



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: October 24, 2013

RE: 2013 Annual Report of the Virginia Israel Advisory Board

CC: Distribution List (Attached)

The VIAB contributed to the growth of 168 new jobs in FY 2013. These jobs generated approximately \$9.2 million in revenue and in state tax revenue of \$526,650. 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 495% return on investment.



Mel Chaskin
Chairman, Virginia Israel Advisory Board

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FY 2013

VIRGINIA ISRAEL ADVISORY BOARD



Annual Review



Agency Code 330

Mel Chaskin, Chairman

Ralph Robbins, Executive Director

October 2013

www.viab.org

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Virginia Israel Advisory Board

Summary of Current & Future Activities

Executive Summary: FY 2013 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 opened its Center of Excellence in April 2013 and announced that it would expand its production facility to nearly double its current size. Sabra added approximately 90 jobs during FY2013 and expects to add another 200 jobs over the next 24 months.
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 companies. 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. Significantly, EOS of Tidewater expanded its manufacturing facility in FY2013 to produce counter tops based on Cupron technology. Cupron is one of the original companies the VIAB introduced to the VLSI during a Gateway program. Total jobs for EOS should reach 48 people.
3. The VIAB is building a strong relationship between Israel and Virginia agro technology. The VIAB has teamed with Virginia Tech to evaluate and facilitate Israeli agro tech projects/investment in the Southwestern part of Virginia. The areas being considered are: aquaculture, turn-key greenhouse projects and to a lesser extent poultry housing. The aquaculture project itself can add about 450 new jobs to Virginia and establish Virginia as a US leader in aquaculture.
4. Despite lackluster economic conditions, 168 new jobs were added in FY2013 from VIAB efforts representing additional tax revenue to the State of \$526,650 on a tax base of \$9.2 million.
5. From FY2000 – 2013, the VIAB has been involved with activities adding approximately 1,638 net new jobs to Virginia’s workforce. These jobs have generated approximately \$47.3 million in state tax revenues. If we discount this amount by a conservative 78% for multiple parties involved in the decision process to establish a facility in Virginia, the amount of tax revenue generated by the VIAB is \$10.4 million which represents a 495% return on Virginia’s investment in the VIAB over the past thirteen years.
6. The VIAB projects that the current pipeline of activities will increase jobs in Virginia by 343 jobs over the next one to three years. The number could increase to 793 if the current aquaculture project under review is executed. This would translate to additional state tax revenue ranging from \$1.03 - \$2.38 million based on a tax base ranging from \$17.2 - \$39.7 million.
7. The State Auditor of Public Accounts completed its Audit for FY2013. 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 company entry into Virginia.
2. Working with the Israeli companies already located in Virginia via networks to help facilitate internal growth and expansion.
3. Leveraging the company’s strength in order to create a multiplier effect for job creation.
4. We devote from 10% - 15% of our energies to special educational and cultural projects.

Review of Achievements for FY 2013

1. Sabra Facility Expands in Chesterfield, Virginia

Center of Excellence Opens

On April 20, 2013, the Sabra Dipping Company opened a **Center of Excellence**. The center will enhance research capabilities in food manufacturing and distribution. The center is the first-of-its-kind research and development center for refrigerated dips and spreads. The total investment in the Center is **\$28 million** and should generate an additional **25 jobs**.

