

1                   **TOBACCO REGION REVITALIZATION COMMISSION**

2                                   701 East Franklin Street, Suite 501

3                                   Richmond, Virginia 23219

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8                                   **Business Support Committee Meeting**

9                                   Monday, January 9, 2017

10                                  2:30 o'clock p.m.

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14                                  Homewood Suites by Hilton

15                                  Richmond, Virginia 23219

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1     APPEARANCES:

2     Mr. John R. Cannon

3     Ms. Cathy Lowe

4     The Honorable Daniel W. Marshall, III

5     Mr. Donald Merricks

6

7     COMMISSION STAFF:

8     Mr. Evan Feinman, Executive Director

9     Mr. Christopher E. Piper, Deputy Executive Director

10    Mr. Timothy S. Pfohl, Grants Program Administration Director

11    Ms. Sarah K. Capps, Grants Program Administrator -

12        Southside Virginia

13    Ms. Michelle Faircloth, Grants Assistant

14        Southside Virginia

15    Ms. Sara G. Williams, Grants Program Administrator -

16        Southwest Virginia

17    Ms. Jessica Stamper, Grants Assistant

18        Southwest Virginia

19    Mr. Jordan L. Butler, Public Relations Coordinator

20    Ms. Stacey Richardson, Executive Assistant

21

22    COUNSEL FOR THE COMMISSION:

23    Ms. Elizabeth B. Myers, Assistant Attorney General

24        Richmond, Virginia 23219

25

1 January 9, 2017

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3 MR. PIPER: I want to thank everybody for joining us  
4 today. We're going to get started while they still work out the  
5 technical issues with the display. My name is Chris Piper, Deputy  
6 Director with the Virginia Tobacco Commission.

7 This is a meeting of the Business Support Committee.  
8 In today's informal meeting, you're going to hear from  
9 representatives of GENEDGE to discuss how they're going to be  
10 able to assist us in the Business Support Committee's objectives.

11 The Business Support Committee was thought up by  
12 Dale Moore, who unfortunately, and as I found out, he's now the  
13 Chairman of the Committee, he's unfortunately not able to be  
14 here, so I'll act on his behalf.

15 He thought of this interesting idea that we identify  
16 some companies within the Tobacco Commission's grantees to  
17 follow up with and provide support. We have numerous people  
18 on the Commission who have experience with business and felt  
19 that we could provide some positive support after grantees  
20 receive funds from the Commission. So, that's what this  
21 Commission and this Committee is set up to do.

22 Today, we have with us the members of the  
23 Commission, John Cannon, Don Merricks, Danny Marshall,  
24 Delegate Marshall, and Cathy Lowe. So, we have a quorum.

25 And we're going to first hear from Bill Donohue and

1 Dean Young from GENEDGE, have a presentation for us and  
2 discuss how they're going to be able to assist the Business  
3 Support Committee as we go forward, so I'm going to welcome  
4 Bill and Dean.

5 MR. DONOHUE Thank you. How is everybody doing  
6 today? We provided handouts, so what I'm going to go ahead  
7 and refer to the handouts so we can keep your time rolling along  
8 promptly. And I really appreciate the opportunity to speak to  
9 you folks from the Tobacco Commission, as well as the Staff  
10 members and folks who are here as part of the group and  
11 Education Committee.

12 First of all, what I'd like to do is introduce you all to  
13 who GENEDGE is. What I'd like to refer you to is our Annual  
14 Report. So, Commission members, you should have a copy of  
15 that in front you. Does anybody need a copy of the Annual  
16 Report? It looks like everybody has got one. And if you don't  
17 have one, just raise your hand and we'll get you a copy.

18 GENEDGE was actually founded back in 1992 as  
19 Virginia's Philpott Manufacturing Extension Partnership Program.  
20 Several leaders from Southside formed a collaborative to develop  
21 an organization to provide consulting services to Southern  
22 Virginia-based organizations. It actually started up in 1994 and  
23 is a Commonwealth of Virginia entity.

24 You'll find on page 2 is our current roster of  
25 governance, that is our board of trustees, which is all appointed

1 by the Governor, representing 15 members of industry. The  
2 president of the Center of Innovative Technology, the president  
3 of Virginia State University and James Madison University, as well  
4 as three presidents of community colleges. This is a fiduciary  
5 board and acts as a board of trustees and is not an advisory  
6 board, and I serve at the pleasure of that board.

7 In 2016, we had a pretty good year. On page 3, there  
8 are just some of our highlights. We work with actually 178  
9 companies. In 2016, we helped them grow and retain revenues  
10 by over \$220 million. We helped them deliver \$112 million in  
11 cost savings, \$13 million in capital investments were assisted by  
12 us. Eight hundred and thirty-six jobs were created and retained  
13 for about \$150 million in bottom line impact.

