



# WV JOBS INVESTMENT TRUST BOARD ANNUAL INVESTMENT ANALYSES JUNE 30, 2013



West Virginia Jobs Investment Trust  
1012 Kanawha Blvd. East, 5th Floor  
Charleston, WV 25301  
Tel: 304-345-6200  
Fax: 304-345-6262  
[www.wvjit.org](http://www.wvjit.org)

**TABLE OF CONTENTS**

<b>Aither Chemicals, LLC.....</b>	<b>1</b>
<b>American Benefit Corporation.....</b>	<b>2</b>
<b>Berkeley Springs Instruments, LLC.....</b>	<b>3</b>
<b>CrossCutting Concepts, LLC.....</b>	<b>4</b>
<b>Dynamic Physical Therapy, LLC.....</b>	<b>5</b>
<b>JBLCo.....</b>	<b>6</b>
<b>Liberty Hydro, Inc.....</b>	<b>7</b>
<b>MATRIC, Inc.....</b>	<b>8</b>
<b>Mountaineer Trout Farm, LLC.....</b>	<b>9</b>
<b>Protea Biosciences, Inc.....</b>	<b>10</b>
<b>STaSIS, Inc.....</b>	<b>11</b>
<b>Troy, LLC.....</b>	<b>12</b>
<b>US Glass, Inc.....</b>	<b>13</b>
<b>Vandalia Research, Inc.....</b>	<b>14</b>
<b>Vested Health, LLC.....</b>	<b>15</b>
<b>WV Potato Chip, LLC.....</b>	<b>16</b>
<b>WV Therapy Services, LLC.....</b>	<b>17</b>

---



## Message from WVJIT Executive Director

To our WVJIT Board of Directors and State Legislators:

Since our inception in 1992, the WVJIT has played an instrumental role in our state's economic development. WVJIT was created to develop, promote and expand our state's economy by direct investment in West Virginia's enterprises to create jobs, sustain growth, and provide new opportunities. Our investments touch major sectors within this state's economy such as manufacturing and energy, yet we have also been able to invest in emerging sectors that will play a role for our state's future growth such as healthcare, biotechnology, software, and engineering.

As of 2013, the WVJIT has invested a little over \$14 million dollars across 16 companies in a broad array of sectors. Total equity investment and loans provided are \$8.5 million dollars and \$5.7 million dollars, respectively. A total of 468.62 full-time equivalent jobs have been created, which equates to roughly \$28,000 of WVJIT investment for each full-time equivalent job created. This is in-line with a study, which reflected that for every \$30,668 of private venture capital invested between 1970 through 2005, there was one job in the year 2010. Though the national government provides subsidies, which are a direct cost to the taxpayer, directly to corporations with the intention of creating demand for workers for low salary jobs, venture capital investment not only provided a substantial monetary return, but also sustainable high salary grade job creation.

In January 2012, the State of West Virginia received the State Small Business Credit Initiative (SSBCI) funding to give the state's small businesses access to new capital. This new funding has given West Virginia enterprises access to \$13.1 million dollars, all of which is administered through the West Virginia Capital Access Program (WVCAP). We have had the pleasure to partner up with many of our fellow state economic developers, to provide capital to small enterprises across West Virginia and create jobs. To date, the WVCAP has had success in attaining the objective of having retained 481 jobs and create 366 projected new jobs. WVCAP has been so successful that it is currently the 2<sup>nd</sup> highest achieving SSBCI initiative program in the nation!

In conclusion, while we are aware of the challenges that lay ahead, I could not be more proud of our accomplishments this past year and could not be more optimistic for our state's economic future. On behalf of the WVJIT staff, I thank you for your assistance and continuous support in us to fulfill our economic and entrepreneurial mission to this great state.

Yours Truly,

C. Andrew Zulauf

---



**Snapshot:**

Company: **Aither Chemicals, LLC**  
Website: aitherchem.com  
Location: South Charleston, WV  
Total Employees: FT/1; PT/0  
WV Employees: FT/0; PT/0

**WVJIT Investment: \$550,000**  
**WVJIT Ownership: 0.0%**

**Leadership**

Leonard Dolhert,	Chief Executive Officer
Steve Adelkoff,	Chief Financial Officer
Parvez Wadia,	Chief Technical Officer

**Background**

The genesis of Aither Chemicals began in 2010 as an effort by the Mid-Atlantic Technology, Research & Innovation Center (MATRIC) to evaluate the utilization of unique, demonstrated technologies to create value added chemicals from ethane. Throughout 2010, MATRIC's team of highly experienced technical and management staff worked to evaluate the opportunity created by tremendous supplies of ethane coming from the wet natural gas in shale plays. As a result of this valuation and additional technical work, Aither was officially formed in 2010 by MATRIC.

Aither Chemicals is building next generation chemical plants based upon a proven, proprietary, patent-pending chemical process that converts a natural gas feedstock (ethane) into higher value chemical products (petrochemicals) in a cost effective manner. Aither's manufacturing process is the lowest cost production method to make petrochemicals. Using Aither's proprietary process, their facilities have advantages over traditional ethane cracking technologies.

**WVJIT Investment History**

- **June 2012:**
  - \$300,000 Convertible Debenture; 10% Interest; Maturity date of June 2014.
  - Current Balance: \$300,000
- **July 2011:**
  - \$250,000 Convertible Debenture; 10% Interest; Maturity Date of June 26, 2014.

**WVJIT FY13 Revenue: \$32,368.50**

**Total WVJIT Investment: \$550,000 (\$300,000 funded through WVCAP)**

**Warrant Coverage:**

- **July 2011:** 200% Warrant Coverage into Preferred A Units, 7 year term, strike price at the initial Series A Preferred Price.
- **June 2012:** 100% warrant coverage into Preferred A Units, 7 year term, strike price at a 20% discount of the Series A Preferred price.

**Co-Investors/Lenders:**

INNOVA	\$200,000 Convertible Debenture
RMG	\$300,000 Convertible Debenture
MAH	\$40,000 Loan

**Management Team**

**Leonard Dolhert, MBA/Ph.D.**, Chief Executive Officer

Len Dolhert has a track record of creating new business opportunities. Prior to joining Aither, he was managing partner at West Virginia-based Kinetic Star, helping to finance design and construction of biogas-supplied power plants. Kinetic Star was instrumental in bringing over \$30 million in financing to a biogas electricity project in San Diego.

Mr. Dolhert was also co-founder and CEO of Primet Precision Materials, a high tech materials company focused on battery energy storage. He located the technology, formed the company, and then led the financing of the company, including raising Series A venture capital equity financing, convertible debt, U.S. government research grant money, and bridge financing to Series B. The company has subsequently gone on to soliciting Series C and D financing. Mr. Dolhert has served as venture manager at W.R. Grace & Co., where he was on the start-up teams of several businesses. He has over 20 years of commercialization experience in the areas of energy, chemicals, chemical processing equipment, electronics components, and advanced materials. Mr. Dolhert has an MBA from the Wharton Business School of the University of Pennsylvania and a Ph.D. from the Massachusetts Institute of Technology.

**Steven Adolkoff, MBA/J.D.**, Chief Financial Officer

For over two decades, Steven Adolkoff has worked in all aspects of the power, alternative energy and commodities industries. He has led teams negotiating domestic and international transactions involving commodities, power generation development, renewable energy development, and commodity exploration. Mr. Adolkoff's diverse skill set includes expertise in the legal, regulatory, tax and accounting fields. He earned an MBA from Cornell University's Johnson School of Business and a J.D. from the University of Pittsburgh's School of Law. He is currently the President of Renewable Manufacturing Gateway ([www.renewmfg.org](http://www.renewmfg.org)) and an equity owner of International Electric Power, LLC ([www.iepwr.com](http://www.iepwr.com)). Prior to holding those roles, Mr. Adolkoff was the Chief Financial Officer and General Counsel of Shariah Capital, Inc. ([www.shariahcap.com](http://www.shariahcap.com)) and an equity partner of K&L Gates, LLP ([www.klgates.com](http://www.klgates.com)).

**Parvez Wadia**, Chief Technical Officer

Parvez Wadia joined MATRIC in July 2004 as Chief Technology Officer and Executive Vice-President. He is accountable for strategic planning, new business development, research strategy, intellectual property management, customer partnerships and technical staff development.

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

During a 30-year career with Union Carbide Corporation and Dow Chemical, Mr. Wadia held a variety of technical and senior executive management positions in Business and Corporate R&D, Technology Licensing and Engineering. He held positions of increasing functional and business responsibility, including Process Group Leader and Technology Manager for the EO/EG and global technology licensing businesses, Associate Director of R&D, and Vice President of R&D. Mr. Wadia was accountable for the technology needs of the Industrial Chemical Division (ICD) and the Licensing and Ventures Group, and provided functional leadership for 300 scientists and engineers.

He had global responsibilities for setting strategies direction, developing and implementing breakthrough catalyst and process technologies in manufacturing, new product R&D commercialization, and technical support to production units and global customers. Mr. Wadia joined Dow Chemical in 2001 following the merger and played a leadership role, serving as Global R&D of the EO/EG business.

**Board of Directors**

**Leonard Dolhert, MBA/Ph.D.**, Chief Executive Officer (See Management Team)

**Steven Adelkoff, MBA/J.D.**, Chief Financial Officer (See Management Team)

**Patrick A. Bond, Partner**, Mountaineer Capital

Pat Bond is a founding General Partner of Mountaineer Capital, LP, West Virginia's only active SBIC. He came to Mountaineer with a wealth of experience in finance, administration, strategic planning, general management, and information technology. Prior to founding Mountaineer, he worked for McCabe Henley, LP. Prior to that he owned and operated an independent consulting practice, Growth Management Group, specializing in the areas of Business Environment Assessments, new product development, investment and financial analysis and strategic planning. Mr. Bond previously served as President & CEO of Atlantic Financial Federal, a \$750M federal savings bank. In addition to his service on Board of Directors of numerous portfolio companies, Mr. Bond serves on the Board of Directors of the Federal Home Loan Bank of Pittsburgh, a \$79B wholesale bank serving Delaware, Pennsylvania and West Virginia. Mr. Bond graduated from West Virginia University where he received both his Master's and Bachelor's Degrees in Industrial Engineering.

**Greg W. Clutter**, Chief Operating Officer, MATRIC

Greg Clutter joined MATRIC after having served for five years as Director of Commercialization for the West Virginia High Technology Consortium Foundation, where he was responsible for all aspects of focused technology commercialization and the entrepreneurship initiative. He coordinated relationships with all West Virginia venture capital companies, and was involved in negotiating investments for multiple West Virginia startup companies. He previously held positions in commercial marketing, customer service, and operations at Nortel Networks in North Carolina and France. Mr. Clutter also served as a Senior Accountant with Deloitte & Touche LLP in Charlotte, NC. He received a B.S. in Business Administration (Summa cum Laude) from West Virginia University and an MBA from the Kenan-Flagler Business School at the University of North Carolina.

**C. Andrew Zulauf**, Executive Director, WV Jobs Investment Trust

Andy Zulauf has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan Officer for the West Virginia Capital Corporation, as a Partner and Managing Director of West

---

Virginia operations for Adena Ventures, and as Vice President and Upper Middle Market Commercial Relationship Officer for Fifth Third Bank. Mr. Zulauf is a graduate of Marshall University and the University of Charleston's Executive MBA program.

### **Products**

Aither Chemicals is building next generation chemical plants based upon a proven, proprietary, patent-pending chemical process that converts a natural gas feedstock (ethane) into higher value chemical products (petrochemicals) in a cost effective manner. Aither's manufacturing process is the lowest cost production method to make petrochemicals. Using Aither's proprietary process, their facilities will have the following advantages over traditional ethane cracking technologies:

- Lower capital cost
- Lower operating cost
- Shorter time to commercial operations
- Lower energy input
- Lower CO<sub>2</sub> output
- Smaller plant footprint
- Simpler process to product higher-value products

### **Competition/Market Summary**

Ethylene dominated the petrochemical market and accounted for over 28% of the total consumption in 2011. Growing demand for polyethylene, a major derivative of ethylene, mainly from the packaging industry, is expected to boost the global market for ethylene over the forecast period. However, widening supply demand gap due to capacity addition in the Middle East and Asia Pacific is expected to put pressure on ethylene prices globally. In terms of volume, methanol is expected to be the fastest growing petrochemical at an estimated CAGR of 10.3% from 2012 to 2018. The growth of methanol is largely driven by its emerging application in gasoline blending and conversion of methanol to olefins (MTO).

The global petrochemicals market was valued at \$472B in 2011 and is expected to reach \$791B by 2018, growing at a CAGR of 6.7% from 2012 to 2018. In terms of volume, the global petrochemicals consumption was 437 million tons in 2011 and is expected to reach 628 million tons by 2018, growing at a CAGR of 5.4% from 2012 to 2018, as per Transparency Market Research. Growing consumption from major end use industries including construction, packaging, transportation, textile, plastics, healthcare and so on, coupled with favorable operating conditions mainly in the Middle East and Asia Pacific, is expected to drive the global market for petrochemicals over the next five years.

It is important to note the top ten companies accounted for just over 49% of the total petrochemicals market in 2011. BASF, Sinopec and Exxon Mobil were the largest petrochemical manufacturers and together accounted for nearly 20% of the total market share in 2011. Major industry participants have fully integrated operations from extraction of crude oil and natural gas to production of petrochemical derivatives. Some of the other players operating in the global petrochemical market include Chevron Phillips, Dow Chemical, Company, Ineos, Lyondell Basell, National Petrochemical Co., PetroChina, SABIC, Shell Chemicals and Total among some other companies.

---



**Industry Summary**

The abundance of hydrocarbons in the US, along with competitively priced natural gas, has rejuvenated the outlook for the US industrial landscape with the prospective creation of tens of billions of dollars' worth of capital investments in the gas-intensive manufacturing and chemicals sector and hundreds of thousands of new jobs. It has also sparked a political and economic debate over whether to: a) move forward with some of the pending Liquefied Natural Gas (LNG) projects, and export to Asian markets where prices are higher, or b) retain a global competitive advantage in the US by allocating gas supplies to help develop domestic chemical and industrial complexes. The former would create some upward lift on prices for energy producers and bring significant LNG construction opportunities in the US, while the latter would facilitate a continued recovery in domestic manufacturing by mitigating price pressure on natural gas and refined products.

In certain regions of the US, there is a lack of pipelines, terminals and storage to hold and transport shale gas and oil to the customer base. Moving these materials adds considerable costs, especially when using rail. In order to fully exploit the potential of shale gas, it is estimated that, between 2011 and 2035, the sector needs US\$2 trillion in upstream investments for wet gas production, and US\$1.7 trillion for dry gas. An additional \$205 billion capital spending would be required for gas infrastructure development, with mainline gas transmission expanded by about 35,600 miles and an additional 589 billion cubic feet (bcf) of working gas storage.

**US Petrochemical outlook**

**TABLE 1. US petrochemistry outlook**

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total petrochemicals and derivatives, % change in production volume	10.8	-12.1	-15.6	6.9	0.0	1.3	2.3	2.8	3.3	3.8
Bulk petrochemicals and organics	14	-10.6	-16.1	7.4	0.9	1.4	2.4	3.1	3.3	3.8
Plastic resins	7	-15.6	-12.7	5.4	-2.6	1	2.3	2.8	3.1	3.6
Synthetic rubber	5.4	-13.6	-19.3	8.2	4.5	3.1	2.4	2.3	2.3	2.3
Man-made fibers	-6.2	-13.9	-24.6	12.4	-3.5	-0.8	-0.3	-0.3	-0.2	0.0

Source: Industry Reports.

**Cracker Projects**

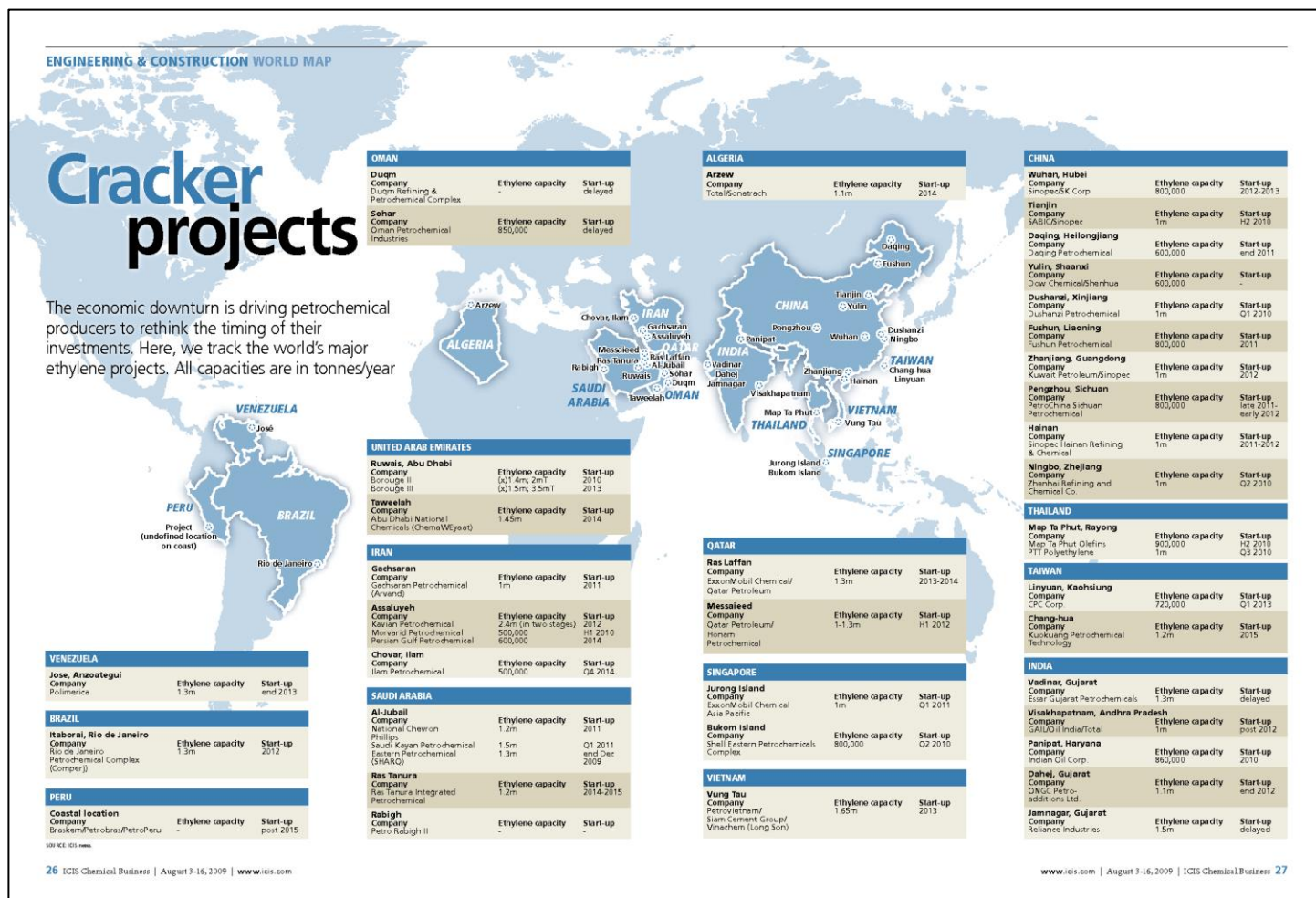
Back in 2009, as the world was dealing with the deepening economic recession, many oil and gas exploration firms set course to seek, identify, and establish cracker facilities that were available. In 2013, the US plans to construct seven cracker facilities and expand existing plants that could add almost 10m tonnes/year of ethylene capacity, or 37% of the total today.

The companies proceeding with plans to build new crackers include Dow Chemical, ExxonMobil Chemical, Chevron Phillips Chemical, Formosa Plastics, Sasol, Shell Chemicals and Occidental Chemical/Mexichem. All but one of the planned seven new crackers are based in the US Gulf Coast - the exception is Shell's in Monaca, Pennsylvania, in the heart of the Marcellus shale region in the northeast US. That cracker will likely come on line in 2019-2020 if it proceeds, while all the rest are scheduled to come on line between 2016-2017.



The total planned ethylene capacity additions amount to 9.78m tonnes/year, or a stunning 37% of existing US capacity. This excludes Dow's restart of its 380,000 tonne/year St Charles, Louisiana cracker in December 2012.

And there are more companies that have said they are exploring the potential of building a new cracker in the US. These include Thailand-based Indorama Ventures, Thailand's PTT Global Chemical, Brazil's Braskem, Saudi Arabia's SABIC and US-based Axiall (former Georgia Gulf).



Source: Engineering and Construction World Map

### Significant Events

**May 2013:** Company submitted a grant application to Tech Connect WV in partnership with the Chemical Alliance Zone for a preliminary study for potential small scaled plants in the Kanawha Valley.

**August 2012:** An article in the Charleston Daily Mail mentioned that the Marcellus Shale is about to become the most productive natural gas field in the United States.

**July 2012:** A late July press release from Aither indicates they have been very “pleased” with the responses they have received about the products their catalytic ethane cracking technology can deliver. These responses include

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

technology licensors, engineering procurement and construction (EPCs) companies, as well as organizations looking to relocate to the Kanawha Valley.

**June 2012:** Aither signed a memorandum of understanding with Bayer MaterialScience to launch an “Open Season” for ethylene from a potential catalytic ethane cracker site in Kanawha Valley. In addition, Len Dolhert was selected to be the keynote speaker for Pittsburgh Chemical Day on September 25, 2012.

**January 2012:** Aither closed on a financing transaction with Renewable Manufacturing Gateway (RMG).

**Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in Aither Chemicals, LLC at value, which is currently presumed to be the same as cost or **\$550,000**.

---



**Snapshot:**

Company: **American Benefit Corp.**  
Website: abcwv.com  
Location: Ona, WV  
Total Employees: FT/54; PT/0  
WV Employees: FT/54; PT/0

**WVJIT Investment: \$699,650**  
**WVJIT Ownership: 12.71%**

**Leadership**

C. Ryan Jones,	Chief Executive Officer
John Galloway	Chief Financial Officer
Jim Kirk	Chief Information Officer
Kimberly A. Wood	Chief Administration Officer

**Background**

American Benefit Corporation has been in existence for over 60 years having been formed in 1948 as the Raymond Hage Company and was renamed American Benefit Corporation (ABC) in 1976. It specializes in managing plans for hard-working Americans and provides best-in-class service to teamsters, plumbers, pipe fitters, steel workers, carpenters, electrical workers, operating engineers, miners, laborers and many others. Following a succession of owner-operators, the Company was purchased by Charles W. (Bill) Eastwood, Jr. in 2007. ABC is the only third party administrator (TPA) in West Virginia that handles Taft Hartley plans. Its principal offices are located in Ona, WV.

ABC has developed relationships that provide competitive advantages, specifically being able to offer discounts on medical procedures through a relationship with Anthem Blue Cross and Blue Shield. The Company has also established additional advantages such as state of the art information management, wellness program offerings, and consumer-driven healthcare.

**WVJIT Investment History**

- **December 2009:**
  - \$700,000 Series A Preferred Unit Investment
  - 8% Cumulative Monthly Dividend
  - 825 Shares

Dividends Received FY2013:	\$55,971.96
<u>Interest Received FY2013:</u>	<u>\$9,171.34</u>
<b>Total WVJIT Income</b>	<b>\$65,143.30</b>

**Co-Investors/Lenders**  
JP Morgan Chase Bank \$1,500,000 LOC

### **Board of Directors**

#### **Charles W. Eastwood**, Board of Directors Chairman

With more than 25 years of experience in the sales and service of employee benefit programs, Charles Eastwood was appointed as American Benefit Corporation's CEO in 2007. Over his considerable career, he has performed a variety of roles at such notable companies as Prudential and John Hancock Insurance. Mr. Eastwood served 13 years with Blue Cross and Blue Shield of West Virginia prior to becoming a National Account Executive with Cigna. While at Cigna, Mr. Eastwood and his sales team received the Superior Achievement Award for delivering the highest level of sales and service to their client base. After a 10 year stint with Cigna, Mr. Eastwood took the knowledge and expertise he had gained and opened Eastwood Consulting. Mr. Eastwood holds a Bachelor's degree in Political Theory and Philosophy from West Virginia State University.

#### **C. Ryan Jones**, Chief Executive Officer

Ryan Jones joined American Benefit Corporation in 2007. Mr. Jones is a CPA who has an extensive background in public practice including a regional firm that concentrated its practice in the healthcare field. Mr. Jones works closely with the IT and Sales departments to achieve the financial goals of the organization. Mr. Jones holds a Bachelor's degree in Business Administration with a concentration in Accounting from West Virginia State University.

