, including the European Union and Asia, view nanotechnology as critical to their economic future, and investments in nanotechnology research, development, and public awareness rival those of the U.S. From 2005 to 2009, Lux Research also projects that commercial breakthroughs will open markets for nanotechnology.

Virginia has a strong nanoscience research community and nano-related education and training programs; the Commonwealth also has a strong foundation in technology development and commercialization. Acknowledging this foundation, the Virginia Research and Technology Advisory Commission (VRTAC) in 2003 identified nanomanufacturing as a strategic research priority for the Commonwealth. Virginia has the opportunity to become a national and international leader in nanomanufacturing, with corresponding significant, long-term economic benefits.

In FY06 CIT will assess Virginia's capabilities and competitive position and implement strategic initiatives to position Virginia as a leader in nanomanufacturing. Key activities will include briefing state and federal officials on state, national, and international trends in nanotechnology funding and activity, profiling the competitive landscape, and co-managing

two regional nanotechnology initiatives: 1) the Chesapeake Nanotechnology Initiative, will be dedicated to advancing research, commercialization, and workforce preparedness in Maryland, Virginia, and Washington, D.C., and 2) anticipated to receive an Economic Development Administration grant for cluster analysis in the Danville,VA area.

The FY06 plan of work also includes assisting with business development to secure federal and state FY06-07 funding as well as oversight of a possible FY06 federal contract for nanotechnology commercialization.

**Impact**

- **Cash** (revenue for CIT): in FY2007
- **Leverage Cash** (revenue and investments for Commonwealth entities)**:** in FY2007
- **Economic Value** (wages and sales gains for Commonwealth entities)**:** in FY2007

**Milestones**

| Activity | Date | Person Responsible |
|---|---|---|
| Advise and support Virginia Congressional delegation on federal and state nanotechnology priorities and capabilities | July 2005 | VP Research Investment |
| Produce competitive profile | September 2005 | VP Research Investment |
| Present VRTAC with federal, state, and international trends in nanotechnology | September 2005 | VP Research Investment |
| Advise and support Administration, General Assembly, and commissions on federal and state nanotechnology priorities and capabilities | September 2005 | VP Research Investment |
| Co-manage activities and report of Chesapeake Nanotechnology Initiative Cluster Analysis Working Group | November 2005 | VP Research Investment |
| Provide technical support to Joint Commission on Technology and Science (JCOTS) and its nanotechnology | November 2005 | VP Research Investment |

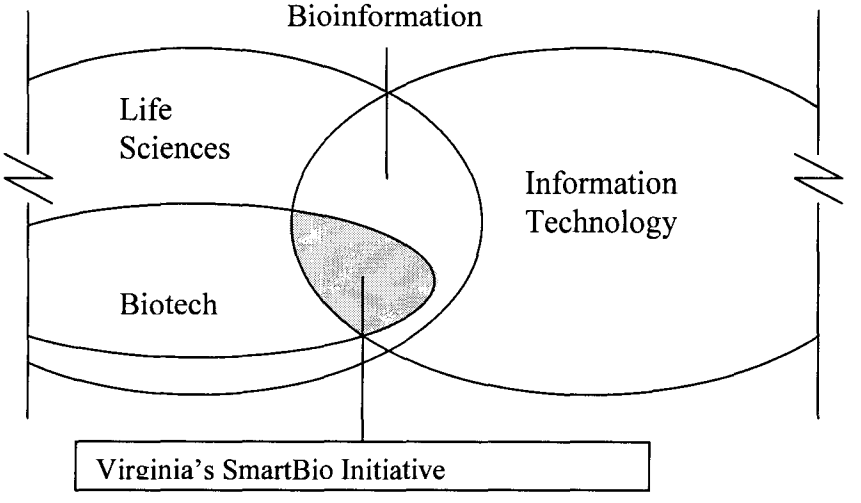
**Management Reporting Tools**

- Quarterly competitive profile
- Briefings for state and federal officials and commissions as scheduled
- Nanotechnology annual report
- Federal reporting as required

## *Activity 1.2* -- Identify opportunities to accelerate SmartBio research, development, and commercialization in Virginia

**Program and Plan of Work**

Life sciences researchers have become increasingly dependent upon sophisticated analytical tools and information technology, as they have focused on biological information in digital form. Better understanding of complex biological data is necessary for improved interventions in health care, public safety/biosecurity, agriculture, and the environment. CIT has identified this overlap between biotechnology and IT as a strategic target for its SmartBio initiative.




The applications and markets for information technology in the life sciences – broadly defined as bioinformation – are many and varied, including medical information management, biological research, and drug discovery (including genomics, proteomics, bioinformatics, computational biology, and pharmacogenomics). A 2003 Bioinformation Market Study commissioned by the state of Washington projected a worldwide market size of $176 billion by 2005, and $243 billion by 2010. Several states, including California, Georgia, Michigan, North Carolina, New York, and Washington, have bioinformation initiatives. Bioinformation is also a target internationally; Canada, the European Union, India, Israel, Japan, and Singapore are among those pursuing the sector.

Virginia is positioned to take a leading role in bioinformation because of its strong bioscience researchers in academia, industry, and nonprofits as well as a prominent IT sector.

The SmartBio program will be scaled down from FY05 activities. In FY06, activities will include educational and awareness programs and briefings of state and federal officials on trends and opportunities in the arena of information technology applied to living systems.

**Impact**

- **Cash** (revenue for CIT): in FY2008
- **Leverage Cash** (revenue and investments for Commonwealth entities): in FY2008
- **Economic Value** (wages and sales gains for Commonwealth entities): in FY2008

**Milestones**

| Activity | Date | Person Responsible |
|---|---|---|
| Advise and support Virginia legislature and administration on life sciences research priorities and issues | August 2005 | Director, Life Sciences |
| Work with VRTAC to present life sciences strategy | September 2005; quarterly updates | Director, Life Sciences |
| Advise and support Virginia Congressional delegation on federal and state life sciences research priorities and issues | November 2005 | Director, Life Sciences |

**Management Reporting Tools**

- Briefings for state and federal officials and commissions as scheduled

## *Goal 2: Make Virginia a global leader in the development of entrepreneurial technology ventures*

### *Activity 2.1* – Identify and accelerate opportunities for small technology firms to obtain federal R&D awards

**Program and Plan of Work**

Virginia ranked third among states, behind California and Massachusetts, in Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) awards received in 2003. Department of Defense SBIR/STTR awards to Virginia also trailed these states with a total of $63.9M in wins compared to $199.8M for California and $63.9M for Massachusetts. While Virginia's performance in winning SBIR and STTR awards remains solid, the Commonwealth lags its contemporaries in two key indicators, patents awarded and venture capital attracted to SBIR/STTR involved companies; two key indicators of R&D commercialization. In contribution to the development of Virginia's next generation of technology companies, Virginia must seek to maintain its current high level of performance in obtaining DoD SBIR and STTR awards, provide greater emphasis on assisting those companies in commercializing their DoD backed technology, and make greater inroads in obtaining federal R&D awards from SBIR "grant" agencies such as NSF and NIH as well as other federal funding programs.

