Virginia Innovation Partnership Corporation (VIPC)

Vision:
Establish an innovation ecosystem in Virginia that is second to none.

Mission:
Connecting innovators with opportunities - VIPC is the commercialization and seed stage economic development driver that leads funding, infrastructure, and policy initiatives to support Virginia's innovators, entrepreneurs, startups, and market development strategies.

Division Goals:

Ecosystems Division – Provide coordination, infrastructure, and funding to support growth in the Commonwealth's entrepreneurial ecosystem

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Top 3 Risks

1. The Regional Innovation Fund was not capitalized in the initial VIPA biennial budget which limits its ability to provide funding and development support to statewide and regional ecosystems for operations, investment, and infrastructure.
   Mitigation Strategy:
   - VIPA/VIPC has submitted requests to the Governor to increase the EED FY23-24 budget to $5M per annum of which $4M will used capitalize the RIF and bolster its grant-making capacity.

2. Execution highly dependent on team - need to hire and retain high-quality team
   Mitigation Strategy:
   - EED plans to hire a new Program Manager position and fill the vacant Director position in the first quarter of 2022. EED will further refinements to the membership of the Ecosystems Advisory Committee to position it as a cadre of objective Subject Matter Experts (SME) who can inform its work.

3. Oversight requirements (incl. metrics reporting) may become overly cumbersome
   Mitigation Strategy:
   - VIPA will propose technical adjustments to COV budget language to ensure that reporting metrics are appropriate to ecosystems-level activities. EED will engage SMEs to inform this work.

Top 3 Opportunities

1. Build integrated statewide network of entrepreneurial support services for tech and high-growth entrepreneurs.
   Exploitation Strategy:
   - Leverage the emerging Virginia Accelerator Network initiative and build an intuitive, scalable, and widely used web-based statewide entrepreneurship platform that can serve as an information portal and online networking platform to connect ecosystem builders, entrepreneur support organizations, and founders.

2. Improve the diversity and inclusion among Virginia's technology-based, innovation-led entrepreneurial ecosystems by expanding engagements with organizations and networks serving historically underrepresented entrepreneurs and communities.
   Exploitation Strategy:
   - Along the lines of its engagements with regional technology councils, VIPC will join and actively engage with statewide and regional organizations representing under-represented entrepreneurs. VIPC will co-create and sponsor events targeting technology-based and innovation-led companies served by these organizations.

3 Increase the number of annual SBIR/STTR awards to Virginia-based companies.
   Exploitation Strategy:
   - Build the data analytics capacity of VIPC's Federal Financial Assistance Program to target new audiences for SBIR/STTR workshops and mini-grants. Formalize regular interactions between FFAP and VIPC's Commercialization and Investment teams to leverage referral opportunities and capture data on participant engagements.

Commercialization Division – Provide grant funding to accelerate the successful launch of new technology-based products and services that drive economic growth in Virginia

Top 3 Risks

1. CCF strategies need buy-in and support from university TTOs and SROs
   Mitigation Strategy:
   - With ongoing engagement with TTOs and SROs, retooling CCF grant programs to be more supportive of university needs, including increased flexibility and accessibility. With FY22, transitioning to rolling submissions, as well as adding funding for entrepreneurs-in-residence and research lab buildout.

2. General Assembly support to sustain programs that are currently funded through one-time sources.
   Mitigation Strategy:
   - Working diligently to commit and deploy existing funding from one-time sources, with a goal to reach a $10m "annual run rate" by June 2023 (up from $3m historically) and $5m per year in bond-funded grants. Plan for FY23-24 biennium budget process to secure for CCF annual GF support of $10m+ and annual bond-funding support of $5m+.

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3. 5-year oversight and tracking requirements for 300+ awardees are labor intensive
   Mitigation Strategy:
   - Strengthening front-office and back-office technology platforms to support automation and efficiency for applicant processing, grant management, and 5-year oversight and tracking. Rearranging departmental team to support distinct roles, and selectively adding staff.

