

November 1, 2013

The Honorable Robert F. McDonnell
Governor of the Commonwealth of Virginia
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

The Honorable Walter A. Stosch
Chair, Senate Committee on Finance
Post Office Box 396
Richmond, Virginia 23218

The Honorable Lacey E. Putney
Chair, House Committee on Appropriations
Post Office Box 406
Richmond, Virginia 23218

Re: Virginia Biosciences Health Research Corporation

Dear Governor McDonnell, Senator Stosch and Delegate Putney:

Chapter 806, Item 105:M of the 2013 Virginia Acts of Assembly establishes a new strategic initiative in support of Virginia's life science industry, including funding for the Virginia Biosciences Health Research Corporation (VBHRC), a 501(c) (3) non-stock corporation, to serve as a catalyst to accelerate and focus life science research momentum at Virginia's universities.

Chapter 806, Item 105:M.5 requires you be provided by November 1 of each year a written report summarizing the activities of the consortium, including, but not limited to, a summary of how any funds disbursed to the consortium during the previous fiscal year were spent, and the consortium's progress during the fiscal year in expanding upon existing research opportunities and stimulating new research opportunities in the Commonwealth.

The detail hereafter provides an update on the specific progress of this initiative to date.

Background

Efforts of the Virginia Biosciences Health Research Corporation (VBHRC) center on stimulating partnerships with industry and increasing corporate sponsored-research to result in a positive economic impact in Virginia. The founding members are Virginia's premiere research institutions: Virginia Commonwealth University, Eastern Virginia Medical School, George Mason University, Virginia Polytechnic Institute and State University and the University of Virginia.

The Commonwealth committed funding for Fiscal Years 2013 and 2014 to establish the core objectives of the consortium and, in addition, the President of each member university agreed to commit a cash contribution to participate. The Commonwealth's commitment totals \$5 million

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over two years, supplemented by a \$100,000 contribution from each founding university distributed as \$50,000 each year.

The VBHRC is governed by a 13-member Board of Directors. The primary duties of the Board include recruitment and selection of a Chief Executive Officer, development of the policies and goals of VBHRC, and the review and approval of research partnerships as recommended by a Project Management and Oversight Panel.

- Five (5) university members, with 1 member appointed from each of the 5 member universities by their respective Presidents or other designee.
 1. Eastern Virginia Medical School: William J. Wasilenko, Ph.D. (elected Board Secretary 07/25/13)
 2. George Mason University: Emanuel “Chip” F. Petricoin, Ph.D.
 3. University of Virginia: W. Mark Crowell (elected Board Treasurer 07/25/13)
 4. Virginia Commonwealth University: Francis L. Macrina, Ph.D.
 5. Virginia Polytechnic Institute and State University: Timothy Long

- Five (5) members designated by the Secretary of Commerce and Trade, with (1) to come from the Virginia Economic Development Partnership (VEDP), (1) from the Office of the Secretary of Commerce and Trade, (2) from major statewide health care system providers in Virginia, and (1) the U.S. Department of Veterans Affairs.
 6. Secretary of Commerce and Trade: James S. Cheng
 7. Virginia Economic Development Partnership: Jerry W. Giles (elected Board Chair 07/25/13)
 8. Sentara Healthcare: David Bernd
 9. Inova Health System: J. Knox Singleton
 10. United States Department of Veterans Affairs: David X. Cifu, M.D.

- Three (3) members of the Board will be from industry, (1) from an established venture capital firm investing in life science companies; (1) from a large life sciences company; and (1) from a small and/or medium sized life sciences company with operations located within the Commonwealth of Virginia.
 11. Health Diagnostic Laboratory: Tonya Mallory (elected Board Vice Chair 07/25/13)
 12. Vacancy to be filled
 13. Vacancy to be filled

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The Project Management and Oversight Panel is comprised of the following 11 members:

- Science and clinical appointments:
 1. Stanley A. Hefta, Ph.D., Professor, Director, Strategic Planning and Business Development, Virginia Bioinformatics Institute of Virginia Tech
 2. Dr. Erik Hewlett, M.D., Professor of Medicine and Chair, Board of Directors, UVA Licensing and Ventures Group, University of Virginia
 3. Dr. Jerry L. Nadler, M.D., Professor and Chair, Department of Internal Medicine, Eastern Virginia Medical School
 4. Krishna Kodukula, Ph.D., Executive Director, Strategic Development, Site Head, SRI Shenandoah Valley, SRI International Center for Advanced Drug Research
 5. Dr. James P. Bennett, Jr. M.D., Ph.D., Professor and Chair, Department of Neurology, School of Medicine, Virginia Commonwealth University
 6. Kenneth A. Gabriel, Ph.D., Assistant VP for Translational Research, Office of Research & Economic Development, George Mason University

- Venture Capital firm appointments:
 7. Jonathan Aberman, Managing Director and Chairman, Amplifier Ventures
 8. Thomas D. Roberts, III, Partner, Harbert Venture Partners

- Life Science company appointments:
 9. Rony Thomas, President & CEO, LifeNet Health, Inc.
 10. James C. Powers, Chairman and CEO, Hemoshear, LLC
 11. Vacancy to be filled

Non-government related positions on the Board, as well as the Project Management and Oversight Panel, are filled on a pro bono basis by qualified individuals who hold important bioscience-related expertise, value the public service nature of this position and possess a sincere interest in helping to advance Virginia's bioscience community.

The Project Management and Oversight Panel, the CEO, and the Board developed criteria in the previous year to govern project solicitation from universities and companies, funding awards, project review and continuation, and related project management issues and decisions. The three main focus areas of the consortium to start are bio-informatics and medical informatics, point of care diagnostics, and drug discovery and delivery.

