



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 21, 2012

RE: 2012 Annual Report of the Virginia Israel Advisory Board

CC: Distribution List (Attached)

The VIAB contributed to the growth of over 150 new jobs in FY 2012. These jobs generated approximately \$9.24 million in revenue and in state tax revenue of over \$462,000.00. 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 523% return on investment.



Mel Chaskin
Chairman, Virginia Israel Advisory Board

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FY 2012

VIRGINIA ISRAEL ADVISORY BOARD



Annual Review

Mel Chaskin, Chairman

Ralph Robbins, Executive Director

November 2012



Agency Code 330

Table of Contents

Executive Summary: FY 2012 Results	2
<hr/>	
Achievements	
<hr/>	
Sabra Facility in Chesterfield, Virginia	3
<hr/>	
Governor McDonnell Visit to Israel: November 2011	4
<hr/>	
Virginia Bio Sciences Commercialization Center (VBSCC)	5
<hr/>	
Business Development Program: Gateway USA: Defense & HLS	6
<hr/>	
Other Business Development Activities	7 - 8
<hr/>	
Cultural/Educational Achievements:	9
<hr/>	
Goals for FY2013	10
<hr/>	

Virginia Israel Advisory Board

Summary of Current & Future Activities

Executive Summary: FY 2012 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 110 jobs during FY2012 and expects to add another 90 jobs in FY2013. There may be an additional 100 jobs added 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 nine 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. A manufacturing facility in the Tidewater area producing counter tops based on one of the company’s technology is expected to open in 2013. Potential new jobs are estimated at 60.
3. FY 2012 presented challenges due to a lackluster economic recovery. 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 about 40+ workers. In FY2012, they increased their workforce to approximately 65.
4. Despite lackluster economic conditions, 154 new jobs were added in FY2012 from VIAB efforts representing additional tax revenue to the State of \$462,000 on a tax base of \$9.24 million. In addition the VIAB was very involved with retention efforts of a company that was considering leaving the Commonwealth. That would have meant a loss of tax revenues of approximately \$900,000.
5. From FY2000 – 2012, the VIAB has been involved with activities adding approximately 1,470 net new jobs to Virginia’s workforce. These jobs have generated approximately \$40.9 million in state tax revenues. If we assume that the VIAB was involved in 25% of the companies’ decision process to move here, the amount of tax revenue generated by the VIAB is \$10.09 million which represents a 523% return on Virginias’ investment in the VIAB over the past twelve years.
6. The VIAB projects that the current pipeline of activities, with eight leading potential prospects, will increase jobs in Virginia by 403 jobs over the next one to three years. This would translate to additional state tax revenue of \$1.2 million based on a tax base of \$24.18 million.
7. The State Auditor of Public Accounts completed its Audit for FY2012. Their findings are as follows:
 - proper recording and reporting of all transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
 - no matters involving internal control and its operation necessary to bring to management’s attention;
 - no instances of noncompliance with applicable laws and regulations or other matters that are required to be reported.

VIAB Objectives

The primary mandate of the Virginia Israel Advisory Board continues to be economic development in Virginia. Our goals and strategies are:

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

We devote from 10% - 15% of our energies to special educational and cultural projects.

Review of Achievements for FY 2012

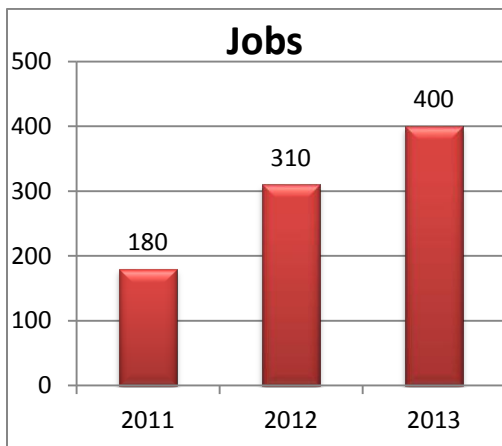
1. Sabra Facility in Chesterfield, Virginia

On July 12, 2012, the Sabra Dipping Company announced its expansion plans for a **Center of Excellence** and the expansion of its manufacturing capacity by 100%. Total investment will be \$28 million for the expansion.

Sabra is a joint venture between Israel's Strauss Group and PepsiCo. Thanks to a strong team including VIAB, the company opened a state-of-the-art "energy efficient" manufacturing facility in Chesterfield County on May 26, 2010.