CIT will continue its statewide leadership in federal funding assistance for business through ongoing enhancements to its Federal Funding Assistance Program (FFAP). This program capitalizes on CIT's past experience in helping Virginia's technology companies obtain funding through the SBIR/STTR programs, the National Institute for Standards and Technology's Advanced Technology Program (ATP), the Advanced Research and Development Activity (ARDA) awards. Key program initiatives will include CIT's continued and aggressive outreach to the federal R&D funding program management community, delivery of federal funding workshops throughout the Commonwealth, and provision of commercialization assistance to Virginia's federal funding awardees. For FY06, FFAP enhancements will include the implementation of an awardee screening program to tighten the linkage between federal R&D award winners and CIT's Capital Access (CAP) Program and technology transfer activities.

During FY06, CIT anticipates receiving a grant from the Defense Advanced Research Project Agency (DARPA) to assist in providing outreach and commercialization assistance to the Commonwealth's SBIR/STTR applicants and awardees. This federal program, along with CIT's existing SBIR/STTR programs, will be used to assist Virginia's early stage technology companies in obtaining an additional $2.5M (Leveraged Cash) in research and development funding grants and contracts. To reach this target, CIT will provide support to a minimum of 125 federal funding applicants during the fiscal year.

## Impact

- **Cash** (revenue for CIT): $0K
- **Leveraged Cash** (revenue and investments for Commonwealth entities): $2.5M
- **Economic Value** (wages and sales gains for Commonwealth entities): Federal grants and contracts received by CIT create economic value for the Commonwealth but collection and reporting of these statistics are outside the scope of CIT's metrics collection process.

## Milestones

| Activity | Date | Person Responsible |
|---|---|---|
| Develop and Deliver DoD Challenge Award Workshop | June 2006 | Director, Federal Funding |
| Develop and Deliver NIST ATP Workshop | June 2006 | Director, Federal Funding |
| Deliver Federal Funding Support Services to approximately 125 companies in order to yield approximately 25 federal funding award winners across the Commonwealth | June 2006 | Director, Federal Funding |
| Organize and host Virginia's Eleventh Annual Federal Funding & Innovation Conference in Northern Virginia | October 2005 | Director, Federal Funding |
| Develop and Deliver SBIR/STTR Phase I and II Proposal Workshops – Northern, Central, Eastern, and Western Virginia | December 2005 | Director, Federal Funding |

## Management Reporting Tools

CIT will use several tools to track its performance against these milestones.

- Monthly Federal Funding Company Pipeline Report
- Monthly Federal Outreach Status Report
- Quarterly Review of High-Potential Federal Funding Assistance Program (FFAP) Companies

## *Activity 2.2* – Accelerate funding for very early-stage technology firms

### Program and Plan of Work

From the early 1990s through calendar year 2000, the Commonwealth of Virginia ranked between fifth and tenth among all states for the amount of venture capital placed within its borders. Throughout this period, Virginia ran consistently ahead of Maryland in venture capital investments. More recently, this advantage has come to an end. As reported by the Price WaterhouseCoopers Money Tree™ report, Virginia and Maryland are approximately even in venture capital investment. In 2004, Virginia companies obtained approximately $278M in venture capital, with approximately $52M going to start-up and early stage companies. During that year, Maryland obtained about $258M in venture capital, with about $101M going to start-up and early stage deals. To develop Virginia's next generation of technology companies, Virginia must seek to increase its overall share of venture capital investment and assist in early stage technology companies in accessing start-up and early stage funding in greater amounts.

Recognizing the critical role that private equity investment plays in the initiation and growth of high-technology enterprises, CIT rolled out its Capital Access Program (CAP) in FY04 and FY05. These programs were designed to help the Commonwealth's high-potential early stage technology companies obtain private funding. With the implementation of these programs, CIT has effectively established a "feeder" mechanism to identify and groom tech companies for target investment by regional angel and venture capital communities and for potential investment by CIT. In FY06, CIT will continue to develop these programs, enhancing its ties with the regional investment communities.

CIT's Capital Access Program consists of three key elements. First, CIT provides electronic publications and training programs to instruct entrepreneurs on the elements of new business formation and financing. Second, CIT recommends Virginia companies to regional venture capital investment events such as Early Stage East, the Mid-Atlantic Venture Association Capital Connection, the Century Club Grubstake Breakfast, and the Charlottesville Venture Forum. In addition, CIT refers potential investment targets to individual investors and investment funds. Finally, CIT continues the development and delivery of its Growth Acceleration Program (GAP). This program helps CIT accelerate the growth and funding prospects of selected high-potential companies qualifying for convertible debt placement.

Through the Capital Access Program, CIT anticipates assisting more than 30 early-stage technology companies in gaining critical exposure to the region's early-stage investment community and contributing to the ability of Virginia's companies to raise $5M (leveraged cash) from placement of institutional and angel funds.

## Impact

- **Cash** (revenue for CIT): FY2007
- **Leveraged Cash** (revenue and investments for Commonwealth entities): $5M of private investments for CIT assisted clients
- **Economic Value** (wages and sales gains for Commonwealth entities): Capital investment allows companies to generate gains in wages and sales in the years following the cash infusion; however, collection and reporting of these statistics is outside the scope of CIT's metrics collection process

## Milestones

| Activity | Date | Person Responsible |
|---|---|---|
| Analyze approximately 60 companies to yield nominations of 20 companies to participate in regional venture capital showcases | April 2006 | Director, Federal Funding |
| Present 12 companies to the GAP Investment Advisory Board to yield 5-6 annual investments | June 2005 | Vice President, Entrepreneurship & Investment Services |
| Identify 15 new companies per quarter for investment consideration through the CIT GAP Fund | September 2005 and Quarterly | Director, Entrepreneurship & Investment Services |
| Deliver semi-annual private investment workshops and educational events | December 2005 June 2006 | Director, Entrepreneurship & Investment Services |

**Management Reporting Tools**
CIT will use two tools to track its performance against these milestones.

- Monthly CAP Pipeline Analysis Report
- Quarterly report of projected and actual leverage cash

## *Activity 2.3* – Operate a world-class field support service for emerging innovative companies

### Program and Plan of Work

Building on 19 years of experience with one-on-one assistance to technology businesses, CIT will continue to provide high value services for early-stage technology businesses. These services are available directly from six field representatives or through referrals to CIT programs or sources of specialized assistance in the CIT network. The suite of CIT services are tailored to the needs of the current portfolio of high potential early stage technology companies will continue. These services will include:

- Providing access to scientific, technical, business, and market information
- Developing federal grant opportunities in SBIR/STTR, ATP, and federal R&D and procurement contracts in conjunction with CIT's Federal Funding Assistance Program
- Providing advanced services for market analysis, market/business planning, and financial investment consultation from the CIT supported Entrepreneurship Center
- Linking companies with technology expertise, intellectual resources in Virginia's colleges and universities
- Assisting companies with accessing technologies from NASA and other federal labs
- Developing the e-business support solutions such as Web markets, electronic procurement capabilities, and electronic data interchange capabilities
- Providing assistance with Web site and e-commerce development

CIT will additionally provide this suite of services and staff support to the Hampton Roads Technology Incubator (HRTI) in partnership with the City of Hampton and James City County. Services provided to HRTI and the rest of Virginia's small technology businesses will result in a $20M of economic value.

