



COMMONWEALTH of VIRGINIA

Office of the Governor
Virginia Israel Advisory Board

MEMORANDUM

TO: Governor Bob McDonnell

FROM: Mel Chaskin – Chairman, Virginia Israel Advisory Board
Ralph Robbins – Executive Director

DATE: November 12, 2010

RE: 2010 Annual Report of the Virginia Israel Advisory Board

CC: Distribution List (Attached)

The VIAB contributed to the growth of over 300 new jobs in FY 2010. These jobs generated approximately \$18 million in revenue and in state tax revenue of over \$1 million. The board continues to be an effective means of enhancing the relationship between Virginia and Israel. Based on direct and indirect job creation from projects developed by the VIAB, the Commonwealth has historically received 594% return on investment.

This attachment outlines the major activities of the Virginia Israel Advisory Board during the 2010 fiscal year and goals for 2011.

A handwritten signature in blue ink, appearing to read "Mel Chaskin", written over a horizontal line.

Mel Chaskin
Chairman, Virginia Israel Advisory Board

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Virginia Israel Advisory Board

Office of the Governor

FY2010 Review

Submitted by:

Mel Chaskin, Chairman

Ralph Robbins, Executive Director

Tel: 703-288-1414

November, 2010



Virginia Israel Advisory Board Summary of Current & Future Activities

Executive Summary: FY 2010

1. The VIAB contributed to the growth of 114 new jobs in FY2010 after discounting VIAB's contribution to the Sabra job creation by a conservative 75% for shared involvement by other agencies. This represents additional tax revenue to the Commonwealth of \$410,400 on a tax base of \$6.4 million. The ROI to the Commonwealth based on the VIAB's budget is 322% for FY2010.
2. From 2000 – 2010, the VIAB has been involved with activities that have added approximately 1,134 net new jobs to Virginia's workforce. These jobs generated approximately \$38.4 million in state tax revenues which represents 24 x our budget over the same ten year period or a 2375% return. Even if we discount that amount by 75% because of shared involvement by other agencies, the VIAB generates a 594% ROI to the Commonwealth.
3. The VIAB projects that the current pipeline of activities will increase jobs in Virginia by 555 jobs over the next one to three years which would translate to additional tax revenue of \$2.0 million based on a tax base of \$33.3 million.
4. The Sabra plant which opened in May, 2010, will employ 260 workers by the end of 2010 with another 40 workers in 2011. While the decision to move the headquarters from New York to Richmond, Virginia, is on hold, the company plans to move additional 35 – 40 jobs from the New York headquarters to Richmond in any case. As a result of the VIAB's work with the Virginia Department of Agriculture and Sabra, Virginia State University, is developing a "Sabra Chickpea". Until now, chickpeas have not been grown in Virginia. Early indications are that we will be successful. This could lead to employment for 10,000 farmers in Virginia based on Dr. Bhardwaj's estimates. Some of the agricultural job growth must be discounted since not all of the chickpea production will be net additional agricultural production. On the other hand, migration to chickpea production will always be migration from a lower value added crop to a higher value added crop.
5. The VIAB initiative that led to the establishment of the "Virginia Israel Bio Sciences Commercialization Center" has morphed into **Virginia Life Science Investments (VLSI)**. A total of twelve Israeli companies are now part of the initiative. \$18 million has been raised in a private equity fund to support the growth of these and additional companies. During 2010, the VIAB assisted in securing a \$500,000 direct investment from an industrial leader in Israel. The fund has made nine investments in Israeli companies to date. While total job creation stands at nine, it is expected to rise to about thirty within the next 12-24 months.
6. The VIAB is working closely with two very large Israeli Defense contractors to establish facilities in NOVA. These two projects should add approximately 300 jobs in the next 12 – 36 months and is calculated in the pipeline of jobs in 3 above.
7. The VIAB has initiated a multi directional program intended to significantly expand Amdocs, a \$3+ billion Israeli IT company, in Virginia. This could create 500 jobs over the next 12 to 36 months.
8. We continue to work with the Airports Authority encourage United Airlines (soon to be merged with Continental) to initiate a direct flight between Dulles and Tel Aviv.
9. The VIAB is working with Dominion Resources and the Dominion Resource CleanTech Commercialization Center to attract late stage Israeli companies to Virginia. We are patterning this program after the successful BioScience program in Richmond that we initiated.