Leveraging Sabra to create more jobs



Additional Potential Growth

Sabra Facility

There is potential for additional facility growth of **100** jobs for a total of 500 employees over the next 12 – 24 months.

Specific Israeli Vendor Serving Sabra

The VIAB has been working with a specific Israeli supplier to Sabra to establish a facility near the Sabra plant. Site visits and discussions have continued during Q4 2012 with the hope that a final decision will be made by Q2 2013.

Second Vendor

Sabra management has indicated they would like an additional Israeli vendor to establish operations near their Virginia facility. The VIAB has made initial contacts. Activity will be shared with the VEDP so that joint action can be taken accordingly. Total potential vendor Job creation: **75** over next 12 - 24 months

Chickpea R&D Update

During the past year, approximately 360 test plots have been planted at the VSU's Randolph Farm. Tests are being implemented to determine if farmers can plant in a way that enables a second rotation in a year. The Commonwealth has been funding these R&D efforts and remains cautiously optimistic that the chickpea can successfully be grown in Virginia. As reported in the past, this could lead to employment of up to 10,000 farmers when fully implemented over the coming years.

2. Governor McDonnell's Business Development and Trade Mission to Israel: November 2011

The VIAB prepared the business content for Governor McDonnell's mission to Israel. The limited delegation included Secretary of Trade and Commerce Jim Cheng, Secretary of Agriculture and Forestry Todd Haymore, VEDP management, VIAB management and two VIAB Board Members. We held a series of intensive meetings with 1) existing Israeli companies residing in Virginia for retention purposes, 2) new targeted potential companies and 3) a series of business leaders. The trip included:

- 13 one-on-one meetings with manufacturers
- 3 Defense companies
- 3-4 Agri business
- Others: Clean tech, pharmaceutical, other manufacturing
- 21 additional companies at round table discussion
- 41 additional leads generated for future follow up.
- 8 top Israeli business leaders
- 3 investors
- Israeli President Shimon Peres
- We created a new working relationship with major new lead generating resource: Manufacturers Association of Israel with 2,000 corporate members.



Results of Business Development and Trade Mission

1. Deeply enhanced relationship with Sabra. Expansion of Chesterfield facility announced within 6 months of trip.
2. Developed a high quality lead generation network via new connections with Israel Manufacturers Association and Israeli business leaders.
3. Resolved "issues" with Israeli company residing in Virginia which could have led to an exit, thereby saving the Commonwealth 400 jobs.
4. Advanced progress of discussions with several other companies currently considering Virginia.



3. Virginia Bio Sciences Commercialization Center (VBSCC) (Richmond)

This VIAB initiative which began in 2007 continues to expand. The initiative evolved from the Virginia Israel Bioscience Commercialization Center into the **Virginia Bioscience Commercialization Center with an investment arm: Virginia Life Science Investments (VLSI)**. The primary purpose of the initiative is economic development:

- Guide the commercialization process of Israeli Life Science companies into the US market through the assets of the center and within Virginia.
- Provide 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.
- Provide gap funding, if needed, for the companies entering the program.
- Provide hands on management teams to lead each business. This model has established a new paradigm –not only is money raised to help with gap funding, but VLSI also serves as the hands-on business development arm for the company
- Provide an infrastructure including VCU and other assets throughout the State.



Cupron socks were sent to the Chilean minors trapped for 69 days. A physician report stated that the copper oxide impregnated in the socks prevented foot fungus in the prolonged moist environment.

Results to date:

- A total of \$18 million has been raised privately and being deployed primarily 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.
- Nine Israeli companies have received direct investments.
- Two BIRD Foundation grants totaling approximately \$2 million were awarded to the Center in past years.



**State-of-the-art manufacturing facility to begin operation in Tidewater in early 2013.
Estimated jobs: 50+**

EOS is building a new state-of-the-art facility in Norfolk, Virginia for the large-scale manufacturing of **Cupron Enhanced EOS**. The new facility, expected to begin operation in early 2013, will have specialized equipment that has been designed to commercialize the proprietary technology for a range of products. The new plant will manufacture various thicknesses of Cupron Enhanced EOS cast slabs, perform finishing operations, and will have the capability to manufacture pre-made vanities and other ancillary surfacing products for microbial control. Full article: <http://vbcc-inc.com/news/>



4. Business Development Program: Gateway USA Defense & HLS

The VIAB initiated and executed a business development program with the objective of identifying a new pool of high quality leads of Israeli companies that have a potential for expanding in Virginia during the next 3 – 24 months. We developed a program based on the successful VIAB Gateway Program that attracted nine Israeli Life Science companies to Richmond, Virginia (*see update on page 5 of this report*). The program took place from May - November, 2012. The follow-up of the program will continue through FY2013.

