

Virginia Israel Advisory Board
Review

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FY 2005 Review

Overview

During the FY 2005, the VIAB was active in creating and executing a new model for business development. The “VIAB Business Model”. The model identifies an asset in Virginia that can work with a targeted group in Israel, interviews at least 25 targeted companies in Israel, and then selects the four best companies to continue with the process in Virginia which includes three days of intensive targeted meetings and ongoing close followup.

The VIAB continues to identify and attract small and medium manufacturers to consider the State for their expansion needs. We will partner with the VEDP in developing a program that will attract 25 targeted manufactures to a seminar in Israel. We continue to face significant competition from North Carolina which tends to offer greater incentives than does Virginia.

FY 2006 will result in additional implementation of our new business model which should result in additional Israeli companies expanding their US presence through Virginia. We estimated that current VIAB’s activities should result in a net projected increase in jobs in Virginia over the next 2 years of 200+ jobs.

In May, 2005, successful cultural program between Cape Henry Collegiate of Virginia Beach and Alliance High School form Tel Aviv, brought twenty-six Israeli students to Virginia for a cultural exchange program with Cape Henry. The teacher exchange with Israel is scheduled to reactivate in FY 2006 after an interruption due to the political situation on the ground in the Middle East.

FY2005 Accomplishments

- **Beyond Security opened their headquarters in Virginia.** This IT security company expects to grow to 15 people within two years.
- **Elspec**, has a commitment from Dominion Power to test their already proven product. Following satisfactory test results, Elspec should become a preferred vendor of Dominion requiring the company to establish a tech support operation in Virginia.
- **Vitronet**, is currently in due diligence discussions with a group of Virginia investors.
- **Assisted Virginia localities and the VEDP** by bringing Israeli manufacturers such as Solbar, Cobi Rasner (Israeli consultant on behalf of his client) and Foodtech to evaluate Virginia as the best opportunity for establishing US manufacturing presence. These companies represent manufacturing potential of over \$50 million and job creation of over 200 jobs. Sadly, Virginia did not succeed and these companies chose NC. The VIAB is acting on lessons learned from these disappointments by taking the following actions:

- **Initiated and executed the “Active Angel Investors Program”** in Northern Virginia that brought four targeted Israeli companies to the region. VIAB continues to work on the follow-process.
- **Initiated and executed the “Norfolk Program”** that brought four companies to Norfolk for three days of intensive discussions and presentations.
- **The VIAB facilitated a major Israeli Homeland Security conference in Washington DC in October, 2005.** Over 50 Israeli companies participated in the event and the VIAB was the MC for the entire event, teaming with the Israeli Export Institute and American Business Development Group of Shirlington, Virginia.
- **Worked with 4D Security to explore their investment in a homeland security technology center in Virginia.** 4D has established a partnership with Israel Aircraft Industries, Israel’s largest industry, to market and apply the companies proven technologies in the field of homeland security. Held meetings with Secretary of Preparedness and the company which expressed serious interest in investing over \$4 million in the center in return for the State’s committing to beta siting the companies technologies. The proper mechanism for a comprehensive agreement has not yet been found. The VIAB continues to work with the various parties to effect an agreement.
- **VIAB initiated an agreement between the City of Norfolk and the City of Haifa, Israel.** The Mayor of Norfolk, Paul Fraim, signed a cooperation agreement in a ceremony held in Haifa in April, 2005.
- **Worked with Supercom Group** to maintain and expand their offices in Virginia.
- **Initiated VIAB Business Development Model with Carilion Biomedical Institute.** After interviewing twenty-six companies in Israel, a total of four will visit Roanoke for a three day program with another three companies planning separate visits.
- **Facilitated a cultural program between Cape Henry Collegiate of Virginia Beach and Alliance High School form Tel Aviv.** The program brought twenty-six Israeli students to Virginia for a cultural exchange program with Cape Henry.
- **Renewed discussions with Israil on a potential direct flight between Israel and Dulles Airport.** The CEO of Israil will visit Virginia in November 2005 for in dept discussions. (Delta is initiating a direct flight between Atlanta and Israel, which will affect our region adversely in the absence of our own direct flight.)

Goals

- To organize a Business Mission to Israel in November, 2006 headed by the Governor of Virginia. Virginia exports \$138.5 million to Israel on the average over the past 3 years. Virginia is number 11 among all States in the amount of goods exported to Israel. A Governor’s mission to Israel with close follow-up by the VIAB can increase this amount by more than 15%. It should be noted that Maryland, Georgia, New York, Ohio and other States have had successful

missions to Israel, several of which involve the Governor's of the respective states.

- To establish a manufacturing facility of an Israeli company. Investment of \$10 - \$15 million and job creation of 50 - 150 people.
- Four new Israeli companies in Virginia's northern high tech corridor adding 40 jobs and an investment of \$10 million.
- Two Israeli companies entering Virginia as a result of the VIAB/Carilion Program in November, 2005. This should create at least 10 jobs with a total investment exceeding \$2.5 million.
- Generate 25 qualified leads of Israeli manufacturers that will expand into the US within the next three years. The VIAB will facilitate and coordinate both the lead generation and the follow-up work. This will be accomplished by applying the VIAB Business Development Model in a VIAB/VEDP program that will result in a seminar in Israel for targeted companies.
- Mentoring for young Israeli companies in Virginia that will result in an increase of 40 job positions and additional investment of \$2.0 million.
- To establish a direct flight between Israel and Dulles International Airport by the end of FY 2007. Israir and El Al are potential candidates for this.

