



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: September 27, 2011

RE: 2011 Annual Report of the Virginia Israel Advisory Board

CC: Distribution List (Attached)

The VIAB contributed to the growth of over 180 new jobs in FY 2011. These jobs generated approximately \$10.8 million in revenue and in state tax revenue of over \$600,000.00. 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 512% return on investment.

This attachment outlines the major activities of the Virginia Israel Advisory Board during the 2011 fiscal year and goals for 2012/13.



Mel Chaskin
Chairman, Virginia Israel Advisory Board

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Virginia Israel Advisory Board

Office of the Governor

FY2011 Review

Agency Number: 330

Submitted by:

Mel Chaskin, Chairman

Ralph Robbins, Executive Director

Tel: 703-288-1414

September, 2011



Virginia Israel Advisory Board Summary of Current & Future Activities

Executive Summary: FY 2011 Results

1. The Sabra factory in Chesterfield County continues to be a major economic success for the Commonwealth despite the challenging economy. The Sabra facility has added approximately 105 jobs during FY2011 and expects to add another 195 jobs over the next 24 month period.
2. The VIAB initiative that led to the establishment of the “Virginia Israel Bio Sciences Commercialization Center” has progressed to become **Virginia Life Science Investments (VLSI)**. A total of ten Israeli companies are now part of the initiative. An \$18 million fund has been raised to support the growth of these and additional Israeli companies and an additional round of investment may be sought in the next 12 -24 months. The VIAB was responsible for securing the fund’s first Israeli investor who has invested \$500,000 of direct investment into Virginia via the fund. To date, approximately 33 jobs have been created through the initiative.
3. FY 2011 presented many challenges due to the melt down of the economy followed by very slow and unsustainable growth. OSG, an Israeli company, which began operations in FY2007 in Emporia, increased total workers from 25 to 140 in the beginning of FY 2009 after accelerating a three year plan. The economy and an unexpected time void between contracts caused a cutback in manpower to fewer than 50 workers.
4. Despite the poor economic conditions, 182 new jobs were added in FY2011 which represents additional tax revenue to the State of \$546,000 on a tax base of \$10.9 million. This is an increase in job creation from 114 in FY2010.
5. From FY2000 – 2011, the VIAB has been involved with activities that have added approximately 1,316 net new jobs to Virginia’s workforce. These jobs generated approximately \$35.9 million in state tax revenues. If we assume that the VIAB was involved in 25% of the decision process, the amount of tax revenue generated by the VIAB is \$8.98 million which represents a 512% return on the State’s investment in the VIAB over the past eleven years.
6. The VIAB projects that the current pipeline of activities with twelve leading potential prospects will increase jobs in Virginia by 623 jobs over the next one to three years which would translate to additional state tax revenue of \$1.87 million based on a tax base of \$37.38 million.

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 2011

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.
- 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 ten 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.
- Number of jobs created to date: approximately 30
- Potential for job creation in Virginia over the next three years: an additional 30 and perhaps more if Cupron establishes manufacturing facility.



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.

Sabra broke ground on the plant in January 2009. In 2010, the facility grew to about 190 jobs. In 2011, it grew to 305 jobs .

Future Growth Planned

During meetings in July 2011 between Governor McDonnell and Ofra Strauss in Richmond, the Governor was informed that future growth is planned.



Leveraging Sabra

The VIAB has been working with the State Department of Agriculture to determine additional Virginia produce that Sabra can purchase. The State is in its second year of research to develop "the Sabra chick pea." 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 \$1 million per year on transportation alone.



Virginia, working to develop the Sabra Chickpea

Unofficial, Preliminary Results, June 2011:

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 continuing.



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 \$1.4 billion either in cash or short term investments that can be deployed 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:

- Potential to develop a new Division for Utilities (potential collaboration with Dominion)
- Potential to develop a new Division for financial institutions (meeting already held with Capital One who could be a strategic partner)
- Potential for development of the Smart car (electric vehicle) IT infrastructure. (They have already developed the infrastructure for Better Place, an Israeli company developing the first all electric vehicle for the mass market.



Clean Tech Gateway USA Program with Dominion Resources

The VIAB teamed with the new Dominion Resource *CleanTech* Commercialization, 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 traveled to Israel in January 2010 to interview 30 Israeli candidates that met our criteria after the VIAB prescreened 70 companies.
- Five of the “best fit” companies traveled 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 were made to the companies to encourage them establish their US presence at the Commercialization Center in Richmond.



Results:

- **CQM** opened a marketing office in Richmond as a result of the program.
- **Greenlet** will participate in a project undertaken by Dominion.



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. The Washington Airport Authority will bring the subject up again in meeting with United that will take place probably in Q3, 2011.



Brought job creation opportunities to SW Virginia and Hampton Roads

The VIAB made two “briefing opportunity tours” in Virginia in the spring of 2011. We briefed the EDA’s of SW Virginia on various opportunities that Israeli companies offer. We did the same in the Hampton Road Area. These are two opportunities we are working on.

- **SW Virginia**

AFC, an Israeli company with a device that cuts airflow on the rear of trailers thereby saving up to 7% of fuel.

- **Hampton Roads**

As a result of the business briefing, we have held a video conference with over 20 leaders from Hampton Roads and Better Place, the electric car initiative from Israel. There would be multiple opportunities for economic development if Better Place would consider and implement a controlled rollout of their EV in Hampton Roads and the 95 corridor to Washington. We continue to pursue this opportunity.

6. Cultural/educational achievements:

Minds In Motion Program

The Minds in Motion program will begin its third program in Israel in January, 2012. Brett Bonda, who is now the Director of the Richmond Ballet, will continue to lead the program this year. It has already gained recognition by President Shimon Peres (*see picture below*)

The program is an outreach program of the Richmond Ballet.



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. 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.

We are exploring the possibility to obtain a multiyear federal grant to perform R&D that will validate the MIM program as an effective tool to teach tolerance and respect to young children.

Goals for FY 2013

1. To continue to support the growth of the **Virginia Israel Bio Science Commercialization Center** in Richmond. We expect that two new companies will be added to the already existing nine companies.
2. To continue the follow-up on the new leads generated from Governor McDonnell's job creation trip that will take place in November, 2011.
3. To establish a manufacturing facility of an Israeli company. Investment of \$10 - \$15 million and job creation of 50 - 150 people.
4. To add three new Israeli companies in Virginia's northern high tech corridor adding 10-28 jobs and an investment of \$5 - \$10 million.
5. Generate 25 qualified leads, which the VIAB will develop in cooperation with the other State Agencies such as the VEDP and the County EDPs. Based on experience, we know that we have to screen 7 companies on average to get one qualified lead with above average potential for growth in Virginia. This requires detailed follow up, screening interviews and analysis. Without a minimal part time staff, it will be unlikely to achieve our job creation goals.
6. Mentoring for young Israeli companies in Virginia that will result in an increase of 40 job positions and additional investment of \$2.0 million.
7. Facilitate the submission and selection of two additional Virginia companies for a BIRD F 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.
8. The Virginia Israel Advisory Board expects to impact the Virginia economy in FY 2013 by adding over 100 new jobs via new direct investment totaling more than \$20.0 million.