10. From an Education and Culture standpoint, we launched the Minds In Motion program in Israel and hope to obtain some Federal funding to validate via an R&D project that the program can be used as a tool for teaching tolerance.
11. We are in the process of planning a potential trip by Governor McDonnell to Israel in the Fall of 2011.

VIAB Objectives

The primary mandate of the Virginia Israel Advisory Board continues to be economic development in Virginia, i.e. job creation by facilitating the entry of Israeli companies into the US via a strategic position in the State. As the number of Israeli large Israeli companies establishes themselves in Virginia, the strategy to accomplish our mandate of job creation is extended into three strategies:

1. Facilitating new Israeli company entry into Virginia.
2. Working with the Israeli companies already located in Virginia via networks to help facilitate internal growth and expansion.
3. We seek to leverage the company's strength in order to create a multiplier effect for job creation.

We continue to devote from 15% - 20% of our energies on special educational and cultural projects.

Review of Achievements for FY 2010

1. Virginia Israel Bio Sciences Commercialization Center (VIBSCC) moves forward.

This VIAB initiative which began in 2007, continues to expand. The initiative evolved in 2009 into a private company: **Virginia Life Science Investments (VLSI)**. Paul Richelieu is the Chairman of VLSI and Donna Edmonds is the CEO. The major benefits of the initiative include:

- To guide the commercialization process of Israeli Life Science companies into the US market through the assets of the center and within Virginia.
- Providing 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.
- Providing gap funding, if needed for the companies entering the program.
- 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.



with 12 Israeli companies and has made direct investments in 9 Israeli companies.

- Hands on management teams to lead each business. The model has established a new paradigm in that not only is money raised to help with gap funding, but VLSI also serves as the hands-on business development arm for the company
- An infrastructure including VCU and other assets throughout the State.

Results to date:

- A total of \$18 million has been raised and is in the process of deployment in Virginia.
- The VIAB was responsible for bringing the first direct Israeli investment to the fund: a **\$500,000 investment** from a leading Israeli industrialist.
- The VLSI is now working with twelve Israeli companies.
- Nine Israeli companies have received direct investments.
- Two BIRD Foundation grants totaling almost \$2 million were awarded to the Center.
- VLSI 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, will revisit Israel in FY2009 to interview additional companies.
- Number of jobs created to date: approximately 9
- Potential for job creation in Virginia over the next three years: 30 and perhaps more if Cupron establishes manufacturing facility.



2. Sabra Facility in Chesterfield, Virginia

Sabra Dipping Co, the US joint venture between Israel’s Strauss and PepsiCo, opened a state-of-the-art “energy efficient” manufacturing facility in Chesterfield County on May 26, 2010. The VIAB worked with Governor McDonnell to organize a breakfast in the Governor’s Mansion prior to the opening ceremonies. Indra Nooyi, the CEO of Pepsico and Ofra Strauss, Chairperson of Strauss (50% partner in Sabra), attended the breakfast.

Sabra broke ground on the plant in January 2009. The facility will create around 260 jobs in Chesterfield County once it is fully operational.

Sabra Headquarters

The VIAB briefed both the VEDP and Chesterfield County on the possibility of Sabra moving their headquarters from NYC to Chesterfield. All parties worked aggressively to develop a package that would encourage the relocation of their head quarters. The company decided to freeze a final decision for reasons that are not totally clear. From an economic standpoint, this has little impact on the Sabra project, as the company will have to build additional space for about 40 out of a total of 75 people that are part of



From LtoR: Indra Nooyi, Ofra Strauss Governor Bob McDonnell

the headquarters in NYC, but are moving to Richmond even if the official headquarters is not in Virginia.

Next Steps for Headquarters

- We will allow for the new Sabra CEO to move into his position in the coming months and try to learn more from him.
- When Mr. Robbins meets with Ofra Strauss for discussions about the Governor's 2011 trip to Israel, he will try to learn more information with the hope that this intelligence will allow for actions that will directly address the reasons for the headquarter decision freeze.

Leveraging Sabra

The VIAB has been working with the Department of Agriculture in the State to determine if Virginia can offer Sabra to purchase other raw agricultural materials in Virginia. The largest raw material purchased by Sabra is the chickpea. To date, Virginia has not grown chickpeas because of the difficulty in growing them in a relatively wet climate. The VIAB has been working with a chickpea expert at Virginia State University to determine if we can "engineer" the "Saba Chickpea" that can be successfully grown in Virginia. We worked with Sabra and determined that if Sabra can purchase a chickpea locally, their savings would be approximately \$850,000 per year. Another potential Virginia grown raw material is tomatoes.