14 We do our work through direct delivery services, as  
15 well as programs. Those programs are focused on individual  
16 groups or businesses that have a particular need or for a  
17 particular segment of the industry.

18 Now, if you'll flip the page to the centerpiece, or give  
19 you an example, we are covering the entire Commonwealth of  
20 Virginia from the coalfields to Newport News, Hampton Roads.  
21 And our core market actually consists of 10,400 companies.  
22 When we say core market, that is because our primary investor  
23 is the National Institute of Standards and Technology,  
24 Manufacturing Extension Program. We have a five-year base  
25 agreement with a five-year option to renew that agreement, and

1 we were very pleased with the Commonwealth of Virginia last  
2 year through the efforts of the General Assembly, including  
3 Delegate Marshall, who's present today, and Delegate  
4 Poindexter, who is going to be here, I think, later, I saw his  
5 name up. We were able to obtain matching funding for that  
6 grant. That allows us to do what we call our core, which is  
7 starting manufacturers, industrial, and technology companies.

8 Our core markets have about 324,000 employees,  
9 represents almost 15 percent of Virginia's JDV. You can see that  
10 they're concentrated predominantly, the companies that we work  
11 with, in urban centers, as well as pilot systems across the  
12 Commonwealth.

13 If you'll look over on the next page, we really have  
14 four business lines and services. The first and our most  
15 important is Strategy, Innovation, and Growth. Tell me a  
16 company today that would not want to be able to innovatively  
17 grow faster than they have been and reach more markets and  
18 become more diverse. What we found was our clients began  
19 increasingly, when the great recession hit, to ask for that type of  
20 service to focus predominantly on cost savings and recognized  
21 we needed to do more.

22 As a result, we began to deliver innovative programs,  
23 and those programs are on page 7, which allows us to deliver  
24 specific services to help companies with specific needs. And as a  
25 result, what we have been able to do is to be able to focus on

1 helping smaller companies innovatively and strategically grow. A  
2 lot of that work has been concentrated over the last couple of  
3 years in the Department of Defense supply chain, where we  
4 partnered with the Governor's Office to provide those kinds of  
5 services to companies who have been devastated by the  
6 sequester.

7           Finally, we are an impact-based organization. On the  
8 last page is the history of the impact that the center has  
9 delivered. The impact is actually measured by the Department of  
10 Commerce of the United States who is our chief investor, and  
11 they do that by using third party services. Therefore, the impact  
12 numbers that you see on the back page, those are, what have  
13 been reported to the Department of Commerce through an  
14 independent survey of our clients, which typically begins about  
15 six months to one year after we have completed a service for a  
16 particular company.

17           That's a quick introduction to who GENEDGE is, why  
18 we're here and what we're about. Hopefully, that will give you a  
19 framework as to why we believe we can really help the Tobacco  
20 Commission as it seeks for accelerated growth of the companies  
21 that it has invested in.

22           So, if we would go back to the pitch, I've taken you  
23 really through, up to the first two companies, and what I'd like to  
24 do is I'd like to introduce Dean Young. Dean Young is one of our  
25 engagement managers and has managed the Domestic Market

1 Expansion Program now for several years. That program has  
2 actually been highlighted by the Office of Economic Adjustment,  
3 the Department of Defense, as being one of the best programs  
4 ever to have been involved in the country to help companies and  
5 help regions to be able to recover from economic losses due to  
6 turn back or cutbacks in DOD funding.

7 Dean, go ahead and cover it, please.

8 MR. YOUNG: Thank you. Is anyone here familiar at  
9 all with the Domestic Market Expansion Program, or DMEP, as we  
10 call it? The intent of DMEP was, as Bill said, to try to help those  
11 companies in the DOD supply chain that have been affected by  
12 sequestration cutbacks. Our way is to by commercial outlets for  
13 those things that they do. So, really, you're looking at three  
14 types of stakeholders in this process.

15 There's the Department of Defense who is worried  
16 about sustaining that supply base through those turnouts.  
17 There's the State of Virginia who is hopefully looking to diversify  
18 the economy, then there are those individual companies  
19 themselves. So, we took them through a process of strategic  
20 alignment and identification of strengths that they could find so  
21 we could create strategies for commercializing and diversifying  
22 what they do into private sector funded kinds of arrangements.  
23 So, you can kind of see that we are an impact-driven  
24 organization.

25 On the slide you're looking at, this is truly a statewide

1 program.

2 So, we started out by reaching out to all of those  
3 companies in the DOD supply chain affected by sequestration  
4 across the state, ran them through a series of workshops where  
5 we exposed them to how we would go about helping them. So,  
6 we started out with about 120 companies that we spoke with,  
7 about 60 of them went through an assessment. And we want to  
8 talk about this assessment a little bit, called CoreValue Software,  
9 but we used this assessment to help us identify the gaps that a  
10 business has in terms of how they operate and what they know  
11 about their markets and their customer bases, et cetera, so that  
12 they can find ways to shore up those gaps and increase the value  
13 of their business, which ultimately leads them to grow. So, it's a  
14 great tool for helping us identify the leading indicators that allow  
15 us to ultimately drive revenue and jobs and the things that we  
16 want to drive in terms of our input.