#### **C. Andrew Zulauf**, Executive Director, West Virginia Jobs Investment Trust

Andy Zulauf has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan Officer for the West Virginia Capital Corporation, as a Partner and Managing Director of West Virginia operations for Adena Ventures, and as Vice President and Upper Middle Market Commercial Relationship Officer for Fifth Third Bank. Mr. Zulauf is a graduate of Marshall University and the University of Charleston's Executive MBA program.

### **Products**

American Benefit Corporation provides intelligent planning and management on employee health plans. The company also provides administrative support to ensure efficiency in the life of the benefit plan. Other services include:

- Benefit plan design assistance
- Medical, dental and vision claim processing and adjudication
- Pharmacy Benefits Manager evaluation, implementation and integration
- COBRA/HIPAA administration
- Consumer Directed Health Plans
  - FSA
  - HRA
  - HAS
  - VEBA
- Comprehensive care management suite of services
- Network analysis and optimization
- Claims re-pricing



- Disability/loss of time processing
- Coordination of benefits, including Medicare Part D
- Claim Subrogation

Over the past year, the company has not introduced any new products or services into the market.

### **Competition/Market Summary**

#### **Benefit Assistance Corporation (BAC)**

Established in 1992 and in Hurricane, WV, BAC has become one of the largest independent regional TPAs servicing the eastern United States. Their client base ranges from 50 to 3,000 employees and the company prides itself for not being tied to the large “national” claim paying systems, and thereby having the flexibility to customize the claims processing service.

#### **Blue Cross Blue Shield**

The Blue Cross Blue Shield Association (BCBSA) is a federation of 39 separate health insurance organizations and companies in the United States. Combined, they directly or indirectly provide health insurance to over 100 million Americans. The company is headquartered in Chicago, IL.

#### **Cigna**

Cigna is a global health services company providing health care plans as well as administrative services. In addition, Cigna has an expanding international footprint in the health services arena. The company is headquartered in Philadelphia, Pennsylvania.

### **Industry Summary**

The Affordable Health Care Act passed in 2010 is considered one of the most significant laws passed in 50 years. In 2014, large employers (those with 50 or more full-time equivalent employees) will be subject to the Affordable Care Act's "pay or play" requirements. A large employer must offer its full-time employees (working at least 30 hours per week or 130 hours total in any given month) and their children minimum essential coverage that is affordable and provides minimum value. Otherwise, the employer will be subject to a penalty if any of its full-time employees obtains health coverage through a Health Insurance Exchange (now called a Health Insurance Marketplace) and is certified as eligible for a premium tax credit.

The premiums for fully insured coverage are expected to rise significantly due to the Affordable Care Act imposing an annual fee on most insurers, modified community rating in the individual and small group markets, and expensive mandates for essential health benefits. Self-funded plans are exempt from these requirements. In addition, while Affordable Care Act requirements will likely inflate insured premiums, stop loss premiums remain competitive (even for small employers). Affordable Care Act cost-drivers are expected to have less of an impact on self-funded plans. Independent Third Party Administrators are expert at designing and administering financially viable self-funded plans that are unique to each employer and do not sacrifice benefits coverage. In a post-Affordable Care Act world, Third Party Administrator-administered self-funded plans are a solution for managing employer costs.

---



### **Affordable Healthcare Act effect on Labor Unions**

The Labor unions, who were the initial supporters and benefactors for this law, say that the law they once supported would devastate union-sponsored health-insurance plans. Since last year, union leaders have complained that many of the law's requirements will drive up costs for union-sponsored healthcare plans that are managed jointly by unions and mostly small employers, making unionized workers less competitive and potentially causing unionized employers to drop the plans that cover more than 20 million people.

In order to offset the expected rising costs of these “multiemployer” plans, several union groups want their lower paid members to be able to remain on the plans while also getting access to federal insurance subsidies to be provided under the law. Their problem is that under the law, the subsidies were designed to be used by low-income workers who don't have employer coverage, as a way to help them buy private insurance. The bottom line to all of this is that the unions want lawmakers to apply the subsidies to people in the multiemployer plans.

In addition, unions argue that several other parts of the healthcare law would disadvantage multiemployer health plans administered by unions and employers. One example is the law's lack of penalties for employers with less than 50 employees that could force companies to drop insurance in heavily unionized sectors like construction. The unions would like the multiemployer plans to be clarified.



### **Industry Outlook**

According to market research firm, IBIS World Industry, in the five years to 2013, revenue for the Third-Party Administrators and Claims Adjusters industry is expected to decline at a 1.9% average annual rate to about \$46.9 billion. The 2008 financial crisis and subsequent recession caused steep drops in insurance and employee benefit plans assets, the total number of funds and the volume of plan participants, all of which negatively influenced industry fees. In turn, industry revenue earned from providing services to insurance and employee benefit funds contracted. At the same time, demand from primary insurers (e.g., property and casualty, health and medical and life insurers) for claims and associated actuarial and consulting services declined as a result of lower underlying business activity, high unemployment and volatile financial markets.

Over the five years to 2018, industry revenue is expected to increase as insurance industries' demand for claims processing and administration services picks up. Higher downstream demand for industry services will be supported by economic growth and increases in employment. New financial sector regulations will pressure

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

insurers' profitability and increase claims and administrative outsourcing to industry firms, adding to this increased demand.

**Significant Events**

**April 2013:** ABC relocated its Trust Department from Chesapeake, Ohio to their main office in Ona, WV. ABC paid off the WVJIT loan of \$100,000 and YTD 2013 WVJIT received interest of \$9,171.34.

The company also announced first quarter results. 1Q13 revenue was \$2.1M, an 11% increase versus the company's budget. While COGS went up 12%, the company's total expenses dropped 3%. Much of the decrease was attributed to administrative and operating expenses. Net income was up 147% vs. budget.

**December 2012:** ABC ended 2012 with revenue of \$6,053,885, which was an 11% increase year-over-year. P&L statement showed a net income of \$343,194, which represents a \$679,320 improvement over 2011 net income. Projections for 2013 were based on sales that have closed.

**January 2012:** ABC named one of two TPA's that can offer JAA to commercial (non-union) clients in the state of Ohio. The initial scope of the project will be school systems and hospitals.

**September 2011:** ABC successfully renegotiated the employee union contract that allowed ABC to no longer "self-fund" their employee insurance program.

**June 2011:** ABC reported an 11% increase in gross revenues due to groups added for Anthem discounts. In addition, the company picked up additional union-based business. The Anthem/WellPoint partnership, in selling the VEBA/HRA product, is nearly market ready. The ABC Board of Directors elected Ryan Jones as President. Charles Eastwood remains active with the company as the CEO.

**March 2010:** ABC launched its Health Reimbursement Accounts (HRAs) to its clients and hired Rodney Napier as Chief Marketing Officer to oversee this launch and other new product development. Funds to launch this program and hiring Mr. Napier were part of the WVJIT equity investment.

**December 2009:** The WVJIT Board of Directors approved an investment in ABC, and the company issued \$700,000 in convertible preferred stock. As part of the equity financing, ABC secured a loan with Chase Bank, backed by an SBA guarantee. The loan was for \$1,150,000 and the entire proceeds were used for the consolidation of five pre-existing loans with relatively short repayment terms and the company's current line of credit. The Chase/SBA loan is for 7 years at 5.75% interest. In addition to the SBA guarantee loan, Chase also established a \$200,000 line of credit.

**Overall Conclusion**

Based on the foregoing, WV Jobs Investment Trust finds it most appropriate to record its investment in American Benefit Corporation at value, which is currently presumed to be the same as cost or **\$699,650**.

---





**Snapshot:**

Company: **Berkeley Springs Instruments**  
Website: bsientry.com  
Location: Berkeley Springs, WV  
Total Employees: FT/8; PT/0  
WV Employees: FT/6; PT/0

**WVJIT Investment: \$250,000**  
**WVJIT Ownership: 0.0%**

**Leadership**

Eugene Silverman, Ph.D.	President
Rob Leary	Vice President of Sales

**Background**

Berkeley Springs Instruments, LLC (BSI), located in Berkeley Springs, WV, has pioneered the development of innovative remote sensing and remote controlled and robotic technology for over 30 years. BSI and their legacy companies have designed and fabricated remotely controlled inspection systems, robotic machines and unique monitoring systems for the real-time assessment of mechanical structures worldwide.

BSI specializes in the fabrication of innovative ultrasonic sensors and multi-parameter sensor networks for monitoring the mechanical integrity of tanks, pressure vessels and pipelines. BSI develops proprietary software and hardware that provides a positive environmental benefit, protects personnel, and enhances current and future energy resources while helping customers perform in a competitive environment.

BSI serves a broad range of industries including petroleum, petrochemical, electric utilities, pharmaceuticals and municipalities.

The company's origins date back to 1980 when it was formed to provide engineering and process safety consulting services to the utilities, manufacturing and chemical industries. The original firm, ARD Corporation, pioneered the development of robotic inspection and vessel cleaning machines for the nuclear industry. The company expanded its development activities beyond the commercial nuclear industry and introduced in-service tank inspection solutions to the oil and gas industry.

A new entity emerged as InTank Services and offered a wide range of non-destructive testing and inspection services to a broad range of industries. InTank Services expanded its reach through private equity investment partnerships and later through its ownership by Praxair Services, Inc. In 2007, the intellectual property of InTank Services was purchased by BSI who later sold the robotic service business to A.Hak Industrial Services in order for BSI to focus on the development of multi-parameter sensor networks for the remote monitoring of the mechanical integrity of AST's, pressure vessels and pipelines.

**WVJIT Investment History**

- **April 2013**
  - \$500,000 Convertible Note accruing 8% interest due at maturity (March 19, 2015). The Convertible will be disbursed in two tranches upon meeting pre-determined milestones.
  - No Warrant Coverage

**Total WVJIT Investment: \$250,000 (\$125,000 funded through WVCAP)**

**Co-Investors/Lenders:**

Eugene Silverman	37.5%
Pamela Silverman	37.5%
Michael O' Connell	20.0%
Phil Sturman	5.0%

**Board of Directors/Management**

**Eugene "Gene" Silverman, Ph.D.**, President

Dr. Eugene Silverman received a bachelor's of science degree in Physiology and Human Factor Engineering from the University of Maryland at College Park in 1969 and his doctorate in Human Factors, Mechanical Engineering and Acoustics from The Catholic University of America in 1976.

Dr. Silverman is an industrial technologist with over 35 years of experience in the design and fabrication of smart sensors and remotely controlled/mobile robotic systems for tank inspection, pipeline inspection and mechanical integrity assessment. His work includes equipment concept design, product development and product manufacturing. Dr. Silverman has pioneered the application of a range of mechanical integrity assessment techniques for storage tank, piping and pipeline management programs.

Dr. Silverman managed the development, fabrication and commercialization of over 12 unique robotic systems used for the cleaning and inspection of over 1,500 storage tanks worldwide. In addition, he has over 20 years of experience in the operation and maintenance of commercial nuclear reactors. He also has been granted six patents and has two additional patents pending.

**Rob Leary**, Vice President of Sales

Rob Leary is COO and Sales Manager of BSI. Mr. Leary has a deep knowledge of the oil and gas industry and the water and wastewater market.

Mr. Leary lists the following experiences and specialties: direct sales, international sales, business development, set up and management of manufacturer's representative network, negotiating multi-year contracts, launching new products, relationship building with key customers, relationship management with alliance partners, and Six Sigma.

From 2003 to 2005, Mr. Leary was a Core Account Manager at Praxair, Inc., covering a \$5 million territory in Alabama, Tennessee, Missouri, Arkansas and Georgia. From 2005 through 2007, Mr. Leary covered the northern United States and Canada. In January of 2008, he became the Midwest Sales Manager for HMT Inc., covering a \$13.5 million territory ranging from North Dakota and South Dakota to Kentucky and Ohio. In July of 2009, Mr.

---

Leary served as HMT's National Sales Manager of Water and Wastewater, which covers the United States and Canada.

**Guy Peduto**, INNOVA Commercialization Group

Guy Peduto joined the INNOVA Commercialization Group in April 2006. Prior to joining INNOVA, he held the position of Director, Commercial Programs at the Institute for Scientific Research, Inc. While there, he developed strategies for the commercial utilization of ISR's technology and research applications in such areas as biomedical research, education, software development, mining safety and communication, VTOL aerial vehicles, and automotive controls and diagnostics.

Mr. Peduto's background includes 20 years of strategic planning experience with an emphasis on product introduction, leadership for early stage and start-up companies as well as market and business development. This experience includes business formation, product development, go-to-market and market development strategies for industrial and commercial manufacturers, consumer goods, advanced research and development, healthcare, financial institutions, Internet start-ups and retail chains.

As a participant and contributor to West Virginia's technology-based economic development movement, he serves on the Board of Directors of TechConnect and executive committee of TechConnect WV, as a member of the WV Angel Network working group, the West Virginia Development Office and the West Virginia Small Business Development Center's Advisory Board of Directors, the I-79 Development Council and West Virginia Biometrics Initiative.

Mr. Peduto received a Bachelor's degree in Business Administration with a major in Marketing from West Virginia University. In addition, he is a graduate of the Competitive Strategy program at the Kellogg School, Northwestern University, the Commercialization and Technology Transfer program at Carnegie Mellon University, the National Association of Seed and Venture Funds Professional Development Program and the Venture Capital Institute. He is also a member of the Leadership West Virginia Class of 2004.

**Michele O'Connor**, West Virginia Jobs Investment Trust

Michele O'Connor has more than 25 years of experience in the finance and banking industry. She attained her Certified Financial Planner designation along with the Accredited Investment Fiduciary Manager designation. She was the Portfolio Manager for the Trust Department at First United Bank and managed over \$600 million for the department. Currently, Ms. O'Connor is the Investment Manager for the West Virginia Jobs Investment Trust, a leading venture capital firm focused on turning the innovation of new ideas into successful world-class companies. Ms. O'Connor graduated Magna Cum Laude with a BA in Finance from the University of Maryland College.

---

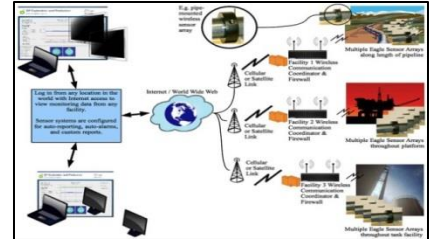
## Products

The BSI Eagle Array merges Ultrasonic Testing with wireless cellular technology.

Eagle Array: Wireless Remote Mechanical Integrity Monitoring System for Infrastructure Management

### Features

- Low-power ultrasound material evaluation
- Wireless communication (cellular service provided by Sprint®)
- Solar-powered option
- Installed on wide variety of mechanical structures
- Expandable sensor inputs to accommodate vibration, moisture and atmospheric monitoring
- Inexpensive to manufacture
- Internet-accessible: Sensor gateway through a portal onto the customers desktop



### Advantages

- Proprietary and patented (software)/patent pending technology (system)
- Provisional system utility and method patent
- Prototype system operational: existing remote monitoring sensor (corrosion monitoring and seismic) gateway established
- Oil industry endorsement and collaboration

### Development

- 7 Commercial (beta) units in the field
- Validation program near completion for one customer (AERA, Bakersfield, CA)
- Collecting monthly monitoring revenue
- Currently working on 2nd generation electronic packaging
- Initiated guided wave development to expand capability
- Underground installation complete and monitoring underway
- Beta solar unit completed and operational
- Joint testing program underway with major global mechanical testing and inspection organization

## Competition/Market Summary

According to a report published by Schlumberger, oil and gas operators face daunting challenges to keep their pipeline assets safe and operational so they can fulfill delivery obligations downstream in the oil and gas value chain. Pipelines are located all over the world and can be found in densely populated urban areas. A breach in a pipeline poses potential leaks, damage, and breaks threaten safe operations.

BSI's primary competitors include mainly smaller companies who partner with larger oil and gas companies such as; Schlumberger, Conoco Phillips, Exxon and Chevron.

### **Industry Summary**

Remote real-time surveillance, monitoring, and optimization have emerged as the standard in oil and gas upstream operations. The norm over the last 10 years has evolved to use remote sensing technology along the entire upstream and downstream process, which is integrated into software applications to help pipeline operators to process, manage, analyze and make sense of all of the collected data. The industry recognized this shift to the remote sensing technology has proven to be reliable and cost-effective and optimizes operations to help avoid or quickly identify and resolve any problems.

### **Significant Events**

**April 2013:** Company closed on funding transactions with WVJIT and INNOVA.

### **Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in Berkeley Springs Instruments, LLC at value, which is currently presumed to be the same as cost or **\$250,000**.

---



**Snapshot:**

Company: **Cross Cutting Concepts, Inc.**  
Website: CrosscuttingConcepts.com  
Location: Huntington, WV  
Total Employees: FT/2; PT/5  
WV Employees: FT/2; PT/5

**WVJIT Investment: \$150,000**  
**WVJIT Ownership: 25.0%**

**Leadership**

**Derek Gregg** Chief Executive Officer  
**Benjamin Wooten** Sales & Operations Manager

**Background Information**

Crosscutting Concepts, formerly known as Vandalia Science Education, was founded as a division of Vandalia Research in 2006. It started with one hands on laboratory kit on DNA typing. Through a distribution partnership with Fisher, the product line grew to six kits on forensic science and launching in January 2007. In January 2010, an additional six kits were slated for development and were launched in January 2011. Also in 2011, distribution was dramatically expanded, resulting in substantial sales growth. The final two Lyle & Louise modules were launched in the fall of 2011.

**WVJIT Investment History**

- **October 2012**
  - WVJIT Invested \$150,000, following the company achieving matching funds from First Sentry Bank and a private investor. (\$150,000 funded through WVCAP).
- **July 2012**
  - WVJIT Board of Directors and WVCAP Committee approved a \$300,000 Series A Preferred Equity Capital Investment.

**Warrants:**

10% Warrant Coverage (50,000 units: Series A Preferred Units). Warrants shall be good for 7 years and exercised at a \$1.00 per unit strike price.

**Total WVJIT Investment: \$150,000 (\$150,000 funded through WVCAP)**

**Co-Investors/Lenders:**

First Sentry Bank - \$125,000  
Joan Weisburg - \$ 25,000

**Management Team**

**Derek Gregg**, Chief Executive Officer

Derek Gregg is the primary day-to-day manager of Vandalia Research. He is responsible for the financial and personnel resources of the company, purchasing, communications, and other management duties. He plays a large role in writing grants, patents, and developing strategic partnerships. He is also currently directing the sales and marketing activities of the company. Mr. Gregg is a graduate of Marshall University and serves as Chair of the BioScience Association of WV.

**Benjamin Wooten**, Sales & Operations Manager

Benjamin Wooten manages the sales and operations of Crosscutting's two products, The Mystery of Lyle and Louis and Desolation STEM. Mr. Wooten plays an enormous role in business development, marketing, and maintaining day-to-day operations of Crosscutting Concepts. Prior to Crosscutting, Mr. Wooten was a marketing representative for Federated Insurance and as a Graduate Assistant for the Marshall University Alumni Association. Mr. Wooten received his M.A. in School Counseling as well as a B.A. in Secondary Education.

**Board of Directors**

**Derek Gregg**, Chief Executive Officer

**Liz Murray, Ph.D.**

Dr. Liz Murray received her Ph.D. in Genetics from the University of Kansas in 1986. She was employed by Agrigenetics, a company helping in the process of developing insect resistant plants. She also worked eight years for Promega Corporation, where she headed manufacturing for DNA typing products. Dr. Murray holds three U.S. patents for her inventions and maintains many active contacts in molecular biology reagent businesses.

**Patrick Bond**, Mountaineer Capital

Managing Director of McCabe-Henley Properties LP since 1998, Pat Bond brings a wealth of experience in finance, administration, strategic planning, general management and management information systems. Previously, Mr. Bond owned/operated an independent consulting practice, Growth Management Group that specialized in the areas of Business Environment Assessments, new product development, investment and financial analysis and strategic planning. Prior to that, he was President of a natural gas marketing company and was President and CEO of Atlantic Financial Federal, a \$750 million savings and loan institution and all its business units. He graduated from WVU where he received both Master's and Bachelor's Degrees in Industrial Engineering.

**Lee C. Haikal, M.D.**

Dr. Lee Haikal is a native of South Charleston, West Virginia and a graduate of Marshall University School of Medicine. He completed a residency in diagnostic radiology at the University of Louisville Hospital and a fellowship in vascular and interventional radiology at Methodist Hospital in Indianapolis, Indiana. Dr. Haikal primarily performs interventional radiology procedures and is also proficient in plain film radiology, CT, ultrasound, nuclear medicine and mammography exams. He is Board of Directors certified in diagnostic radiology and has been with Radiology, Inc. since March 2003.

---



**C. Andrew Zulauf**, Executive Director, WV Jobs Investment Trust,

Andy Zulauf is the Executive Director of the West Virginia Jobs Investment Trust, a public seed investment fund. He has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan Officer for the West Virginia Capital Corporation, as a Partner and Managing Director of West Virginia operations for Adena Ventures, and as vice president and upper middle market commercial relationship officer for Fifth Third Bank.

### **Products**

*The Mystery of Lyle and Louis*- Premier forensic science curriculum designed for high school and introductory undergraduate education. Comprised of independent hands-on laboratory modules, Lyle and Louise introduces students to a broad range of techniques in forensic analysis, including DNA Typing, Questioned Document Examination, Forensic Entomology, Bite Mark Analysis, Blood Spatter Analysis, Hair and Fiber Analysis, and more.

*Desolation:STEM*- The latest product from Crosscutting that compels students to solve problems involving design, development, evaluation, and improvement. Students are exposed to the subjects of astronomy, engineering, chemistry, and physics in this unique four-moduled product.



### **Competition/Market Summary**

The market is for hands-on science primarily targeted to grades 7-12. Education Market Research Company indicated that non-text book science instructional material is a \$650,000,000 market growing at 4 to 6% per year and that 85% of science teachers use non-text instruction.

The typical customers are science teachers, curriculum developers, and planners at the state and local level. Other customers would include homeschoolers and parents who wish to provide supplemental instruction. The product is typically purchased through distributors who specialize in the education products market.

The next generation of products released in 2013 will focus on integrating text curriculum with hands-on experiments, as more schools are requiring three and four science courses for graduation requiring that teachers use creative means to deliver a science education.

Competition will increase as the market size increases in large part by the awakening of the American educational system that this county is falling so far behind science education on a global scale. Many companies will anticipate the market potential. To lessen the potential of that competitive threat, Crosscutting Concepts will pursue mutually

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

beneficial partner agreements for new product development. In addition there are other aggressive companies developing and marketing new science educational kits including Edvotek, and Aldon.

**Significant Events**

**February 2013:** Two new desolation kits launched; Larry Nitardy was hired as part-time marketing consultant to assist with business marketing. The company also hired its first salesperson for business development.

**October 2012:** Achieved \$150,000 in matching funds from First Sentry Bank and a private investor. WVJIT matched the \$150,000 with WVCAP funds.

**July 2012:** WVCAP Committee and WVJIT Board of Directors approved investment into Crosscutting for \$300,000 with a 10% warrant coverage pending achievement of matching funds.

**June 2012:** Financials were pretty strong between January 1st through May 31st, with a sales growth rate of \$3K. The 2011- 2012 gross profit margin was at 50%.

**Overall Conclusion**

Based on the foregoing, WV Jobs Investment Trust finds it most appropriate to record its investment in CrossCutting Concepts, Inc. at value, which is currently presumed to be the same as cost or **\$150,000**.

---



**Snapshot:**

Company: **Dynamic Physical Therapy, LLC**  
Website: dynamicpt.org  
Location: Pleasant Valley, WV  
Total Employees: FT/31; PT/0  
WV Employees: FT/31; PT/0

**WVJIT Investment: \$270,095**  
**WVJIT Ownership: 0.0%**

**Leadership**

Lincoln Kinkade      Co-Owner  
Phil Cooke          Co-Owner

**Background**

Dynamic Physical Therapy, LLC founded in 2003, is based in Westover, WV and provides a full range of physical therapy and chiropractic services at a total of seven locations located throughout North Central West Virginia.

Dynamic Physical Therapy focuses on hands-on manual techniques. Mechanical procedures, devices and technology are only used to facilitate and further enhance their manual therapy practices. Dynamic Physical Therapy offers a full range of physical therapy services. The Company offers Aquatic Therapy, Balance/Vestibular Programs, Industrial Rehabilitation, Pediatric Therapy, Pre-Operative and Post-Operative Rehabilitation, Spine Rehabilitation, Specialized Hand Therapy, Sports/Medicine General Orthopedic, Sport Specific Rehabilitation, Electrical Stimulus, Home Exercise Program, Iontophoresis, Phonophoresis, Manual Therapy, Paraffin Bath, Traction and Ultrasound.