Virginia, working to develop the Sabra Chickpea

Unofficial, Preliminary Results, Oct 2010:

As of now the chickpea project is looking good. If all goes well, I estimate that up to 250,000 acres of chickpea could be planted in Virginia. If we assume that each farmer may produce 25 acres of chickpea, **the total number of farmers could be 10,000**. However, all this will happen gradually because of the need for producing sufficient amount of seed and other factors.

Harbans L. Bhardwaj, Ph. D.

Professor - Research Scientist
New Crops Program, Agricultural Research Station, Virginia State University, Petersburg, VA

Additional Leverage of Sabra

The VIAB has identified two Sabra vendors that will examine the potential to expand their operations in Virginia near the Sabra facility. Discussions are still in the early Stages.

In discussions with:
Logo Tech
&
Prince Tahina



3. Amdocs

Amdocs is a \$3+ billion company and a leader in the CES (Customer Experience Systems). About 90% of all cell phone billing in the US is done via the Amdocs platform. The company has 18,000 workers worldwide with approximately 6,000 in the US. Amdocs has \$1.2 billion either in cash or short term investments: A war chest for potential strategic investments.

The VIAB identified a multi directional approach to demonstrate the power of our region and to identify potential growth areas for Amdocs. In October, 2010, we hosted Amdocs for one week in Richmond and NOVA and executed an intensive business development program with them:



	Traditional Telecom	Open Innovation	Government Sales	Dominion Resources
Opportunity	Organized high level meetings with CEO of XO	Interviewed 5 regional VC's and 25 companies that were identified by Amdocs as have potential partnering and/or long term acquisition opportunities. Also organized a reception at the Tower Club where 105 targeted companies participated in an interactive panel..	Organized an intensive presentation of the Government market potential by Jim Hunt, a recognized expert in IT and Government markets.	Utilities are 15-20 years behind the telecom industry in terms of IT modernization. At the same time, smart grid, alternative energy applications such as electric cars, and antiquated IT infrastructure is creating an opportunity for a company like Amdocs.
Desired Outcome	Build up sales and support teams in NOVA.. When Sprint was in NOVA, Amdocs employed 400-500 support staff in Chantilly.	Recognize NOVA as an innovation center similar to Boston or the Coast. Hopefully, Amdocs will decide to partner/acquire some companies in the region which will necessitate some increase in presence.	Determine best way to leverage and expand one federal client they have. Explore other lucrative government segments with the assistance of an expert. Locate a potential partner with whom they can grow in this segment.	Create a strategic partnership/alliance with Dominion to build an entire suite of IT products and applications (eg billing) for electric cars and smart grid/meters. This could become an entirely new division for Amdocs which they can grow in Richmond in partnership with Dominion.



Biggest Potential

Potential:

- A strategic alliance/partnership between Dominion Resources and Amdocs could lead to a new Amdocs Division that would address utilities. Products produced for Dominion Resources could be deployed across all utilities. Based on previous Amdocs experience, this Division could employ 500+ people, which we would expect most of it taking place in Richmond.

- Based on the Open Innovation program we executed in cooperation with Amdocs, they talked with over 25 companies about potential collaboration with Amdocs, of which some of the relationships may turn to acquisition targets.
- We have introduced Amdocs to experts in the region

4. Clean Tech Gateway USA Program

The VIAB has teamed with new Dominion Resource *CleanTech* Commercialization Center (part of the Dominion Resource *CleanTech* Incubator), to develop a program patterned after the successful VIAB initiative: The Virginia Israel BioScience Commercialization Center. We want to bring cutting edge Israeli technologies in CleanTech/Alternative energy to expand into the US through the assets in Virginia, in this case Dominion Resources.

The **CleanTech Gateway USA Program** consists of the following elements:

- A team from Virginia will travel to Israel in January 2010 to interview 24 Israeli candidates that meet our criteria.
- 5-8 of the “best fit” companies will be invited to Richmond, Virginia in March, 2011, for three days of “Go-to-Market” meeting with technical teams, marketing experts, financial experts and private investors.
- At the end of the program, discussions and proposals will be made to the companies to establish their US presence at the Commercialization Center in Richmond. We expect three Israeli companies to establish their US headquarters in Richmond as a result of the program.