In FY06, CIT will also move to a field support model and directly support the development of innovation, identification, and assessment ($I^2A$) service line. This new service line is more fully described in the discussion of Activity 5.1. As CIT moves toward the development of $1^2A$ services, CIT will place additional emphasis on the NASA technology commercialization and mission support which will enhance CIT's ability to provide similar services to its customers. New information tools will be deployed to increase the capacity for this service.

### Impact

- **Cash** (revenue for CIT): $0.0K
- **Leverage Cash** (revenue and investments for Commonwealth entities): $0.0K
- **Economic Value** (wages and sales gains for Commonwealth entities): $20,000K

**Milestones**

| Activity | Date | Person Responsible |
|---|---|---|
| Review high potential clients in portfolio | Quarterly | VP Field Operations |
| Report FY05 client impacts | July 2005 | VP Field Operations |
| Implement FY06 methods improvements resulting from evaluation of FY05 client assessments | August 2005 | VP Field Operations |
| Complete establishment of information domains to support introduction of next generation technologies to contract markets | September 2005 | VP Field Operations |
| Complete filter and screening methods for selection of innovative technologies to review | October 2005 | VP Field Operations |
| Complete methods for securing assessments of next generation technologies that meet contract requirements | November 2005 | VP Field Operations |
| Establish template for recommending technologies to customers | December 2005 | VP Field Operations |
| Support $I^2A$ services through mentoring of early stage businesses with technologies of interest to contractors | January 2006 | VP Field Operations |

**Management Reporting Tools**

- CIT will use an Operations Assessment Report from field operations at the end of 1st and 2nd quarters and bi-monthly in 3rd and 4th quarters with completed procedural guides to monitor performance against these milestones.

## *Goal 3: Advance Virginia Technology Commissions and Policy Initiatives*

### *Activity 3.1* – Provide administrative and technology policy support for Virginia Research and Technology Advisory Commission (VRTAC)

**Program and Plan of Work**

CIT will provide executive oversight and administrative support for the Virginia Research and Technology Advisory Commission (VRTAC) to support its mission of advising the Governor on appropriate research and technology strategies for the Commonwealth, with emphasis on policy recommendations that will enhance the global competitive advantage of research institutions as well as technology-based commercial endeavors in Virginia.

CIT will maintain public communications for VRTAC events and meetings, including quarterly meetings and Capitol Hill Day and maintain a database of contact information of VRTAC members and their committee assignments. CIT also will ensure compliance with state reporting and public information requirements. In addition, CIT will support program development for initiatives identified by the Commission and will provide research and guidance on opportunities to build advocacy or develop policy recommendations.

VRTAC committees are structured to accomplish various objectives throughout the fiscal year, and CIT provides strategic and operational planning support to those committees. CIT will assist the State and Federal Advocacy subcommittee in conducting a year-round advocacy for research and development. CIT will also provide guidance and oversight in development of policy recommendations to support the Intellectual Property, Incubation of New High-Tech Industry, and Research subcommittees and will coordinate a planned report on defining Virginia's innovation economy.

**Impact**

- This activity sets the strategic direction for the Commonwealth in R&T???-based economic development. These initiatives will require two to four years before metrics will be reflected in specific operating plan activities.

**Milestones**

| Activity | Date | Person Responsible |
|---|---|---|
| Coordinate VRTAC State and Federal Advocacy Plan with CIT | September 2005 | Executive Director of VRTAC |
| Host quarterly VRTAC meetings | September 2005, November 2005, March 2006, May 2006 | Executive Director of VRTAC |

| | | |
|---|---|---|
| Coordinate study of Virginia's innovation future | November 2005 | Executive Director of VRTAC |
| Host Capitol Hill Day event | 4th Quarter | Executive Director of VRTAC |

**Management Reporting Tools**

- Minutes from VRTAC meetings and related meeting documentation
- Report on defining Virginia's innovation economy

## *Activity 3.2* – Provide Support for Secretary of Technology Initiatives - Commonwealth of Virginia's Information Technology Symposium (COVITS)

### Program and Plan of Work

The Commonwealth of Virginia Information Technology Symposium (COVITS) is an annual world-class conference focused on the convergence of business, government, and academia leadership to identify, discuss, and propose solutions to critical technology issues. Each September, the conference is hosted at a different location in Virginia. The conference theme focuses on an important technology challenge faced by the triad of leadership. In 2005, with the theme of "The Promise of Digital Government," COVITS 2005 will examine the issues and challenges facing governments and the solutions offered by the private sector.

The event is co-sponsored by Virginia's Secretary of Technology, Virginia's Center for Innovative Technology, and a Virginia university local to the event location. COVITS intends to:

- Enhance awareness in the U.S. about capabilities and resources of the Commonwealth
- Be nationally recognized as a key event where industry solutions meet government requirements
- Increase domestic and international investment and technology-based economic development

CIT will coordinate production of COVITS 2005 in Richmond and will direct the preparation of final reports and wrap up activities for the conference.

CIT will work with the Secretary of Technology to transition COVITS 2006's program management, program development, and coordination roles from CIT to the Virginia Information Technology Agency or another unit of the Virginia Secretary of Technology.

### Impact

- **Cash** (revenue for CIT): $650K
- **Leveraged Cash and Economic Value** (revenue and investments for Commonwealth entities): Outside scope of CIT's metrics collection process

### Milestones

| Activity | Date | Person Responsible |
|---|---|---|
| Coordinate production of event | September 2005 | Director, IT&T |
| Oversee preparation of final financial and administrative reports | October 2005 | Director, IT&T |

| | | |
|---|---|---|
| Transition oversight and production of event to VITA | October 2005 | Director, IT&T |

**Management Reporting Tools**

- COVITS project report
- COVITS project budget
- Monthly status report

## *Activity 3.3* – Provide Support for Secretary of Technology Initiatives - Commonwealth Technology Research Fund (CTRF)

### Program and Plan of Work

The Commonwealth Technology Research Fund was created in 2000 to attract increased public and private research funding for Virginia's public institutions of higher education. The goal of the fund is to increase technological and economic development in Virginia, through investment in higher education research.