Top 3 Opportunities

1. Generate high ROI outcomes for the Commonwealth by investing in high-impact research commercialization projects and startups
   Exploitation Strategy:
   - Relaunching CCF in January 2022 with grants programs aimed at promising commercialization projects in both the private sector and within Virginia's research universities. Grants will allow projects to advance through the "valley of death" to where other funding sources become available (e.g. equity investment, federal grants, commercial revenue).
2. Provide Virginia's research universities with resources to better support emerging technologies, researchers, and collaboration with the private sector. (e.g. proof of concept funds, eminent researcher grants, funding for lab build-out, tech transfer, etc.)
   Exploitation Strategy:
   - CCF will provide proof of concept funding, eminent researcher recruitment grants, grants for lab build-out & equipment, and grants to hire entrepreneurs-in-residence (EIRs).
3. Implement programs that support increased number of patents, licenses, and IP-based revenue for Virginia's universities
   Exploitation Strategy:
   - Working with university TTOs to promote Virginia Advantage licensing terms for startups led by inventor-founders (i.e. founder friendly terms); tie higher-ed CCF grant approval to endorsement from TTOs; working with TTOs to promote ICAP and hiring of EIRs.

Investment Division - Seed and early-stage investment for Virginia-based companies with high potential for rapid growth, leveraged capital, and significant economic returns

Top 3 Risks

1. Staff attrition
   Mitigation Strategy:
   a. Increase investment staff to balance workload and build experience, and develop succession options
   b. VIPC engaging Towers Watson in employee salary benchmark to ensure alignment with CIT/VIPA CIT11; CIO providing supplemental data, re investment professional compensation across private, public, and non-profit sectors
   c. CIO and CEO examining incentive pay mechanisms derived from profits earned from private funds under management v appropriated dollars

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2. Re-branding of "CIT GAP Funds" may result in loss of national name recognition/brand equity, disassociation with 17-year track record among investor and entrepreneurial stakeholders and reputational loss.

Mitigation Strategy:

d. Rebrand CIT GAP Funds as Virginia Venture Partners
e. Outbound messaging campaign from Virginia Venture Partners and CIO to Virginia entrepreneurs and regional and national venture communities to reinforce association of CIT GAP Funds track and ongoing activities with "Virginia Venture Partners" Release of Third Annual "Virginia Venture Partners Impact Report" – January 2022

3. Management and oversight processes and policies limit flexibility and responsiveness of investment program

Mitigation Strategy:

- Increased use of Finance Committee as referral body for investment matters
- Inclusion of Chief Investment Officer as a regular participant in meetings of VIPA Board Finance Committee
- Leverage Investment Division Advisory Committee to infuse investment expertise to VIPA Board and oversight
- Examine structural risk containment strategies for Virginia Venture Partners funds

Top 3 Opportunities

1. Stage 3 Seed Fund / Opportunity Fund bringing private capital under management

   Exploitation Strategy:

   - Move forward with the development of a Stage 3 Opportunity Fund under the guidance of the Investment Division Advisory Committee and Finance Committee

2. Attraction of out-of-state businesses (early-stage) to Virginia

   Exploitation Strategy:

   - Continued outreach to Virginia-adjacent jurisdictions through "Coffee with GAP Funds" community expansion
   - Message "Virginia Venture Partners" as a "Virginia preference fund"
   - Deepen synergies with ecosystem partners and co-investors examining opportunities not historically meeting all "Virginia business" criteria
   - Adopt common definition and categorization of "Virginia business" and traditionally underserved founders across all VIPC business areas

3. Building proceeds to capitalize Opportunity Fund / SSBCI funding to allow for additional investment activity aligned with Virginia's SSBCI strategy

   Exploitation Strategy:

   - Proceed with use of CIT building proceeds to seed Stage 3 Opportunity Fund
   - Focus SSBCI funds on Stage 1 and 2 investment activity where greatest leverage multiple and ecosystem impact can be achieved

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Strategic Initiatives - Develop market opportunities for innovators in rapidly evolving or strategic markets for the Commonwealth

Top 3 Risks

1. Demand from localities and/or innovators exceeds available resources, leading to negative perception of initiatives
   Mitigation Strategy:
   - This is primarily a people resource risk related to ability to execute. Plan is to selectively hire (eg, new lead person for Public Safety Innovation Center), and supplement as needed with contract support (eg, new cost-sharing of Tech Specialist to staff Smart Community Testbed).