Summary of the program:

- VIAB teamed with Fairfax County, Arlington County, and several private entities to develop a program patterned after the successful VIAB Life Science Program in Richmond, Virginia.
- **Goal:** To proactively demonstrate to targeted Israeli companies the “power” of our region and the importance that a Virginia location would have in their entry and/or expansion in the US market -- opening offices, technical facilities and potentially manufacturing/assembly in Virginia.
- Seventy potential Israeli companies were interviewed by a VIAB team and categorized according to our criteria.
- Thirty companies were selected to be interviewed in Israel by a team from Virginia that included HLS/Defense experts.
- We chose nine companies with a total number of current employees of close to 400 and total sales of over \$100 million. Each of these companies has potential to grow sales in the United States via a presence in Virginia. Approximately 5 of the 9 will also need manufacturing facilities in the US within the next 6 -24 months.
- These “best criteria fit” companies traveled to Virginia in October, 2012, for three days of “Go-to-Market” meetings with technical teams, marketing experts, financial experts and private investors.



The Israeli companies meeting with former Secretary of the Air Force, James Roche (L front), and former Undersecretary of the Navy, Admiral Jay Cohen (R front)

Results of Program

- Two companies agreed in principle to establish a presence in Virginia within 2 – 4 months. Both companies need offices in NOVA to be near the defense establishment and manufacturing/assembly elsewhere in the State. Potential: 60 jobs within 12 – 24 months
- The remaining seven companies all indicated they want to aggressively continue a follow up process with the objective of establishing a presence in Virginia within 6 – 18 months depending on their marketing efforts.
- All of the companies expressed a deep appreciation for our efforts which educated them via our very hands on approach to the potential of the area and methodology for attaining success.
- The VIAB has an aggressive “follow up” component that will maximize success of the program over the next 12 – 24 months. Part of this is reaching out to Israeli companies not chosen for the program in Virginia, but which demonstrated a high potential during the interviews held in Israel.

5. Other Business Development Activities

ClearFarma establishes R&D Center in Richmond

Established R&D facilities and its Headquarters in Richmond in April 2012. The company develops new “functional food” projects. The founder is one of Israel’s leading serial entrepreneurs, Ascher Shmulewitz. He teamed with the former CTO of Sabra, Mike Spinelli, to establish ClearFarma.

A functional food is a food that has been clinically proven to help a medical condition. The company targets a specific medical condition and then creates foods that target the condition. Unlike “nutraceuticals”, functional foods are scientifically tested for efficacy.

The market, while still young, had sales of \$25.3 billion worldwide in 2011 and is growing at a large rate. The company envisions establishing a production facility in Virginia for its products within 12 – 24 months that could employ 50 – 60 workers.



Ascher Shmulewitz,
founder

Center for Infectious Disease

A center for infectious disease that will commercialize new products is being developed in Manassas. The center is being developed by Cohava Gelber, PhD, who is a faculty member of George Mason University, and various associates of hers in cooperation with George Mason University. Israeli companies are being targeted for inclusion in the Center. The VIAB is working closely with Cohava on this initiative.



Cohava Gelber

CleanTech Gateway USA Program Followup

The VIAB teamed with the new Dominion Resource *CleanTech* Commercialization, to develop a program patterned after the successful VIAB Gateway initiative: **The Virginia Israel BioScience Commercialization Center**. Objective: 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 program took place in 2010.



Follow up results:

- **CQM** opened a marketing office in Richmond as a result of the program.
- **Greenlet** is participating in a project as a teaming partner with Dominion.



MedCPU

The MedCPU platform is a single system that can be used for a number of applications intended to reduce medical errors, reduce cost and improve quality by minimizing unintended clinical variance, drive consistent and improved health outcomes, and achieve compliance without impacting clinician workflow. The company, which originated in Israel, has located a US office in Richmond Virginia.