Responsibility for administration of the CTRF was transitioned from the Department of Planning and Budget (DPB) to CIT in FY04, per legislative mandate. Continued funding has not been provided as of the FY06 budget, thus, the extent of these duties is expected to involve general oversight of the remaining grants that have funds rolling forward into FY06. An annual report will be compiled and filed with the Governor's Office and the General Assembly, as required by the Code of Virginia 2.2-2233.1.

### Impact

- The economic reports are independent of CIT's metrics

### Milestones

| Activity | Date | Person Responsible |
|---|---|---|
| Prepare and submit annual report on CTRF operations to the Governor and General Assembly | June 2005 | VP, Research Investment |

### Management Reporting Tools

- Annual report prepared for State Administration and General Assembly
- Annual and final reports from grant recipients

## *Goal 4: Solve national and regional technological challenges through world-class R&D programs*

### Activity 4.1 – Deliver solutions to national defense and homeland security challenges through IDHS

**Program and Plan of Work**

CIT underwrites and operates the Institute for Defense and Homeland Security. IDHS is a consortium of university, industry, and government research and development partners dedicated to delivering solutions that support the United States' defense and homeland security objectives. Through this strategic partnership, IDHS conducts research and development, education, and technology transition at member institutions and firms, with an emphasis in the fields of telecommunications, biodefense, sensor systems, remote presence, crisis management, and risk management. Additionally, industry consortium members will commercialize technology and develop solutions that support rapid technology insertion and deployment.

As part of its original mandate, IDHS is working to increase defense and homeland security R&D funding flowing to Virginia colleges and universities, businesses, and government laboratories. To accomplish this, IDHS and selected CIT staff identify and secure federal funding through strategic partnering agreements with government, industry, universities and non-profits; multi-institutional competitive solicitations; non-competitive solicitations; and Congressional appropriations. Funding opportunities include those in which CIT is the lead institution, conducts project management, and is the catalyst and facilitator for proposal submissions.

The homeland security market is robust overall, but there is significant competition for funding in the R&D area. While IDHS' structure is unique and offers advantages in the marketplace, it is not without competition. Multiple private and not-for-profit organizations are maneuvering for leadership in the homeland security consulting and research and development market sectors. To strengthen competitive advantage, IDHS seeks opportunities that have unique requirements for university and private sector collaborative research and development.

Fiscal year 2006 marks a key milestone for IDHS. During 2006, IDHS' first three new research and development programs will be initiated and new R&D programs will be defined and championed with the Virginia Congressional Delegation.

For FY06, IDHS will deliver $8,200,000 of contribution to CIT's Cash, Leveraged Cash, and Economic Value metrics.

**Impact**

For FY06, IDHS will use the following metrics for Activity 4.1:

- **Cash** (revenue for CIT/IDHS): IDHS will bill $2.2M in revenue against IDHS research grants and contract activity in FY06.
- **Leveraged Cash** (revenue and investments for Commonwealth entities): IDHS will facilitate securing $3M in federal awards for research grants and/or contracts for Virginia research institutions.
- **Economic Value** (wages and sales gains for Commonwealth entities): CIT/IDHS will facilitate business opportunities for clients that will generate economic value of $3M.

**Milestones**

| Activity | Date | Person Responsible |
|---|---|---|
| Release FY06 operating plan | July 2005 | IDHS Executive Director |
| Develop program management plans for R&D projects | 30 days post funding | IDHS Program Managers |
| Develop Congressional/Legislative Appropriations Strategies for FY07-08 | March 2006 | IDHS Executive Director |
| Pursue $6M in Congressional plus-ups for FY06 | September 2005 | IDHS Executive Director |
| Secure funding for operational programs | In accordance with award deadlines | IDHS Executive Director |
| Identify and submit proposals for $10M in federal agency grants for defense and homeland security initiatives | In accordance with award deadlines | IDHS Executive Director |

**Management Reporting Tools**

CIT will use several reporting tools to track its performance against these milestones:

- Monthly sales pipeline report tracks proposals and awards
- Quarterly IDHS report for VRTAC
- Biannual executive steering committee reports
- Contract specific project reports

## *Activity 4.2* – Deliver technology solutions to national and regional economic challenges

### Program and Plan of Work

CIT staff identifies federal funding opportunities and undertakes federal grants and contracts through strategic partnering agreements with government, industry, universities, and non-profits. CIT's roles include performing project management for federally funded projects. Competitive solicitations, non-competitive solicitations, and Congressional appropriations are potential sources of funding. CIT may be the lead institution and/or conduct project management on behalf of its partners. In doing so, CIT will manage grants and contracts on time and on budget and achieve research and commercialization results that meet or exceed program-specific goals.

Areas of opportunity are federal R&D and economic development programs that complement the mission of CIT and allow it to greatly leverage the Commonwealth's appropriation. CIT is currently engaged in regional Chesapeake Bay initiatives in coastal ocean observations and forensic research.

Key activities for FY06 include performing on existing grants and contracts, supporting business development for Coastal Observation funding in Fiscal Year 2006 and Fiscal Year 2007-2008, and developing a long-term business model for Coastal Observation. The plan of work also calls for identifying and securing additional strategic grants and contracts.

Through these activities, CIT will achieve $2.353M in research revenue for FY06.

### Impact

**Cash** (revenue for CIT): $2,353K
**Leveraged Cash** (revenue and investments for Commonwealth entities): $1,613K
**Economic Value** (wages and sales gains for Commonwealth entities): $350K

### Milestones

| Activity | Date | Person Responsible |
|---|---|---|
| Provide status and other compliance reports for the DOJ-FBI project | In accordance with award deadlines (expected: July 2005, Oct. 2005, Feb. 2006) | VP Research Investment |
| Provide status and other compliance reports for the Coastal Observation projects (II and III) | September 2005 February 2006 | VP Research Investment |

| | | |
|---|---|---|
| Provide status and other compliance reports for the PTAC II project | In accordance with award deadlines (final report December 2005) | VP Research Investment |
| Provide status and other compliance reports for the NSA NTIP project | In accordance with award deadlines (monthly through December 2005, final) | VP Research Investment |
| Identify and submit proposal for FY06 $2M Coastal Observation award | In accordance with award deadlines (est. February 2006) | VP Research Investment |
| Provide status and other compliance reports for the NASA TECC II project | In accordance with award deadlines (monthly through January 2006, final) | Regional Operations |
| Develop long term-business model for Coastal Observation and other contracts and grants | 4th Quarter | VP Research Investment |
| | | |

**Management Reporting Tools**

- Contract-specific project reports
- Monthly financial reports for billing and project management
- Compliance reports as required by client agency
- Quarterly divisional performance reports

## *Activity 4.3* – Expand the use and application of broadband technologies in Virginia's rural and underserved areas

**Program and Plan of Work**

CIT is charged by the General Assembly "to support the efforts of public and quasi-public bodies within the Commonwealth to enhance or facilitate the prompt availability of and access to, advanced electronic communications services (broadband), throughout the Commonwealth, monitoring trends and advances in advanced telecommunications technology to plan and forecast future needs for such technology, and identify funding options."