2. Additional funding leads to unmanageable growth, diluting the effectiveness of the initiatives program
   Mitigation Strategy:
   - An example here is that Federal infrastructure dollars provide large additional influx of funding. Three mitigation strategies: grow the size of existing projects/focus areas (eg, more flood sensors, more capabilities into VA-FIX)

3. Selected investment areas fall behind the innovation curve or have too low success rate, making the initiatives irrelevant or expendable
   Mitigation Strategy:
   - Regularly evaluate performance metrics and end support for activities that fail to meet performance goals

Top 3 Opportunities

1. Mid-Atlantic Regional Technology Hub funded via DHS and Congress, $10M - >$100M
   Exploitation Strategy:
   - Establish broad range of partnerships with Federal (NASA LaRC, MCB Quantico, NIWC/Atlantic, MITRE), Community (Stafford, FredRegion, many others including Cary, NC), Educational (Germanna CC, ODU, GMU, others) and Innovation partners as preparation to propose Alliance as opportunities arise. Work with DHS (new LRBAA) and NIWC (PIA with funding mechanism) to establish additional contractual vehicles. Work with technology partners (OST, Mutualink) to support Congressional asks. Work with DHS S&T management for budget allocation to SCITI Labs from funding authorization above the S&T request ($150M). Focus offering around community resilience and public safety.

2. Smart Communities pilot programs to scale Commonwealth-wide
   Exploitation Strategy:
   - Use existing flood sensor, UAV activity and wildfire sensors to establish working relationship with various communities. Once established, focus on “Community-driven innovation” to jointly develop new opportunities and needs specific to each community. Current primary engagements with Stafford, Roanoke, Winchester, Hampton Roads area. Host workshop in first half 2022 (100-200 people from around the Commonwealth)

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focused on Community leaders (City Managers, CIOs, Public Safety, Public Works leaders) to socialize existing work and explore new opportunities. Stand up Public Safety Innovation Center to help transition technology for that user community.

3. UXS area expands to support leading use cases including Public Safety, Package Delivery and other commerce, Advanced Air Mobility (AAM), Counter-Drone, more
   Exploitation Strategy:
   - Continue to add pilot projects that expand drone usage and adoption for public services, including the Hampton Roads region "playbook", Winchester municipal services demonstrations and others. Focus on developing newly evolving areas including counter-drone (Richmond flights in 2022 plus real-time data integration to VA-FIX) and Advanced Air Mobility (in conjunction with NASA LaRC Space Act agreement).

Finance & Administration - Ensure the well-being of the organization through sound financial management as well as corporate contracts and grants, accounting, and business operations services

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Top 3 Risks

1. Lack of operating base funding no base funding increase when VIPA was created
   Mitigation Strategy:
   - Apply indirect costs to designated funds and use profits from federal grants and contracts to supplement the operating base. The application of indirect costs is a normal and customary practice, but one that VIPC does not implement unless necessary to cover the administrative costs of running the organization.

2. Long term lease for office space in Northern Virginia
   Mitigation Strategy:
   - Management is in negotiation for a long-term lease extension with the owner of the building in which VIPC currently resides, while also researching other Northern Virginia options.

3. Retention of staff
   Mitigation Strategy:
   - Management has undertaken a consistent communications program with staff and prepared succession plans for key personnel.

Top 3 Opportunities

1. Rebranding effort to position CIT's renaming in a positive light
   Exploitation Strategy:
   - Implementation of comprehensive marketing and communication plan related to renaming of the organization.

2. Work with the Board and the Centers of Excellence to create more comprehensive, consistent reporting among the Commonwealth's programs, to the board and the Commonwealth.