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. The VIAB continues to seek a direct Tel Aviv-Dulles air link via a combined effort between the VIAB, Airports Authority and Fairfax County FCEDA. We remain frustrated, but resolute due to the high potential rewards.



Permanent Exhibition Program for Israeli Companies

The VIAB is working closely with a team consisting of a private group, a government agency in Israel, and the Israeli Embassy to develop a “permanent” and cost effective, exhibition center that will be located near Dulles Airport. If we succeed, this will provide a significant advantage for Israeli companies to locate in Virginia. We expect a “go/no go” decision to be made in the first half of CY2013.

Funding Opportunities

The VIAB is now working with two unique, non-dilutive funding opportunities for Israeli companies that that want to undertake a joint R&D project with a US company. The names of the organizations in Israel are: the BIRD Foundation and MATIMOP (an Israeli Government agency).



Additional Companies in Virginia VIAB Works With

The VIAB is working with varying intensity with other Israeli based/originating companies. Some of the work is retention oriented while other work is identifying potential opportunities in the State which can lead to expansion in Virginia:

Amdocs

Artis - Plasan Sasa

Beyond Security, Inc.

CICAT Networks / Spacenet / Gilat

Elbit Systems

Green Vision Solutions

Magal-Senstar, Inc.

MATE Intelligent Video, Inc. USA

MaxTech Networks, Inc.

Mobile Access/Corning

Nice Systems

Nilit

Raysat Mobile Antennas

Skyline Software Systems, Inc.

Teva Pharmaceuticals

Xvionics

Zim Americas

6. Cultural/Educational Achievements:

Minds in Motion Program in Israel Completes Year Three

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. The program is an outreach program of the Richmond Ballet.

Demonstration Made During Governor's Visit to Israel

The *Minds in Motion* program has completed its third year of programming in Israel in November, 2011. The program was coordinated to coincide with the Israel visit of the Governor and First Lady. For the first time, the program included two schools: Emek Hefer (Jewish Israeli school) and Kalansua (Arab Israeli school). The students learned and danced together, raising the program's education value as a significant cultural program that teaches cultural tolerance and respect through the common language of dance and motion.

We continue to explore ways of institutionalizing the program and expanding to include joint participation between Israeli and Virginia children.



Fresta Valley Robotics Team Competed In Israel

The Fresta Valley Robotics Team 1713 participated in the regional FIRST (For Inspiration and Recognition of Science and Technology) World Championship that was held in Tel Aviv, Israel in March 2012. Of the 46 teams participating, Fresta was one of two US teams. The team moved to the semi-finals and lost to the team that went on to win.

The Virginia Israel Advisory Board initiated the connection between the Robotics team of Emek Hefer, Israel, and the Fresta team from Virginia. The Emek Hefer team hosted the Fresta team during their visit to Israel.



University Cooperation and Programs:

- **GMU.** Working with conflict resolution department to build business development program between Israeli and Palestinian companies. Virginia (GMU) will serve as the US anchor for expansion and guidance.
- **Virginia Tech, UVA and Georgetown.** Ralph Robbins, the Executive Director of the VIAB, is an annual guest lecturer at each of these institutions. He lectures on bridging the cultural gap in business between the US and Israel.



Goals for FY 2013

1. To continue to support the growth of the **Virginia Israel Bio Science Commercialization Center** in Richmond. We expect that at least one new company will be added to the already existing nine companies. We want to see the new manufacturing facility in Tidewater that is teaming with Cupron to begin production by the end of FY2013.
2. To continue the follow-up on the new leads generated from Governor McDonnell's job creation trip.
3. To establish a manufacturing facility of an Israeli company with a projected investment of \$10 - \$15 million and job creation of 50 - 100 people.
4. To add three new Israeli companies to Virginia's northern high tech corridor adding 10-20 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, we will be unlikely to achieve our job creation goals. As part of this process, we will continue intensive follow-up with the companies that participated in the Gateway USA: Defense & HLS program.
6. Mentoring four young Israeli companies in Virginia that will result in an increase of 20 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 and/or a MATIMOP grant to provide up to \$1million for each project 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. Develop and execute another "Gateway USA" program in the agri-technology sector. As we have done with other similar and successful programs, we will develop a database of 100+ potential companies, prescreen about 60 and visit 15 of them in Israel with experts from Virginia. We expect this will produce about 8 qualified companies visiting Virginia during 2013. The interviews will take place in Israel in February, 2013.
9. 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.