Progress on Core Objectives

The following detail breaks down milestones and accomplishments throughout calendar year 2013, with information on VBHRC's structure, governance, research and project activity.

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January 2013

- January 11: Organizational meeting of the VBHRC Board of Directors was held. The Board of Directors approved the Articles of Incorporation; adopted Bylaws; appointed a Nominating Committee; appointed an Interim Chair; and nominated members for the VBHRC Project Management and Oversight Panel.
- January 29: Position Description for VBHRC President and Chief Executive Officer drafted and approved by VBHRC legal counsel.

February 2013

- February 4: VBHRC issued a Press Release concerning the establishment, mission, and goals of the new entity and announced the beginning of the search process for its President and CEO.
- February 4: Notification received that all elected members of the VBHRC Project Management and Oversight Panel agreed to serve in this capacity. Board of Directors notified of this closure on February 14.
- February 14: Board notified of the launch of a competitive Request for Proposal process involving banking services, external auditors, and accounting support service providers.

March 2013

- March 7: The founding five universities in the VBHRC were invoiced for their first year respective commitments of \$50,000 in cash payments.
- March 13: Based on the competitive Request for Proposals process findings, a ballot was sent to the Board of Directors, with Interim Chair recommendations, for banking relationships (BB&T), external auditors (Mitchell Wiggins & Company), and accounting support services (Real Time Accounting Solutions, Inc.). This communication also included the recommendation of a new director from the life science private sector (Tonya Mallory, CEO, Health Diagnostics Laboratory, Inc.).

April 2013

- April 5: The VBHRC Board of Directors was advised all recommendations for the service provider positions were approved unanimously by directors, as well as the new director. This communication included the recommendation and ballot request for board approval to move forward with the preparation of an offer for Michael Grisham to become the VBHRC President and Chief Executive Officer.

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May 2013

- May 2: Required supporting materials were submitted to the Department of Planning and Budget for disbursement of the FY 2013 payment of \$2,500,000 in state funds in support of VBHRC.
- May 14: VBHRC Board of Directors and Project Management and Oversight Panel members were advised of the agreement to have Mike Grisham join VBHRC as its President and Chief Executive Officer, with a start date of May 23, 2013.
- May 15: VBHRC issued its press release announcing the selection of Mike Grisham as President and Chief Executive Officer.
- May 23: Mike Grisham began duties as VBHRC CEO.
- Grisham completed study of other models of industry and academic research partnering including Austin, Texas, Silicon Valley, Boston, The Research Triangle and San Diego.

June 2013

- June 20: VBHRC Board of Directors advised of the need to hold a special meeting on July 25 to deal with the following issues: Amendments to the Articles of Incorporation; Amendments to the Bylaws; election of board officers, review and approval of the proposed 2013 budget and a preliminary 2014 budget; Accounting and Finance Guidelines; VBHRC grant application components, due diligence and program guidelines.
- Grisham surveyed key opinion leaders, departmental chairmen, scientists/researchers, key faculty and technology transfer managers from Virginia Tech, University of Virginia, Virginia Commonwealth University, Eastern Virginia Medical School and George Mason University to assess their opinions on collaborations, translational research, industry partnering, commercialization and economic development.

July 2013

- Grisham surveyed the leadership of health organizations, biotechnology industry companies, venture capitalists, etc. regarding their experiences and goals for collaborating with research universities.
- VBHRC developed its mission statement, short and long-term goals, criteria for funding projects and accountability metrics for evaluating performance and submitted for Board approval.

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- July 25: VBHRC Board of Directors meeting held and all agenda items executed, including approval of previously mentioned documents.

August 2013

- VBHRC developed process for soliciting Letters of Interest (LOIs), formal project proposal template and scorecard for evaluating projects.
- VBHRC implemented a target marketing communication to the life science research community at Virginia Tech, University of Virginia, Virginia Commonwealth University, Eastern Virginia Medical School, and George Mason University to stimulate interest in establishing collaborations and seeking funding from VBHRC and matching funds.
- VBHRC implemented a target marketing communication to the biotechnology industry in Virginia to stimulate interest in collaborations with Virginia research universities on translational research projects that could lead to commercialization of breakthrough technologies that would impact human health and create jobs in the Commonwealth.

September 2013

- VBHRC received 25 initial Letters of Interest (LOIs) exceeding the target goal by 300 percent.
- VBHRC completed review of the LOIs by the Project Management and Oversight Panel and selected 12 of the projects to present formal proposals.

October 2013

- October 28: VBHRC Project Management and Oversight Panel completed the formal review of twelve proposals and presentations. The panel will meet on November 7, 2013, to decide which of these projects to recommend to the Board of Directors for funding.

Ongoing Activity

The VBHRC Board of Directors is slated to meet again on Wednesday, December 4, 2013. The Board will make final funding decisions for the first round of proposals submitted by the Project Management and Oversight Panel.

As a result of some discussions between the Department of Planning and Budget and the Office of the Attorney General regarding the structure of VBHRC, the Commonwealth's funding for fiscal years 2013 and 2014 has not yet been transferred to VBHRC. VEDP understands that the

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discussions have concluded and the Commonwealth expects to transfer the funds promptly. Since funds have not yet been transferred, there is no update to provide on the expenditure of funds.

The VBHRC is excited to continue its work with public and private partners in the coming years to administer this innovative and exciting initiative. Please do not hesitate to contact us with questions or requests for more information at any time. Thank you for your support.

Very truly yours,



Carrie H. Chenery
Manager, Legislation and Policy