5. Direct Flights: Tel Aviv – Dulles

Research indicates that a new direct air link from overseas is the economic equivalent of an investment in an industrial complex amounting to \$300 million. A new initiative to secure a direct Tel Aviv-Dulles air link is currently underway. This is a combined effort between the VIAB, Airports Authority and Fairfax County FCEDA.

The merger announcement between United Airlines and Continental Airlines has put the effort on hold. We will continue to aggressively pursue the direct flight in the coming year during which time the Continental – United Merger will solidify.



6. Assisted Virginia localities and the VEDP

Worked directly with the VEDP and Virginia localities to identify and provide support in efforts to Israeli manufacturers and high tech companies. In April, 2010, the VIAB organized a joint tour between the VEDP, GRP (Greater Richmond Partnership) and the VIAB where we met with thirteen potential companies in Israel over a five day period. We expect two or three of these companies to enter Virginia in FY 2011-12. Companies VIAB are currently working with include:

- Elbit
- ELTA
- RJet
- Echo Tech
- Exalenz
- Elcam
- Haama
- Amikatube
- WeCU
- Paltechnica
- LogoTech
- Prince Tahina
- Hazorea Aquatics
- Malcam
- Green Vision

Collectively, these companies can add between 400 – 500 new jobs in Virginia over the next 2-4 years.

7. Cultural/educational achievements:

Cape Henry Collegiate Program Continues to Expand

The VIAB has facilitated an educational and cultural program between Cape Henry High School and various Israeli high schools.

During the past year, an additional high school in Emek Hefer was added to the program. The classes from Cape Henry and Emek Hefer utilized simple (Skype) video conferencing tools to conduct a series of group discussions and debates about solutions to some of the world's problems such as those found in Cashmere, Korea, and the Palestine/Israel problem.

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 program is continuing for its fifth year.



Willy Fluharty, Director of the program, President Shimon Peres, and Ralph Robbins

8. Minds In Motion Program

Minds In Motion is a year-long program that teaches fourth-grade students discipline, dedication and self-awareness by leading them through a series of choreographic movements which must be memorized and expanded upon in each class session. Although the program is an outreach of the Richmond Ballet, this is not a ballet class, but a way to teach students the benefits of applying themselves to a task involving both mental and physical challenges. It requires no special clothing, shoes or equipment.

The VIAB started a program in 2010 where the *Minds in Motion* program expanded internationally. Our long term objective is to utilize this program as a tool to teach young children the meaning of tolerance and the importance of respect for other groups and cultures.



Brett Bonda, Director, Minds in Motion, directs the Minds In Motion demonstration program in Emek Hefer, Israel

In January, 2010, Brett Bonda, the Director of the program, traveled to Israel with an assistant to teach a working “demonstration” of the program through a two week residency program that took place in Emek Hefer, the twin city of the Richmond Jewish Federation.

Results and Goals of the Program:

1. The demonstration program by the 4th graders of Emek Hefer held in January, 2010 was very successful. It was attended by 700 parents, educators and various divergent cultural community leaders.
2. The parents and educators in the community decided to continue the program. Both the local Department of Education and the Parents are funding the program.
3. The VIAB is exploring potential US grants for the Richmond Ballet (Minds in Motion Division) in order to conduct a longer term R & D project. Goal of the grant: to verify the *Minds In Motion* methodology can be a unique tool to teach tolerance to the ideal age group of the 4th grade. As part of our facilitation process, the VIAB will work with the US Embassy in Tel Aviv, the Peres Center for Peace in Israel, the Department of Education in both Israel and Virginia and other US government offices. Most of these grant funds will remain in Virginia.

9. Goals for FY 2012

- To continue growth of the **Virginia Israel Bio Science Commercialization Center** in Richmond. To establish a manufacturing facility of an Israeli company. Investment of \$10 - \$15 million and job creation of 50 - 150 people.
- Two new Israeli companies in Virginia's northern high tech corridor adding 100 jobs in 2011 and an investment of \$10 - \$20 million.
- 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 over the next 24 months and additional investment of \$2.0 million.
- Facilitate the submission and selection of two additional Virginia companies for a BIRD 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.
- Plan and execute a business and job creation trip by Governor McDonnell to Israel where he will meet CEO's of several of Israel's largest manufacturing companies that have potential for establishing operations in Virginia.

Virginia Israel Advisory Board Board of Directors (November, 2010)

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