17 So, we worked with about 60 companies through that  
18 process. About 41 of them we actually went on to do more direct  
19 delivery and in-depth delivery of services. And you can see from  
20 the list that not all of them, of course, are going to get the great  
21 impact, but some had a great impact in terms of the first two  
22 years of the program.

23 So, over two years, we're driving, I guess, about \$190  
24 million in projected new sales, almost 600 new jobs, a significant  
25 investment, as well as cost savings. Of course, for us, that focus

1 in this program is an innovation growth program, was on that top  
2 line growth and driving revenue that ultimately drives jobs.

3 MR. DONOHUE: That's found on page 3 of your  
4 handout books, looks like this.

5 MR. YOUNG: For the first two years of the program,  
6 we basically took them through a thought process of here's all  
7 the things I could do, here are the things that I should do, and  
8 here are the things we're going to do, and then we provided  
9 them with support to help them go do some of those things  
10 which drives those kinds of results that you're looking at. They  
11 came back to us and said we'd like for you to continue to do this  
12 a third year of the program. We decided that we didn't quite  
13 have as many resources, but we had a lot of people that we had  
14 touched. So, similar to you all, we had invested in some  
15 companies, so we decided to work with those companies to try to  
16 take them a little bit deeper.

17 And so in year three, if you'll switch to the next slide,  
18 we actually ran companies that had been a part of that original  
19 assessment process through what we call the Shark Tank. So,  
20 just like the TV show, we had them pitch a business idea, so we  
21 taught them how to think about capturing a particular concept,  
22 figuring out the business case for that, and ultimately driving  
23 that towards some end result. And they came in and they  
24 pitched that to a subset of the board of trustees that Bill was  
25 talking about earlier and our shark tank representatives, if you

1 would, and we used that as a way to determine who would get  
2 the financing.

3 UNIDENTIFIED: Did you win that?

4 MR. YOUNG: We did not, I wish we had, to be honest  
5 with you, but since it was our first time, but it was a great pitch  
6 actually. The last pitch, in fact, one of the companies that got  
7 funded, they make a coating for T-shirts. If you coat a T-shirt  
8 with it, it makes it impervious to liquid. A big bucket of water  
9 and T-shirts and they had the board members dunking T-shirts,  
10 it was a great show, I wish I had filmed it.

11 But at the end of the day, what it allowed us to do  
12 was to show, teach people how to think about that business case  
13 and how to ultimately make that pitch. From my perspective,  
14 having worked with a lot of these companies over the first two  
15 years, it was really rewarding because we took them from the  
16 mindset of looking for the next proposal list, if you would, out of  
17 the Federal Contracting System, and just thinking about the  
18 market, the customer, what that pain point was, and how they  
19 were going to use their skills and their offerings to create a  
20 unique space for that market. And so it was truly a rewarding  
21 experience and we're in the middle of that.

22 And you can see we also changed our approach a little  
23 bit this time and rather than waiting until the end to see how  
24 much we were going to ask in terms of impact, in this case they  
25 actually had to make those projections on the front end. And so

1 that's a part of their pitch and a part of that return. We have  
2 them now thinking like what does an investment mean in terms  
3 of that public sector funding, and then how do I leverage that  
4 with what I'm doing so that I can ultimately drive that into my  
5 success in the end.

6 So, in year three, we're really, we're hitting the  
7 ground and running now, and we're looking forward to some  
8 significant success. Again, the numbers you're looking at there  
9 that are projected are for 12 companies. So, there is some  
10 significant impact available. Again, projections, it's still early,  
11 but it's based on sound logic and business case management.

12 MR. DONOHUE: There are some interesting  
13 businesses in terms of what these companies are doing. If you  
14 look at Morphix Technologies, which is undergoing a corporate  
15 transformation. Morphix actually makes explosive detector  
16 technology for the Armed Forces. That's one of the core  
17 competencies. They're actually able to take that core of  
18 competency, build it into a nanotechnology framework and have  
19 developed a product that can be used by border agents, by folks  
20 at police departments and the FBI, et cetera, for detecting at the  
21 scene the presence of foreign chemicals and substances.

22 And they actually got product placement on, anybody  
23 ever seen *NCIS: New Orleans*, well, the TraceX technology, we  
24 got product placement on one of their shows, and it worked very,  
25 very, very well. They go out and take the TraceX thing, and,

1 hey, I'm going to use my TraceX, and just like that, instant  
2 credibility in the market through a television show, so a very  
3 good project.

