

# Virginia Israel Advisory Board Annual Report for FY2007

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October 20, 2007



## Virginia Israel Advisory Board Summary of Current & Future Activities

### Executive Summary: FY 2007 Results

1. Initiated the development of the “Virginia Israel Bio Sciences Commercialization Center” within the Virginia BioTechnology R&D Park. The Center will attract 3-4 new companies to Virginia per year. Two companies have begun working in the Center during FY2007, which created an initial 2 positions.
2. OSG, an Israeli company, began operations in FY2007 in Emporia employing 50 workers. They are accelerating the three year plan with an expansion that will add another 25 jobs in FY2008.
3. Accelerated two BIRD grants that awarded total of \$1.8 million for joint projects between Virginia and Israeli companies that will add approximately 6 new positions in Virginia.
4. The VIAB contributed to the growth of 85 new jobs in FY2007 which represents additional tax revenue to the State of \$293,000 on a tax base of \$5.1 million.

### Review – Achievements for FY 2007

1. **Virginia Israel Bio Sciences Commercialization Center (VIBSCC).** The VIAB initiated and worked with the leadership of the Virginia BioTechnology Research and Development Park to establish the Center to provide a full service entry point for Israeli bio science companies seeking entry to the US market. The dedicated Center within the Park is unique in the United States as it combines and coordinates the following activities:



- a. Access to distribution channels including Owens & Minor and McKesson, the two largest distributors for medical devices and pharmaceuticals respectively, who have partnered with the Park and the Center.
- b. A dedicated Angel investment fund comprised of Virginia business men and committed to financing companies entering Virginia through the program.
- c. A special relationship has been developed with the BIRD Foundation (Binational Industrial R&D Foundation). The BIRD Foundation provides up to \$1 million for a joint R&D project undertaken between and Israeli and a US company. For the first time in thirty years, the VIAB has succeeded to demonstrate to BIRD management that the VISBCC can serve as the primary recipient of funding which has usually been reserved

for companies only. This new paradigm will allow flexibility and easier access to capital that is needed to establish the Israeli companies in Virginia.

- d. Hands on management teams to lead each business.
- e. An infrastructure including VCU and other assets throughout the State.

*Results to date:*

Two companies, **R&D Supports** and **Biocancell**, have begun working with the Park.

R&D Supports and the Center have received an \$800 BIRD grant.

Three additional companies have visited the Center in Virginia and are candidates for the program: **MTC, EnzySurge, Xvionics**.

2. Management from the Bio Rad incubator, and Israeli incubator funded by the Rad Group, one of Israel's leading investment groups, visited the Center.
3. The VIBSCC is a successful growth model that has the potential of creating five new Israeli Bio Science companies a year in Virginia. The program is unique in the United States. A delegation from the Center, with direct support of the VIAB, is traveling to Israel in FY2008 to build the proper relationships in Israel which will help "institutionalize" the Center.
4. While the infrastructure is in place, additional funds for support staff would significantly increase the rate of growth of the Center and jobs in Virginia.
5. **Assisted Virginia localities and the VEDP** by identifying major Israeli manufacturers such as **OSG** to evaluate Virginia as the best opportunity for establishing US manufacturing presence.
6. **OSG** began operations in February, 2007 in Emporia. **Initially hiring 50 workers**, the company expected to add an additional 25 at the end of a three year period. The company has been so successful, that four months after operations began, they are implementing Phase II expansion and expect to hire another 20-25 people in 2008 once the expansion is complete. The VIAB will use this very successful project as a prime example of "Why Virginia" in its marketing campaign in Israel.
7. **Facilitated two BIRD grants to Virginia Israeli partnerships totaling \$1.7 million.** It is expected that the products developed with these funds will be commercialized through Virginia.
8. **Bilateral Agreement between Israel and Virginia.** The VIAB initiated discussions and negotiations with Israeli Government officials on an agreement that would support a joint project. The VIAB has been working with the



Secretary of Natural Resources to identify a needed project in the Commonwealth for such a project. A problem in the State with respect to water reuse has led the state to focus on a project in the desalination area. The proposed project will focus on new technologies originating in Israel that could cut the price of desalinated water significantly, thus providing cost effective solutions to various water issues in the state. The bilateral agreement will require matching funds from both sides. We expect that the minimum contribution from each side will be \$500,000 for a \$1 million project. Another way to view this opportunity is that Israel will contribute \$500,000 in an attempt to find a solution to a serious water problem in the State. We hope to conclude an agreement in late 2007 or early 2008. The problem itself was defined during a joint meeting between water experts from Israel and leaders from Virginia's DEQ and the Department of Natural Resources. The Director of the DEQ, David Paylor, led the meeting from the Virginia side.