This charge places a premium on the infrastructure portion of the broadband equation. More and more however, experts are acknowledging that technology infrastructure alone is not going to solve the problems of rural/underserved areas. Rather, the acquisition of broadband infrastructure needs to be embedded in a broader planning and development approach that includes knowledge enhancement and quality of life aspects.

According to the United States Advisory Council on the National Information Infrastructure, successful information technology infrastructure development requires a broad range of stakeholders: private sector leaders, community partnerships/coalitions, government leaders, and strong individuals who champion the cause. The report, *"Identifying Technology Infrastructure Needs in America's Distressed Communities,"* indicates that communities play a key role in providing access and learning, while government has a critical role as catalyst. The report continues, "all levels of government have a significant role to playing in ensuring the effective deployment of the Information Superhighway."

CIT's broadband program for FY2006 will concentrate on filling the role of catalyst and ensuring that communities throughout Virginia have the opportunity to effectively deploy and employ the Information Economy. CIT staff will work with communities to develop and deploy "holistic" broadband strategies that place equal emphasis on infrastructure acquisition and application development/deployment. On the infrastructure side, CIT will provide a framework for attracting and supporting affordable broadband infrastructure. For application development/deployment, CIT, with partners across the Commonwealth will provide programs and opportunities designed to elevate the Internet sophistication of businesses and local governments. Both the framework and the development activities are designed to have a direct impact on the success of broadband deployments throughout the Commonwealth.

**Impact**

- **Cash** (revenue for CIT): $118K
- **Leveraged Cash** (revenue and investments for Commonwealth entities): $100K
- **Economic Value** (wages and sales gains for Commonwealth entities): $3M

**Milestones**

| Activity | Date | Person Responsible |
|---|---|---|
| Complete Broadband Demand Assessments and Training in 11 Southside Counties as outlined in Federal EDA grant | Completion June 2006; Activities will be conducted monthly or as required | Director, Broadband Outreach |
| Assist five communities with their broadband planning and deployment initiatives (Infrastructure assessments, demand aggregation/development, project definition and deployment) | Assist 2 communities in Quarters 1&2; 3 additional communities in Quarters 3&4 | Director, Broadband Outreach |
| Present eight topical educational opportunities (broadband/e-commerce) to augment existing broadband infrastructure deployments | 4 opportunities completed by December 2005, the remaining 4 opportunities will be presented by June 30, 2006 | Director, Broadband Outreach |
| Manage the delivery of e-commerce training and assistance to companies in underserved/rural areas (through VECTEC) | Report $3M in Economic Impact for FY06 | Director, Broadband Outreach |

**Management Reporting Tools**

- Briefings for local, state, and federal officials and commissions as requested
- Broadband annual report (as directed by the Office of the Secretary of Technology)
- Reports as required for federally funded Southside EDA project
- Annual metric assessment

## *Goal 5: Deliver innovation, identification, and assimilation services*

### Activity 5.1 – Bridge the innovation gap by delivering innovation, Identification, and assimilation services to large scale users of advanced technology

**Program and Plan of Work**

CIT's two decades of experience and leadership in the fields of technology commercialization, company generation, and early stage company development provide a solid base for the development of a new service line. The new consulting service will specialize in identifying emerging technology companies whose innovation can be applied to the mission requirements of large scale advanced technology consumers such as the federal government and Fortune 500 technology companies.

Reductions in expenditures for federal and corporate research are creating an opportunity for early stage science and technology companies to 'fill the innovation gap' through the deployment of their technology. Large scale consumers have recognized the value of discovering these companies while they are in their developmental stages so they can work to drive solutions to their technology requirements.

In the fall of 2005, the CIT was awarded a contract with a Department of Defense agency to identify innovative private sector companies whose technology could be applied to defense requirements. Relevant experience with this contract coupled with the field service experience of CIT's field operations are the foundation of the new service offering that will diversify CIT's revenue base, accelerate the adoption of innovation on a national scale, and fuel the growth of advanced technology companies in the Commonwealth.

The new service line is named 'Innovation Identification and Acceleration' ($I^2A$). The value proposition for the service line is:

$I^2A$ is .....an innovation identification, match, and assimilation assessment service.

$I^2A$ provides .....access to innovation specific to client requirements in markets that are cost effective for client access.

$I^2A$ clients.....reach new innovation sources and assimilate technologies that achieve mission goals without incurring the expense of in-house organizations.

$I^2A$ serves .....federal government, private industry, and private equity markets.

$I^2A$ was developed under the following planning objectives:

1. New services must stay true to the CIT mission – grow technology in Virginia
2. New services should capitalize on CIT's reputation for identifying and accelerating innovation
3. New services must establish a revenue base significant enough to ensure full operating overhead recovery

Additionally, the collateral value of the new service line was designed to achieve the following value for the Commonwealth:

1. Accelerate the growth of emerging companies and resulting hi-tech employment
2. Increase the Commonwealth's venture capital presence
3. Attract new technology companies to Virginia

In fiscal year 2006, the $I^2A$ service line will operate within the first phase of development, this will include establishing a database of innovative technology companies, defining and branding a consultative service offering, incorporating field services and implementing sales and marketing programs.

During the first 22 months of operations, the $I^2A$ service line will operate at a deficit, at month 23, the service is projected to be cash positive. At month 48, the service is projected to be self-funding for CIT.

**Impact**

For FY05, the $I^2A$ service line is targeted to achieve the following metrics for Activity 5.1:

- **Cash** (revenue for CIT/IDHS): $I^2A$ services will record $1,120,000 of revenue from $1,500,000 of sales during fiscal year 2006.
- **Leveraged Cash** (revenue and investments for Commonwealth entities): $I^2A$ services are projected to provide $500,000 of leverage to CIT client companies during fiscal year 2006.
- **Economic Value** (wages and sales gains for Commonwealth entities): $I^2A$ services are projected to deliver economic value starting in fiscal year 2007.