4 Another one that I thought was kind of interesting on  
5 here is an electronics company in Southwest Virginia. We're  
6 helping them develop some proximity alert systems that can be  
7 used for warning people so they don't get killed. Essentially,  
8 they have technology that they use, lines, to warn people that  
9 vehicles are on the way, and if you don't get out of the way, well,  
10 it can be unfortunately a life-ending incident.

11 So, we're working to take that technology into similar  
12 activities by shipbuilding where we have similar issues and  
13 challenges or at ports where there's a lot of movement, there's a  
14 lot of logistics, there's a lot of transportation, there's a lot of  
15 danger. This is a market they have no knowledge of, they have  
16 no capability of, but we're fortunate that we have expertise  
17 because the work that we do supporting shipbuilding and logistics  
18 around the country. It's just one of the benefits that GENEDGE  
19 can bring because of our wealth of knowledge of various markets  
20 and services and businesses.

21 If you go to the next page, it looks like this. What we  
22 propose is to help you and help the Commission help its  
23 investment base. We, over the years, have been using a product  
24 called Core Value Software, to actually go in and analyze a  
25 company's current business worth. And, no, we're not talking

1 about what is the value of the technology portfolio, we're talking  
2 about the value of the business to actually be an ongoing  
3 business. The proposal here that we have focused on, which  
4 goes off with about seven years of experience in the space is to  
5 discover, assess, and align the process.

6 The discovery assessment, we would go in and  
7 perform at no cost to these companies, and that's really to find  
8 out, quite frankly, if the company CEO and leadership is really  
9 interested in going forward on a process to accelerate their  
10 commercialization. The initial questionnaire, it only takes 18  
11 questions. We will be able to determine with that applicant  
12 whether it makes sense to proceed or not. If it does, we would  
13 then go into an assessment process where in a period of a couple  
14 of hours we're actually able to perform a very high quality  
15 evaluation of the business.

16 But more importantly, where are the gaps in the  
17 business' ability to really be successful, because those gaps are  
18 the barriers that are impeding them from becoming commercial  
19 quickly. And, oh, by the way, there's evaluation dollars that are  
20 assigned to that exclusive of the intellectual property, plenty of  
21 ways to measure intellectual property. We'll tell them what's the  
22 ongoing concerns value today?

23 And then finally an alignment exercise where we work  
24 with the business owner, the CEO, the business team to put  
25 together a program and a plan to be able to accelerate the

1 commercialization of that technology and raise the probability of  
2 success. And I'm going to ask Dean to give you an overview of  
3 how that works. Dean.

4 Now, you're going to go to this page, it says Core  
5 Value Software Foundation.

6 MR. YOUNG: So, Bill set it up. We built a lot of this  
7 initial assessment off of using this Core Value Software platform.  
8 Now, we've all seen, of course, I can fill out this survey online  
9 and it tells me the magic answer, but I'm a little bit skeptical  
10 when it comes to online tools sometimes, but I'm talking about  
11 70 of these in the first couple of years would be met. And I will  
12 tell you I'm sold on this as a conversation starter, because what  
13 it does is it shifts the conversation away from point problems to  
14 the larger strategic issues that an organization has and it puts it  
15 in the context of the business owner's evaluation and it makes it  
16 something real for them. So as long as you work this top down  
17 and you work this in terms of the owner and their team, the  
18 leaders and their team, you get a great result on this because  
19 the conversation actually starts the alignment process, if you will,  
20 around their strategic objectives. And it's been crucial to our  
21 success.

22 So some of those numbers you saw in DMEP, I tied  
23 this to that approach, of being able to use this tool, and it is a  
24 great tool. It was developed originally around some research  
25 from MIT. The intent here is to create some standards or some

1 benchmarks, if you will, about operational-type indicators. So  
2 while it's a business evaluation assessment, there's actually only  
3 two financial numbers that go into it. You put into the revenue  
4 and their needed numbers, the profit numbers, and that's what  
5 everything else is a qualitative assessment. And so it's a little bit  
6 kind of a psychological evaluation of the management team, as  
7 well, in terms of how they approach the business and what they  
8 know, but it's very accurate. The research will tell you that it  
9 comes within 10 to 15 percent of the true financial evaluation of  
10 the due diligence type of the financial spin. In my experience,  
11 we've done this now, I think, with three companies that actually  
12 had a business, a full-blown business evaluation happening  
13 concurrently, and all three of them came out within five percent.

14 So the actual result in terms of the valuation is a very  
15 accurate picture of not only what the business is worth, but, as  
16 Bill said, what the gaps are that keep it from being worth what it  
17 could be. That's really a good way to start that conversation, the  
18 business leadership team.

19 It's built around these 18 value drivers that you see at  
20 the bottom, so there are 18 areas that the tool evaluates, and  
21 nine of them are external and based towards the customer,  
22 they're mostly about the market, not only the market situation,  
23 but what the company knows about it, how much detail they  
24 have on it, what kind of research they've done. So, it helps you  
25 to understand to have a really a good conversation upfront about

1 do they really understand the customer's pain that they're trying  
2 to solve, do they really have a target that they know who to work  
3 with? What we often see, especially with technology businesses  
4 that are starting up, they have a great idea and they think  
5 everybody is going to want it and they don't know where to  
6 focus. And this helps us have that conversation on the front end,  
7 as well.