Exploitation Strategy:

- The COE report prepared by VIPC will be presented to the Board at the December 2021 meeting. Management will work on development of reporting with the Finance Committee and Board in the upcoming months.

3. Update the VIPC compensation model – based on an expanded definition of skill sets - to remain competitive with the market for the specialized talent VIPC needs to accomplish our mission.

   Exploitation Strategy:

   a. Management has undertaken a salary survey of all positions within organization, and is evaluating options regarding total compensation package, including bonuses and benefits.

VIPC Stakeholder Feedback:

The VIPC collects and reports on a significant amount of data, metrics, and the impact of its funding programs and recipients. Additionally, the VIPC solicits input and feedback on entrepreneurial support programs from clients, portfolio companies, and other stakeholders. This feedback has been essential in developing and improving programs, policies, and procedures, to ensure they are relevant, accessible, and impactful.

VIPC is committed to increasing its engagement with - and feedback from - founders, startups, researchers, and other key stakeholders in the Virginia entrepreneurial ecosystem. VIPC team members are widely dispersed across Virginia and are active in regional and statewide entrepreneurial support organizations and initiatives as Board members, mentors, subject matter experts, sponsors, speakers, panelists, instructors, and many other functions.

The VIPC Investment Division has used surveys to solicit feedback on events and the efficacy of programs such as GAP and VFF. Additionally, the division hosts a biweekly "Coffee with CIT GAP Funds" that draws more than 100 participants at each of these Friday morning virtual networking events. The Commercialization Division solicits and receives "program usability" feedback from CRCF/CCF applicants. Each division also has a 12-member Advisory Committee that consists of stakeholders who are representatives of their respective industries and regions.

The VIPC will further develop and integrate feedback processes that solicit comment and recommendations for improvement in all VIPC programs and events. Outreach for feedback will include:

- Ecosystems
  - RIF (all applicants)
  - Network (including accelerators, platform, etc)
  - FFAP participants
- Commercialization
  - CCF – Survey at different stages of application process
  - Survey past awardees (in addition to metrics tracking)

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- Investment
    - Occasional survey at GAP coffee meetings
    - Survey investees after deal closure about how to improve process
- Strategic Initiatives
    - UMS
    - Vendors and localities that are participants in related pilot projects and initiatives.

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Draft 5-Year Strategy Outline Supporting VIPC Vision

Vision: Provide leadership for funding, infrastructure, and policy initiatives that support success for Virginia's innovators, entrepreneurs, startups, and market development strategies.

Strategic Pillars

Generate measurable economic development benefits	*Be catalyst for Commonwealth's entrepreneurial ecosystem*	*Support full innovation life-cycle, from research to commercialization*	*Define and prioritize strategic technology domains for investment*	*Innovation Outreach, including marketing and policy development*
- Expanded investment strategies that support more investment while generating ROI - Broaden the funnel of entrepreneurs and commercialization ideas - Track consistent set of growth metrics	- COE Collaboration on programs and funding to ensure synergy - VRIF and other mechanisms for stable ecosystem support - Collaborate with accelerators, incubators, university-based entrepreneurial programs - Develop continuum of support services and investment tools	- Expanded partnership with feds (DHS, NIH, EDA) for innovation - Commercial-first innovation - Expand path-to-market partnerships with companies, early adopters & communities - Pilot projects to prove & validate product/functionality - Living laboratory facilities and operational adoption partners to reduce "valley of death"	- Virginia Innovation Index - Collaborate with technology-focused entities such as VASEM, CCI, MITRE, VEDP - Incorporate emerging Federal priorities such as resiliency - Incorporate commercial market trends such as autonomy, AR/VR, personalized medicine - Focus on areas with potential for Virginia leadership - Continuous evolution of technology baseline & focus	- Policy development & advocacy supporting industry-permissive approaches - Regional/Statewide marketing - Citizen engagement & outreach for awareness and support - National/international visibility and publicity in leadership areas

Enabling Processes

- DE&I
- Sound financial management
- Technology-enabled Staff and approach
- Partnerships and outsourcing
- Regional growth, distributed organization
- Organization growth to meet stakeholder needs