The Virginia Israel Advisory Board expects to impact the Virginia economy in FY 2007 - 2008 by adding over 200 jobs and new direct investment in excess of \$15.0 million.

Appendix I

VIAB Business Development Model

Working Business Model Developed, Executed and resulted in an Israeli company establishing its US headquarters in Virginia

In the past, we had larger events where an emphasis was placed on the number of participating Israeli companies. Conventional wisdom suggested that a larger number of companies involved with our programs would correspond with a larger number of Israeli companies entering Virginia. Foreign companies, however, require more attention to bridge the cultural gaps.

Based on our objective of facilitating entry into the US rather than merely creating events teaching market entry strategies, we have reemphasized the importance of **follow-up** as part of our strategic process. We have found it that our follow-up capabilities fall below the critical mass necessary to effect a real impact if we try to work with too many companies. Thus we have adopted a “VIAB Market Entry Model” that identifies a smaller targeted group of companies that will have the best chance of success. Our program consists of the following elements:

1. We first identify a strong asset within Virginia that can serve as a facilitating infrastructure for establishing Israeli company presence in the State. *Examples:* Carilion Biomedical Institute for Medical Device companies; John May’s Active Angel Investment Group for Angel investments in Israeli hi tech companies that would establish in Virginia; Hampton Roads Economic Alliance for structuring a Homeland Security base. This asset will be VIAB’s partner for a specific program. VIAB structures and facilitates the program, and our partner provides the local hands-on input.
2. We organize interviews with 25 targeted Israeli companies in Israel.
 - a. The VIAB publicizes our program in Israel via newspaper and television.
 - b. The VIAB hires an Israeli consultant for each program who is an expert in our targeted area.
 - c. We invite our strategic partner from Virginia to join us for the interview process. Without this, we will not join the project as it shows commitment on behalf of our partner and will lead to a better outcome.
3. Upon completing the interview process, we jointly select four companies to continue the process in Virginia. They are selected according to very specific criteria including management, business maturity, technology, and an overall “best fit” with our partner.
4. The company is invited for a three day program in Virginia that consists of:
 - a. A presentation to strategic partners, investors and other interested professionals.

- b. A series of targeted one-on-one meetings.
- c. A commitment by the VIAB and our partner to follow-up and facilitate final agreements that will lead to the establishment of the company in Virginia.

Results of implementation are detailed on the following pages.

Appendix II

Results & Implementation of VIAB Business Development Programs

Program: Active Angel Investment Program, February, 2005	
<p>John May's Active Angel Investment program and Fairfax County were our partners. Objective: To facilitate potential investments of up to \$1 million earmarked for market entry of commercialization ready companies.</p>	
Company	Description & Follow-up Activities
Beyond Security	The company specializes in developing ongoing penetration testing tools that uncover security vulnerabilities in servers and the corporate network. The company established US headquarters in Fairfax. VIAB assisted with located HR, site and facilitation of meetings.
Vitronet	Software that increases the probability of success in drug development by combining innovative in-silico technologies with wet lab experimentation to support lead optimization that will potentially save 10% of drug development costs. VIAB facilitated follow-up presentations with John May's Group who stated due diligence that hopefully will lead to financing and establishment of US headquarters in Virginia.
ACE	A company that has developed unique software to improve cognitive response in sports such as basketball. The VIAB has been unsuccessful to date to arrange meetings with AOL, Redskins or Virginia Tech football leaders.
Cross ID	RFID technology that will be embedded in inks, thus making it significantly cheaper and more easily implemented than alternative solutions. VIAB organized meetings with large local integrators and will continue to follow up.
<p>A total of 25 companies were interviewed in Israel. While four companies were chosen to participate in the AAI program in Virginia, the VIAB continues determine the proper timing and type of introduction we can make for them in the State.</p>	

Program: The Norfolk Program, November, 2005

The VIAB teamed with Hampton Roads Economic Development Alliance to attract Israeli companies primarily in the Homeland Security and Maritime business. Jordan Sloan, a member of VIAB's Board of Directors, offered significant assistance in developing the program.