**WVJIT Investment History**

- **July 2012:**
  - \$300,000 Secured Note, 4% interest with monthly payments.
  - **Maturity: October 4, 2014**

**Balance WVJIT Loan: \$270,095 (\$300,000 originally funded through WVCAP).**

**FY2013 Interest Received: \$7,643.13**

**Co-Investors**

Lincoln Kinkade 80.0%  
Phil Cooke 20.0%

**Management & Administrative Team**

**Lincoln Kinkade, PT,** Owner

In 2003, Mr. Kinkade opened his first location in Morgantown. He proceeded to expand his locations and in 2008 partnered with Phillip Cooke.

**Phillip Cook, PT, MPT, MS, CSCS,** Owner

Mr. Cook received his MPT from Slippery Rock University and his MS from West Virginia University

**Rob Acciavatti, PT, MPT, OC, CSCS,** - Westover, WV

Mr. Acciavatti has been with the company since 2006.

**Eric Beard, PT, MS,**- Fairmont, WV

Mr. Beard has been in his position since 2006.

**Kim Goodrich, PTA,**- Pleasant Valley, WV

Ms. Goodrich has been in her position since 2010.

**Lori-Ann Jackson, PT, DPT,** - Buckhannon, WV

Ms. Jackson has been in her position since 2012.

**Chris Jones, PT, MPT** – Sabraton, WV

Mr. Jones has been in his position since 2006.

**Amy Lilly, PT, DPT** – Bridgeport, WV

Ms. Lilly has been in her position since 2011.



### Products

Dynamic Therapy is an outpatient physical therapy center that specializes in the treatment of orthopedics, hand, spine, and sports injuries. The company offers a list of services such as hand therapy, strength training, gait training, massage, electric stimulation, fluído therapy, ultra sound and phonophoresis. The Company installed a new pool in the Sabraton location. With the addition of the pool, the Company can now offer aquatic therapy that location.



### Competition/Market Summary

The Company has competitors in each of its market areas.

- Morgantown – Healthworks is the main competition. Healthworks is a high volume practice with only one location near Mon-General Hospital, which limits their access to patients located on the perimeter of Morgantown.
- Fairmont – Mountain State and Country Roads are the main competitors. Dynamic’s referral system has not been affected by either of these practices.
- Bridgeport – Bridgeport Physical Therapy is a strong locally owned practice, but operates on high volume. Due to Dynamic’s patient volume, the company has been able to gain market share.
- Jane Lew – No competitors.

### Industry Summary

The U.S. outpatient rehabilitation market is estimated to be a \$19 billion industry with a projected annual growth rate of 5% or higher. The sector is also highly fragmented with no company controlling significant market share. Given the aging and active U.S. population, the demographics favor a sustained growth in patients seeking or requiring rehabilitation services. Also increasing numbers of Americans who engage in fitness regimens, coupled with increasing numbers of weekend warriors, is driving increased demand for physical therapy and rehabilitation treatments across the U.S.

The most common conditions treated with physical therapy and rehab are lower back, spine, shoulder and rotator-cuff injuries, knee disorders as well as sprains and strains of various types. With pressures to lower patient costs across the Board of Directors, private insurers and government health programs are increasingly turning to low cost/high quality outpatient providers.

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

**Significant Events**

**May 2013:** Company closed its Buckhannon location due to unfavorable patient demographics and insurance providers.

**Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in Dynamic Physical Therapy, LLC at value, which is currently presumed to be the same as cost or **\$270,095**.



# JBLCo

## Reference Quality Sampling

### Snapshot:

Company: **JBLCo, Inc.**  
Website: jblco.com  
Location: Knoxville, TN  
Total Employees: FT/28; PT/0  
WV Employees: FT/3; PT/0

**WVJIT Investment: \$500,000**  
**WVJIT Ownership: 4.57%**

### Leadership

Jeff Hoops	Chief Executive Officer
Steve Campbell	President
Charlene Grundy	Controller
David Robinson	Director of Sales & Marketing
Delmar Dylan	VP of Engineering & Design
Bill Cleavenger	Sales Representative

### Background

JBLCo. was founded as Compro Systems in St. Albans, West Virginia in 1983 to develop automated motor truck scale data collection systems for industrial markets with initial concentration on the coal mining transport and delivery markets. In 1993, Compro Systems founded Phoenix Scale technologies dedicated to designing, producing, and servicing value priced single idler industrial conveyor belt scales. In 1999, with a vision of complimenting Compro's scale automation offerings with truck scale hardware, accessories and services, Compro acquired Shamrock Scale Company of Morristown, Tennessee, a nationally recognized source. Shamrock is an on-site consultation, project engineering and turnkey installer of truck scales. In May 2001, Compro purchased John B. Long Company (JBLCo.) located in Knoxville, TN. JBLCo's revenues are also supplemented by an industry standard line of mine support equipment and accessories. These four entities have been molded into one corporate management and technical team and have relocated the St. Albans operations to Tennessee.

### WVJIT Investment History

- **November 2002**
  - \$500,000 Series A Preferred Unit Investment
  - 143,000 Series A Preferred Units

### Warrant Coverage:

None

### Co-Investors/Lenders

Mountaineer Capital	17.093%
Glen Hazuka	0.320%
Dallas Durst	0.320%
Triple H Family LTD Partnership	62.695%



**Board of Directors**

**Jeff Hoops**, Chief Executive Officer

Jeff Hoops is an entrepreneur having been employed in the coal industry for 24 years. Mr. Hoops was the owner of Revelation Energy LLC, a coal producing company with mining operations in West Virginia and Kentucky. Prior to Revelation, Mr. Hoops was the former owner of Trinity Coal Company. Mr. Hoops graduated from Bluefield State College and Davis & Elkins College and gained an MBA from Syracuse University. He is originally from Bluefield, WV and now lives in Milton, WV.

**Steve Campbell**, President

In 1980, Steve Campbell worked for CT&E's (now SGS mineral service) in its Middlesboro, KY facility as East Kentucky Division Coal Manager. He held the position from 1980 to 1995 with the responsibilities for expansion, profit development, technical support and general operations of three branch laboratories. Responsibilities also included contract negotiations, price structuring, budgeting, personnel guidance, service coordination, purchasing, bias test work, preparation plant performance work, and belt scale verification and certification work. In 1996, Mr. Campbell was transferred to Charleston, WV to become Operations Manager for the Appalachian Region. He had responsibilities for 11 laboratory operations in PA, WV, and eastern KY. In 1998, Mr. Campbell accepted the position of President and CEO of John B. Long Co. of Knoxville, TN, a position he now holds. He is a member of several organizations including; American Society of Testing Materials (ASTM) and National Weighing and Sampling Association- where he was a past president and Board of Directors member.

**J. Rudy Henley**, Mountaineer Capital

Since 1980, J. Rudy Henley has served as Senior Manager of McCabe-Henley Properties LP. Co-founder of the company, he has been involved in commercial, investment and residential real estate for twenty-five years. He leads the firm's business recruitment efforts for new listings and client representations. Mr. Henley was principal-in-charge of the \$50 million development of Stonewall Jackson Lake State Park. He graduated from West Virginia University where he earned a BS in Business Administration.

**Patrick Bond**, Mountaineer Capital

Pat Bond joined McCabe-Henley Properties LP as Managing in early 1998, bringing a wealth of experience in finance, administration, strategic planning, general management, and management information systems. Previously, he owned/operated an independent consulting practice, Growth Management Group, specializing in the areas of Business Environment Assessments, new product development, investment and financial analysis, and strategic planning. Prior to that, Mr. Bond was president of a natural gas marketing company and was President and CEO of Atlantic Financial Federal, a \$750 million savings and loan institution and all its business units. Mr. Bond graduated from West Virginia University where he received his Master's and Bachelor's degrees in Industrial Engineering.

**Michele O' Connor**, West Virginia Jobs Investment Trust

Michele O'Connor has more than 25 years' experience in the finance and banking industry. She attained her Certified Financial Planner designation along with the Accredited Investment Fiduciary Manager designation. She was the Portfolio Manager for the Trust Department at First United Bank and managed over \$600 million for the department. Currently, she is the Investment Manager for the West Virginia Jobs Investment Trust, which is a leading venture capital firm focused on turning the innovation of new ideas into successful world-class companies. Ms. O'Connor graduated Magna Cum Laude with a BA in Finance from the University of Maryland College.

---

**Products**

**JBLCo. Product Line:** The Company offers a multitude of different parts and services geared towards the Coal and Mining Industries

<b>Aggregate: QC360</b>	Quality Control Sampler that examines materials reliability and quality
<b>Auger Sampling</b>	Truck and Railcar Sampling
<b>Auto Sampling</b>	Clean Sweep Auto Sampler removes excess increment from conveyor
<b>Full System</b>	Provides accuracy and safe sampling from moving conveyor belts
<b>Pneumatic Primary Sample</b>	Provides sampling for higher speeds, and low operating pressure.
<b>Underground Equipment</b>	Permissible Manstrips and Rock Dusters for the Mining Industry



**Shamrock Scales:** Specializing in heavy duty weighing applications. It provides parts, repair, and consulting services to a multitude of industries.

<b>Belt Scales</b>	<b>Lift Truck/Pallet Scales</b>
<b>Balances</b>	<b>Livestock Scales/Solutions</b>
<b>Bench Scales</b>	<b>Medical/Health Scales</b>
<b>Floor Scales</b>	<b>Printers</b>
<b>Indicators</b>	<b>Scale Software</b>



**Competition/Market Summary**

According to Research and Markets industry research firm, the global mining equipment industry is expected to witness steady growth to reach an estimated \$117 billion in 2018 from \$71.5 billion in 2012. The industry is expected to have a CAGR of 8.5% over the next six years. The industry is primarily driven by strong demand for the output of various types of mining as well as high commodity prices led by economic growth and technological development. The mining equipment industry comprises establishments primarily engaged in manufacturing of both underground and surface mining equipment.

The Asia Pacific (APAC) region dominates this industry and represents 55% of total industry size. Surface mining equipment is the industry's major segment and contributes the majority of industry revenue. A combination of factors such as high demand for power generation, positive impact of mining on GDP, increasing demand for metal and mineral mining, and new technology in equipment affects market dynamics significantly.

Some of the key challenges for the mining equipment industry include changing climate conditions, increasing fuel prices, and capital constraints. Upticks in manufacturing and construction, and global economic activity leading to higher demand for coal used in heating and electricity-generating applications are likely to drive the market. Demand for mining equipment is expected to rise with an increase in mining output growth due to acceleration in primary metals manufacturing and to support industrial furnace and oven coal use.

Leading players in the global mining equipment industry include renowned names such as Caterpillar Inc., Hitachi Construction Machinery, Joy Global, Inc., Komatsu Limited, Sandvick AB and Atlas Copco. Top three competitors for the company include:

**McLanahan Corporation**

McLanahan is a global supplier of processing equipment, systems and solutions, offering a vast line of rugged products and reliable services. The company's product line includes mineral processing, aggregate processing, sampling systems, environmental and agricultural systems, foundry and machining, and polymers with locations in Iowa, Pennsylvania, and Florida as well as international locations in Australia and the United Kingdom. The company is headquartered in Hollidaysburg, PA.

**James A. Redding Company**

The company is a division of Lincoln Contracting and Equipment, which is a subsidiary of Riggs Industries, Inc. For over 60 years, the company has installed, designed and produced bulk material sampling systems and components and has successfully installed over 900 systems around the world. The company is headquartered in Somerset, PA.

**Precision Sampling Inc.**

With offices in Colorado Springs, Co and Albuquerque, NM, Precision Sampling provides services in sampling, drilling, mining equipment, and resources for large multi-scale projects. The company is a subsidiary of Conor Pacific Drilling Company and partners with its sister companies to assist in Oil & Gas exploration, mining and construction projects.

**Industry Summary**

The global mining equipment market is primarily driven by factors such as increasing mining activities in developing countries and the rising demand for technically advanced solutions across the globe. The large iron ore projects planned in Brazil, Russia, Australia, Africa and other regions are expected to drive the mining equipment industry in coming years. Mining activities in oil refineries, coal mining and other underground mining activities taking place in the emerging markets, especially Latin America and Asia Pacific, are leading to huge demand for mining equipment in these regions.

The surface mining equipment market holds the largest share and accounts for nearly 37% of the entire mining equipment market owing to the rising demand for metal and mineral commodities. The mining drills and breakers market is expected to be the fastest growing market in the coming years owing to their increasing demand from developing countries. This equipment is imperative in most operations, where breaking through the ground and subsurface materials are necessary. The market for underground mining equipment holds the second largest share in the global mining equipment market and is expected to grow at a moderate growth rate from 2012 to 2018. Underground mining equipment includes hydraulic shovels, cable shovels, continuous mining machines, long wall mining machines and drag lines.

Asia Pacific was the largest regional market for mining equipment and accounted for approximately 60% of the entire mining equipment market in 2012, followed by North America, Europe and Latin America. China alone accounts for almost 50% of the entire mining equipment market. Asia Pacific is expected to be the fastest growing region in the coming years fueled by increasing mining production and related machinery sales in India, China and Indonesia. There are more than 650 companies with the top 50 companies holding more than 80% of the industry share and competing with each other for revenue and customers, nationally and internationally.

---

### Significant Events

**March 2013:** The company has several opportunities lined in up in its pipeline for the remainder of 2013 with a majority of them coming from the Gibson county Coal and South business. 2Q13 backlog is roughly \$365K and slightly over \$410K in 3Q13.

**December 2012:** 2012 was the worst year for the company since 2007. The company had a net loss of (\$498,207) and an EBITDA of (\$266,321). Though the company had been liquid (current ratio of 1.69 along with a positive working capital) the company increased its senior debt from \$192k in 2011 to \$1.1M in 2012.

**September 2012:** As of November 2012, YTD 2012 financials for the JBL CO. Division continued to be in lower vs. the same YTD period in 2011. Total Revenue was \$3.9M down 30% from YTD 2011, Gross Profit \$1.89M down 28%, and a Net Income (337K) down 304%. YTD 2012 financials for Shamrock Scale Company compared to YTD 2011 with Revenues for \$1.12M down 13%, Gross Profit at \$718K down 15%, and a Net Income at \$32K down 73%.

The management team has had to incur work-force downsizing to mitigate its cost pressure. In the pipeline for Dec. 2012, the company's sales projection was \$970K, and its 60-90 day projection was \$1.48M.

**April 2012:** Company successfully restructured their commercial banking obligations with a West Virginia based bank.

**June 2011:** The Company's revenues increased from 2009 to 2010 going from \$784,500 to \$822,400; however, net income decreased from a positive \$95,000 to a loss of \$36,000. Although the month of May 2011 was a strong sales month, the year- to-date totals compared to the same time period in the previous year were down by close to 24%. Booked sales for the period June through October 2011 looked very encouraging.

**June 2010:** The combined 2009 calendar year-end revenues for JBLCo and the operating division of Shamrock Scales was \$8.1 million, with a positive net income of \$114,449. Projected revenue for calendar year of 2010 was \$7.1 million. Total revenue for 2010 was \$8.2 million. The Company has three WV based employees.

**June 2005:** The JBLCo Board of Directors signed a letter of intent to hire Jeff Hoops as the new CEO of JBLCo, Inc. Mr. Hoops brings a wealth of experience in the industry having been the former VP of Arch Coal's Eastern Operations as well as President and founder of Solomons Mining Company. Mr. Hoops received equity in JBLCo in exchange for a \$650,000 investment and the guarantee of \$2 million line of credit. The WVJIT percentage of equity ownership was reduced as a result.

**September 2003:** Mountaineer Capital made an additional \$500,000 investment in Compro Systems. This was structured as a secured note and had no effect on the equity position of WVJIT. Additionally, Mountaineer Capital purchased, at a discount, the existing \$2.8 million debt held by Huntington National Bank.

**August 2003:** The Compro Board of Directors, with recommendation from the consulting firm of Nachman Hays, elected Steve Campbell as CEO of the Company to head all operations. Mike Shafer resigned from the Company and surrendered his stock but did retain certain business assets. As a result of the stock surrender by former CEO and majority stockholder, Mike Shafer, WVJIT's equity position increased from 10% to 23% ownership of the Company.

**November 2002:** WVJIT investment of a 8% cumulative convertible Series A preferred stock. On a fully diluted basis, WVJIT owned 11.35% of Compro Systems, Inc. Investment capital was utilized to refinance debt incurred in the acquisition of related businesses.

---

**Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in JBLCo, Inc. at value, which is currently presumed to be the same as cost or **\$500,000**.



**Snapshot:**

Company: **Liberty Hydro, Inc.**  
Website: libertyhydro.com  
Location: South Charleston, WV  
Total Employees: FT/3; PT/0  
WV Employees: FT/3; PT/0

**WVJIT Investment: \$864,500**  
**WVJIT Ownership: 24.4%**

**Leadership**

Mark Kropilak,  
Dr. John Taylor,  
Phil Farina

Chief Executive Officer  
Chief Technology Officer  
Sales Executive

**Background**

Liberty Hydro is a Delaware C Corporation formed in 2009 based on the application of technology developed by MATRIC that was engineered to remove selenium and other contaminants from coal mine discharge water. The company also engaged in additional product developments, the most promising of which is an aspect of the ROVR technology that involves the brine concentrator, which is based on a new technology that the company calls the CounterFlow ROTM Process. In addition, the company has made progress on its pH Controller for acid mine drainage and its Dissolved Air Flootation (DAF) units.

Liberty Hydro has developed additional products for contaminant removal in water supply and has completed several case studies both domestically and internationally such as the John Amos Power Plant in West Virginia, the Ambatovy Mine in Madagascar and the Tannery Market in India.

The Company has several strategic partnerships with Meidlinger Partners, LLP, MATRIC and Merryweather Foam Inc., who is a distributor and fabricator of flexible foam products.

**WVJIT Investment History**

- **July 2013:**
  - \$75,000 investment, convertible debenture, 10% interest rate
  - Maturity date: **June 30, 2014**
  - Funded using WVCAP Seed Co-Investment Fund
- **June 2012:**
  - \$100,000 Convertible Debenture; WVCAP; Maturity Date: **December 31, 2013.**
  - \$250,000 Convertible Debenture; WVCAP; 14% interest; Maturity Date: **June 30, 2014**
- **2011:**
  - \$500,000 Series A-2 Preferred Units Investment.

**Warrant Coverage:**

None



**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

- **February 2012:**
  - Exercised Warrants for 400,000 shares of common equity at \$0.01 per share.
- **October 2012**
  - Exercised Warrants for 1,050,000 shares of common equity at \$0.01 per share

**Total WVJIT Investment: \$864,500 (\$350,000 from WVCAP)**

**Co-Investors/Lenders**

Meidlinger Partners	\$1,045,000
KLI Investors	\$ 275,000

**Board of Directors**

**Mark Kropilak**, Chief Executive Officer

Mark Kropilak holds degrees in Economics and Accounting from Saint Vincent College, a JD from Columbia University and an Executive MBA from Villanova University and is a lecturer at their business school. He worked for Aqua America (a publicly-traded water utility holding company) for 23 years serving in various roles, including Senior VP of Corporate Development for the entire company and General Counsel for the regulated water and wastewater division. Mr. Kropilak was a consultant and one of Meidlinger Partners' part time Principals. He was on assignment to fill the CEO vacancy at Liberty and stabilize the company, prior to becoming CEO at the end of March 2012.

**Kevin Brophy**, Meidlinger Partners

Kevin Brophy is a co-founder and Managing Principal of Meidlinger Partners, LLC. He has a wide range of experience in the water industry, ranging from utility operations and public utility rate design to mergers, acquisitions and strategic planning. Mr. Brophy manages investor relations, oversees the firm's daily operations, and manages financial planning for Portfolio Companies. Mr. Brophy also plays an integral role in negotiating and structuring investments and strategic planning for Portfolio Companies.

Prior to co-founding Meidlinger Partners, Mr. Brophy worked for nearly 14 years at Aqua America, Inc. (Aqua) (NYSE: WTR), one of the nation's largest publicly traded water utility companies serving approximately three million people in 13 states. He participated in various projects such as public utility rate case filings and follow-on equity offerings and occasionally managed aspects of Aqua's securities portfolio, including equities and derivatives.

From 2004 through 2007, Mr. Brophy held full responsibility for Aqua's 'growth through acquisition programs throughout the State of Texas. Residing in Austin, Mr. Brophy directed the acquisition of five companies for Aqua Texas which significantly increased Aqua Texas' customer base. In addition, he executed 12 water provision/wastewater deals for new, large 'greenfield' real estate development projects in Texas.

Mr. Brophy has also attended the Utility Rate School program of the National Association of Regulatory Utility Commissioners, has completed the NCEE Mergers, Acquisitions and Business Valuation curriculum and finished the London Business School Private Equity Program. Mr. Brophy is a member of Investors' Circle, a leading network of private and institutional investors using private capital to promote the transition to a sustainable



economy. He is also on the Executive Committee of CCTC, a Philadelphia-based private non-profit agency dedicated to helping children and their families cope with the impact of behavioral health issues and traumatic events

**Bill Goode**, Representative of Mid-Atlantic Holdings

Bill Goode currently occupies a Common Shareholder seat. He is Vice President for the Jacobs Financial Group of Charleston, WV where his primary responsibility is with two subsidiaries that specialize in underwriting surety bonds for regulated industries. The Jacobs Financial Group also includes Jacobs & Company, an SEC registered investment advisory firm. He previously served as President of the Charleston Area Alliance. Mr. Goode holds a BS in Accounting from the University of Kentucky.

**C. Andrew Zulauf**, Executive Director, WV Jobs Investment Trust

Andy Zulauf has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan Officer for the West Virginia Capital Corporation, as a Partner and Managing Director of West Virginia operations for Adena Ventures, and as Vice President and Upper Middle Market Commercial Relationship Officer for Fifth Third Bank. Mr. Zulauf is a graduate of Marshall University and the University of Charleston's Executive MBA program.

**Products**

**ROVr<sup>TM</sup>**

Liberty has been working on several products over the past year. One of which is the Reverse Osmosis Vehicle for remediation, or ROVr.

ROVr<sup>TM</sup> is a platform treatment unit that can be customized for a customer's specific needs. It uses a combination of a Dissolved Air Flootation (DAF) and RO concentrator. The ROVr technology can be configured to work simultaneously with other treatment technology or can be a fixed plant design platform. The ROVr concentrator can reduce volume of reject water from standard RO technology by 50%, thus facilitating disposal and crystallization.

**pH2O Controller**

The pH2O Controller works very similarly to the way a thermostat does. The Controller automatically adjusts the chemical feed system to achieve the desired set point for the pH of a downstream flow. Liberty describes this product as perfect for acid mine drainage in a number of ways. Some of which are:

- Eliminates overfeeding (wasting chemicals)
- Eliminates underfeeding which can cause permit violations
- Ability to store data and read it remotely via satellite
- Liquid and Pellet Technology



**Zero Valent Iron Technology (ZVI)**

This technology allows the selenium (and arsenic) to adhere to the media in the container units which thereby is removed. There are several industrial and rural applications for ZVI media such as being placed in large tanks and constructed drum systems. Additional market applications for the ZVI media include municipal systems, point-of-

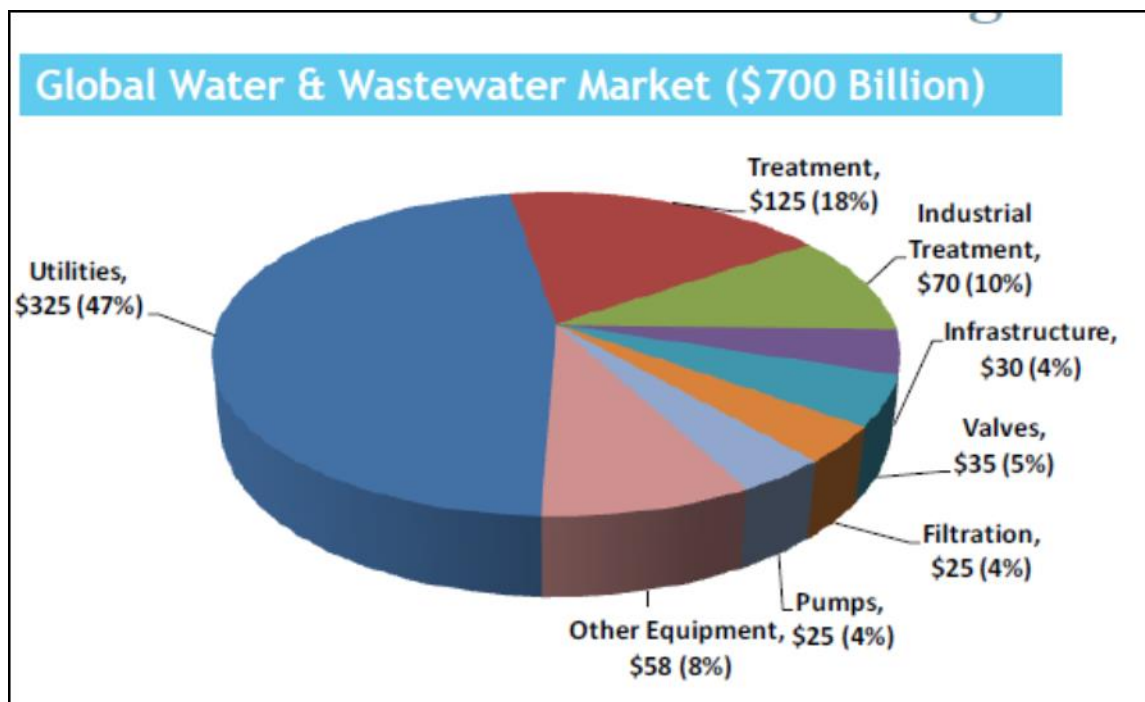
use devices, agriculture, and other areas of the development world. The media can effectively remove more than 90% of minerals such as selenium, mercury, thallium, lead, cadmium and chromium. In addition, the product is highly cost-effective relative to other products by competitors in the market.