9. **Brought the Israel Life Science Road Show** to Virginia for the first time. Fourteen leading Israeli Life Science Companies made presentations to investors and potential collaborating companies. The "Road Show" always visits New York, Boston, New Jersey and until this year, Maryland. The results: one of the companies opened their offices in Richmond via the VISBCC.
10. **Initiated collaboration with the Springboard Program**, which brought nine emerging Israeli companies to the area. The program significantly widened the VIAB's network in Israel via the internationally known Israeli advisory board created for the program. The Board consisted of the top leaders in the Life Science field in Israel. We expect a flow of potential companies to come from these newly created relationships. Results: One of the companies will conduct a Phase I clinical study through the VISBCC program.
11. **Infrastructure Program in Virginia.** The VIAB is facilitating a creative approach to help reduce the cost of a needed water pipeline that could carry recycled water to companies in the Hampton Roads area. The approach will utilize "Offset" credits of Northrop Grumman that could be used for the project if an Israeli engineering company can team with a Virginia company to plan and execute the project. Utilizing these credits for this project will, in effect, improve the ROI of the overall project, making it more appealing to the company. From the standpoint of the state, this will encourage use of recycled water which would have positive implications in the overall water management in the region.
12. **A cultural/educational achievement:** The VIAB has facilitated, in cooperation with Cape Henry High School the expansion of an educational program that began three years ago. An educational class teaching finance, marketing and

entrepreneurship will take place with two different high schools in Israel. This is the first program of its kind in the US where the students will learn not only the educational material, but also the challenges of bridging cultural differences via the joint project that will be conducted via video conferencing. The Ministry of Education in Israel has elevated the pilot project to the “Matriculation” level, thus giving it the highest amount of credibility.

**The program is supported by Israel’s President Shimon Peres** who can be seen here discussing the program with Ralph Robbins, the Executive Director of the VIAB and Mr. Willy Fluharty, the program’s director at the Cape Henry Collegiate School in Virginia Beach. The Israeli students will participate in the final presentations that will be made to a joint group of Venture Capitalists from Virginia and Israel.



13. **Economic Impact of the VIAB:** The economic impact made by the VIAB on Virginia is significant. Based on the relatively small investment, the IRR is estimated to be 309% with a NPV of \$5.0 million. (*see Appendix B*)

#### **Goals for FY 2008**

- To institutionalize the new VIBSCC Center in Richmond by leading a delegation to Israel where they will interview twenty new companies that are positioned to enter the US market through the Virginia Biosciences Center.
- To establish a manufacturing facility of an Israeli company. Investment of \$10 - \$15 million and job creation of 50 - 150 people.
- Conclude a bilateral agreement between Virginia and the State of Israel where Israel will provide matching funds for a project in Virginia that is vital to the Commonwealth. We have identified “desalination” as a critical program that will provide a cost effective solution to Virginia’s future water needs.
- Three new Israeli companies in Virginia’s northern high tech corridor adding 45 jobs and an investment of \$10 million.
- A new Israeli company entering the VITAL program at Virginia Tech Corporate Research Center which should lead to the creation of 10 new positions.
- Generate 25 qualified leads, which the VIAB will develop in cooperation with the other State Agencies such as the VEDP and the County EDPs.
- Mentoring for young Israeli companies in Virginia that will result in an increase of 40 job positions and additional investment of \$2.0 million.
- Facilitate the submission and selection of two Virginia companies for a BIRD Foundation Grant that will provide up to \$1million each for a joint R&D project with an Israeli company. The purpose of the grant is to bring the new products to the point where they can be commercialized in the US through the Virginia/Israeli partnership.

- Conclude an agreement whereby a water pipeline can be built in the Hampton Roads area by utilizing “offset” purchase credits generated by Northrop Grumman.

The Virginia Israel Advisory Board expects to impact the Virginia economy in FY 2009 by adding 100 jobs and new direct investment totaling \$13.0 million.