8           The other nine are more evenly placed and about how  
9 they run their operation and how things work. So it addresses  
10 things like do they have financial issues, do they have legal  
11 issues and those kinds of things. Without that foundation, it  
12 really doesn't matter how much you know about the market, you  
13 can't run the business. If you can't, then you really can't  
14 operate.

15           DELEGATE MARSHALL: So the evaluation of the  
16 company, does, will the bank accept that for, to go borrow  
17 money against it if you come up with that number in the  
18 evaluation?

19           MR. YOUNG: Typically not. The tool was originally  
20 developed as a pre-due-diligence kind of tool for somebody who's  
21 going through either a purchase or investment route or  
22 something like that. The intent is really not the evaluation  
23 number, but the gap analysis to help you find things that you  
24 need to work on so that when you do go back and do a full-blown  
25 evaluation, it's worth more. So, it's trying to identify those

1 weaknesses that you need to do to shore up before you go to  
2 that investment or look for that funding. Does that make sense?  
3 That's a good question.

4           So, if you go to the next phase, and Bill talked about  
5 this, it starts with what they call discover. And this is actually  
6 kind of one high level question around each one of those 18  
7 driver areas. As you go through this, it'll give you some  
8 feedback in terms of where those biggest gaps are and this helps  
9 you have that conversation on the front end. And as Bill said,  
10 with DMEP, we use this as a filter tool for us because we can  
11 figure out who's really serious about doing the work necessary to  
12 go through that strategic commercialization effort and actually  
13 put some legs behind it, because it's an investment, and the  
14 resources that are required to be successful and drive that  
15 impact. So we're pretty good at filtering that out and figuring  
16 out who the people that are going to be successful, and this tool  
17 helps us do that at that discover level.

18           The real value of the tool is on the next page where  
19 you go through the assess. On the assess, what we do is we  
20 take their initial answers to those 18 questions that we started  
21 with. The first question may ask you how big is your market,  
22 and they'll say, oh, my market is huge. And then it's going to  
23 start asking questions about, well, like how much do you know  
24 about it, how much research do you have that supports where  
25 you think you're going to go, how well are you going growing

1 over time relative to that market, are you doing better or worse  
2 than the market?

3 The way the interview is structured as you go through  
4 this assessment process, it really guides it in a third party kind of  
5 way. So it's an advisor, it's not us giving them a feedback and  
6 it's a tool and we're helping them interpret that and manage the  
7 results of the tool. It can change the conversation and makes  
8 the conversation about how do we help you address these gaps.  
9 The reports that come out at the end highlight those gaps for  
10 you. As you can see here, it will tell me the top five areas that  
11 we can focus on. I've yet to sit down with someone, and I  
12 always ask them, the first question is do those gaps make sense  
13 based on what you know about your business, and I have yet to  
14 have anyone answer no, and they all say, yes, that's about it,  
15 that's right, so that helps us focus them on where they need to  
16 go.

17 As Bill said, those are also value-driven, so they're not  
18 just the biggest gaps per se, they're the gaps that are going to  
19 contribute the most to a lack of value, or the most in conversely  
20 the areas that if they address are probably going to drive the  
21 largest amount of growth, which is really what we're trying to get  
22 to.

23 Once we've done that, you can actually put together a  
24 decent proposal for how we're going to go after it, where we're  
25 going to align, and how we're going to get them on the same

1 page with how we're going to address it.

2 MR. DONOHUE: Now, this is called Phase III.

3 MR. YOUNG: When we do that, we're going to help  
4 them think about what they do well, where the strengths are,  
5 where the weaknesses are. We've got a tool to help us with that,  
6 as well as some of the other analysis. We're going to take them  
7 through things like a spot analysis. Some of you have done  
8 strategic planning in other ways. Some different ways and  
9 different tools that we use, relatively simple, but to help them  
10 facilitate that discussion as a team, so that they become aligned  
11 around where their opportunities are and they can all start  
12 pulling the boat, pulling the oars in the same direction. We  
13 found that that's very helpful and very successful for us, and it's  
14 been a key.

15 So, we've gone through this two-phase approach with  
16 those 40 companies that we've worked with the first two years  
17 and we continue to build off of that. So as we brought  
18 companies in for the third year, we went back to their core value.  
19 One of the good things about these tools is that it's not a one  
20 and done, but it can be used as a management tool as you go.  
21 So once we put somebody into the tool as a client, they continue  
22 to have access to that tool, they can update those things as  
23 things change and they can see the growth in their valuation  
24 over time and they can also see if their gaps shift where they  
25 need to change their focus. So it's a great tool for helping them

1 manage growth, as well. We're starting to use that now very  
2 successfully in the third year with those companies that have  
3 already been through that initial process.