### Competition/Market Summary

Globally, Europe had the highest market share in 2012 followed by the Americas and Asia-Pacific (APAC). While the diversion of water utility funds in the Americas is projected to slacken growth in the region, the APAC will emerge as a powerhouse due to rapid population expansion, intensifying water demand and high industrialization rates.

According to Frost and Sullivan, revenues for the Global Water and Wastewater Disinfection Systems Market in 2012 were \$1.94 billion, with a forecast to reach \$2.96 billion in 2019. The Global market is expected to grow with a CAGR of 7.4% from 2013 to 2018. Rapid industrialization and urbanization are highlighting the urgent need for the reuse of water in several countries. Disinfection, in this context, is regarded as an excellent secondary treatment step in the water reuse cycle, which can yield water for use in non-food crop irrigation and industrial cooling.

Key participants in the global water and wastewater treatment equipment market are Aquatech International Corporation (U.S.), Danaher Corporation (U.S.), Degremont SAS (France), GDF SUEZ S.A. (France), GE Water & Process Technologies (U.S.), Veolia Environment SA (France), and Xylem Inc. (U.S.), and also other market participants.



Source: Liberty Hydro

**Industry Summary**

According to Frost and Sullivan, the need for disinfection in water and wastewater treatment processes is gathering further steam as rapid industrialization and urbanization call for more extensive water reuse. Moreover, stringent legislation is driving the water and wastewater disinfection systems market. To fully leverage the market enormous growth potential, particularly in developing regions, companies will need to provide cost-effective solutions.

Numerous water-specific legislation acts such as the Clean Water Act (USA), the Drinking Water Directive (Europe), and the Urban Waste Water Treatment Directive (Europe) are raising the bar on water quality standards. Legislative enforcement, together with public health and safety concerns linked to poor quality drinking water, will reinforce the adoption of water and wastewater disinfection systems.

Despite the widespread acceptance that disinfection is vital to managing scarce water resources, high overall expenditure --including capital investments, running costs and service and maintenance outlays -- is acting as a major restraint to uptake, particularly in the case of developing and poorly developed countries.

As of August 2012, VC investment has jumped dramatically within this sector. It's not just within the United States, but globally as well. In an interview with Forbes Magazine, David Henderson (MD of XPV Capital) put the drive in water investment quite simply, "For me it comes down to economics," he said. "If you can take a single drop of water and use it over and over again at its point of use, that's going to beat any other technology in the marketplace — because you don't have to move the water."

Venture capital/growth capital investment in water (Jan-Aug 2012)			
Company name	Line of business	Investor/s	Amount
Bactest Ltd.	Wastewater bacteria monitoring	Low Carbon Accelerator/Minerva/LBA/Fin. East	£0.9m
Paques	Resource recovery from wastewater	SKion GmbH	-
HydroNovation, Inc.	Electro-deionisation	3M New Ventures/Clean Pacific Ventures	\$3.05m
Pasteurization Techn. Group	Energy from wastewater	EIC Ventures	\$1m
ANDalyze, Inc.	Testing for heavy metals in water	Illinois Ventures/ Illinois Emerging Tech Fund II	\$1.577m
Omni Water Solutions, Inc.	Mobile frac water recycling	Austin Ventures	\$7.9m
Natural Systems Utilities	Design-build + plant operations	XPV Capital/American Refining & Biochemical	\$9.63m
Abtech Holdings, Inc.	Polymer-based water filtration	Undisclosed	\$2.6m
Saltworks Technologies	Desal using waste heat	Innovative Clean Energy Fund (Brit. Columbia)	\$1m
Bluewater Bio International	Activated sludge wastewater treatment	Ormbu Group/Hernes GPE	£22.5m
NEP Holdings Berhad	Point-of-use water purification	Aureos Malaysia Fund	\$5m
Ecoclor, Inc.	Ballast water treatment	Sojitz Marine & Engineering Corporation	\$4.1m
Voltea	Capacitive deionisation	Pentair/Rabo Ventures/Unilever Ventures	€4.5m
Jash Engineering Limited	Gates/screens/valves	Pragati India Fund	\$5m
Redox Maritime Technologies	Ballast water treatment	Blue Orange (Suez Environnement)	-
Arvia Technology Ltd.	Destruction of organic pollutants	MTI/Sustainable Tech. Inv./Park Walk Advisors	£3.8m
Water Standard	Water treatment for EOR	Mitsui & Co., Ltd.	-
TaKaDu	Network monitoring solutions	ABB/Emerald Tech/Gemini Israel/Giza Venture	\$6m
Ostara Nutrient Recovery	Nutrient recovery from wastewater	VantagePoint/Frog Capital/Waste Resources Fund	\$14.5m
Clean Runner, LLC	Produced water treatment	Undisclosed	\$19.6m
CeraHelix, Inc.	Nanofiltration membranes	Maine Tech Institute/Maine Small Enterprises	\$0.255m
NanoH2O	Nanocomposite membranes	BASF Venture Capital/Khosla Ventures/Others	\$60.5m
Desalitech	Closed-circuit desalination	Liberation Capital	\$6.25m
WaterSmart Software	Water efficiency software	Physic Ventures/Draper Fisher Jurvetson/Others	\$1m
MINT	Water quality monitoring	Nanostart Early Stage Venture Fund I	-
newterra	MBR/iron removal from groundwater	XPV Capital Corp.	-
United Water Corporation	Water treatment plant developer	International Finance Corporation	\$16m
Axine Water Technologies	Electrolytic oxidation for WW treatment	Chrysalix Energy Venture Capital	\$1.472m
FilterBoxx	Packaged treatment systems	XPV Water Fund/Enertech Capital/Walsingham	\$3m
Dais Analytic Corporation	Polymer-based desalination	Undisclosed	\$2m
CatalySystems Ltd.	AOP water decontamination	Finance for Business North East/Angel investors	£0.966m
Aqwise	Biological water/wastewater treatment	Triveni Engineering & Industries	\$4.5m
Epuramat	Containerised wastewater treatment	Bright Capital	€8.3m
<b>Total</b>			<b>\$235.7m</b>

Source: Company releases, SEC filings

### **Significant Events**

**June 2013:** The Patent Security Agreement was amended. The Secured Creditors were given a security interest in any patents currently owned and any acquired in the future.

**June 2013:** ZVI Blue pilot unit installed at ATI and John Amos power plant in West Virginia arranged for a pilot unit to be installed. The Company also received a grant from CAM to build a trailer unit.

**December 2012:** Had a successful micro-pilot unit installed at Ambatovy mine in Madagascar.

**May 2012:** Liberty Hydro hired Mark Kropilak as new CEO.

**2011:** Liberty and GE were joint testing to determine the increased viability of both processes when coupled together. The company developed new technology addressing the water contamination issues resulting from the “fracking” process for natural gas production. The prototype was successfully tested in a controlled environment and to be field tested in the 4th quarter of 2011.

### **Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in Liberty Hydro, Inc. at value, which is currently presumed to be the same as cost or **\$864,500**.

---



**Snapshot:**

Company: **MATRIC**  
Website: [Matricinnovates.com](http://Matricinnovates.com)  
Location: South Charleston, WV  
Total Employees: FT/50; PT/30  
WV Employees: FT/50; PT/30

**WVJIT Investment: \$1,825,000**  
**WVJIT Ownership: 0.0%**

**Leadership**

Steve Hedrick	President and CEO
Greg Clutter	Chief Operating Officer
Randy Lawson	Chief Financial Officer
Dr. Parvez Wadia	Vice President & Chief Technical Officer
Jane Copely	VP Operations
Mark Dehlin	VP Advanced Engineering Systems
Dr. Ian Burdett	Director of Energy Products
Dr. Duane Dombek	Director of Process and Product R&D
Dr. John Sawyer	Director of Environmental Projects
Dr. George Keller	Director Chief Engineer
Dr. Jack Dever	Director of Process Engineering/Development

**Background**

MATRIC is a West Virginia non-profit organization headquartered in South Charleston, West Virginia. MATRIC has three wholly owned subsidiaries performing various services. Mid-Atlantic Commercial Research, LLC (MCR), which provides for-profit commercial R&D; Mid-Atlantic Technical Engineering, LLC, which is a full service professional engineering firm; and, Mid-Atlantic Technical Consulting, LLC, (MATC). MATRIC also has a majority interest in Mid-Atlantic Holding, Inc. (MAH) which holds and commercializes the intellectual property portfolio of MATRIC through licensing and the creation of technology-based companies.

MATRIC is focused on conducting life-changing research and development and commercializing related products and services. MATRIC currently employs over 80 people, 30 of which are Ph.D. level scientists and professionals. MATRIC's scientific staff performs research and development in chemical and environmental technologies, advanced engineering and health and life sciences.

MATRIC develops its own intellectual property through internally funded research as well as pre-negotiates "field of use" agreements with customers to allow MATRIC to advance discoveries in domains that are not of interest to the customer organization and further exploring commercialization opportunities.

MATRIC is managed by individuals with extensive Research and Development experience. MATRIC is headquartered within a 650-acre site that includes research and development buildings, engineering buildings, a data center, and laboratories that house other companies such as Dow Chemical, Bayer, and the laboratories of West Virginia State University. The location and experience of the Company's scientists and engineers provide a substantial long term-term competitive advantage.

**Investment/Loan History**

The Legislature authorized \$2 million in funds to be made available to MATRIC. It was determined that the most appropriate method to invest those funds was through WVJIT. WVJIT negotiated with MATRIC a transaction whereby WVJIT would loan \$2 million to MATRIC. In turn, WVJIT secured its loan with accounts receivable, inventory, fixtures and equipment. In addition, WVJIT secured its loan with “reserved” shares in MAH. WVJIT has the option to convert its loan into shares of MAH. If the full loan proceeds were converted at WVJIT’s option, it would convert to 20,000 or 20% of MAH. If MATRIC is unable to meet its debt obligations then WVJIT, in a default circumstance, may convert its loan in up to 40,000 shares of common stock, or 40%. MAH is currently authorized to issue up to 100,000 shares and initially issued all 100,000 shares to MATRIC. MATRIC has previously sold 1,000 shares to American Electric Power; 5,000 shares to the Clay Foundation; and recently, 2,000 shares were issued to the Charleston Area Alliance in exchange for previously issued debt.

**May 2009:**

- Convertible Loan      \$2,000,000
- Current Loan Balance: \$1,825,000

**Warrant Coverage:**

None

**FY2013 WVJIT Revenue: \$59,826.04**

**Board of Directors**

***Paul E. Arbogast, Chairman***

WV Roundtable

***Stephen A. Kawash, Treasurer***

Gibbons & Kawash

***Pat Bond, Vice Chairman***

Partner, Mountaineer Capital

***William B. Goode***

Jacobs Financial Group, Inc.

***Mark Dempsey***

Appalachian Power Company

***Kevin DiGregorio***

Chemical Alliance Zone

***Tom Dover***

Bayer Science Corp.

***James Estep***

WV High Technology Foundation

***Charlotte Lane***

Shuman, McCuskey & Slicer

***Joe W. Gollehon***

TSG Solutions

***J.Rudy Henley***

Mountaineer Capital

***Thomas A. Heywood***

Bowles Rice, LLP

***Greg Clutter***

MATRIC, COO

***Tom Potter, Past Chairman***

Jackson Kelly, PLLC

***Charles M. Avampato***

Clay Foundation

***Matthew Ballard***

Charleston Area Alliance

***Clifton F. Dedrickson***

Dow Chemical Company

***Bob Welty***

Fifth Third Bank

***Reid Maness***

RTI International

***Ron Potesta***

Potesta & Associates

***David Ramsay***

Charleston Area Medical Center

***John C. Stump***

Steptoe & Johnson

***Parvez Wadia***

MATRIC, CTO

***H. Bernard Wehrle, III***

McJunkin Corporation

***L.Newton Thomas Jr.***

N/A

***Steve Hedrick***

MATRIC, CEO



### Products

MATRIC offers research and development support and services in the following specialties: Chemical Process Technologies, Technical Engineering, and Software Technologies.

**Chemical Process Technologies:** Provides R&D support as well as Catalysis, Scale-up and Technology Verification, Solids Processing, Green Technologies, Techno-Economic Assessments and Emerging Technology Evaluations, Safety Engineering Services, Environmental Services, and other strategic programs.

**Technical Engineering:** Provides mechanical, civil, electrical engineering, instrumentation control systems design, and programming personnel, as well as other project services areas of expertise including: project management, detailed engineering, procurement and operations training. The staff specializes in Natural Gas, Water, and Chemical Industry.

**Software Technologies:** Provides customers with unique offerings such as GIS Applications, Modeling Simulation, Software Engineering and Development Servers to specifically meet their needs to their market offerings.

### Competition/Market Summary

MATRIC was formed back in 2002, following the release of more than 150 world-class researchers and scientists after the Dow Chemical-Union Carbide merger. Perhaps the closest resemblance that MATRIC will have to another organization is that of the Research Triangle Institute (RTI) located in Research Triangle Park, North Carolina. RTI was formed in 1958 with the guidance and support of government, education and business in North Carolina. As Research Triangle Park continued to grow from a few handful of scientists, so did RTI, which has made it into one of the world's leading independent, nonprofit research and development organizations. RTI has 2,800 employees in more than 40 countries.

There are certainly some overlaps in the areas of research both institutions cover such as health and life sciences, software technology development and energy research. It is also worth mentioning that both organizations have great standing relationships with its respective universities. What's different between the two organizations, aside from size and history, is the level of research that RTI has done on global pediatric and geriatric health issues. Much of the focus tends to be on the medical side of their research and development. However, given the growth that MATRIC has had since its inception and their focus on chemical and environmental technologies, it leaves little doubt on their ability to grow and expand their operations serving West Virginia and the surrounding areas.



### Industry Summary

According to a 2013 Global Energy Survey conducted by KPMG, energy executives expect continued R&D investment in alternative energy projects this year. More than half anticipate investments will remain unchanged in 2013, but the percentage of respondents predicting a 10 percent increase in R&D investment nearly tripled. Forty-eight percent of executives surveyed said the best use of data and analytics technology was operational excellence. Companies are leveraging leading edge, data driven technologies to improve process and supply chain efficiency as well as the overall connection with their customers. Smart grid and big data applications are beginning to be deployed to turn the huge volumes of data into insight that can improve decision making.



**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

With regards to the Chemical industry this year, U.S. chemical production is expected to grow by a modest 1.9%, not much better than the 1.5% increase in 2012, according to the American Chemistry Council, a trade group. The European Chemical Industry Council predicts that European chemical production will rise 0.5% in 2013, an anemic figure, although an improvement compared with the 2.0% contraction experienced in 2012.

In 2013, demand in the developing world will rise, but not enough to spark significant activity in the West. Economic growth in Brazil, for example, should reach 4.0%, an improvement over 2012 but well below the fiery 7.5% expansion of 2010. Likewise, although Chinese growth should notch up a bit to 8.1% this year, the double-digit expansion of 2010 is a distant memory.

Several bright spots dot the generally overcast landscape. U.S. chemical manufacturers can look forward to another year of low-priced natural gas to fuel their facilities and provide cheap raw materials. The recent teeter at the edge of the fiscal cliff doesn't seem to have worsened the U.S. industry's prospects.

### **Significant Events**

**February 2013:** Steven Hedrick joins MATRIC as President and CEO.

**January 2013:** Core business shows a net income of \$1M for 2012. Pipeline significantly above goal for 2012 with multiple, large, potential opportunities within the Chemical, Energy, and Environmental group. Advance Software Group attracted two significant contracts and awards in second half of 2012.

**October 2012:** Pipeline continued to grow with recent proposals submitted for Rennovia, GSE Pilot Plant efforts, Hydrodynamics. There were discussions with Segetis regarding pilot work, though MATRIC viewed this work to be initiated in 2013. Invoice revenues were \$8.2M, Sales Pipeline \$25.3M and the average contract size was \$279,000.

**August 2012:** Board of Directors approved a motion to enter into a \$350K 60 month-term loan at a rate not greater than 4.75% for the purchase of boilers for the pilot plant activities. MAH fully divested from Europa ownership with project final expense approximating \$143,500. Expense treated as a note from MAH to MATRIC and as 2013 WVJIT seed fund obligation payment.

**July 2012:** MATRIC executives authorized the dissolving of a European subsidiary, MATRIC Europa, at a cost of €68,500 which translates to about \$84,000.

**June 2012:** President and CEO of MATRIC, Keith Pauley, resigned from his position to take a job overseas with ChemChina. Greg Clutter is named interim-CEO.

**June 2011:** MATRIC constructed its first large pilot plant for Bioamber. MATRIC saw increased interest from Chinese companies in the coal and chemical industries for research projects. Domestically, the Company engaged in discussions with companies in the energy and chemical business.

**June 2010:** MATRIC experienced significant growth in Q1 of 2010. The organization's focus was on Advance Engineering Systems (AES). The AES business area focused on developing and improving software solutions for the most complex systems. MATRIC has individuals that are experts in the areas of program management, software engineering, image processing, modeling and simulation, and data processing. MATRIC management saw a strong potential growth from Q2 of 2010 to Q4 of 2010 with resurgence in chemical and environmental technologies commercial consumer base as well as strong growth in Mid-Atlantic Technical Engineering, LLC (MATE). MATE is a full-service engineering firm that focuses on energy, natural gas, chemicals, facilities engineering, waste treatment, safety, and the environment. Additionally, management viewed a strong but complex potential for significant growth in support for National Energy Technology Laboratory, a division of the US Department of

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

Energy located in Morgantown, WV. The Company projected revenues of \$9.7 million for the Fiscal Year June 2010 through June 2011.

**June 2009:** During the 2008 West Virginia Legislative session, specific funds were allocated for furthering research and commercialization efforts at MATRIC. Those efforts were greatly enhanced by the additional hiring of scientists and professionals following the announced workforce reduction by Dow that took place in 2009.

**Overall Conclusion**

Based on the foregoing, WV Jobs Investment Trust finds it most appropriate to record its investment in MATRIC, Inc. at value, which is currently presumed to be the same as cost or **\$1,825,000**.

---



**MOUNTAINEER TROUT FARM, LLC**

**Snapshot:**

Company: **Mountaineer Trout Farm, LLC**  
Website: N/A  
Location: Josephine, WV  
Total Employees: FT/3; PT/0  
WV Employees: FT/3; PT/0

**WVJIT Investment: N/A**  
**WVJIT Ownership: 0.0%**

**Leadership**

S.E. Thompson	Owner
Colleen Miller	Owner
Tom Ort	Operator

**Background**

Mountaineer Trout Farm, LLC is an aquaculture business formed in March 2007 as a joint partnership run by Ted Miller (since deceased) of Birch Creek Deer Farms located in Pennsylvania and S.E. Thompson, Jr., of Gainesville, Florida. Operations are located at the Lillybrook Aquafarm site located in Josephine, West Virginia. The site uses water from the former Lillybrook Mine. The water is ideal in temperature, chemistry, and is free of water-borne disease. The site is gravity-fed, thus eliminating redundant pumping systems, which significantly reduces operating costs and gives the Company a major cost advantage. Mountaineer Trout leases the property by Lillybrook Mine and pays a leasehold payment based on a percentage of gross sales. The lease began after the assets reverted back to WVJIT in 2007.

Mountaineer Trout Farm, LLC was formed to take advantage of a natural resource – mine water used to supply an aquaculture project. The Company now has two parallel raceways each measuring 100 feet by 20 feet width. The raceways were constructed with Company funds and borrowed funds from Farm Credit. The raceways are estimated to have a maximum capacity of 400,000 in future years. The lease gives Mountaineer Trout Farm the right of first refusal on any future lease for the McAlpin Farm site.

The project was initially funded as Minaqua in 1995 with the goal of becoming a major supplier of Arctic Char to the Mid-Atlantic and South Central regions of the United States.

**WVJIT Investment History**

- **2007:**
  - \$1,573,794 Debt Investment
  - \$ 280,000 Equity Investment
  - Royalty: 5% on gross sales

**FY2013 WVJIT Revenue: \$20,193.98**

### Board of Directors/ Management

**Tom Ort** has over twenty years of experience raising trout in North Carolina.

### Products

The company sells a variety of trout at their trout farm in Josephine, WV. During the past year, no new products or services were created by Mountaineer Trout. Their continued growth and sales numbers continued to retain unprecedented status and Mountaineer Trout will continue on their same path as their future looks bright.

### Competition/Market Summary

As the “health awareness” wave continues to ride high, so does the demand for seafood and other fish. Fish, specifically trout, is one of the most beneficial sources of nutrients in one’s diet. Trout contains significant amounts of protein, Omega-3 fatty acids and low amounts of sodium. Omega-3 fatty acids reduce the risk of heart attack, stroke and heart disease. Another benefit is that trout helps reduce bad cholesterol (LDL) as well as blood pressure. Lastly, trout helps prevent circulatory problems like thrombosis and gout; it also helps strengthen the immune system and fights against the seasonal flu and common cold.

For two years running, fish farming has produced more animal protein than the cattle industry in what scientists are calling a landmark stage in the progression of consumer diets. In 2012, world aquaculture produced 66 million tons of fish, outstripping the beef industry by 3 million tons. The dwindling supplies of wild fish have caused fish farming to become a necessity. As technological and nutritional advances are being made, fish are becoming easier to fatten as a protein animal.



Mountaineer Trout has exceeded sales projections and should continue to do so with the positive upcoming financial forecast. Fish farming and aquaculture is projected to grow at a CAGR of 5.1% from 2010-2015.

### Industry Summary

In a society where dealing with fish as your occupation may not be ideal, it cannot go without saying that fish farming is a booming industry. It is estimated that nearly 150 million tons of fish are farmed annually equating to about \$60B. Fish are far more efficient, typically taking less than 2 pounds to feed to add another pound of weight, as opposed to cattle that require 7 pounds of grain or more to produce an additional pound of beef.

However, dependence on fish farming is not a perfect alternative to grazing beef and fattening cattle in feedlots. There are often problems with some aquaculture systems such as stress of crowding and confinement causing trout in particular to suffer high levels of injuries to fins and tails.

Fish farming continues to grow due to population growth and overfishing issues. Overfishing allows fish farmers to consistently sell their inventory as other seafood becomes less available. Therefore, aquaculture seemingly is the only obvious alternative to meet the high demand for fish and seafood. Common species raised by fish farms include salmon, carp, tilapia, trout, seabass, catfish and cod. Some of the most common ways of fish farming include cage system farming and ditch or pond systems. Mountaineer Trout is unique in the way they sustain their business. They use water from the Lillybrook Mine in Southern West Virginia to farm which significantly reduces operating costs.

### Significant Events

**April 2013:** Mountaineer Trout is looking to upgrade the property by installing a new roof to the feed room and various other leasehold improvements.

**May 2012:** Mountaineer Trout sold its entire inventory for the months of May and June, in May. This is a record sales pace for Mountaineer Trout Farm.