**Milestones**

| Activity | Date | Person Responsible |
|---|---|---|
| Validate and prioritize target markets | July 2005 | $I^2A$ program manager<br>$I^2A$ sales executive |
| Establish and trademark consulting process | September 2005 | $I^2A$ program manager |
| Establish innovative company database - Virginia | September 2005 | $I^2A$ program manager<br>VP Regional Operations |

| | | |
|---|---|---|
| Establish sales team | July 2005 | CIT President<br>I²A program manager |
| Establish proposal development team | September 2005 | I²A program manager |
| Submit first proposal | September 2005 | I²A program manager<br>I²A sales executive |
| Develop assessment methods for field operations | December 2005 | I²A program manager<br>VP, Regional Operations |
| Establish innovative company database – national regions | December 2005 | I²A program manager<br>VP Regional Operations |
| Establish GSA schedule presence | December 2005 | VP Finance and Admin<br>Contracting Director<br>I²A program manager |

**Management Reporting Tools**

CIT will use several reporting tools to track its performance against these milestones:

- Innovative company creation report
- Client database report on active clients
- GSA schedule development status report
- Consulting service development status report
- Target market analysis report
- Monthly sales pipeline report tracking opportunities and awards

## *Metrics Summary for Fiscal Year 2006*

in thousands

| | GOALS AND ACTIVITIES | CASH | LEV CASH | ECON VALUE |
|---|---|---|---|---|
| **1** | **Create new industry clusters in Virginia** | | | |
| 1.1 | ID opportunities to accelerate nanomanufacturing | FY2007 | FY2007 | FY2007 |
| 1.2 | Educate about opportunities in SmartBio | FY2008 | FY2008 | FY2008 |
| **2** | **Make Virginia a global Leader in the development of entrepreneurial technology ventures** | | | |
| 2.1 | Identify and accelerate opportunities for small technology firms to obtain federal R&D awards | - | 2,500 | - |
| 2.2 | Accelerate funding for very early-stage technology firms | FY2007 | 5,000 | - |
| 2.3 | Operate a world-class field support service for emerging innovative companies | - | - | 20,000 |
| **3** | **Advance Virginia Technology Commissions and Policy Initiatives** | | | |
| 3.1 | Provide administrative and technology policy support for Virginia Research and Technology Advisory Commission (VRTAC) | - | - | - |
| 3.2 | Administer COVITS | 650 | - | - |
| 3.3 | Administer Commonwealth Technology Research Fund | - | - | - |
| **4** | **Solve national and regional technological challenges through world-class R&D programs** | | | |
| 4.1 | Deliver solutions to national defense and homeland security challenges through IDHS | 2,200 | 3,000 | 3,000 |
| 4.2 | Deliver technology solutions to national and regional economic challenges | 2,353 | 1,613 | 350 |
| 4.3 | Realize the highest percentage of broadband deployment among states in the U.S. | 118 | 100 | 3,000 |
| **5** | **Bridge the innovative gap by delivering innovation, identification, and assimilation services** | | | |
| 5.1 | Deliver $I^2A$ services that accelerate new company development | 1,120 | 500 | FY2007 |
| | **Totals** | 6,441 | 12,713 | 26,350 |
| | **FY06 Total Return to Virginia** | **$45,504** | | |

Metric estimates shown as FY2007 represent best-case estimates for future value yield.

## *Organizational Structure for Fiscal Year 2006*

There are 34 full-time employees in CIT's FY06 operating plan.

CIT's Research Investment division is responsible for strategy and program development for CIT's initiatives in nanotechnology and SmartBio.

CIT's Entrepreneurship and Investment Services division is responsible for strategy and program development for CIT's activities in federal funding assistance for small businesses, entrepreneurial support services, and programs to help technology startups gain access to capital.

CIT's Field Support division will phase out their responsibilities associated with one-on-one support of small technology business clients and transition to a referral and brokering assistance model in conjunction with the establishment of the $I^2A$ service.

CIT's Institute for Defense and Homeland Security conducts research and development programs with partners from academia, industry, and government to solve national technology challenges in defense and homeland security.

CIT's Broadband and eBusiness Initiatives Director is responsible for strategy and program development to increase the deployment of affordable last-mile technologies into underserved areas of Virginia.

CIT's $I^2A$ division will primarily responsible for the start-up phase of CIT new business line. This will include establishing a database of innovative technology companies, defining and branding a consultative service offering, incorporating field services, and implementing sales and marketing programs.

Each of the above divisions will also provide project management services for federal contracts that CIT currently has or will obtain during this operating year.

The operating divisions with responsibility for strategic programs receive support from two additional divisions within CIT: Communications and Finance & Administration.

The Communications division provides marketing and public relations strategy and support for all program activities and major events. This division also provides guidelines for presenting CIT corporate and program information to its customers, stakeholders, partners, and media. It works closely with CIT's Board of Directors to sharpen its message and to extend its communications reach.

The Finance and Administration division provides all finance, accounting, information technology, legal, human resources, and office and building operations support.

# *Summary of Operating Budget for Fiscal Year 2006*

## *Summary of Operation Budget for Fiscal Year 2006*

| | |
|---|---|
| ***COMMONWEALTH OF VIRGINIA ACTIVITY*** | |
| **REVENUE** | **6,787,000** |
| **EXPENSES** | |
| ***GOAL 1 DEVELOP INDUSTRY CLUSTERS*** | |
| Nanotechnology | 199,290 |
| SmartBio | 25,649 |
| | **224,939** |
| | |
| ***GOAL 2 DEVELOP ENTREPRENEURIAL TECHNOLOGY*** | |
| Federal Funding Assistance | 240,129 |
| Capital Access Program | 1,206,680 |
| Entrepreneurial Dept. - Management | 205,822 |
| Field Support | 1,124,645 |
| | **2,777,276** |
| ***GOAL 3 VIRGINIA INITIATIVES*** | |
| VRTAC | 59,779 |
| COVITS | 698,321 |
| | **758,099** |
| | |
| ***COMMUNICATIONS*** | 686,499 |
| ***GENERAL & ADMINISTRATIVE (G&A)*** | 1,232,200 |
| | **1,918,699** |
| | |
| **TOTAL EXPENSES** | **5,679,013** |
| **CARRY-OVER FUNDS** | **1,917,110** |
| **BALANCE FOR VIRGINIA STATE ACTIVITY** | **3,025,097** |
| ***WORLD-CLASS R&D PROGRAMS*** | |
| **REVENUE** | **4,692,456** |
| **EXPENSES** | |
| ***GOAL 4 WORLD-CLASS R&D PROGRAMS*** | |
| IDHS | 501,963 |
| Technology Solutions | 4,684,719 |
| Off-site | 134,159 |
| Broadband | 209,306 |
| | **5,530,146** |
| | |
| **NET WORLD CLASS R&D** | **-837,690** |
| **BALANCE BEFORE I²A** | **2,187,406** |
| ***INNOVATION, IDENTIFICATION, AND ASSIMILATION (I²A) ACTIVITY*** | |
| **REVENUE** | **1,120,000** |
| **EXPENSES** | |
| ***GOAL 5 I²A*** | |
| Program and HQ Support | 2,833,337 |
| Off-site | 276,218 |
| | **3,109,554** |
| | |
| **NET I²A** | **-1,989,554** |
| **BALANCE** | **197,852** |