4 I'll turn it back over to Bill.

5 MR. DONOHUE: The way we would approach this or  
6 suggesting that we approach this is at the end of each  
7 engagement the Tobacco Commission, but, most importantly, the  
8 company that we're working with. But we would use our client,  
9 they would receive those core value reports and discover, the  
10 assess report.

11 And as Dean mentioned, they actually have the ability  
12 over time to build essentially the portfolio of their business using  
13 the client-based application that we provide them. This gives  
14 them an opportunity as they knock off some of those gaps that  
15 they have in their business, we'll see what the value is and their  
16 ability to create the wealth and to be able to track the progress.  
17 The strategic alignment facilitation visuals are pretty important,  
18 and those are going to be used depending on what we find during  
19 the assessment process.

20 On the prior page, there was a couple of very  
21 important points. One was called an Industry Structure Map.  
22 The second is a Market Context Map. So you go back to page 9,  
23 those two graphs are in agreement with at least 90 percent of  
24 our clients we use. The first question is, where is the industry  
25 that you're talking about playing in? More importantly, where do

1 you fit in that industry? That begins a very, very interesting  
2 conversation and exercise. And, oh, by the way, I'm going to put  
3 Karen Sorber on the spot here today, because Karen has actually  
4 kind of been a pilot for us, we've been working with them for a  
5 couple of months.

6 And, Karen, maybe you can step up for a moment and  
7 talk about that experience.

8 MS. SORBER: So he knows I'm going to sing his  
9 praises. They're doing a fabulous job. Bill knows I'm going to  
10 sing his praises, they've done a great job. But everything he  
11 described to you he's done with us. I've gone through the core  
12 value analysis myself. He targeted the areas that I needed to  
13 focus on. One was in financial controls, which we've cleaned up.  
14 And the other one was in market assessment. We've done these  
15 context maps and these structure maps. We've done market  
16 attractiveness matrix, actually I just sent one to a potential  
17 investor. And they're impressed that we're looking at it with  
18 such diligence.

19 So these guys know what they're doing. We thought  
20 we knew our market, but not that much, and they've given us  
21 our rating on the report they've given us, a great report. Any  
22 questions?

23 MR. DONOHUE: I didn't know she was going to be  
24 here this afternoon, but I'm glad she was.

25 So, the final assessment report, and they'll get a one-

1 case business case, which is actually we're going to make them  
2 prepare it. Oh, by the way, this is what our shark tank folks did.  
3 They pitch off of a business case analysis that they prepared  
4 when they went into our shark tank. We found it to be a very,  
5 very compelling and efficient way for them to be able to distinctly  
6 describe where they're going, when they're going to get there,  
7 and what it was going take to be able to succeed.

8 And then finally a narrative summary and a  
9 commercialization roadmap. I'm going to have Dean take you  
10 through those two documents. Dean.

11 MR. YOUNG: On the next slide, you can see a copy of  
12 that commercialization brief, as Bill said. This is built off of the  
13 template that we used with the DMEP in year three and it was  
14 very successful, because, again, it's driven by them and forces  
15 them to think about there on the left-hand side what is the  
16 opportunity, who is the customer, and what is the pain, what is it  
17 that you're going to do for them, and then, more importantly,  
18 why is your solution better, different, or more unique than  
19 somebody else's, why would somebody choose yours over  
20 somebody else's? So they've got to think about some of that  
21 stuff that Bill talked about in terms of the industry context and  
22 market context, and those maps help them understand.

23 Beyond that, we asked them to project. So then they  
24 have to start thinking about, okay, well, really, how do I  
25 commercialize this, where is the revenue going to come from,

1 and what is it going to look like. Then we ask them to project  
2 that revenue out, and we ask them to talk about the risks. What  
3 are the risks to that in terms of the market and scheduling and  
4 technology, et cetera? So they need to think about what's that  
5 plan look like, that comes from a lot of that roadmap work that  
6 we talked about, I'm going to talk about that next.

7 So we end up hopefully with that at the end have a  
8 new picture. If they are not able to complete this, it's usually an  
9 eye opening experience for them to understand that they don't  
10 know enough about their market. Many of them go in, like Karen  
11 said, thinking, yeah, we know this, we've got this, but when you  
12 start asking detailed questions through the rigorous analysis that  
13 we do and they start to not have as many answers, and they  
14 start to become more open to having some of the details. So,  
15 the business case brief is very successful.