**June 2011:** Over the past ten months Mountaineer Trout caught up on the royalty payments that were in sums unpaid by as much as \$31,000 in September 2010. As of the end of June, the Company was current in its royalty obligation. Current royalty payments were based on 5% (3.75% to WVJIT/ 1.25% to Piney Land Company) of fish sales. Following several discussions and predicated on the royalty payments being brought current, the Company and WVJIT started negotiating a new royalty rate, which would allow the Company to capture funds to meet their debt obligations for the construction of raceways. A new proposal was sent to the Company; however, there was not an agreement finalized.

**February 2011:** WVJIT received an insurance settlement from the WV Board of Directors of Risk for the collapse of the main structure at the McAlpin Farm site, which was under option to Mountaineer Trout. The loss of the structure would have minimal effect on the interest of Mountaineer Trout in exercising their option on the McAlpin site.

**June 2010:** Mountaineer Trout was delinquent on its obligated royalty payments to WVJIT for 2009 and 2010.

**2008:** WVJIT agreed to collect 5% of the “gate price” of the fish sold. Gate price is the selling price of live fish when they are transported from the fish farm. Sales may be made for stocking purposes or processed for consumption. The percentage is applied to sales resulting from an arms-length transaction. Any sales made to close associates, family, or otherwise at a favorable price not consistent with market prices, is based on an assumed sales price of \$1.40 per pound. WVJIT in turn pays a royalty of 1.25% to the landowner, Piney Land.

**2007:** Mountaineer Trout Farm, LLC was formed and entered into a sub-lease agreement with WVJIT for a period of 30 years with two ten-year renewal periods.

### Conclusion

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in Mountaineer Trout Farm, LLC at value, which is currently presumed to be the same as cost or **\$200,899** which is the net asset value of the property.

---



**Snapshot:**

Company: **Protea BioSciences Inc.**  
Website: proteabio.com  
Location: Morgantown, WV  
Total Employees: FT/44; PT/1  
WV Employees: FT/35; PT/0  
France Employees: FT/6

**WVJIT Investment: \$3,683,436**  
**WVJIT Ownership: 4.20%**

**Leadership**

Steve Turner	Chairman & CEO
Stan Hostler	Vice President & Secretary
Edward Hughes	Chief Financial Officer
Matthew Powell	Chief Science Officer/ Head of R&D
Dr. Alessandro Baldi	Vice President/ General Manager

**Background**

Protea Biosciences, Inc., located in Morgantown, West Virginia, began as a Delaware corporation in July 2001, and is an emerging biotechnology company. Protea is engaged in developing and commercializing proprietary life science technologies, products and services that are used to recover and identify proteins in biological samples.

Protea applies its expertise to the development of products, instruments and services that seek to improve the discovery and identification of proteins, metabolites and other biomolecules. The company's products and services are purchased primarily by pharmaceutical and academic/clinical research laboratories. Protea's commercial focus is on its LAESI Instrument platform and proprietary software. The focus remains on either the sale of the LAESI Instrument to the end user or providing access to the LAESI technology through a services unit lab opened during the last year.

The LAESI unit allows the researcher to study the biochemical landscape of a sample without destroying the sample. The sample is studied in its natural form.

**WVJIT Investment History**

- **April 2012:**
  - \$400,000 Convertible Debenture (\$200,000 was funded through WVCAP), 10% Interest, monthly payments maturing 5/15/13. The maturity date was extended to **10/15/13**.
- **March 2012**
  - \$290,000 Convertible Debenture, 6% monthly payment maturing **9/14/13**.
- **January 2012**
  - \$100,000 investment in Common Stock. Funded through WVCAP.

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

- **September 2011**
  - Outstanding Convertible Debt Converted

**Warrants/Warrant Coverage**

<b>Date Issued</b>	<b>Expiration Date</b>	<b>Type</b>	<b>Price</b>
10/30/2009	10/30/2014	Common	\$2.00
10/30/2009	10/30/2014	Common	\$2.00
5/31/2011	5/31/2016	Common	\$2.00
1/31/2012	1/31/2017	Common	\$2.25
3/15/2012	3/15/2017	Common	\$2.25
4/18/2012	4/18/2017	Common	\$2.25

**Total WVJIT Investment: \$3,683,436 (\$300,000 Funded from WVCAP)**

**WVJIT FY13 Revenue: \$54,066.69**

**Total Outside Investment: \$40,364,825**

**Board of Directors**

**Stephen Turner, CEO and Chairman of the Board of Directors**

Steve Turner is CEO and Chairman of the Board of Directors, positions he has held since founding the company in July 2001. From 1999 to 2001 he served as President and CEO of Quorum Sciences, Inc. From 1984 to 1997 he was President and CEO of Oncor, Inc. He founded Bethesda Research Laboratories Inc. in 1975 and served as its Chairman and CEO from 1975 to 1983, at which time BRL became the molecular biology division of Life Technologies, Inc. Prior to commencing his career in biotechnology, Mr. Turner held the position of Director of Marketing for the Clinical Microbiology Division of Becton, Dickinson & Co. He received his B.A. from Stanford University in 1967. In 1994 he received the Ernst & Young Entrepreneur of the Year Award in Life Sciences for the Washington D.C. region. Mr. Turner was appointed to serve because he is the founder of Protea and has a deep knowledge of the company's products and market opportunity.

**Stan Hostler, Vice President and Secretary**

Stan Hostler has been the Director of Protea since January 2006 and Vice President and Secretary since June 2006. He is an attorney with a career practice in the field of labor and employment law. From 2000 to 2010 he served as Special Assistant to the Governor of the State of West Virginia. From 2002 to 2004 he served as Counsel to Prim Law Firm. From 2000 to 2010 he served on the West Virginia University Foundation Board of Directors and from 1995 to 2010 on the Advisory Committee of the WVU School of Medicine. He is a graduate of West Virginia University School of Law (1965). Mr. Hostler was appointed to serve based on his legal experience and business contacts and relationships with WVU and the State of West Virginia, which has proven to be an asset to the Company.



**Steven Antoline**

Steve Antoline has been on Protea's Board of Directors since April 2010. He is a successful owner, developer and manager of coal and natural resource properties and inventor of new equipment for coal mining. From 1996 to 2006, he was President and owner of Superior Highwall Mining, Inc., which was sold to a partnership comprised of Lehman Bros. (60%) and Tennessee Valley Ventures (40%). Mr. Antoline was appointed to serve based on his prior experience in the development and sale of companies and in working with investment bankers.

**Leonard Harris**

Leonard Harris has been on Protea's Board of Directors since April 2003. Since 1977, he has been the founder and CEO of Southern Computer Consultants, Inc. located in Frederick, Maryland. This company provides products and services to the United States government and Fortune 500 corporations. Mr. Harris was appointed to serve based on his extensive experience in technology-based corporate development.

**Ed Roberson**

Ed Roberson has been on Protea's Board of Directors since September 2009. From July 2006 to June 2010, Mr. Roberson served as Chairman of the Board of Directors of Methodist Healthcare System. He received his MBA in accounting in 1972 from the University of Georgia. From 2006 to 2011 he was President of Beacon Financial, in Memphis, Tennessee, and from 2006 to 2007 he was President of Conwood, LLC. He has been a Director of Paragon National Bank from 2004 to present. From 1972 to 1992, Mr. Roberson was employed by KPMG, most recently as a partner. Mr. Roberson was asked to serve based on his experience with KPMG, as a partner and then CEO.

**Scott Segal**

Scott Segal has been on Protea's Board of Directors since February 2008. Mr. Segal is a practicing attorney, specializing in the fields of personal injury, product liability and related matters, and is the President of the Segal Law Firm in Charleston, West Virginia. He received his JD from the West Virginia University School of Law in 1981, and has been a member of the American Bar Association since that date. Mr. Segal was asked to serve based on his relationships within the State of West Virginia, and is considered, by the Company, to be an expert in several areas, including forensics and occupational health.

**Roderick Jackson**

Roderick Jackson has been on Protea's Board of Directors since January 2011. Mr. Jackson was the founder, Chairman and CEO of Cobalt Laboratories from 2005 to 2009 and was a member of the Board of Directors of The Arrow Group, a British company, during that same time. In June 2009, Cobalt Laboratories was sold along with Arrow Group to Watson Pharmaceuticals. From 1986 to 2002, he was employed by Mylan Laboratories, Inc. as VP of Marketing and Sales then as Senior VP and member of the Office of the President. He received his B.B.A from Texas A&M University. Mr. Jackson was asked to serve based on his experience in the development of marketing agreements both in the U.S. and internationally.

---

**C. Andrew Zulauf**, Executive Director, WV Jobs Investment Trust

Andy Zulauf has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan Officer for the West Virginia Capital Corporation, as a Partner and Managing Director of West Virginia operations for Adena Ventures, and as Vice President and Upper Middle Market Commercial Relationship Officer for Fifth Third Bank. Mr. Zulauf is a graduate of Marshall University and the University of Charleston's Executive MBA program.

**John M. (Thijs) Spoor**

John Spoor has been on Protea's Board of Directors since January 2013. Mr. Spoor has been the President, CEO and a member of the Board of Directors of Fluoropharma Medical, Inc. since February 2011 and the Chairman of the Board of Directors since June 2012. Mr. Spoor was the Chief Financial Officer for Sunstone BioSciences from February 2010 through September 2010. Prior to joining Sunstone BioSciences he worked as a consultant at Oliver Wyman from December 2008 through February 2010. Mr. Spoor worked as an equity research analyst at J.P. Morgan and Credit Suisse covering the biotechnology and medical device industries. Mr. Spoor has worked in the pharmaceutical industry, spending 11 years with Amersham/GE Healthcare. Mr. Spoor holds a Nuclear Pharmacy degree from the University of Toronto as well as an MBA from Columbia University with concentrations in finance and accounting. Mr. Spoor has been a guest lecturer at Columbia Business School, Kings College in London and the University of Newcastle in Australia. Mr. Spoor was asked to serve based on his experience and expertise in the bioscience industry.

**Josiah T. Austin**

Josiah Austin has been on Protea's Board of Directors since 2013. Mr. Austin serves as the managing member of El Coronado Holdings, LLC. He and his family own and operate agricultural properties in the states of Arizona, Montana, and northern Sonora, Mexico through El Coronado Ranch & Cattle Company, LLC and other entities. Mr. Austin previously served on the Board of Directors of New York Bancorp, Inc. and North Fork Bancorporation. He has served as Director of Goodrich Petroleum, Inc. since April 2002 and Novogen Limited since September 2010. Mr. Austin serves as trustee of the Cuenca Los Ojos Foundation Trust. Mr. Austin graduated from the University of Denver with a Bachelor of Science in Finance in 1971.

**Products**

Protea's principal product is a bioanalytical instrument platform known as, "LAESI" (laser ablation electrospray ionization). This technology enables the direct identification of proteins, lipids and metabolites in tissue, cells and biofluids, such as serum and urine, without any sample preparation prior to analysis. LAESI is intended to meet the broad need of the biologist for the direct, unbiased identification and characterization of biomolecules in biological samples, which can remain untouched prior to their analysis.

The company also has a bioanalytical services unit that specializes in services including biomarker discovery, absolute quantitation of large molecules, MRM-based assays, and global proteome characterization. In March 2012, the company expanded its facility into an 11,000 square foot state-of-the-art facility.



In October 2012, Protea opened a mass spectrometry imaging center, which offers access to the most advanced biomolecular imaging capabilities including ultra-high resolution mass spectrometry coupled with Protea's LAESI Platform.

The Company has not offered any new products in 2013, but has begun production on the LAESI units. As of the March 31, 2013 Form 10-Q, the Company has sold two units and four additional units are in production.

### **Competition/Market Summary**

Protea operates in a market that is crucial to all aspects of science. Their Bioanalytics relate directly to sciences including pharmaceutical, medical, and life science research. Protea's goal is to continue to penetrate this \$100 billion global market and become a major player for bioanalytical research and targeting.

Most recently, Protea announced a new web-based commercial mass spectrometry service named ProteaScope that enables researchers to navigate across their tissue sections using high resolution microscopy to pinpoint specific morphological structures for mass spectrometry analysis. ProteaScope is a first-of-its-kind microscopy-driven mass spectrometry platform that provides additional levels of molecular information to complement traditional histologic examination, when detecting the presence of cancer.

Protea's LAESI technology helped to develop this new platform through the integration of fiber optics, LAESI, and high resolution microscopy and mass spectrometry. The LAESI instrument's advantage is the ability to analyze tissues, solids, liquids, and semi-solids. Most of Protea's competition, including the likes of Prosovia, Ionsense and Advion, are only able to use their bioanalytical devices to view and analyze the first three sample types.

### **Industry Summary**

The life sciences landscape today is marked by complexity and change; thinning new drug pipelines vs. rising drug discovery costs, patent expirations and generics vs. M&A and externalization, compliance vs. competitiveness, and social media vs. traditional sales. The top 100 revenue-generating public biotech companies garnered a collective 2012 revenue of \$113.34 versus \$100.61 billion in the prior year, a 12.7% improvement.

The valuation of the top biotech companies have recovered to reach heights not seen before the global financial crisis and economic recession. For full-year 2012, the Nasdaq Biotechnology Index improved by 32% compared to previous calendar term. The impressive growth has continued through 2013 for companies of all sizes and market values, as the market-cap values for many biotech entities have climbed high during the past year and a half. In the past year, three of the four healthcare industry's largest merger and acquisition deals involved biotech players.

In a report published by Battelle and the Biotechnology Industry Organization in 2012, there is outlined 6.4% job growth in the biosciences sector from 2001 to 2010, while the overall economy recorded a 2.9% decline in jobs. This statistic translates to 97,000 new jobs created over the past decade. The U.S. bioscience industry weathered the recession much better than the overall economy and other leading knowledge-based industries. While national private sector employment fell by 6.9% from the outset of the recession in 2007 through the first year of the recovery in 2010, bioscience industry private sector employment fell a mere 1.4%. West Virginia, specifically, saw a 22% increase in jobs in this industry over the past decade according to the report.

---

**Significant Events**

**March 2013:** LAESI production started. Two units are completed while four additional units are in production. The first unit was shipped in March.

**February 2013:** Protea adds Thijs Spoor and Josiah T. Austin to its Board of Directors.

**January 2013:** Daniel Flynn resigned as Board Director of the company.

**November 2012:** Protea enters into a Patent License Agreement with George Washington University.

**June 2012:** Protea Biosciences LAESI DP-1000 product received an R&D 100 Award and was recognized as one of the most technologically significant products for the year.

**June 2012:** The LAESI instrument was showcased at Analytica in Munich (April) and at the American Society of Mass Spectrometry (ASMS) Conference in Vancouver (May). Protea noted at their June 1<sup>st</sup> Board of Directors meeting that there was interest and contact from between 15-18 dealers after these conferences.

**May 2012:** The Lipase Valuation Report was published by Protea with the end of Phase I being valued at \$64 Million.

**March 2012:** Protea received the PittCon Editors' 2012 Bronze Award for their new LAESI DP-1000 Instrument.

**September 2012:** The Company completed a reverse merger and became a publically reporting company.

**January 2012:** Awarded by "The Scientist" publication as a "Top Ten" Technology Award for 2011 for their LAESI-1000 Instrument. The Company expanded to a new facility. WVJIT used money to fund the leasehold improvement. Also, a second WVCAP program participant used funds for the purchase of a mass spectrometer for the facility.

**June 2011:** Protea Biosciences employed 45 full-time staff members. Each individual contributed to the LAESI technology releases and the first shipments were made during the year.

**February 2011:** Protea began collaboration with WVU Cancer Center on various research projects.

**December 2010:** ProteaBio Europe SAS (a wholly owned subsidiary) successfully completed Phase I/II human clinical trials for the MS18189 recombinant biopharmaceutical for the treatment of pancreatic disease which ProteaBio had been co-developing with Mayoly-Spindler. Protea has exclusive North American marketing rights to the product.

**June 2010:** Protea announced the formation of the French subsidiary, which completed a clinical trial for their recombinant lipase therapeutic, which they were developing in partnership with Maylor-Spindler, the European pharmaceutical company. Under terms of partnership agreement, Protea receives from Maylor-Spindler the exclusive marketing rights for the recombinant lipase in North America. This first clinical trial required a significant amount of resources to put in place the regulatory infrastructure that is necessary for a company to engage in clinical trials and submit data for FDA approval.

**July 2009:** Protea issued a private placement offering for common stock. The total aggregate offering was \$4.8 million, which was being sold in units. Each unit was 20,000 shares with a price per share of \$1.50. Each investor

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

was required to purchase at least 1 unit or \$30,000 to participate. In addition for each unit purchased by the investor, they received a warrant to purchase 10,000 additional shares at \$2.00 per share. The warrant coverage was exercisable in whole or part for five years from closing. As part of this offering the WVJIT Board of Directors approved a “follow-on” investment of \$630,000 (21 units) in Protea, which was in addition to WVJIT’s prior investments totaling \$350,000. As a condition of closing to this transaction, Protea agreed to a 3 year lock conversion price of \$1.50 per share on the outstanding convertible notes held by WVJIT.

Also in July 2009, the WVJIT Board of Directors approved a 7-year, \$1.2 million convertible note with 6% interest only in the first 2 years. At year three, the note would be amortized and WVJIT would begin receiving P&I payments. Additionally, as part of the closing, WVJIT was to receive 50% warrant coverage for Class A common shares exercisable at \$2 per share with a five-year term.

**June 2009:** Protea completed a work plan for the construction of a medical instrument furthering the technology known as Laser Ablation Electrospray Ionization (LAESI). The prototype was developed at George Washington University and will enable the use of a laser to ionize materials for a mass spectrometer analysis, thus preserving the sample in place without destruction.

**May 2009:** Protea announced a partnership with French based Mayoly-Spindler, which specializes in Gastroenterology therapeutics. Mayoly has developed a recombinant Lipase, an enzyme for the treatment of exocrine pancreatic insufficiency (EPI). According to a press release, Protea would receive the exclusive marketing rights for the Lipase for North America.

**June 2008:** Protea raised \$2,874,829 in equity in the previous 12 months, bringing the Company’s total paid in capital amount to \$8,271,182.

**September 2007:** WVJIT converted \$133,208 worth of accrued interest and paid, in addition to the interest, \$2,500, for a total of \$135,708 for 194,322 shares of common stock in Protea. The \$2,500 was to exercise a warrant that was about to expire for 25,000 shares at \$0.10 per share.

**March 2007:** Protea repaid the October 1, 2002 convertible note of \$250,000 including the accumulated interest of \$47,945. The note included warrants to purchase common shares of the Company. These warrants survive prepayment of the note. Protea also opened its new facility at 955 Hartman Run Road in Morgantown. The 7,500 square foot corporate facility houses a state of the art Protein Research Lab, which features the ABI 4800 MALDI TOF/TOF and Thermo Finnigan LTQ XL mass spectrometers.

**November 2004:** The WVJIT Board of Directors approved an additional \$250,000 investment in Protea. The investment was a two-year 10% convertible debenture with 50% warrant coverage for notes purchased. In addition to the convertible loan by the WVJIT for \$250,000, the Company closed a \$250,000 common stock round with previous investors. This brought the total equity capital to \$980,743.

**Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in Protea Biosciences, Inc. at value, which is currently presumed to be the same as cost or **\$3,683,436**.

---



**Snapshot:**

Company: **Stasis Engineering, Inc.**  
Website: stasisengineering.com  
Location: Summit Pointe, WV  
Total Employees: FT/36; PT/3  
WV Employees: FT/14; PT/2  
UK Employees: FT/16; PT/0

**WVJIT Investment: \$1,868,172**  
**WVJIT Ownership: 11.90%**

**Leadership**

James Leng      President & CEO  
Mark Yates      Chief Technical Officer  
Henry Hsu        Director of Engineering

**Background**

STaSIS Engineering designs, engineers, manufactures, and resells performance enhancement systems for luxury vehicles with a unique focus on integrating distinction, reliability and value. As the only aftermarket tuner with a national sales presence in the Audi franchise dealer network and the premier brand in the Audi aftermarket channel, the STaSIS product design and engineering provides brake, suspension, driveline and engine products to approved Audi dealerships. STaSIS has established long-standing relationships with Audi franchise dealers, and the Company's new product development investment is complete for the next two years.

Following the investment by WVJIT, STaSIS relocated its operations from California to Summit Point, WV. The Company relocated to a 20,000 square foot facility near Summit Point Raceway where they currently employ 23 people, 16 of which are from WV. STaSIS maintains a west coast sales office in Rocklin, CA, which employs 3 people and following the acquisition of UK-based REVO in 2012, the company has 16 full-time employees in the UK.

**WVJIT Investment History**

- **July 2012**
  - \$500,000 Common Stock Investment
  - 203,293 shares at @\$2.4595/Share
  - Funded through WVCAP.
  
- **May 2011**
  - \$250,000 Common Stock Investment
  - 119,588 shares of Common Stock at @2.095/ Share
  - 20% detachable warrant coverage; 7 year time frame.
  
- **January 2011**
  - \$500,000 Series C Convertible Preferred Investment @2.095/Share.
  - 10% detachable warrant coverage; 7 year time frame on \$250,000.
  
- **July 2009**
  - \$500,005 Series B Non-Convertible Preferred Investment @1.34/Share.
  - 8% cash dividend or a 10% Common Stock dividend paid quarterly
  - 20% detachable warrant coverage with a 7 year time frame.



**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

- **December 2009**

- \$100,000 Forgivable Loan from WV Development Office through the WVJIT.

**WVJIT Loan:** In addition to the investments made by WVJIT, the State of West Virginia through the WV Development Office committed an additional \$100,000 to partially offset the costs of relocation to West Virginia. WVJIT was the conduit for this transaction which was structured as a 4-year forgivable loan whereby 25% of the principal amount of the loan would be forgiven based on the achievement of the Company hitting the following sales and employment levels;

	<b>Dec. 2010</b>	<b>Dec. 2011</b>	<b>Dec. 2012</b>	<b>Dec. 2013</b>
<b>Sales Revenue</b>	<b>\$2,522,227</b>	<b>\$6,588,000</b>	<b>\$9,987,500</b>	<b>\$13,630,000</b>
<b>Job Creation Totals *</b>	<b>16</b>	<b>20</b>	<b>24</b>	<b>30</b>

(\* ) These targets are for WV based employees

The funds for this loan were provided to WVJIT by the WV Development Office and not out of WVJIT's operating or investment fund.

**Total WVJIT Investment: \$1,868,172 (\$500,000 Funded from WVCAP)**

**Co-Investors/Lenders**

Number of Co-Investors: 39  
Total Capital Raised: \$8,271,000

**Management Team**

**James Leng**, Interim-President & CEO

A respected business leader with extensive major project experience, James Leng has held a series of senior management roles in both UK Government, advising at Ministerial levels, and in the Industry reporting to Board of Directors of FTSE 250 Companies. A contract/transaction negotiator, construction, and commercial contracting specialist, Mr. Leng has managed some of the largest infrastructure and services contracts undertaken in the past 15 years across the UK and Europe, including the largest ever private sector engagement of healthcare clinical outsourcing delivery service for the UK government at £5 billion.

As founding partner and chief operating officer of Augmentis PLC, a professional services company, he managed projects in healthcare, education, energy, and the London Olympics Delivery Partner consortium and drove a diversification strategy that resulted in 550% revenue growth in five years. In 2007, Mr. Leng led the company through a successful integration program when it was acquired by U.S. consulting giant Navigant Consulting Inc.

At Revo Technik, Mr. Leng has implemented a strategic growth and diversification program that has improved profitability with consistent revenue growth. He holds a BSc (Hons) 2:1 grade, degree, from De Montfort University, Leicester, England in Building Surveying.



**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

**Mark Yates**, Chief Technical Officer

A lifetime enthusiast with more than 30 years of experience in the automotive industry, Mark Yates founded Revo Technik in 2002 and has since taken the company forward to be the world's leading VW Group performance aftermarket tuner. His technical specialties include mechanical engineering, quality control, master technician, engine and transmission builds, and race team mechanics and management.

Mr. Yates has been engaged as a technical expert to provide direction to motorsport teams across Europe and the US throughout his career. Most recently, he helped SKODA UK secure their World Land Speed Record (227 MPH) with the fastest Skoda, a 10th-anniversary vRS Octavia at the Bonneville Salt Flats, USA.

**Henry Hsu**, Director of Engineering

Henry Hsu has over a decade of automotive engineering design experience. Before arriving at STaSiS, he was the Technical for Porsche Motorsport North America, where he was responsible for overseeing the technical aspects of all racing series supported by Porsche in the United States and Canada. Mr. Hsu's leadership contributed to manufacturer series championships in ALMS GT, Grand Am Daytona Prototype, Grand Am GT/SGS and SCCA World Challenge GT.