## *Detailed Operating Budget for Fiscal Year 2006*

| *COMMONWEALTH OF VIRGINIA ACTIVITY* | | | |
|---|---|---|---|
| | | | |
| **REVENUE** | | | |
| | **Activity** | | |
| | | State General Fund Appropriation | 6,087,000 |
| | | Interest Income | 50,000 |
| | 3.2 | COVITS | 650,000 |
| | | **TOTAL REVENUE** | **6,787,000** |
| | | | |
| **EXPENSES** | | | |
| | **Activity** | | |
| **DEVELOP INDUSTRY CLUSTERS** | | | |
| | | | |
| | **1.1** | **Nanotechnology** | |
| | | Programs | 40,000 |
| | | Salaries, fringe, and other variable costs | 135,116 |
| | | Allocated costs | 24,174 |
| | | **Total for Nano Industry Clusters** | **199,290** |
| | **1.2** | **SmartBio** | |
| | | Salaries, fringe, and other variable costs | 19,573 |
| | | Allocated costs | 6,077 |
| | | **Total for SmartBio Clusters** | **25,649** |
| | | | |
| | | **Total for Develop Industry Clusters** | **224,939** |
| | | | |
| **DEVELOP ENTREPRENEURIAL TECHNOLOGY** | | | |
| | | | |
| | **2.1** | **Federal Funding Assistance** | |
| | | Federal Proposal Assistance Funds Program | 50,000 |
| | | Federal Proposal Workshops Program | 40,000 |
| | | Federal Funding Focus Groups Program | 3,000 |
| | | SBIR Consulting Services Program | 19,000 |
| | | University & Federal Lab Outreach Program | 6,000 |
| | | Salaries, fringe, and other variable costs | 105,518 |
| | | Allocated costs | 16,611 |
| | | **Total for Federal Funding Assistance** | **240,129** |
| | | | |
| | **2.2** | **Capital Access Program** | |
| | | Innovation Avenue Program | 15,000 |
| | | Entrepreneurial Bootcamps Program | 12,000 |
| | | Private Equity Programs Program | 15,000 |
| | | Investment Pool - GAP Program | 500,000 |
| | | GAP Consultants Program | 150,000 |
| | | GAP Development - Legal Program | 25,000 |
| | | Due Diligence - Contracted Out Program | 20,000 |
| | | Resources for In-House Due Diligence Program | 10,000 |
| | | Sponsorships (includes MAVA, Mid Atlantic VC, Venture Assoc, GrubStake, etc.) Program | 20,000 |
| | | Salaries, fringe, and other variable costs | 373,235 |
| | | Allocated costs | 66,445 |
| | | **Total for Capital Access** | **1,206,680** |

| | | |
|---|---|---|
| | | |
| 2.0 | **Entrepreneurial Dept. - Management** | |
| | Salaries, fringe, and other variable costs | 172,599 |
| | Allocated costs | 33,223 |
| | **Total for Entrepreneurial Dept. - Management** | **205,822** |
| | | |
| 2.3 | **Field Support** | |
| | Technology Councils and VTA Program | 75,000 |
| | Roanoke - Salaries, fringe, and other variable costs | 159,290 |
| | Roanoke - Allocated costs | 18,230 |
| | Lynchburg - Salaries, fringe, and other variable costs | 140,624 |
| | Lynchburg -Allocated costs | 18,230 |
| | Portsmouth - Salaries, fringe, and other variable costs | 145,762 |
| | Portsmouth -Allocated costs | 18,230 |
| | Richmond - Salaries, fringe, and other variable costs | 340,400 |
| | Richmond -Allocated costs | 36,459 |
| | Charlottesville - Salaries, fringe, and other variable costs | 154,190 |
| | Charlottesville -Allocated costs | 18,230 |
| | **Total for Field Support** | **1,124,645** |
| | | |
| | **Total for Develop Entrepreneurship Technologies** | **2,777,276** |
| | | |
| **VIRGINIA INITIATIVES** | | |
| | | |
| 3.1 | **VRTAC** | |
| | Programs | 20,700 |
| | Salaries, fringe, and other variable costs | 31,516 |
| | Allocated costs | 7,563 |
| | | **59,779** |
| | | |
| 3.2 | **COVITS** | |
| | Programs | 660,000 |
| | Salaries, fringe, and other variable costs | 30,758 |
| | Allocated costs | 7,563 |
| | | **698,321** |
| | | |
| | **Total for Virginia Initiatives** | **758,099** |
| | | |
| | **TOTAL PROGRAM EXPENSE** | **3,760,315** |

| | |
|---|---|
| **COMMUNICATIONS** | |
| | |
| Corporate | 277,280 |
| Business Development | 202,800 |
| Programs | 5,012 |
| SoTech | 3,800 |
| Executive Outreach | 25,000 |
| Salaries, fringe, and other variable costs | 146,947 |
| Allocated costs | 25,660 |
| **Total Communications** | **686,499** |
| | |
| **GENERAL & ADMINISTRATIVE (G&A)** | |
| | |
| Salaries and fringe | 928,709 |
| Travel | 30,000 |
| Communications | 19,767 |
| Network Communications | 17,395 |
| Insurance | 15,589 |
| Repairs & Maintenance | 1,440 |
| Equipment Rental | 6,464 |
| Office Expense | 17,067 |
| IT(Consulting, Service & Supplies) | 85,203 |
| Dues, Subscriptions, & Memberships | 5,000 |
| Accounting Fees | 8,924 |
| Legal | 6,900 |
| Temporary Services | 37,158 |
| Other Professional Services | 5,750 |
| Recruitment | 16,518 |
| Board Meeting | 10,000 |
| Training | 17,500 |
| Automobile | 2,816 |
| **Total for G&A** | **1,232,200** |
| | |
| | |
| **TOTAL ADMINISTRATIVE EXPENSE** | **1,918,699** |
| | |
| **TOTAL EXPENSES** | **5,679,013** |
| | |
| **CARRY OVER FUNDS** | **1,917,110** |
| | |
| **BALANCE FOR VIRGINIA STATE ACTIVITY** | **3,025,097** |