16 Now, built off of all that, the next document is the  
17 Commercialization Road Map, and I'm a big fan of visuals  
18 because it makes more sense to me than lots of words. You can  
19 see the directional arrow, what's the end game we're trying to  
20 get to, and what are the steps to get there, we time those out.  
21 What you're looking at is actually an example of one of the  
22 DEMEP companies sanitized a little bit for the commercialization  
23 and technology that they wanted to do. We take them through  
24 that process, who the team members are, what the goals are,  
25 what the challenges are, et cetera. We pre-think all of those so

1 that we can put milestones out and some stakes in the sand and  
2 figure out what's next. So we kind of get them from step to  
3 step, and we go through the what's next and we are able to  
4 support them, traditionally we do it through a DMEP Program. As  
5 Bill talked about, what we're trying to transition into with the  
6 EDGE Program from small to mid-sized manufacturing  
7 technology.

8 MR. DONOHUE: Ideally what we're proposing to do  
9 here is put together a program for the Tobacco Commission  
10 which leverages our relationship with this MEP, because the  
11 companies that we're dealing with all or what we would call poor  
12 market. We can develop a program for you, more importantly,  
13 for companies that you're trying to make sure succeed. Those  
14 companies that went through this program would also have the  
15 option to move, we believe, into the EDGE Program, that they  
16 need continued support and services to be able to implement this  
17 commercialization roadmap. We'd be happy to help them do that  
18 under the auspices of our EDGE Program, so you all would act as  
19 kind of the accelerator and help them get into that program.

20 Something else to keep in mind, we've got about a  
21 little over 30 folks direct. I'm here to tell you we cannot do all of  
22 this work on our own. In our annual report, you will see that we  
23 use over 36 different other service providers to provide specific  
24 subject matter expertise that these companies need. That  
25 includes many of our educational institutions. Our partners

1 include Virginia Tech, Old Dominion University, Virginia State  
2 University, James Madison University, and Averett are being  
3 added this year. So we try to bring in the best that we can to  
4 help these businesses succeed, to become more profitable, and  
5 to become generators of wealth, to become contributors to the  
6 Commonwealth's economic community.

7 Questions?

8 DELEGATE MARSHALL: This is a question to Staff.  
9 How do you see this playing out, if we go this way, is this for  
10 R&D Projects, is it for Economic Development Projects, or is it for  
11 companies who want to volunteer to do this, do we require them  
12 to do this, or have you thought this out?

13 MR. FEINMAN: This is our pilot year with the  
14 Committee, and something of a pilot in terms of our partnership  
15 with GENEDGE. We haven't spent a lot of time thinking about  
16 the nuts and bolts of it, but the general idea here was we have a  
17 partner agency at the state level, GENEDGE is a quasi-public  
18 operation --

19 MR. DONOHUE: We're actually a state entity.

20 MR. FEINMAN: There you go. And they can offer a  
21 level of technical expertise that we simply don't have on staff in  
22 terms of backing up and staffing this Committee. The charge to  
23 this Committee is a fairly broad and potentially a really valuable  
24 one, which is to take a look at our grant recipients and not only  
25 provide them with money but provide them with expertise and

1 services on the business side, that the Commission has not  
2 heretofore offered. That, I see has both a reason for people to  
3 come and do business with us and a way of us protecting our  
4 investment in these companies, helping them be successful.

5 So, I think that applies to R&D, I think that applies to  
6 TROF recipients, and I think it applies to basically all of our  
7 programs who are working with recipients who are for-profit  
8 entities. Maybe beyond that, if you think about it, certainly we  
9 fund programs at community colleges and that are centers of  
10 excellence, and they float their own boats, too, they've got to  
11 advertise and get students and get tuition fees and make their  
12 business work. I think a lot of places where this technical backup  
13 can be helpful for this Committee.

14 DELEGATE MARSHALL: So as we move forward, if we  
15 move forward with this, would it be a requirement of the grant  
16 that we would give no matter is it's TROF or if it's Economic  
17 Development or at some point that we would require, you said  
18 nonprofit, and we've done projects with Virginia Tech, it certainly  
19 would make sense to do that, or even General Motors, but for  
20 medium or small sized companies?

21 MR. FEINMAN: Well, I'd say this year we can see  
22 what the outcome would be, and Chris has worked up 12  
23 companies for us to work, to start off with, maybe one a month  
24 for you all, we have five members of the Committee, and that  
25 would be a fairly ambitious schedule and working through the

1 companies with you down the road. If we knock out of the park  
2 on this, yeah, I think moving forward, we should say out of your  
3 grant funds you're required to do some of them while working  
4 with our business support. Now that, we need to make a  
5 difference, like you said, if General Motors wants to show up, I  
6 think they may say, thank you very much, we know what we're  
7 doing, and on the other hand, we may have people knocking  
8 down our doors not just to get the funding, but to get access to  
9 this. And we can see how that works both ways.

10 But for the coming year, I think the best thing to do is  
11 to get into this and see if we can really produce the value. It  
12 seems after having taken a serious look at this, that we can.