Mr. Hsu has held engineering and management roles at Arciero-Wells Racing, Hughes Space and Communications, O'Connor Engineering, and the Taipei Rapid Transit System. His breadth of engineering experience includes competition engine design and calibration, aerodynamic design, aerospace composite design and light alloy structural design. He holds a Bachelors of Science degree in Mechanical Engineering from California Polytechnic State University, San Luis Obispo.

**Board of Directors**

**Paul Lambert**

Paul Lambert has 20 years of experience in engineering management and corporate sales. He has held engineering and sales positions at Pacific Telesis, Westinghouse, and Altera Corporation. His experience includes being responsible for Altera's most successful sales unit, driving revenue from \$10 to \$110 million over five years from 200 direct and distributed sales staff. In his motor sports career, he competed in Audis, BMWs, Porsches, Sport Racers, and Formula 1 cars. Mr. Lambert has 12 track records, more than 20 pole qualifications and more than 30 wins, culminating in four series championships. In professional competition, Mr. Lambert brought Audi its first race win, pole qualifications and track records before managing a multi-car effort that produced the most winning car of the 2006 and 2007 World Challenge Series. He holds an International Baccalaureate degree from the International School of Brussels and a Bachelors of Science degree in Electrical Engineering from Carnegie Mellon University.

**Todd Cope**

Todd Cope has 18 years of experience in various engineering, marketing and financial management roles, including starting and managing an engineering design center in Penang, Malaysia and being responsible for marketing, forecasting, pricing, and margin for product lines totaling over \$300 million in sales. He holds 20 patents. Mr. Cope received a Science degree in Electrical Engineering from Carnegie Mellon University and a Masters in Business Administration from Santa Clara University.

---

**C. Andrew Zulauf**, Executive Director, WV Jobs Investment Trust

Andy Zulauf has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan Officer for the West Virginia Capital Corporation, as a Partner and Managing Director of West Virginia operations for Adena Ventures, and as Vice President and Upper Middle Market Commercial Relationship Officer for Fifth Third Bank. Mr. Zulauf is a graduate of Marshall University and the University of Charleston's Executive MBA program.

**Ted Rozsa**

Ted Rozsa has been actively involved in the Calgary petroleum industry since 1973. He held the position of Vice President of Operations at Bassett Oil Ltd. until 1979, and then founded Blackleaf Petroleum Inc., a Montana company. Mr. Rozsa was a founding shareholder of First Western Trust Company until a national company acquired it in 1986. In 1982, Mr. Rozsa rejoined his father in founding Rozsa Petroleum Ltd. and left in 1990 to acquire a petroleum software company, Munro-Garrett International, a Dallas-based company specializing in production operations software. After Landmarks Graphics, a Halliburton Company, acquired the company, Mr. Rozsa remained as VP of Strategic Relations, responsible for global partnerships until March 2001. Returning to Calgary, Mr. Rozsa took Rozsa Petroleum Ltd. public as Virachocha Energy Inc. and subsequently as Chamaelo Energy Inc. Chamaelo was restructured as an Energy Trust, which was acquired by Penn West Energy Trust in 2007. Mr. Rozsa has been a shareholder and director of STaSIS Engineering, Inc. since May 2009. He has served on the Board of Directors of the Calgary Philharmonic Society and the Industry Advisory Board of Directors of Michigan Technological University. He now advises entrepreneurial startups in Calgary.

**Products**

STaSIS provides accessories and parts for any Audi model. Consumers can either choose a part for their engine, suspension, brakes and wheels, or they can purchase a package to outfit their vehicle to their choosing. REVO delivers a complete offering of performance-enhancing products such as braking, suspension, and driveline enhancements for VW, Skoda, SEAT and Ford Vehicles.



The company's newest product line will be *Ecotec*. Its premise is to maximize fuel efficiency and consumption in vehicles while remaining environmentally conscious.

**Competition/Market Summary**

**Dinan BMW, Morgan Hill, CA**

Founded in 1979, Dinan is well established as North America's premiere BMW tuner. Dinan develops, manufactures and markets a comprehensive line of high performance products and systems distributed through a

nationwide network of authorized Dinan BMW Performance Centers that includes select BMW Dealerships and independent BMW service facilities.

### AMG Mercedes, Germany

AMG is a subsidiary of the Mercedes-Benz car company specializing in high-performance luxury cars. AMG models are typically the most expensive and highest-performance of each Mercedes series. AMG models typically have more aggressive, sportier looks, higher performance, better handling and better stability than regular Mercedes automobiles.

### Industry Summary

Sales of automotive specialty-equipment products continue to climb, with sales in 2012 reaching \$31 billion, according to the 2013 SEMA (Specialty Equipment Market Association) Annual Market Report. The figure represents a 4% increase over the previous year and marks the third consecutive year of growth.

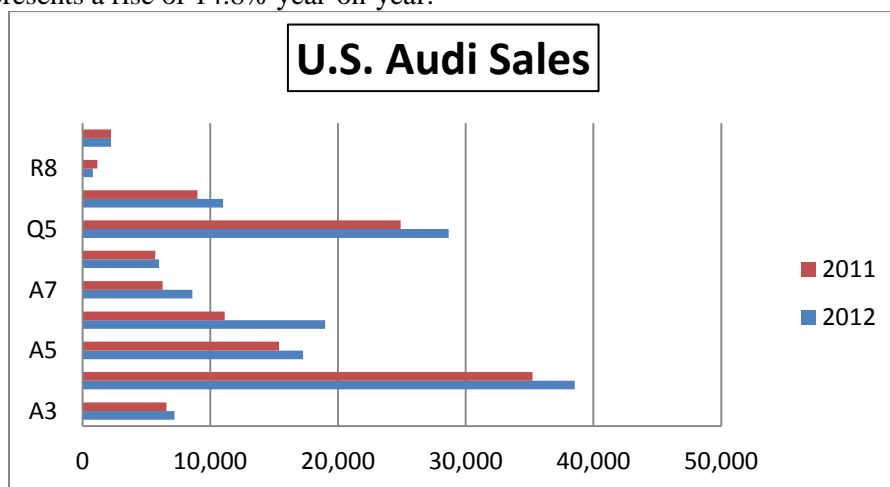
The automotive specialty-equipment market began to see an upswing in 2010 when sales totaled to \$28.60 billion—a 2% increase over the previous year. Sales reached \$29.99 billion the following year, representing a growth of 5% over 2010.

The growth in 2012 was largely attributed to a growth in the street-performance niche. Accounting for \$7.47 billion in sales, the street-performance niche represents the largest niche in the industry.

Also noteworthy in the study is the light-truck market. While the segment had been declining in recent years, the niche saw a slight increase and is expected to rebound as leading automakers prepare to release major redesigns for popular truck models in the coming years.

On the vehicle sales side, 2012 was Audi's best year as it marks the first time Audi monthly sales have topped 13,000 units, with strong demand through the month pushing deliveries to 14,841 vehicles, which is a 17.3% increase over the previous December sales record of 12,655 units in 2011. The company announced that despite global economic uncertainties, it will invest \$17B to develop new models, new technologies, and to expand its global production capabilities through 2016.

Audi was not the only manufacturer to have an outstanding 2012 year, but also for BMW. BMW said that it sold a total 1.845 million vehicles last year, an increase of 10.6% over 2011. In December alone, BMW sold 181,571 vehicles, which represents a rise of 14.8% year-on-year.



Source: Audi Annual Report.

### Significant Events

**May 2013:** Company begins to do business as STaSIS Revo Group (SRG). It also releases a company guide outlining goals, products and mission in the automotive accessories aftermarket. The company also introduced Ecotec as one of its divisions to enhance fuel efficiency in existing vehicles.

**March 2013:** Jim Bradbury resigns from the STaSIS Board of Directors.

**July 2012:** WVJIT Board of Directors and WVCAP Committee approve a \$500,000 follow-on investment for REVO Technik acquisition. As part of the acquisition, the company went through a management restructuring and announced James Leng as President and CEO of STaSIS. Paul Lambert and Todd Cope remain as members of the Board of Directors.

**June 2012:** Audi hires Scott Keogh as new President of Audi of America.

**June 2012:** Day Audi out of Monroeville, PA and Bakersfield Audi out of California signed agreements that will bring the STaSIS Signature Series to those respective dealerships.

**March 2012:** Audi dealerships located in Colorado, Ohio and San Francisco have all agreed to bring STaSIS Signature Series models to their areas.

**June 2011:** The STaSIS dealer network now extends to 65 active Audi dealerships, with a goal of 85 by the end of the calendar year. The new corporate headquarters and manufacturing facility in Summit Pointe was anticipated to be ready for occupancy in the third quarter of this year.

**May 2011:** The WVJIT Board of Directors approved a \$250,000 convertible note, to be converted into the Series "D" Preferred Stock issue. Also, the Company announced an agreement with Oppenheimer Funds to raise up to \$20 million in new equity shares. The deal would allow existing shareholders to invest in the upcoming Series "D" preferred shares by way of convertible note.

**February 2011:** STaSIS announced the acquisitions of EuroJet Development, which manufactures performance components for Volkswagen and Audi vehicles. STaSIS will keep the EuroJet brand. The purchase was a stock transaction.

**August 2010:** The WVJIT Board of Directors approved a \$250,000 investment in STaSIS in Series "C" preferred shares with 5% detachable warrant coverage.

**February 2010:** The WVJIT Board of Directors approved a \$250,000 convertible bridge loan to STaSIS for working capital purposes. The loan was structured as a demand note with a maturity of September 30, 2010. It was unsecured, bearing an interest rate of 8% fixed with 5% warrant coverage. The loan was conditioned upon the Company raising a matching \$250,000 in either additional debt or equity from new or existing shareholders. The Company was successful in securing the \$500,000 matching fund requirement.

**December 2009:** The WVJIT Board of Directors approved an investment of \$100,000 in STaSIS in the form of a forgivable four year loan promissory note with a provision of forgiveness based on the company attaining agreed to levels of sales and employment for each of the next four years. The WV Development Office provided the funds that were channeled through the WVJIT to STaSIS.

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

**May 2009:** The WVJIT Board of Directors approved the initial investment in STaSIS. The investment was a \$500,005 Series B preferred equity investment with an 8% cash dividend or a 10% common stock dividend. As part of the terms of the investment, WVJIT received 20% detachable warrant coverage with a 7-year window with a 10% discount on warrant price. The WVJIT also received a seat on the company's Board of Directors. In addition to the WVJIT investment, STaSIS raised \$500,000 as part of a Series A common round that closed in June 2009. Furthermore, the company also successfully raised an additional \$500,000 as part of the \$1 million Series B round.

**Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in STaSIS Engineering, Inc. at value, which is currently presumed to be the same as cost or **\$1,868,172**.

---



**Snapshot:**

Company: **Troy, LLC**  
Website: troylcwv.com  
Location: Harrisville, WV  
Total Employees: FT/60; PT/0  
WV Employees: FT/60; PT/0

**WVJIT Investment: \$1,303,263**  
**WVJIT Ownership: 19.43%**

**Leadership Team**

Martin Ballen	CEO/ Director of Sales
Richard Kerns	Chief Operating Officer/ Chairman of the Board of Directors
Linda Golden	Materials Control Manager
Lisa Hadley	Controller
Wilma High	Consultant

**Background**

Troy Mills, Inc., a New Hampshire based company, was established in 1865. It owns an 85,000 square foot facility located in Harrisville, West Virginia and supplies needle punched textile products to niche markets. The Harrisville facility is a Tier-One and Tier-Two supplier to the automotive industry and is also a supplier to the apparel industry. The facility produces automotive interior fabrics and apparel linings and currently has 60 people working at the facility. The company filed for bankruptcy protection in 2001. Mountaineer Capital, WVJIT, and two individuals purchased the West Virginia operation in March 2002. The company has been organized as a Limited Liability Company known as Troy, LLC.

**WVJIT Investment History**

- **May 2013: \$840,000 Investment**
  - Closed June 2013 convertible 5.5% loan. WVCAP Seed Capital Co-Investment funds accessed for \$420,000 of loan. The WVCAP portion to be paid back within 12 months.
- **February 2002: \$500,000 Investment**
  - \$60,000 in Series A Convertible Preferred Membership Units
  - \$440,000 in Convertible Subordinated Term Loan
  - Current Balance: \$403,263
- **September 2009:**
  - Loan was modified and principal increased by the amount of past due interest.

Total WVJIT Investment Balance:	\$ 883,263
<u>Total WVCAP Investment:</u>	<u>\$ 420,000</u>
<b>TOTAL</b>	<b>\$1,303,263</b>

**Co-Investors/Lenders**

WVEDA:	\$769,000 – Debt	<b><u>WVJIT FY13 Revenue: \$24,675.31</u></b>
MOVRC:	\$341,000 – Debt	
WUB:	\$400,000 Term Loan; \$575,000 LOC	

**Board of Directors**

**Richard Kerns**, Chief Operating Officer, Chairman of the Board of Directors

Richard Kerns is a military veteran having served from 1965 to 1967. He was the Production Supervisor of FMC Corporation located in Parkersburg, West Virginia from 1968 to 1974. Mr. Kerns has been with Troy since 1974 where he has served in such positions as Production Supervisor and Manager of the Harrisville facility. Since March of 2002, Mr. Kerns has been COO and part owner.

**Martin Ballen**, Chief Executive Officer

Martin Ballen completed a four-year materials engineering program at General Motors Institute. After completion of the program, he joined GM's engineering department staff. Later, he would continue in the field of automotives and join Chrysler Corporations' engineering staff. Through the years, Mr. Ballen has held various management positions with both GM and Chrysler. In 1970, he joined Troy Mills Inc. as a sales engineer. Since then Mr. Ballen has helped develop new applications for Troy's capabilities for various automotive customers at OEM, Tier One and Tier Two levels. In 1990, he became the VP of Automotive Business Group with responsibility for marketing, sales, and R&D, customer service and manufacturing. In 2000, he started the Prestwick Group, LLC, a representative for several manufacturers of materials for the automotive industry. In 2002, with Richard Kerns and an investment group, the purchase of Troy Mills was made and the name was changed to Troy, LLC. Mr. Ballen currently serves as CEO.

**Patrick Bond**, Mountaineer Capital

Pat Bond joined McCabe-Henley Properties LP as Managing Director in early 1998, Mr. Bond brings a wealth of experience in finance, administration, strategic planning, general management, and management information systems. Previously, Mr. Bond owned/operated an independent consulting practice, Growth Management Group that specialized in the areas of Business Environment Assessments, new product development, investment and financial analysis and strategic planning. Prior to that, he was President of a natural gas marketing company and was President and CEO of Atlantic Financial Federal, a \$750 million savings and loan institution and all its business units. He graduated from WVU where he received both Master's and Bachelor's Degrees in Industrial Engineering.

**Sam Sommerville CPA**,

Sam Sommerville is currently VP of Northeast Natural Energy and a former partner of the Simpson & Osborne Accounting firm. He is a graduate of Glenville State College, a certified public accountant (CPA), and is active in various professional, trade, and civic organizations.

**C. Andrew Zulauf**, Executive Director, WV Jobs Investment Trust

Andy Zulauf is the Executive Director of the West Virginia Jobs Investment Trust, a public seed investment fund. He has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan officer for the West Virginia Capital Corporation, as a Partner and Managing Director of West Virginia operations for Adena Ventures, and as vice president and upper middle market commercial relationship officer for Fifth Third Bank.

---



**Products**

<b>Automotive</b>	Produces needle punch synthetic fabrics for applications that include seating trim, luggage compartments, molded door carpets and inserts, package trays and headliners.
<b>Apparel</b>	Recycle fibers for printed lining materials for work jackets and western theme clothing, saddle pads, gun cases, custom luggage and baseball caps.
<b>Industrial</b>	Produces felts, absorbency and shoddy materials using fine and coarse denier polyester, polypropylene and nylon fibers, coupled with a wide variety of support scrims and backings.



**Competition/Market Summary**

**Formed Fibers (Auburn, Maine)**

Specializes in Polyester Fiber, Fabric, Substrates, and Custom formed parts. The company has three locations (Auburn, ME; Sydney, OH; Sumter, SC). FFT is the only auto supply company that is vertically integrated from fiber to fabric to finished part. Each product they manufacture is custom designed for its intended use.

**Foss Manufacturing (Hampton, New Hampshire)**

Established in 1954, and now has six business units (Automotive, Specialty Fibers, Kunin Group, Technical Products, Eco-Fi, and Ozite). They are a vertically integrated producer of engineered, non-woven fabrics and specialty synthetic fibers.

**IAC (Troy, NC)**

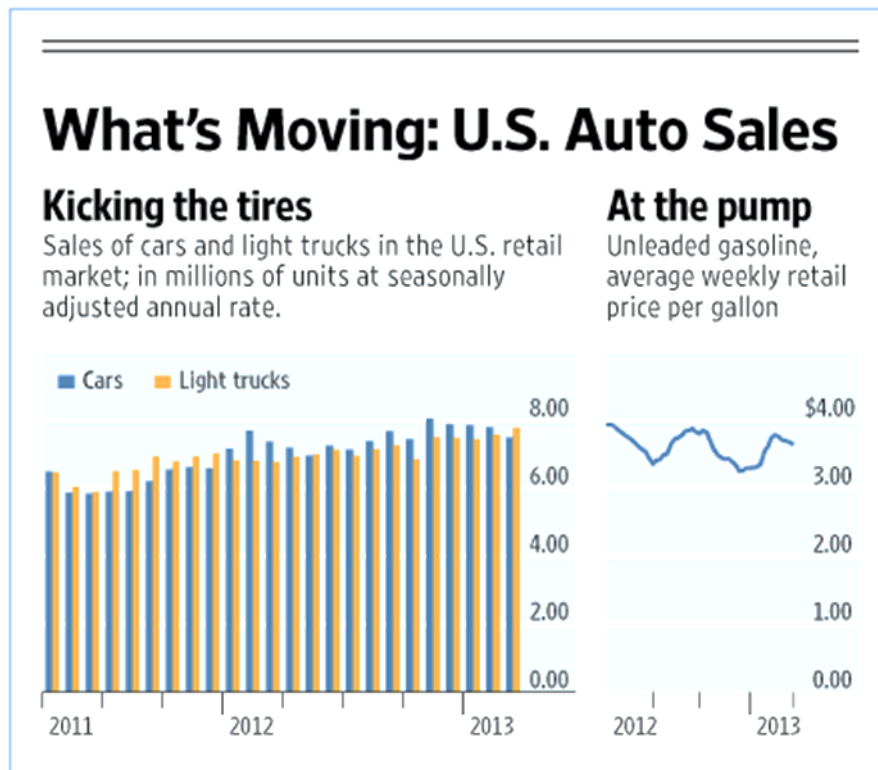
Specializes in plastics, fibers, and other manufacturing components.

**Industry Summary**

Troy operates in the needle punched segment of the nonwoven textile market. This market makes up roughly 30% of the general nonwoven market which is a \$5.4 billion industry in the United States. Needle punching is considered to be a success of the textile world and companies in this industry have experienced growth in recent years. Needle punched textiles were previously popular in Europe and have recently seen a rise in popularity in the United States. This process can be used to create textiles for any number of uses, from tennis court surfaces, to space shuttle exterior tiles, to car interiors. Troy primarily does business with the automobile industry and 95% of its sales during 2012 were from this sector. Troy also does a small amount of business with the apparel industry, most notably with Carhartt.

Troy's success, like with many players in the needle punch textile market, lies in the success of the automobile market. The needle punch textile market suffered massively during the latest recession, causing many companies to go out of business. Troy was able to stay in business during this time and actually gained customers when competitors folded. Recently, the auto manufacturing market and the needle punch textile market have both rebounded and are expected to grow in the future. According to data from the Wall Street Journal, car sales in the U.S. are up 3.1% YTD from YTD 2012, light duty truck sales have increased 10.1% during that same span, and

SUV sales have increased 8.9%. Auto sales have been increasing at a steady rate since 2009 and the graph below shows this increase between 2011 and 2013 YTD.



*Source: Industry Reports*

However, auto sales in Europe have not increased along with the United States in recent years. In 2012, automobile production in Europe contracted by 5.9%. Another detail about the automobile market is that the average age of vehicles continues to increase and is now 11 years. Some think this indicates the public is about to re-enter the car market to replace older vehicles as the economy improves. JD Power and Associates expects sales of new cars and trucks to reach 15.3 million in 2013 and be up to 16.4 million by 2015. Optimism in the auto market translates to optimism for Troy, whose customers are almost entirely auto companies. This optimistic outlook is spread to the textile industry as well.

According to the publication Textile World, product shipments increased by 2-3% in 2012 and U.S. companies may no longer be losing market share to international companies. The same publication has stated that it expects profits to dramatically increase during 2013 in the textile industry. Mergers in recent years have decreased the number of competitors in the market, creating opportunities for growth. Companies in the textile industry are currently on the rebound. A quick scan of industry news shows far more companies expanding their operations than cutting back. One of Troy's main competitors, Foss, recently announced that it would be building a 220,000 square foot facility in Georgia that would create 150 jobs. An international competitor, Dilo Group, reported in January that 2012 was its most successful year ever.

### Significant Events

**May 2013:** WVJIT and WVCAP approved an \$840,000 investment into Troy, LLC. Use of Proceeds will be used for working capital as well as payment of outstanding debt held by Mountaineer Capital.

**March 2013:** Troy released sales for month ended January 2013. January sales were \$1.016M, which was 5.22% better than the company's expectation. Leading the increase were Automotive sales that were \$29K over budget, followed by Apparel sales that were \$27K over budget. Industrial sales lagged under budget by \$2K. February sales were expected to be approximately \$970K versus a budget of \$922K.

**August 2012:** Troy, LLC releases June and first half YTD results. Operating profit for June was 9.7%, better than the June budgeted 8.2%, YTD operating margin is 9.1% better than 7.7% that was budgeted for the first half of 2012. Sales mix for June and YTD was 90% and 95% Automotive, 9.7% and 3% Apparel/Furnishing, and 0.3% and 1.5% Industrial, respectively.

**July 2012:** Troy, LLC was featured in the July edition of "55 Good Things About West Virginia," which is a supplement to the "West Virginia State Journal." This article entailed Troy's continued success with car manufacturers and Carhartt apparel.

**June 2011:** Troy is in the midst of a year in which the auto industry initially saw considerable growth, recovering from the recession of 2008. The recession forced two domestic auto manufacturers to obtain federal financial assistance, shut down their dealerships, and to discontinue automobile brands.

Troy, like other tier one and tier two suppliers, who did survive the recession, enjoyed a strong recovery until the Japanese economy, including much of the automotive industry was devastated by the 2011 earthquake, tsunami and nuclear power plant destruction. Troy temporarily lost a significant portion of their (indirect) business with Honda. It is anticipated, and appears to be on track, that Honda and the rest of the Japanese auto industry will recover soon. However, in the meantime, Troy needed additional security for its loan covenants (see May 2011).

**May 2011:** The WVJIT Board of Directors approved a \$400,000 demand note due in twelve (12) months. The Company used the proceeds to purchase a certificate of deposit to secure the Company's existing credit line. Note was paid in full on May 2012.

**June 2010:** Troy, LLC's \$975,000 revolving line of credit with Huntington Bank was set to expire on December 31, 2009. Huntington Bank informed Troy, at least 6 months prior, that they would not renew the credit line. A number of factors led to this including the poor financial performance for the past two years, a deteriorating balance sheet caused by the losses in 2008 and during 2009, and perhaps most importantly, the economic weakening of the industry itself.

Troy worked diligently with West Union Bank to replace the credit facility with Huntington. West Union conditionally approved the loan request, subject to obtaining an SBA guaranty. The SBA approved the guarantee; however, they would not allow the equipment to be part of the line of credit. Thus, the company established a \$400,000 term loan with West Union Bank. The loan was secured by a first lien on the equipment. The term loan on the equipment was subject to qualification and was approved under the West Virginia EDA's Loan Insurance Program. The proceeds of the term were used to pay down the existing debt on the line of credit. The remaining debt on the line of credit was transferred to the new line of credit with West Union.

The automobile industry saw a significant rebound in sales for the 2nd half of 2009 and 1st quarter of 2010, compared to the previous year. Troy experienced a steady increase in sales each quarter. On the production side, Troy's management did a tremendous job of cutting costs in order to stabilize losses. The company ran at break

---

**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

even or slightly better for the last quarter. Troy's employee base increased from 32 to 42 full time employees from two years prior.