Elspec	Elspec develops, manufactures and markets advanced products, which improve quality of electricity. Their real-time power quality enhancement system provides: power factor correction, energy savings, voltage support, flicker reduction, current spike reduction, harmonic filtration and various other application for a variety of dynamic loads. VIAB has coordinated Dominion Power's involvement which lead to Dominion's commitment to perform an in-market test/validation of the technology. We expect a tech center to be established after the test is completed.
Totem Plus	Totem Plus develops ship automation and marine computerized applications since 1994. Another New product is: Radioactive material detector System (RMDS). (not yet on website).
TeleFlight Technology LLC	TeleFlight concepts and products offer significant improvements to the aviation industry and the UAV market. They have produced very light weight, high performance guidance and control systems for UAV's. Defense: They are teaming with Israel Military Industries to produce the next generation UAV. Teleflight is partnering with another major Israeli company, the Israel Military Industries (IMI) for this project. IMI, therefore, also participated in the program.
Over twenty-five companies were interviewed in Israel with. A representative of Hampton Roads joined the VIAB in Israel for the interview process in Israel. While four companies participated in the event in May, 2005, additional companies which were interviewed are expected to visit the region in the coming year. A sample of those companies is listed below.	
Emco Marine Ltd.	A 22 year old company employing almost 300 people offering various marine related services from ship repair to logistics to container trading (see website) in Israel and other countries not including the US. They would like to replicate their activities and/or enter a niche market in the US. Hampton Roads is a natural location for them.
Mars Antennas & RF Systems	Embedded antennas and wireless internet flat antennas. Already sell to the US via 2 distributors. Would like to establish a US distribution/marketing chain and a technology support center.

Program: Carilion Biomedical Institute Program, Nov, 2006

The VIAB teamed with the Carilion Biomedical Institute in Roanoke to attract Israeli biomedical device and service companies to establish their US operations at CBI. While the program is consistent with the new VIAB Business Development Model, we have tied it into the ongoing VITAL (Virginia Israel Tech Alliance) program that was initiated in the region over two years ago. The Medical Director of CBI joined the VIAB in Israel for a series of twenty-six interviews. The following companies were selected to participate in the November 2005 program and/or to make a separate, coordinated visit to the region.

BSP	High frequency EKG recordings to determine presence of ischemic heart disease. Much more sensitive than standard 12 lead EKG during cardiac stress testing. Potential to reduce the number of false negative cardiac stress tests.
Nicast	Electrospinning of standard polymers to produce superior peripheral grafts AND drug eluting stents.
Medibell	Technology utilizing wide angle retinal imaging and trans-scleral illumination. Suitable for mass screening of populations such as diabetics in primary care offices.
Savion	Leading transport bed manufacturers with new motorized version. Now offers total service package including manpower, equipment, and out-sourcing of in-hospital transportation solutions.
Venousonics	Transdermal ablation of varicose veins with focused ultrasound. Painless.
EPC	Onsite waste water treatment that is odor free, cost efficient, modular, requires no chemicals or additives, and can be portable.
Rcadia	CT angiography utilizing computer aided diagnostics. Set of algorithms for analyzing radiographic images in order to detect disease-associated characteristics, thereby assisting radiologists or cardiologists in locating and diagnosing abnormalities of blood vessels.

This program will take place in November, 2005. Carilion will participate as a partner and will perform due diligence accordingly. It is our expectation that Carilion will either invest directly or indirectly in one or more of these companies with the establishment of the company headquarters and/or marketing and/or distribution/assembly in Roanoke as our goal.

Appendix III Other Activities of VIAB in FY2005

1	Diverse Securities Technologies (formerly SafeCard)	The VIAB facilitated the company's decision to locate in Virginia Beach. The company has already expanded by acquisition of another company, "Police and Sheriffs Press" which moved to Virginia Beach from Georgia. Since then, the VIAB has been active in facilitating growth through our government connections.
2	Blade Fusion	These 7 young companies opened offices in Northern Virginia via the efforts of business developers which we work with in Northern Virginia and/or Israel. While they are young startups in the US, we expect them to grow and continue to use Virginia as their base. Their areas of concentration include: Computer security infrastructure; one-on-one database marketing systems; Search engines; Corporate Software knowledge management; Fraud protection software, data mining for business applications.
3	Subratec	
4	Corpora Software	
5	Viewlink	
6	Sagramatha	
7	Gammasite	
8	Log-on	
9	SIS	Development of non-opioid non-addictive pain analgesic. Working with VT Veterinary School on an NIH Grant.
10	Xvionics	<p>The VIAB is facilitating connections so this Israeli company can expand its activities. They have established their office in Tyson's corner. Their main product is military oriented: a comprehensive program that optimizes all the activities of an air force. Used in Israel by the Israeli air force for 10 years, the efficiency factor of the IAF has reached over 3.25, in effect multiplying the effectiveness of the Air force by this factor. Alexander Haig is the Chairman of the Board of this company.</p> <p>Medical Applications: The company has developed another program that applies the same algorithms to the functions of hospitals and specifically, the operating rooms of hospitals. The VIAB is facilitating a working relationship with Carilion Biomedical Institute that may lead to the establishment of a new medical subsidiary of the company that would be established in Roanoke.</p>
11	FoodTech	An Israeli food manufacturer that wanted to establish a manufacturing facility in Emporia, which had announced their intention to establish operations in Virginia. After the company suffered some setbacks and reevaluated their business plan, they decided not to establish new manufacturing facilities, but rather to subcontract. Unfortunately, the subcontracting will not take place in Virginia. Emporia presented an excellent package and the CEO of the company expressed that "we aren't looking at any other location, but rather decided that our only alternative at this time is to subcontract rather than build."