

November 1, 2014

The Honorable Terence R. McAuliffe
Governor of the Commonwealth of Virginia
Patrick Henry Building, 3rd Floor
1111 East Broad Street
Richmond, Virginia 23219

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

The Honorable Charles J. Colgan
Co-Chair, Senate Committee on Finance
Post Office Box 396
Richmond, Virginia 23218

The Honorable S. Chris Jones
Chair, House Committee on Appropriations
Post Office Box 406
Richmond, Virginia 23218

Re: Virginia Biosciences Health Research Corporation

Dear Governor McAuliffe, Senator Stosch, Senator Colgan, and Delegate Jones:

Chapter 2, Item 101:J of the 2014 Special Session I Acts of Assembly includes 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 2, Item 101:J.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 collaborations and partnerships with our research universities and industry. These efforts are meant to have a positive economic impact to the Commonwealth by increasing corporate-sponsored research resulting in commercializing new technologies, starting new companies and expanding the involvement of bio and pharmaceutical companies in Virginia. The founding members are Virginia's premiere research institutions: Virginia Commonwealth University,

The Honorable Terence R. McAuliffe
The Honorable Walter A. Stosch
The Honorable Charles J. Colgan
The Honorable S. Chris Jones
November 1, 2014

Eastern Virginia Medical School, George Mason University, Virginia Polytechnic Institute and State University and the University of Virginia. Old Dominion University became the sixth member of the consortium effective January 2014.

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 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 14-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. The Board is comprised of the following:

- Six (6) university members, with 1 member appointed from each of the 6 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: Erik Hewlett, M.D.
 4. Virginia Commonwealth University: Francis L. Macrina, Ph.D.
 5. Virginia Polytechnic Institute and State University: Timothy Long, Ph.D.
 6. Old Dominion University: Morris Foster, Ph.D.
- 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 from the U.S. Department of Veterans Affairs.
 7. Secretary of Commerce and Trade: Maurice A. Jones
 8. Virginia Economic Development Partnership: Jerry W. Giles (elected Board Chair 07/25/13)
 9. Sentara Healthcare: David Bernd
 10. Inova Health System: J. Knox Singleton
 11. United States Department of Veterans Affairs: David X. Cifu, M.D.
- Three (3) members 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.

The Honorable Terence R. McAuliffe
The Honorable Walter A. Stosch
The Honorable Charles J. Colgan
The Honorable S. Chris Jones
November 1, 2014

12. Health Diagnostic Laboratories: Tonya Mallory (elected Board Vice Chair 07/25/13)
13. Vacancy to be filled
14. Vacancy to be filled

The VBHRC 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. Vacancy to be filled
 3. Dr. Jerry L. Nadler, M.D., Professor and Chair, Department of Internal Medicine, Eastern Virginia Medical School
 4. Vacancy To Be Filled
 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. Vacancy To Be Filled
 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. VBHRC's two strategic initiatives center on the neurosciences and cardiovascular metabolics fields. From these two initiatives, VBHRC has developed three main focus areas that include bio-informatics and medical informatics, point of care diagnostics, and drug discovery and delivery.

The Honorable Terence R. McAuliffe
The Honorable Walter A. Stosch
The Honorable Charles J. Colgan
The Honorable S. Chris Jones
November 1, 2014

Progress on Core Objectives

The following detail breaks down milestones and accomplishments in Fiscal Year 2014, with information on VBHRC's structure, governance, research, and project activity.

July 2013

- VBHRC CEO, Mike 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.
- 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

The Honorable Terence R. McAuliffe
The Honorable Walter A. Stosch
The Honorable Charles J. Colgan
The Honorable S. Chris Jones
November 1, 2014

- VBHRC conducted in depth market research with the leadership at Johnson & Johnson Innovation Center in Boston to ascertain industry trends, market needs and criteria for establishing collaborations and partnerships with major research universities.
- October 28: VBHRC Project Management and Oversight Panel, (PMOP) completed the formal review of twelve proposals and presentations. The panel met on November 7, 2013, to make recommendations to the Board of Directors for funding four life science projects.

December 2013

- December 4: VBHRC Board of Directors meets and votes to approve \$1,250,000 in funding for the four projects recommended by the PMOP in round one of grant applications.

January 2014

- VBHRC attends J.P. Morgan Life Sciences Conference in San Francisco
- Old Dominion University becomes the sixth member of the consortium

February 2014

- The Project Management and Oversight Panel reviewed eight applications and recommended five projects for funding.

March 2014

- March 26: VBHRC Board of Directors meets and votes to approve \$1,789,479 in funding for the five projects recommended for funding by the PMOP in round two of grant the grant applications.
- The nine projects approved in rounds one and two represent \$3.039MM in grants awarded and the creation of more than 150 jobs in the Commonwealth.

May 2014

- VBHRC attends the Bio International Conference in San Diego and participates in significant meetings with AstraZeneca, MedImmune, and Pfizer resulting in follow up meeting to explore specific areas of collaboration with Virginia's research universities.

Ongoing Activity

The Honorable Terence R. McAuliffe
The Honorable Walter A. Stosch
The Honorable Charles J. Colgan
The Honorable S. Chris Jones
November 1, 2014

The VBHRC Board met on August 29, 2014, and approved round three of grant disbursements for three projects, totaling \$1.391MM in funding and the creation of more than 240 jobs in the Commonwealth, bringing total commitments to \$4.43MM. The Board also received an overview of strategic initiatives and priorities, such as the “Brain State” initiative and increased focus on the areas of neuroscience and cardiovascular/metabolic diseases.

One of the more pressing issues currently facing VBHRC is the lack of funding for Fiscal Year 2015. Chapter 2, Item 101:J of the 2014 Special Session I Acts of Assembly provides \$2,500,000 in the second year (FY2016), but does not provide funding in the first year (FY2015). VBHRC has requested the Department of Planning and Budget review this matter and consider moving FY2016 funding to FY2015. If this request is not approved, it will be increasingly difficult for VBHRC to continue meeting its obligations and goals for FY2015. As of this report, VBHRC has not yet received a decision regarding this matter from DPB.

VBHRC is encouraged by the progress it has made in the short time since its inception and looks forward to continuing its work with public and private partners in the coming years to administer this innovative and exciting initiative. As always, please do not hesitate to contact me with questions or requests for more information at any time. Thank you for your continued support.

Sincerely,



Alexander R. Thorup
Manager, Legislation & Policy

cc: Ms. Betsey Daley, Staff Director, Senate Committee on Finance
Mr. Robert P. Vaughn, Staff Director, House Committee on Appropriations
The Honorable Maurice A. Jones, Secretary of Commerce & Trade