Sales with existing customers continued to pick back up, but the Company got business that they had not anticipated from competitors that did not survive through the economic crisis. Regarding the sales for 2010-2011, the Troy diversified itself not relying on the bulk of their sales coming from the big three. Looking at the two largest customers for the next 24 months, they were both contracts for international brands. Projected sales for 2010 were \$6.8M and was on pace to achieve that level based on their June 30, 2010 financial statements. Additionally, the company anticipated total employment to exceed 50 people in those next 12 months.

**September 2009:** Troy, LLC requested a modification to the current loan they have with WVJIT and with Mountaineer Capital. Both lenders agreed to modify the loan to provide interest only payments from October 2009 until maturity of the loan, which was April 2011. In conjunction with the modification, the interest rate on each loan was changed from 8% to 6% fixed for the remaining term of the loan.

**June 2009:** The credit crisis that struck in the fall of 2008 resulted in the plummeting of vehicle sales. In response, OEMs slashed production at unprecedented rates in an attempt to combat expanding inventories. Adding to the problems, General Motors and Chrysler extended scheduled plant shutdowns as they entered bankruptcy, depriving many North American suppliers, including Troy, of their main revenue sources. Both large, tier 1 suppliers, along with numerous smaller suppliers filed for bankruptcy. Troy continued to look for ways to reduce cost and conserve cash. Additionally, in April 2009, Troy secured funding from the Mid-Ohio Valley Regional Council. The working capital loan was used to bridge the Company in anticipation of increased sales activity in the fall of 2009. The economic hardship caused the Company to fall behind (4 months, \$13K) on the interest only loan payment to WVJIT.

**February 2002:** Investment of \$500,000 was made to Troy and funded as follows: \$60,000 in Series A convertible preferred membership units and \$440,000 in a convertible subordinated term loan that was used to acquire the assets of the Harrisville, West Virginia facility and to properly capitalize the facility to ensure necessary working capital.

**Overall Conclusion**

Based on the foregoing, WV Jobs Investment Trust finds it most appropriate to record its investment in Troy, LLC at value, which is currently presumed to be the same as cost or **\$1,303,263**.

---



**Snapshot:**

Company: **US Glass, Inc.**  
Website: [Usglss.com](http://Usglss.com)  
Location: Williamstown, WV  
Total Employees: FT/2; PT:0  
WV Employees: FT/0; PT:0

**WVJIT Investment: \$100,000**  
**WVJIT Ownership: 40.0%**

**Leadership**

Gene Bem	Chief Executive Officer
Ed White	Chief Financial Officer
Guillaume Gauthereau	Advisor

**Background**

US Glass, formed in 2012, acquired the 107 year-old Fenton Art Glass Company. As part of the acquisition, US Glass acquired the intellectual property, molds, color formulas, and name. The goal for US Glass will be to produce new, modern design functional tableware in the “Made in America” tradition that cannot be replicated in China or anywhere else in the world.

**WVJIT Investment History**

- **March 2013**
  - Provided an initial investment of \$100,000 in Series AA Preferred Units.
- **November 2012**
  - WVJIT and WVCAP approved a \$500,000 Series A Preferred investment with 150% warrant coverage (150,000 Common Shares) with an expiration of 5 years at a \$1.00 strike price.

**Total WVJIT Investment: \$100,000 funded through WVCAP**

**Co-Investors**

Interactivity Foundation	\$49,000
Parimal Patel	\$40,000
Ed White	\$10,000
Robert Tanko	\$1,000
Jeff Rich	\$1,000

**Total Outside Investment: \$101,000**

**Management Team**

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

**Gene Bem**, Chief Executive Officer

With over 20 years of experience as a Management Consultant and Investment Advisor to senior executives, Gene Bem has worked with clients of all sizes from the Fortune 500 to start-ups. He has held senior partner positions in two Boston based boutique strategy firms and Oliver Wyman (formerly Mercer Management Consulting), one of the largest consultancies in the world. His expertise is primarily in crafting and implementing winning strategies for corporations using sound customer analysis combined with innovation portfolio valuation.

**Guillaume Gauthereau**, Advisor

Guillaume Gauthereau was appointed the youngest CEO of Lalique, the leading French luxury glass company where he oversaw the design, business operations, sales and marketing of all crystal, jewelry and perfumes in the United States and Europe for over 8 years. In addition to his extensive knowledge of the art glass industry, he comes from a background working as an executive in the luxury, retail, and consumer goods sector for Louis Vuitton and Nestle. More recently, Mr. Gauthereau founded Totsky.com, a private-sale website for mothers and parents as well as Sequoia Lab to parlay his experience into entrepreneurial ventures and corporate sustainability initiatives. He is also an active member of the Clinton Global Initiative, World Entrepreneurship Forum and an advisor to the French Government, Grameen Bank and Board of Directors member of various companies and non-profits.

**Ed White**, Chief Financial Officer

Ed White recently announced his retirement from a career spanning 38 years at Owens-Illinois (O-I), a fortune 500 company that is the largest manufacturer of glass containers and packaging goods. He has served as an SVP of Owens-Illinois since 2003 and has been its CFO and Principal Accounting Officer since 2005. Mr. White also serves as the President, CFO and Chief Accounting Officer of Owens-Illinois Group Inc. and has previously held positions within the company in Finance, Planning and Administration-International Operations and Sales and Marketing for Owens-Illinois Europe.

**Board of Directors**

**Gene Bem**, Chief Executive Officer

**Ed White**, Chief Financial Officer

**Parimal Patel**

With multi-industry experience as a management and operations strategy consultant and operations leader for Fortune 500 companies, Parimal Patel has deep operational performance and supply chain expertise allowing companies to grow effectively and improve profitability. Mr. Patel has held positions on the management team of a Big 4 firm focused on Strategy and Operations and Program management roles for Fortune 100 firms, and also published thought leadership around operational effectiveness and scaled growth.

**Dr. Jack Byrd**

Dr. Jack Byrd is an Industrial and Management Systems Engineering Professor at West Virginia University. Dr. Byrd has over 20 years of experience working with over 100 organizations in manufacturing, healthcare, service and Government. His area of emphasis is in Operations Management, Training Systems, Employee involvement, Integrated Product Development and continuous quality improvement. In addition, Dr. Byrd serves as President of the Interactivity Foundation, a public policy foundation engaging citizens in the exploration and development of

---



possibilities for public policy. Dr. Byrd received his Ph.D. from WVU and is a Registered Professional Engineer in the State of West Virginia.

**Michele O'Connor**, West Virginia Jobs Investment Trust

Michele O'Connor has more than 25 years of experience in the finance and banking industry. She attained her Certified Financial Planner designation along with the Accredited Investment Fiduciary Manager designation. She was the Portfolio Manager for the Trust Department at First United Bank and managed over \$600 million for the department. Currently, she is the Investment Manager for the West Virginia Jobs Investment Trust, which is a leading venture capital firm focused on turning the innovation of new ideas into successful world-class companies. Ms. O'Connor graduated Magna Cum Laude with a BA in Finance from the University of Maryland College.

**Products**

US Glass will manufacture housewares, figurines and tabletop items utilizing the Fenton molds with some updated designs from local and national artisans. The company will distribute the items to major retail outlets such as Williams-Sonoma, Bed Bath & Beyond, Neiman-Marcus, among others. US Glass hopes to be part of the strong consumer trend of being one of the few “Made In America” glass manufacturers.



**Competition/Market Summary**

Competitors for US Glass range from local West Virginia glassware companies such as Blenko and Homer-Laughlin to global manufacturers such as Lalique, Baccarat, and Daum. The firm’s competitors in the ultra-high-end crystal and glass functional and decorative items are a variety of general home décor manufacturers and distributors for whom handmade glass specialty items are either a minor entry in their product lines or miss altogether. Those ultra-high-end manufacturers are Waterford Wedgwood, Swarovski, and Rogaska

**Industry Summary**

According to Market-line, the Global Housewares and Specialties market is forecasted to accelerate with an anticipated CAGR of 6.5% for the five year period between 2011- 2016, which is expected to drive to a value of \$67.4 billion by the end of 2016. In 2011, the global housewares and specialties market had total revenues of \$49.3 billion representing a CAGR of 3.3% between 2007 –2011.

Home Furnishing entities will begin to perk up as consumer sentiment and per capita disposable income increase with the continued economic recovery. While competition is expected to continue, rising consumer confidence,

**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

disposable income and home ownership levels are anticipated to lead to the industry's resurgence in the five years to 2016. Luxury brand retailers such as Williams-Sonoma are expecting that with the housing recovery, they will expand their home renovation and table-top assortment items. While issues and potential bottlenecks may occur as result of the overhanging fiscal cliff, Americans over the past several months are feeling more confident and likely to make discretionary purchases.

Focusing on the Consumer Glass buying market, the U.S. Household average median income is roughly \$52,000. There are roughly 57 million Americans who earn more than the median income. U.S. quarterly and yearly dinnerware unit volume was roughly \$280 million and 1.13 billion, respectively, according to the Consumer Trading Service in 2011. Glassware sales representing that U.S. yearly sales amount makes up roughly 2.3% or \$26 million. The average household spends \$9.77 per year and \$2.44 per quarter on dinnerware items. With regards to beverageware, quarterly and yearly unit volume was roughly \$218 thousand and \$871 million, respectively, in 2011 according the Consumer Trading Service. Glassware items made up 67.3% (or \$586 million) of yearly unit volume. The average U.S. Household spent \$7.64 per year or \$1.91 per quarter. The global housewares market is over 300 billion dollars as of 2010. Typical department stores carry roughly \$654 million and \$327 million dinnerware and beverage products, respectively.

**Significant Events**

**March 2013:** WVJIT invested \$100,000 through WVCAP for 100,000 Series AA Preferred Units in US Glass.

**November 2012:** Investment approved by WVJIT Board of Directors and WVCAP Committee following term sheet signature and completion of Due Diligence.

**Overall Conclusion**

Based on the foregoing, WV Jobs Investment Trust finds it most appropriate to record its investment in US Glass, Inc. at value, which is currently presumed to be the same as cost or **\$100,000**.

---



**Snapshot:**

Company: Vandalia Research, Inc.  
Website: Vandaliaresearch.com  
Location: Huntington, WV  
Total Employees: FT/4; PT/0  
WV Employees: FT/4; PT/0

**WVJIT Investment: \$559,376**  
**WVJIT Ownership: 10.48%**

**Leadership**

Derek Gregg,	Chief Executive Officer
Michael Fons, Ph.D.,	President, Vandalia Vaccines
Justin Swick,	Director of Engineering

**Background**

Vandalia Research, Inc. was founded in 2004, and is a life sciences Company based in Huntington, West Virginia. Vandalia is the first biotechnology company based upon Marshall University research, specializing in DNA production by polymerase chain reaction (PCR). The company holds an exclusive license to the proprietary Triathlon technology. This technology is capable of providing milligram and gram quantities of custom PCR-amplified DNA for a variety of applications, such as DNA vaccines, diagnostic standards, genetic therapy research and custom probes.

**WVJIT Investment History**

- **August 2010:**
  - \$75,000 Series A Preferred Investment
  - 8% Quarterly Dividend
- **April 2010:**
  - Conversion of \$200,000 convertible debt, plus interest into Series A Preferred Units.
- **May 2009:**
  - \$325,000 LOC bridge loan convertible into Series A Preferred Shares.
  - \$200,000 was drawn from LOC.
- **February 2008:**
  - \$275,000 in Series A Preferred Stock.

**Warrant Coverage:** None.

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

**Co-Investors:**

Mountaineer Capital:	\$ 600,000 Debt & Equity
Co- Investors:	\$1,265,000
<b>Total Outside Capital</b>	<b>\$1,865,000</b>

**Board of Directors**

**Derek Gregg**, Founder

Derek Gregg is the primary day-to-day manager of Vandalia Research. He is responsible for the financial and personnel resources of Vandalia, purchasing, communications, and other management duties. He plays a large role in writing grants, patents, and developing strategic partnerships. He is also currently directing the sales and marketing activities of the company.

**Liz Murray, Ph.D.**

Dr. Liz Murray received her Ph.D. in Genetics from the University of Kansas in 1986. She is employed by Agrigenetics, a company helping in the process of developing insect resistant plants. She also worked for Promega Corporation for eight years, where she headed manufacturing for DNA typing products. Dr. Murray holds three U.S. patents for her inventions and maintains many active contacts in molecular biology reagent businesses.

**Patrick Bond**, Mountaineer Capital

Managing Director of McCabe-Henley Properties LP since 1998, Pat Bond brings a wealth of experience in finance, administration, strategic planning, general management and management information systems. Previously, Mr. Bond owned/operated an independent consulting practice, Growth Management Group that specialized in the areas of Business Environment Assessments, new product development, investment and financial analysis and strategic planning. Prior to that, he was President of a natural gas marketing company and was President and CEO of Atlantic Financial Federal, a \$750 million savings and loan institution and all its business units. He graduated from WVU where he received both Master's and Bachelor's Degrees in Industrial Engineering.

**Lee C. Haikal, M.D.**

Dr. Lee Haikal is a native of South Charleston, West Virginia, and a graduate of Marshall University School of Medicine. He completed a residency in diagnostic radiology at the University of Louisville Hospital and a fellowship in vascular and interventional radiology at Methodist Hospital in Indianapolis, Indiana. Dr. Haikal primarily performs interventional radiology procedures and is also proficient in plain film radiology, CT, ultrasound, nuclear medicine and mammography exams. He is Board of Directors certified in diagnostic radiology and has been with Radiology, Inc. since March 2003.

**C. Andrew Zulauf**, Executive Director, WV Jobs Investment Trust

Andy Zulauf is the Executive Director of the West Virginia Jobs Investment Trust, a public seed investment fund. He has extensive experience in finance and venture capital, having served as Executive Director and Senior Loan Officer for the West Virginia Capital Corporation, as a partner and Managing Director of West Virginia operations for Adena Ventures, and as vice president and upper middle market commercial relationship officer for Fifth Third Bank.

---

### Products

The Triathlon is the first system and process to enable the polymerase chain reaction (PCR) to be used for the large-scale manufacturing of DNA Sequences. Its primary advantage is a continuous method for heating and cooling the PCR reagents, which facilitate processing unlimited volume without having to pool the products from multiple test tubes. The result is:

- Reduced Labor
- Decreased turnaround time
- Reduction in opportunities for contamination

### Competition/Market Summary

Custom manufactured DNA is a very limited market with few identified competitors. The two most significant competitors identified are Takara Bio and SeqWright Genomics Services.

#### Takara Bio

Takara Bio is part of Takara Holding Company, Inc. and represents the biomedical business interests of its parent company. Takara Bio is committed to improving the human condition through biotechnology through three primary areas of focus; developing research tools for the life sciences, gene therapy, and nutraceuticals. Takara has been focusing on biomedical research since it launched the Bio group in 1967.

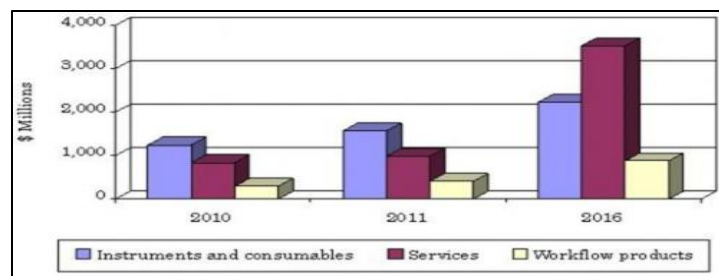
From its start in manufacture and supply of restriction enzymes in 1979, Takara Bio has positioned itself as a leading company in the Japanese life science market. Takara's acquisition of Clontech is one of many steps the company is taking to continue to provide innovative tools that allow customers to access technological advancements in the life sciences.

#### SeqWright Genomic Services

SeqWright Genomic Services is a Contract Research Organization (CRO) specializing in providing a wide variety of genomic services, including the full-service nucleic acid technology CRO, molecular biology, to microarray and next generation genomics. Founded in 1994 by John W. Belmont, M.D., Ph.D. and Richard Gibbs, Ph.D., of the Human Genome Sequencing Center, SeqWright was acquired by Clariant Diagnostic Services, Inc., a GE healthcare company in 2012.

### Industry Summary

The value of the global market for sequencing products and services is forecast to more than double to a value of \$6.6 billion by 2016, growing from nearly \$3 billion in 2011 at a compound annual growth rate (CAGR) of 17.5% according to BCC Research's new market research report DNA Sequencing: Emerging Technologies and Applications.



Source: PRNews/BCC Research

**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

The sequencing products market can be broken down into three segments: instruments and consumables, services, and workflow products. Instruments and consumables accounted for nearly \$1.6 billion in 2011 and will reach \$2.2 billion in 2016. Services were valued at \$987.6 million in 2011 and are expected to increase at a remarkable CAGR of 29% to reach \$3.5 billion in 2016. Workflow products, worth nearly \$410 million in 2011, should reach \$883.6 million in 2016 at a CAGR of 16.6%.

**Significant Events**

**January 2013:** Vandalia surpassed \$1M DNA revenues in 2012. Management's goal for 2013 is to exceed \$1.5M in DNA revenues.

Vandalia has announced it won the approval for a no-cost extension for the Pandemic Influenza Vaccine Program. Vandalia has also announced several proposed investments for 2013 including a New Triathlon Lab, ISO 9001 Certification, and reconfiguring the Vandalia offices.

They also plan to attend several conferences for the purposes of business development such as the BIO2013 conference in Chicago, BioTech Japan, and TradeWinds Asia in Korea.

**July 2012:** Vandalia announced a spinoff company called Crosscutting Concepts, LLC. This company will develop, manufacture, and market hands-on science products for high school and post-secondary education students.

**July 2012:** WVJIT Board of Directors approved \$300,000 in equity financing through WVCAP and matched by Crosscutting Concepts, LLC.

**June 2012:** Vandalia is scheduled to present at the Global Technology Community's 10th Vaccines Research and Development: All Things Considered conference in mid-July.

**May 2012:** Vandalia received a U.S. Patent covering their process that involves large-scale DNA production using polymerase chain reaction (PCR).

**June 2011:** Vandalia announced significant progress on several recent efforts. The Company followed the four recent additions to the Lyle & Louise educational modules with two new modules planned for January 2012. Vandalia's Science and Education division experienced considerable growth over the past four (4) months increasing sales from \$5,000 in July 2010 to \$30,000 in June 2011, resulting in three new full-time positions. Vandalia would now have eight (8) full time employees.

Vandalia announced that they received a U.S. Department of Defense (DOD) contract for \$1.049 million for the Flu Vaccine Technology Program, which is a pre-clinical development of a pandemic flu vaccine manufactured by Vandalia's Triathlon bioreactor.

The company also announced the formulation of Vandalia Vaccines, which will be led by Michael, PhD. The division will focus on the commercialization of vaccine projects based heavily on the data obtained through the DOD Pandemic Influenza DNA Vaccine project. The engineering department began construction of a fourth generation Triathlon device that will allow Vandalia to make DNA certified for clinical trials.

**June 2010:** Vandalia Research projected the next 12 months of sales to be approximately \$1.0M and hiring three (3) new full time employees. The Company expects to be the recipient of the DOD contract in collaboration with Innovio Biomedical, with work to start after October 2010. Of the \$325K line of credit approved in April 2009, \$200K was funded. In April 2010, WVJIT converted the \$200K plus accrued interest to Series A preferred equity.

---



**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

**June 2009:** Rep. Nick J. Rahall announced that he secured \$1.5 million for the Department of Defense (DOD) technology development by Vandalia Research in the Fiscal Year (FY) 2010 Department of Defense Appropriations Act (H.R. 3326). The \$1.5M in funding secured by Rep. Rahall for Vandalia Research, Inc. will be used to collaborate with Innovio Biomedical in San Diego, CA to work with the U.S. Army on applications for their technology. This technology would allow for the development of vaccines and medicines to prevent or cure severe viral pandemic diseases based on Vandalia's linear DNA fragments that will expedite and enhance the quality of vaccines.

**May 2009:** WVJIT committed to a \$325,000 line of credit bridge loan convertible into Series A preferred shares as part of a \$650K new round of financing. The funding was to be released periodically, based on milestones accomplished. A portion of the WVJIT investment (\$125K) was reserved for construction and equipment costs necessary for a GMP facility, assuming the Company was not able to gain funding from alternative sources.

**May 2008:** Since the research and development done by Innovio Biomedical of San Diego on linear DNA vaccines was first announced in July of 2007, Vandalia Research made substantial progress in the area of DNA vaccines. In December 2008, Derek Gregg, VP of Business Development, made presentations at the Vaccine Congress meeting in Boston and the DNA Vaccines meeting in Las Vegas. Additionally, Vandalia Research was featured on the front-page of Genetic Engineering News (GEN) in the March 2nd issue. GEN is the major industry newsmagazine for biotechnology. Vandalia Research is working with nearly 10 DNA vaccine researchers and companies around the world as a result of these presentations.

**March 2008:** Vandalia Research raised the initial half of a \$1.5M Series A preferred stock sale with WVJIT and Mountaineer Capital. The funding was used to accomplish the following milestones:

- Continue to fund and expand the Company's intellectual property coverage.
- Enhance physical infrastructure and institutional processes to support cGMP and ISO-certified manufacturing of DNA products (critical for entry into regulated markets).
- Further develop corporate partnership efforts.
- Continue further product development and technology improvements on the Triathlon system.

**February 2008:** The WVJIT Board of Directors approved an investment of \$275,000 in Series A preferred stock to be used for working capital as part of a \$750,000 round with participation from Mountaineer Capital as well as existing shareholders.

**Overall Conclusion**

Based on the foregoing, WV Jobs Investment Trust finds it most appropriate to record its investment in Vandalia Research, Inc. at value, which is currently presumed to be the same as cost or **\$559,376**.

---



**Snapshot:**

Company: **Vested Health, LLC**  
Website: vestedhealth.com  
Location: Charleston, WV  
Total Employees: FT/9; PT/0  
WV Employees: FT/8; PT/0

**WVJIT Investment: \$999,997**  
**WVJIT Ownership: 8.46%**

**Leadership**

Shawn Dobson	President/CEO
Sherry Parks	Chief Financial Officer
Carol Ball	Eligibility Specialist
Tammy Moss	Financial Analyst

**Background**

Established in 2001, Vested Health is a licensed third party administrator that offers unique, customized, portable healthcare solutions across a four part Consumer Directed Health Plan (CDHP): (1) a unique Vested Health Account (Health Reimbursement Arrangement (HRA), Health Savings Accounts (HSA) or Flexible Spending Account (FSA) used for day-to-day expenses and longer term savings; (2) health coverage or a high-deductible traditional health plan (HDHP) offered through leading insurance carriers; (3) proprietary technology, implementation and educational tools and; (4) services including the Benny Card, Web Accounts, Health Account Management System (HAMSTM). The company's proven approach to CDHP management has helped more than 375 client companies and 15,000 consumers reduce their overall healthcare costs. Vested Health is one of only a few venture-backed independent Consumer Directed Health Plan companies. Management has implemented solutions that have generated substantial health care savings in the last 11 years in a variety of industries.

Vested Health was organized in July 2001 to capitalize on this emerging new insurance product. CDHP's address the failings of HMOs by providing access to providers and at the same time creating the incentive to the covered employee/member to spend dollars wisely. For the employer, it still enables them to provide the much needed employee insurance benefits; however, it deduces the high level of uncertainty associated with a defined benefit plan and changes this to a more predictable financial outlay under a defined contribution plan.

Vested Health customers are regionally located companies located primarily in Ohio, West Virginia and South Carolina.

**WVJIT Investment History**

- **2007:**
  - \$250,000 equity investment in Series C Preferred membership units
- **2004:**
  - \$100,000 equity investment in Series B Preferred membership units
  - \$150,000 convertible debenture; converted into Series B Preferred membership units

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

- **2003:**
  - \$250,000 convertible debenture; converted into Series A Preferred membership units
- **2002:**
  - \$250,000 in Series A preferred membership units.

**Co-Investors/Lenders**

Mountaineer Capital	\$1,500,000 Equity
Adena Ventures	\$1,000,000 Equity
CapVest	\$1,000,000 Equity
Angel/Other Investors	\$1,800,000 Equity

**Total Outside Investment: \$5,300,000**

**Board of Directors**

**Thomas E. Parkinson**, Adena Ventures

Adena Ventures is a \$36 million venture capital fund that invests in companies in central Appalachia. Tom Parkinson is also a partner in Hopewell Ventures, a \$110 million Chicago-based fund targeting the Midwestern United States. In addition to his role with Vested Health, he is an observer on the Board of Directors of GamePlan, Inc. He was a Director of TLContact, Inc., until that company was acquired by Steve Case's Revolution Health Group in 2007.