## *WORLD-CLASS R&D PROGRAMS*

| | | |
|---|---|---|
| **REVENUE** | | |
| **Activity** | | |
| **4.1** | NOAA - Dev. Coastal Zone Research Center | 1,713,128 |
| | TeCC Option 2 | 56,000 |
| | EDA - Broadband | 118,599 |
| | PTAC II | 29,665 |
| | FATE | 268,365 |
| | SBIR/STTR Outreach | 100,000 |
| | NTIP | 186,699 |
| | DOD - IDHS | 2,200,000 |
| | IDHS Memberships | 20,000 |
| | **Total Federal Income** | **4,692,456** |
| | | |
| **EXPENSES** | | |
| **Activity** | | |
| **4.1** | **IDHS** | |
| | IDHS Consultant and Lobbyist | 390,756 |
| | Salaries, fringe, and other variable costs | 94,596 |
| | Allocated costs | 16,611 |
| | **Total IDHS** | **501,963** |
| | | |
| **4.2** | **Technology Solutions** | |
| | NOAA - Dev. Coastal Zone Research Center | 1,506,225 |
| | EDA - Broadband | 102,240 |
| | FATE | 243,838 |
| | SBIR/STTR Outreach | 100,000 |
| | NTIP | 157,236 |
| | DOD - IDHS | 2,200,000 |
| | Salaries, fringe, and other variable costs | 310,220 |
| | Allocated costs | 64,959 |
| | **Total Technology Solutions** | **4,684,719** |
| | | |
| | | |
| **4.2** | **Technology Solutions Off-site** | |
| | Salaries, fringe, and other variable costs | 122,006 |
| | Allocated costs | 12,153 |
| | **Total Technology Solutions** | **134,159** |
| | | |
| **4.3** | **Broadband** | |
| | Broadband Deployment Program | 40,000 |
| | Salaries, fringe, and other variable costs | 151,076 |
| | Allocated costs | 18,230 |
| | **Total Broadband** | **209,306** |
| | | |
| | **NET WORLD CLASS R&D** | **-837,690** |
| | | |
| | **BALANCE BEFORE $I^2A$** | **2,187,406** |

| *INNOVATION, IDENTIFICATION, AND ASSIMILATION ($I^2A$) ACTIVITY* | | | |
|---|---|---|---|
| | | | |
| **REVENUE** | | | |
| | **Activity** | | |
| | **5.0** | **$I^2A$** | |
| | | Contract 1 | 360,000 |
| | | Contract 2 | 280,000 |
| | | Contract 3 | 240,000 |
| | | Contract 4 | 160,000 |
| | | Contract 5 | 80,000 |
| | | | **1,120,000** |
| | | | |
| **EXPENSES** | | | |
| | **Activity** | | |
| | **5.0** | **$I^2A$ - Program and HQ Support** | |
| | | Contract 1 | 360,000 |
| | | Contract 2 | 280,000 |
| | | Contract 3 | 240,000 |
| | | Contract 4 | 160,000 |
| | | Contract 5 | 80,000 |
| | | Salaries, fringe, and other variable costs | 1,583,418 |
| | | Allocated costs | 129,918 |
| | | **Total I2A - Program and HQ Support** | **2,833,337** |
| | | | |
| | **5.0** | **$I^2A$ - Off-site** | |
| | | Salaries, fringe, and other variable costs | 245,835 |
| | | Allocated costs | 30,383 |
| | | **Total $I^2A$ - Off-site** | **276,218** |
| | | | |
| | | **NET $I^2A$** | **-1,989,554** |
| | | | |
| | | **BALANCE** | **197,852** |
| | | | |

## *Description of Salary and Benefits Budget Fiscal Year 2006*

| FTEs | Position Type | Industry Clusters | Entrepreneurship Technology | Virginia Initiative | Communications | General & Administrative | World-Class R&D Programs | I²A | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | | |
| | | | | | | | | | |
| | **Headquarters** | | | | | | | | |
| 0.8 | Nano Industry Clusters | 88,483 | | | | | | | 88,483 |
| 1 | Federal Funding Assistance | | 64,619 | | | | | | 64,619 |
| 3 | Capital Access Program | | 221,778 | | | | | | 221,778 |
| 1 | Entrepreneurial Dept. - Management | | 115,920 | | | | | | 115,920 |
| 0.35 | Virginia Initiatives | | | 43,649 | | | | | 43,649 |
| 1 | Communications | | | | 101,766 | | | | 101,766 |
| 6.625 | General & Administrative | | | | | 629,649 | | | 629,649 |
| 1 | IDHS | | | | | | 52,268 | | 52,268 |
| 2.25 | Technology Solutions | | | | | | 200,635 | | 200,635 |
| 5.6 | I²A | | | | | | | 395,525 | 395,525 |
| | | | | | | | | | |
| | Salaries | 88,483 | 402,317 | 43,649 | 101,766 | 629,649 | 252,903 | 395,525 | 1,914,292 |
| | Incentive Salaries | 8,848 | 40,232 | 4,365 | 10,177 | 62,965 | 25,290 | 39,553 | 191,429 |
| | Total Benefits | 28,734 | 144,913 | 14,261 | 24,403 | 236,095 | 102,124 | 193,341 | 743,871 |
| | | | | | | | | | |
| | **Total HQ Staff Costs** | **126,065** | **587,462** | **62,275** | **136,346** | **928,709** | **380,317** | **628,418** | **2,849,592** |
| | | | | | | | | | |
| | **Off Site** | | | | | | | | - |
| 0.15 | SmartBio | 12,798 | | | | | | | |
| 6 | Field Support | | 501,688 | | | | | | 501,688 |
| 0.85 | Technology Solutions Off-Site | | | | | | 72,524 | | |
| 1 | Broadband | | | | | | 90,875 | | |
| 3 | I²A | | | | | | | 114,368 | |
| | | | | | | | | | |
| | Salaries | 12,798 | 501,688 | | - | - | 163,399 | 114,368 | 792,253 |
| | Incentive Salaries | 1,280 | 50,169 | - | - | - | 16,340 | 11,437 | 27,777 |
| | Total Benefits | 5,494 | 194,061 | | | | 58,954 | 59,330 | 118,284 |
| | | | | | | | | | |
| | **Total Off Site Staff Costs** | **19,572** | **745,918** | **-** | **-** | **-** | **238,693** | **185,135** | **1,189,318** |
| | | | | | | | | | |
| | | | | | | | | | |
| | **TOTAL CIT SALARIES & BENEFITS** | **145,637** | **1,333,380** | **62,275** | **136,346** | **928,709** | **619,010** | **813,553** | **4,038,910** |
| | | | | | | | | | |
| 33.625 | **Total F T Es** | **0.95** | **11** | **0.35** | **1** | **6.625** | **5.1** | **8.6** | **33.625** |