13 MR. MERRICKS: From what I'm hearing, this is  
14 almost a pre-fund and post-fund, this would be good to have on  
15 the pre-fund side, and we're working on the post-fund side. If  
16 we go in and say help these businesses with the business  
17 analysis, sometimes this may work on some of this stuff that we  
18 want to do a grants for.

19 MR. FEINMAN: I think that's very good, not  
20 something that we considered, but it may be moving forward, we  
21 would want to say we'd like to see a viability report prior to doing  
22 funding.

23 DELEGATE MARSHALL: So what about the money, so  
24 do we pay these guys to do that here, or are they just happy to  
25 be here?

1 MR. DONOHUE: What we're proposing is a \$5,000 fee  
2 for the service. The total service value would be in excess of  
3 \$10,000, and the balance would be covered by the R&D funding.

4 DELEGATE MARSHALL: This \$5,000 would be you?

5 MR. DONOHUE: No, sir, that's per company. That  
6 was a good question though. I tried to sell Danny on some  
7 services a long time ago, he's a tough customer.

8 MR. FEINMAN: To the Committee members, I did  
9 pass out just before the meeting a list of the 12 companies that  
10 we have identified as ones that could benefit from this service.  
11 It's not any determination as to their viability or anything like  
12 that.

13 To fit in with GENEDGE has already spoken about, the  
14 need to identify gaps and eventually any data to this  
15 commercialization roadmap. And, again, just to reiterate what  
16 Evan said, we're going to start working through these, and I sent  
17 you all an email about a month ago with these list of companies.  
18 If there are any that you're familiar with, please respond and let  
19 me know, and I've already gotten some responses. We'll  
20 prioritize based on that information, and we will obviously  
21 contact the companies along with GENEDGE and touch base with  
22 them.

23 So, the way I envision this to be more specific and  
24 GENEDGE works directly with the company. If you're the contact  
25 or the committee member with that company, you'll be working

1 closely with GENEDGE and that company as they go through the  
2 process. The idea here is that each member of this Committee  
3 has some personal experience and a little bit of more direct  
4 business experience, and that contact along with GENEDGE in  
5 their professional consulting capacity.

6 So I think it's a real good partnership. And, again, I  
7 think it's vitally important that the Tobacco Commission, not only  
8 when we provide grants, but to help to make sure that those  
9 grant funding is shepherded through and to a successful  
10 company, especially in working with these companies, a lot of  
11 them are Research and Development Projects, and a good  
12 chance for them to grow and be productive. I think the  
13 commercialization roadmap is very important.

14 MR. DONOHUE: I'll be happy to send you a, do you  
15 have to license those, those are from a company called World  
16 Visuals, and I'll show you where you can license them. I just  
17 want to make sure they're under intellectual property.

18 MR. PIPER: Absolutely. I want to apologize to Bill  
19 and Dean, because our technology was not up to snuff today.

20 MR. DONOHUE: I'm glad we have power today.

21 DELEGATE MARSHALL: So, the visuals that we did not  
22 get, was it the same presentation that we saw here?

23 MR. DONOHUE: Yes, sir. And we really look forward  
24 to the fact that there is a committee that we'll be able to work  
25 with. It's very beneficial, particularly as we get into Phase III,

1 for companies to get some external participation. And I think  
2 you would, if you have some interest to actually be involved in  
3 those with the appropriate willingness of the client company,  
4 there's an opportunity to grow and make a difference. Thank  
5 you.

6 UNIDENTIFIED: Do you do this for companies outside  
7 of the request for Tobacco Commission for funding?

8 MR. DONOHUE: Yes, sir, we do. We did this in our  
9 EDGE Program, we do this for companies directly, we've done  
10 this for companies like Bristol Compressors, and we're getting  
11 ready to do this for actually a very large educational institution  
12 here in the Commonwealth who is looking to reinvent  
13 themselves. We do this for all types of businesses, sir.

14 MR. PIPER: I think that covers it. Any other  
15 questions?

16 MR. DONOHUE: I want to thank you all.

17 MR. PIPER: We appreciate your time.

18 MR. DONOHUE: We appreciate it, thank you so much,  
19 folks.

20 MR. PIPER: I don't believe there's any further  
21 business before the Committee. This does not require a vote.  
22 So, we'll break and take up next with the Education Committee.

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**PROCEEDINGS CONCLUDED.**

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**CERTIFICATE OF THE COURT REPORTER**

I, Medford W. Howard, Registered Professional Reporter and Notary Public for the State of Virginia at Large, do hereby certify that I was the Court Reporter who took down and transcribed the proceedings of the **Tobacco Region Revitalization Commission, Business Support Committee Meeting**, when held on Monday, January 9, 2017, at Homewood Suites by Hilton, Richmond, Virginia 23219.

I further certify this is a true and accurate transcript, to the best of my ability to hear and understand the proceedings.

Given under my hand this \_\_\_\_\_ day of January, 2017.

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

MY COMMISSION EXPIRES: October 31, 2018.