Previously, Mr. Parkinson led a successful early-stage venture fund associated with Northwestern University, where he made and managed investments in more than 20 start-up companies, including Peapod, Inc. and Everyday Learning, Inc. He received his undergraduate degree from Northwestern University and his MBA from Northwestern's Kellogg Graduate School of Management and spent over ten years teaching courses as an adjunct professor in entrepreneurship and entrepreneurial finance at Kellogg and the University of Illinois at Chicago.

**Patrick A. Bond**, Mountaineer Capital

Pat Bond has been responsible for the origination/management of seven of the Mountaineer Capital's investments. Prior to joining Mountaineer, Mr. Bond served as Managing Director of McCabe-Henley LP, bringing a wealth of experience in finance, administration, strategic planning, general management, and information systems. Previously, he owned/operated an independent consulting practice, Growth Management Group, specializing in the areas of business environment assessments, new product development, investment and financial analysis, and strategic planning. Prior to that, Mr. Bond was President of a natural gas marketing company and was President and CEO of Atlantic Financial Federal, a \$750 million savings and loan institution and all its business units. Mr. Bond graduated from West Virginia University where he received his Master's and Bachelor's Degrees in Industrial Engineering.

**Don O'Shea**, Custer Capital

Don O'Shea has over twenty years of experience in executive level management positions, having been CEO, COO, and CFO in private and public corporations both domestic and international. He has diverse industry experience in services, retail, manufacturing and distribution. His experience includes start-ups, growth turnarounds, marketing, finance and mergers and acquisitions. Mr. O'Shea has an MBA from Brunel University, a DMS (Postgraduate Diploma in Management Studies) from the University of the West of England and a Bachelor of Science from the University of London. He is a current member of the Institute of Management (MIMgt.) in the UK. Mr. O'Shea has held the following positions: Managing of Leather Agencies, UK; President and CEO of

Minit Canada; COO, and Corporate Vice President of Minit International. He founded the BDF Group Ltd., which provides business consulting and development services to companies in Canada and the United States.

### **Products**

Vested Health designs, implements, and serves as a third-party administrator of Consumer Directed Health Plans (CDHPs), including Health Reimbursement Arrangements (HRAs), Retiree Health Reimbursement Arrangements (RHRAs), Flexible Spending Accounts (FSAs), and Health Savings Accounts (HSAs). The company has developed a unique HRA platform, which enables employers and consumers to maximize the control they have over their health care costs.

The company has implemented HRA solutions since 2001 that have generated substantial healthcare savings in the last eight years in a variety of industries, which include but are not limited to, healthcare systems, hospitals, physician groups, financial institutions, software companies, U.S. government contractors, attorney partnerships, manufacturing, petroleum companies, hospice organizations, municipalities, and non-state government agencies. Their solution allows employers to retain control of account funds, as well as provides a flexible and manageable approach to funding contribution levels. Vested Health helps employers create cost-control solutions and the financial incentive for employees to become informed, motivated and engaged in the healthcare process.



During the past year, no new products or services were introduced or administered by Vested Health due to the lack of change within the third party administration insurance industry. However, with the newly backed Patient Protection and Affordable Care Act (PPACA), small businesses such as Vested Health may be able to forecast a spike in their business for the coming years.

### **Competition/Market Summary**

Health plans for businesses and their employees comprise a multi-billion dollar industry that is highly competitive. Well known national insurance companies like Prudential, Cigna, Aetna/US Healthcare, and the regional Blue Cross and Blue Shield companies seek the employer's dollar. A plentitude of HMOs, both regional and national, also compete. Many companies are already self-insured.

Many third party administrators (TPAs) are gravitating towards making sure their focus stays squarely on companies that are small to medium in size because they know that their products and services can suit these companies much better compared to a large corporation.

Recent studies have shown that more than 20% of the health insurance market is made up of Consumer-Driven Health Plans (CDHPs) and this number will continue to rise. Consumer-driven health plans help customers reduce their health risks and improve the quality and efficiency of their care, resulting in lower total medical costs. This bodes well for other TPAs including Vested Health who can offer their CDHPs at a competitive rate and continue to grow their customer base.

### **Industry Summary**

The insurance industry has been through a whirlwind over the past decade. Globalization, deregulation, and new economic and healthcare policies have allowed for a volatile and ever changing climate. Third party administration of HSA's, HRA's, FSA's and other health insurance plans is a necessary link between policy holders, healthcare providers, and insurance companies. An uptick in the Managed Care insurance industry could be on the horizon with the upholding of the Patient Protection and Affordable Care Act (PPACA) by the U.S. Congress. According

---

**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

to the trade “America’s Health Insurance Plans,” more than 90% of Americans with health insurance are enlisted in some form of managed care.

Companies such as JPMorgan Chase, a leading global financial management firm, are moving to consumer-driven health plans. JPMorgan Chase opted for fully replacing their medical plan options with consumer-driven health options in order to encourage their employees and their families to focus more on the current status of their health, to improve or maintain that status (for those that were healthy) over the short and long term, and to become educated consumers of healthcare services by using providers/drugs that are considered quality and cost effective alternatives.

Overall, enrollment in Consumer-Directed Health Plans (CDHPs) grew by 19% in 2012, increasing from 33 million in 2011 to 39 million. As the economy continues to stumble and the fate and feasibility of the Affordable Care Act remains in question, an increasing number of employers are seeking innovative ways to reduce what they spend to cover their employees. Employers of all sizes in the healthcare marketplace continue to look to the inherent cost cutting advantages of the Consumer-Driven Health Plan model when seeking coverage for employees. Patients want more personal control over their healthcare decisions and every employer is seeking affordability and stability in coverage costs. CDHPs are built to satisfy both demands.

**Significant Events**

**2013:** Vested Health’s YTD is slightly above the budgeted revenue projections. Net income is ahead of budget as well. The number of enrolled employees remains steady at 14,000, but per employee revenue continues to decline.

**June 2011:** Vested Health’s YTD was 4% behind revenue projections; however, net income was 9% ahead at \$119,506 for the period May 2011 YTD. The number of enrolled employees stayed constant at approximately 14,000 for the past eighteen (18) months, however, the per employee revenue (fee) declined. On the positive side, the company gained a strong foothold in the South Carolina market gaining several larger public employee groups.

**June 2010:** Vested Health served over 27,000 members, in 42 states, for over 340 employer groups. The company was engaged in the development and implementation of OPEB liability mitigation strategies for several government clients, including Chester County, South Carolina, and the City of Myrtle Beach, South Carolina.

**June 2009:** Vested Health signed on 357 employer groups, 13,629 EE lives, and 27,292 members. The company uncovered another line of revenues through GASB. GASB 43 and 45 became new governmental financial reporting requirements for all state and local governments that sponsor post-employment healthcare benefits. The major covered benefits included medical, dental, life insurance and disability.

**June 2008:** Vested Health saw significant changes in the management as former CEO and Founder, Mike Baker, left the company. Shawn Dobson became the new CEO, and Sherri Parks served as Chief Financial Officer. The company at the time, provided health coverage for 323 employees including 13,800 covered employees. Average cash burn was approximately \$50K per month with cash reserves slightly in excess of \$250K. Vested Health financial projects indicated they would be better than break-even by the start of the first quarter of 2009.

**September 2007:** The WVJIT Board of Directors approved a \$250,000 “follow-on” investment in Vested Health in the form of Series C preferred stock as part of a minimum \$4.0M round.

**June 2004:** The WVJIT Board of Directors approved an additional \$150,000 in Vested Health as part of a \$450,000 round. Each investment was structured as a convertible debenture with warrants to purchase Series B preferred stock and has been converted as described.

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

**November 2004:** The WVJIT Board of Directors approved a \$100,000 equity investment in Vested Health as part of a \$3.0M Series B preferred units round, which included approximately \$2.0M in new money and conversion of \$1M in debentures to equity. WVJIT converted \$335K in debentures to equity at the close of the round. WVJIT's equity ownership stood at 252,647 units or 13.21% of the company.

**November 2002:** Vested Health raised an \$825,000 convertible preferred equity round with participation from WVJIT, Mountaineer Capital, Adena Ventures, and angel investors.

**Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in Vested Health, LLC at value, which is currently presumed to be the same as cost or **\$999,997**.

---





**Snapshot:**

Company: **WV Potato Chip, LLC**  
Website: **Buymisterbee.com**  
Location: **Parkersburg, WV**  
Total Employees: **FT/23; PT/0**  
WV Employees: **FT/23; PT/0**

**WVJIT Investment: \$250,000**  
**WVJIT Ownership: 21.74%**

**Leadership**

Rick Barton,	Chief Executive Officer
Randall Holden,	President
Dwight Holden,	Director of Operations
Jonathan Betancourt,	Sales Manager
Mark Licot,	Production Manager
April Hymen,	Finance/Accounting Manager

**Background**

The WV Potato Chip Company, LLC was established in 2012 by Rick Barton and Randall Holden to manufacture potato chips under the Mister Bee brand. The assets to Mister Bee Potato Chips were purchased after the company filed for bankruptcy protection in November of 2011. The company owns and operates a plant in Parkersburg, WV capable of processing 3,600 pounds of potatoes per hour in various sizes.

The original Mister Bee brand was started in 1951 by Leo and Sara Klein. The company grew to be a million dollar business in 1972 serving West Virginia and parts of Ohio and eastern Kentucky.

**WVJIT Investment History**

- **April 2013**
  - \$250,000 Series A Preferred Units; 7% Quarterly Dividend

**Warrants/Warrant Coverage:**

- 100% at 50% discount; with a 7 year time frame.

**Total WVJIT Investment: \$250,000 (\$125,000 funded through WVCAP)**

**Co-Investors/Lenders**

Rick Barton	58.70%
Randall Holden	19.56%

**Board of Directors**

**Rick Barton**, Chief Executive Officer

Rick Barton purchased the assets to Mister Bee in the beginning of 2012 and assumed the role of CEO. He has a large amount of business experience previously serving as an executive with Simonton Windows. After leaving Simonton, he founded Wincore Windows, a massive success story in West Virginia business. He serves as the CEO of Wincore, whose logistics have been widely praised and the company boasts a week turnaround on orders. The company opened with 50 employees and now has over 300. Under Mr. Barton’s guidance, Wincore has become one of the fastest growing companies in the region.

**Randall Holden**, President

Randall Holden is also a founding partner of Wincore Windows and has been with WV Potato Chip Company since its inception. He is the President of the Company and has been instrumental to its early success. Like Mr. Barton, Mr. Holden also has years of industry experience in his time with Wincore and possesses an impressive mind for business.

**Michele O’Connor**, West Virginia Jobs Investment Trust

Michele O’Connor has more than 25 years’ experience in the finance and banking industry. She attained her Certified Financial Planner designation along with the Accredited Investment Fiduciary Manager designation. She was the Portfolio Manager for the Trust Department at First United Bank and managed over \$600 million for the department. Currently, she is the Investment Manager for the West Virginia Jobs Investment Trust, which is a leading venture capital firm focused on turning the innovation of new ideas into successful world-class companies. Ms. O’Connor graduated Magna Cum Laude with a BA in Finance from the University of Maryland College.

**Products**

WV Potato Chip’s core business is the manufacturing and sale of potato chips. It purchases potatoes from Wisconsin-based Highland Lake Farms and Oneida Potato Exchange, and uses a brokerage firm to purchase potatoes from a co-op in Pennsylvania. When the company receives potatoes, they clean them and slice them before cooking them in oil.



**Competition/Market Summary**

The potato chip industry is currently dominated by the brands under PepsiCo, collectively known as Frito Lay North America, Inc. These brands include well known chips like Lay’s, Ruffles, Fritos, Doritos and many others. Frito Lays North America generated \$13.6 billion in revenue during 2012 and reported a profit of more than \$3.6 billion. The next largest potato chip brand is Pringles, which is owned by Kellogg. The Utz brand of chips are

**WV JOBS INVESTMENT TRUST BOARD**  
**ANNUAL INVESTMENT ANALYSES**  
**JUNE 30, 2013**

currently in third place, followed by Cape Cod, Kettle, Herr Foods, Wise Foods, Snyder's of Hanover, Old Dutch Foods, and Snyder of Berlin. Frito Lay North America has a commanding hold over the market and there are no real large challengers among major corporations. Instead, most challengers to Frito Lay come in the form of small regional companies.

These small regional companies are all located outside of the State of West Virginia. However, for the most part, they are located very close to Parkersburg. Utz, a top-5 potato chip brand, is located 5 hours from the Mr. Bee's factory. Other brands like Herr's, Wise Snacks, Snyder's of Hanover, and Snyder of Berlin are all located in Pennsylvania as well. These companies are seen as the most direct challengers to the WV Potato Chip Company. Due to the size of Frito Lay North America's operations, there is very little chance that the Company could compete on the same level. Pennsylvania is home to 24 potato chip plants and Ohio is home to 10. In comparison, there are only 60 potato chip plants nationwide not owned by Frito Lay.

**Utz Quality Food, Inc**

Utz was founded in 1921 by Bill and Salie Utz and is currently operated by the third generation of the company, Mike and Jane Rice. According to their corporate website, Utz is the biggest independent privately held snack company in America. They make over a million pounds of chips each week and ships their product from Maine to North Carolina. In 2011, Utz's main line of potato chips had sales of \$137.6 million. Utz owns a distribution center in Fairmont and Parkersburg and can be found in stores throughout WV. It is the most successful of the smaller group of companies, narrowly edging out Cape Cod and Kettle in terms of sales in 2012 with over \$170 million in revenue. This number is still more than nine times less than what Frito Lay North America made in 2012.

**Herr's Food**

Herr's food was founded by James Stauffer Herr in 1946 when he was only 21 years old. His grandson, James M. Herr has been running the company since 2005. Herr has an office in Ona, West Virginia as well as Chillicothe, Ohio. Their main line of chips had revenues of \$61.1 million in 2011, putting it behind brands like Utz, Kettle, and Cape Cod. Like Utz, Herr's is also distributed throughout the State of West Virginia and has been a very successful brand.

**Conn's Potato Chips**

Conn's Potato Chips is located nearby in Zanesville, Ohio, which is only an hour and a half drive from Parkersburg. It was founded in 1935 by the Conn family. The brand focuses on their brand of chips as well as private label branding. Owners Montie Hunter and Tom George, Sr. have recently built a new 100,000 square foot facility. Conn's was recently featured in a video segment for AOL.

**Industry Summary**

The potato chip industry is thriving in America. Potato chip revenue in the United States was \$9.1 billion in 2010 and the total snack market recorded revenue of \$41.4 billion. Potato chips are still the most popular snack food in the United States and more than doubled the sale amount of cookies in 2011. Potato Chips account for almost 38% of salty snack sales. According to experts, the potato chip industry should grow to \$11.2 billion in revenue, most of which will be captured by PepsiCo's Frito Lay North America unit. According to a study performed by the Snack Food Association, 70% of snack food consumers "actively look for the best value when buying snacks," signaling that a quality, inexpensive item can steal market share away from larger companies. Only 19.6% of salty snack consumers claimed to have brand loyalty. Further, despite the challenging economy of the last few years, people are snacking more now than in the past. 43% of people responded to the survey saying that they ate three to four snacks per day, which is a large increase from the 24% of people who said the same thing in 2009.

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

One of the threats facing WV Potato Chip Company is the move towards healthier chips. A 1 oz. serving of Mister Bee chips contains 10g of fat, 4g of trans fat, 15g of carbs and 170 mg of sodium. Some individual types of healthier snacks like hummus and trail mix are showing stronger individual growth than their more unhealthy competitors. In fact, farmers are now planting five times as many acres of chickpeas as they did a decade ago. However, a higher percentage of indulgent categories of snack foods are showing growth more than healthier categories. Almost 90% of snack food consumers are attempting to have a healthier diet, however, 60% of consumers treat snacks as enjoyment and 55% would still rather snack on what tastes good instead of what is healthier. There is an overall trend in the market towards healthier foods, but it is not as large as one would think. Snack foods are still seen as a time to indulge, so creating a completely healthy chip is not a necessity.

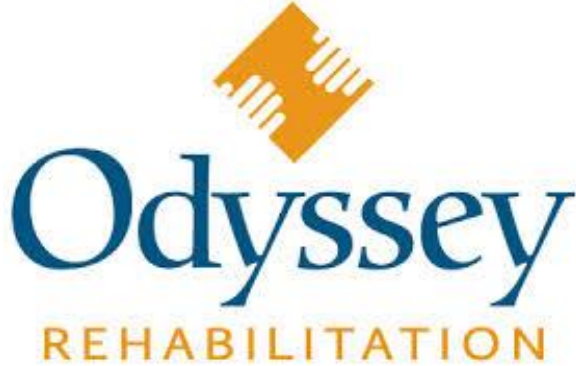
**Significant Events**

**June 2013:** Company closed on funding transaction with WVJIT. Company experienced a cooker fire in their Parkersburg plant location.

**Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in WV Potato Chip Company, LLC at value, which is currently presumed to be the same as cost or **\$250,000**.

---



**Snapshot:**

Company: **WV Therapy, LLC**  
Website: odysseyrehab.com  
Location: Bridgeport, WV  
Total Employees: FT/150; PT/50  
WV Employees: FT/150; PT/50

**WVJIT Investment: \$500,000**  
**WVJIT Ownership: 0.0%**

**Leadership**

Greg Hayes	President
Dr. Jack A. Spatafore	Vice President
George W. Wyatt	Chief Financial Officer
Amy Dotson	VP of Administration
Ester Jones	VP of Operations
Mike Dotson	VP Sales and Marketing

**Background**

WV Therapy Services, LLC, founded in 2006 and based in Bridgeport, WV, currently partners with 21 healthcare providers in various West Virginia locations where 200 full and part time employees provide quality Physical Therapy, Occupational Therapy and Speech Therapy services to meet the needs of their patients. The company also provides comprehensive management of the healthcare providers' rehab department. This management allows the healthcare provider to concentrate on other important aspects of their organization. The company went through a rebranding and now does business as Odyssey Rehabilitation.

**WVJIT Investment History**

- **July 2012**
  - \$500,000 Secured Note, 9% Interest w/monthly payments
  - Maturity: August 17, 2014

**Total WVJIT Loan: \$500,000 (Funded through WVCAP)**

**WVJIT FY13 Revenue: \$37,500**

**Co-Investors/Lenders**

Greg Hayes	66.0%
Jack Spatafore	33.0%

## Management

### Greg Hayes, President

Greg Hayes has an extensive background in Physical Therapy. In 2006, he started West Virginia Therapy Services. Mr. Hayes also has ownership shares in Fairmont Appliance & TV Sales, LLC and Double D Appliance Repair, LLC. Mr. Hayes attended Fairmont State and received an Associate's degree as a Physical Therapist Assistant. He worked for a contract therapy company as a Regional Assistant Manager for West Virginia before starting WV Therapy Services.

### Dr. Jack A. Spatafore, Vice President

Dr. Jack Spatafore helped to establish WV Therapy Services in 2006. He is also is a part owner of Bridgeport Physical Therapy. Dr. Spatafore has a Master's of Science in Exercise Physiology from WVU and a Doctorate of Physical Therapy from Shenandoah University and is an active member of WV Physical Therapy Board of Directors.

### George W. Wyatt, Chief Financial Officer

George Wyatt is currently the Managing Partner of Post-Acute Professionals. Previously he was the Chief Financial Officer for Functional Pathways and has many years of experience in the financial management of contract therapy providers.

### Amy Dotson, VP of Administration

Amy Dotson attended WVU and Fairmont State prior to joining the company in 2008. She assisted with the initiation of a full benefit program.

### Ester Jones, VP of Operations

Ester Jones joined the company in 2008. She has a B.S. in Medical Technology and a Masters in Occupational Therapy from WVU and is a licensed Occupational Therapist and a current member of the American Occupational Therapy Association. She assisted with the installation of Therapute Billing software system and is also the instructor for the CEU program.

### Mike Dotson, VP of Sales and Marketing

Mike Dotson joined the company in 2010 with an extensive background in the pharmaceutical industry and sales.

## Products

Odyssey offers to children and adults holistic and medical Physical, Occupational and Speech therapy. Types of services and amenities include:

- Fall prevention
- Restraint reduction
- Quarterly screens
- Quality indicator management
- Monthly chart audits





- Assistance in the development of restorative nursing programs, such as:
  - Walking programs
  - Dining programs
  - Contracture management
- MDS quality management
- Third party consulting services
- Facility training annually
- Annual seminars/sessions to facility staff on preventing back injuries (free of charge to the facility)
- Billing software
- Therapute software management

### **Odyssey and Accelerated Care Plus (ACP)**

Odyssey Rehabilitation specializes in offering rehabilitation programs that optimize patient outcomes and reduce the routine cost of equipment. Through ACP, Odyssey Rehabilitation has programs available to enhance clinical outcomes for a variety of neurological and musculoskeletal conditions including:

- \* Acute and chronic wounds
- \* Edema (swelling)
- \* Chronic pain
- \* Contractures (loss of joint motion)
- \* Urinary incontinence
- \* Muscle re-education
- \* Falls
- \* Neurological and stroke motor dysfunction
- \* Dysphagia (difficulty swallowing)
- \* Post-surgical recovery



### **Competition/Market Summary**

Odyssey Rehabilitation has competed on a daily basis in the WV Long Term care marketplace since its inception in 2006. This market currently has approximately 140 Nursing Homes and 48 Hospitals. Of those 140 Nursing Homes, 53 of them are owned by corporations such as Genesis, Aegis and HCR Manor Care who provide their own therapy services within the facility. This leaves the potential business in the WV marketplace in the nursing home market at 87. Currently, Odyssey contracts with nursing facilities for a market share of a little more than 14%. In the hospital market, WV Therapy currently services for a market share in excess of 8%.

As Odyssey Rehabilitation implements its plan for growth with the rebranding strategy from WV Therapy Services, they plan to market their services into surrounding states. Odyssey recently obtained a contractual relationship in Virginia, and intends on contracting with other surrounding states such as Ohio, Maryland, Kentucky, and Pennsylvania in the future.

### **Industry Summary**

According to Research and Markets, the rehabilitation therapy industry in the U.S. consists of about 30,000 establishments (single-location companies and units of multi-location companies) with combined annual revenue of about \$20 billion. Major companies include Select Medical, Physiotherapy Associates, RehabCare Group, and US Physical Therapy. The industry is highly fragmented. The top 50 companies account for less than 25 percent of revenue.

---

**WV JOBS INVESTMENT TRUST BOARD  
ANNUAL INVESTMENT ANALYSES  
JUNE 30, 2013**

Demand is driven by the aging U.S. population and medical advances that increase patient survival rates and prolong life. The profitability of individual practices depends on efficient use of personnel. Large companies have some economies of scale in financial and administrative systems. Small companies compete by developing positive relationships with local healthcare providers and delivering superior customer service. The industry is labor-intensive. The average annual revenue per employee is about \$75,000. Therapy practices compete with similar services provided by hospitals, physician offices, nursing homes, home healthcare services, chiropractors and educational institutions that employ their own therapists.

Rehabilitation therapy practices treat patients suffering from physical, mental, emotional or communication disabilities. Services are primarily provided by physical therapists (45 percent of therapists); occupational therapists (25 percent); and, speech therapists (20 percent). Other services are provided by audiologists such as art, dance or music therapists. Fees for patient services make up over 90 percent of industry revenues. Other revenues include lab test fees and sales of medical equipment and supplies, such as orthopedic appliances.

Odyssey Rehabilitation provides contract therapy services in a very competitive market place. Over the past 7 years, Odyssey has focused its efforts and resources on building clientele in the WV market. Some of Odyssey's top competitors include Genesis Rehab, Aegis, Select and Arbor.

Odyssey is able to offer many competitive advantages such as competitive rates by not having the corporate overhead of the larger companies. Odyssey has a growth strategy that positions them in areas of contractual groups. This allows them to use therapists in multiple buildings which assist in lowering overhead in each facility.

Odyssey is able to ensure clients of their ability to give a consistent and focused commitment to their facility. They are able to do this by being a West Virginia owned and operated business with a strong presence in the state, being local and capable of being at any client's facility within 4 hours. This is very important for many facility operators. Should a problem arise, Odyssey can have a member of the corporate team on site within hours.

#### **Significant Events**

**2013:** Company increased their existing line of credit to fund its continued growth and expansion.

**2012:** Company used loan proceeds to continue to expand into new markets. The Company opened in seven new locations.

#### **Overall Conclusion**

Based on the foregoing, the WV Jobs Investment Trust finds it most appropriate to record its investment in WV Therapy Services, LLC at value, which is currently presumed to be the same as cost or **\$500,000**.

---