Expansion of Manufacturing

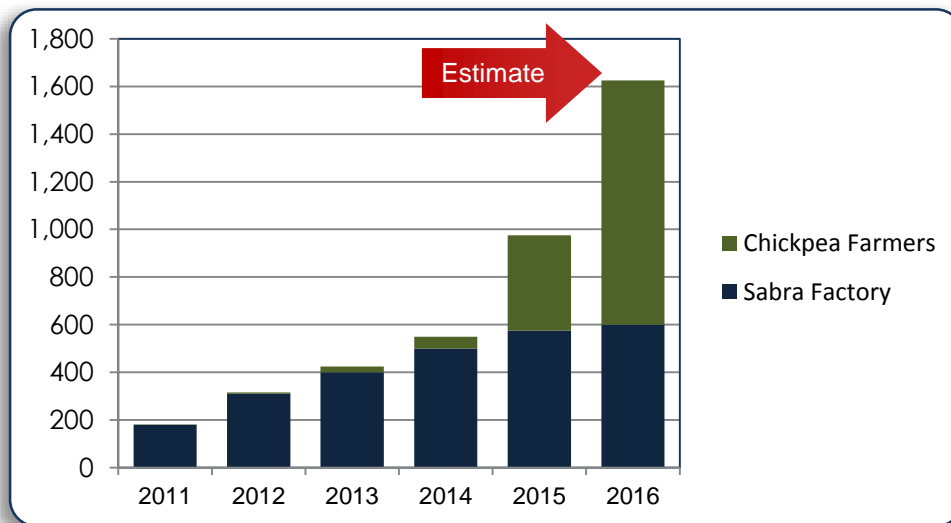
Sabra also announced in April that it will expand manufacturing with an investment of **\$86 million** which will create an additional **140 jobs** over the next couple of years. This will bring the total employment to approximately **600 jobs**.



Photo: Ilya Welfeld

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



Update: The Virginia Chickpea Development Project

During the run-in period of the Sabra facility in 2010, the VIAB facilitated discussions with Sabra and the Secretary of Agriculture about introducing the chickpea crop to Virginia.



Until this time, it was assumed that Virginia's soil was too moist for the chickpea crop.

A chickpea expert from Virginia State University, Professor Harbans L. Bhardwaj, Ph. D., was confident that a quality chickpea could be developed.

A six year program was initiated with funding provided by both the Virginia State University and the Commonwealth of Virginia.



Professor Harbans L. Bhardwaj, Ph. D. New Crops Program
Agricultural Research Station, Virginia State University, Petersburg, VA

After three years, Professor Bhardwaj is even more confident that a full roll-out of the "Virginia Chickpea" project will take place on schedule in three years. Over 350 test beds have been planted in various parts of the state with satisfactory results.

After full roll-out, as many as 10,000 farmers can be employed on lands once dominated by the tobacco plant.

Additional Potential Job Growth

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 2013 with the hope that a final decision will be made in FY2014.

Opening of Center of Excellence on April 20, 2013



picture courtesy of Chesterfield County

2. Agro Technology Initiative: “Gateway USA: Agrotech”

The VIAB initiated a program based on agro technology which represents common strengths of both Israel and Virginia. The **Gateway USA: Agrotech** program was patterned after other successful VIAB programs designed to attract high quality leads, i.e. companies that have international sales and are looking to expand into the US market.

The **Gateway** program is a one-year program that included the following process:

- The VIAB generated a list of about 60 Israeli companies that met our primary criteria: commercialization phase preferably with international sales, unique technology, financial capabilities, visionary management and the desire to expand in the United States.
- The VIAB, with the assistance of experts, narrowed the list of companies to 20.
- A team from Virginia visited Israel for a week of targeted meetings. The team included two experts: Dr. Joseph E Marcy, the Head of the Food Department at Virginia Tech and Charles Green, Director of Marketing in the Virginia Department of Agriculture.
- The mission took place during February, 2013.

Results of Business Development and Trade Mission

1. The Virginia Israel Advisory Board has teamed with Virginia Tech to open the “Virginia Israel Agro Technology Commercialization Center” (VIAC) in the Virginia Tech Corporate Research Center.
2. Seven interns at Virginia Tech are deployed analyzing and building business models for select Israeli companies.
3. Three projects have been identified and are currently being developed:
 - a. A **vertically integrated Aquaculture industry** to be deployed in the Southwest region of Virginia. This **\$150 million project** will create approximately **450 direct jobs** and between **750 – 1,250 indirect jobs**.
 - b. **Turnkey greenhouse projects/businesses** that will fill the void left by decreased tobacco growing and at the same time exploit the new trend of “fresh and locally grown greens”. These businesses will take advantage of technologies developed in Israel and will be supported by a team of experts managed by the Israeli companies that will establish their US headquarters at the VTCRC.
 - c. **Next generation poultry houses** that could produce higher quality eggs at a very slight premium in price.

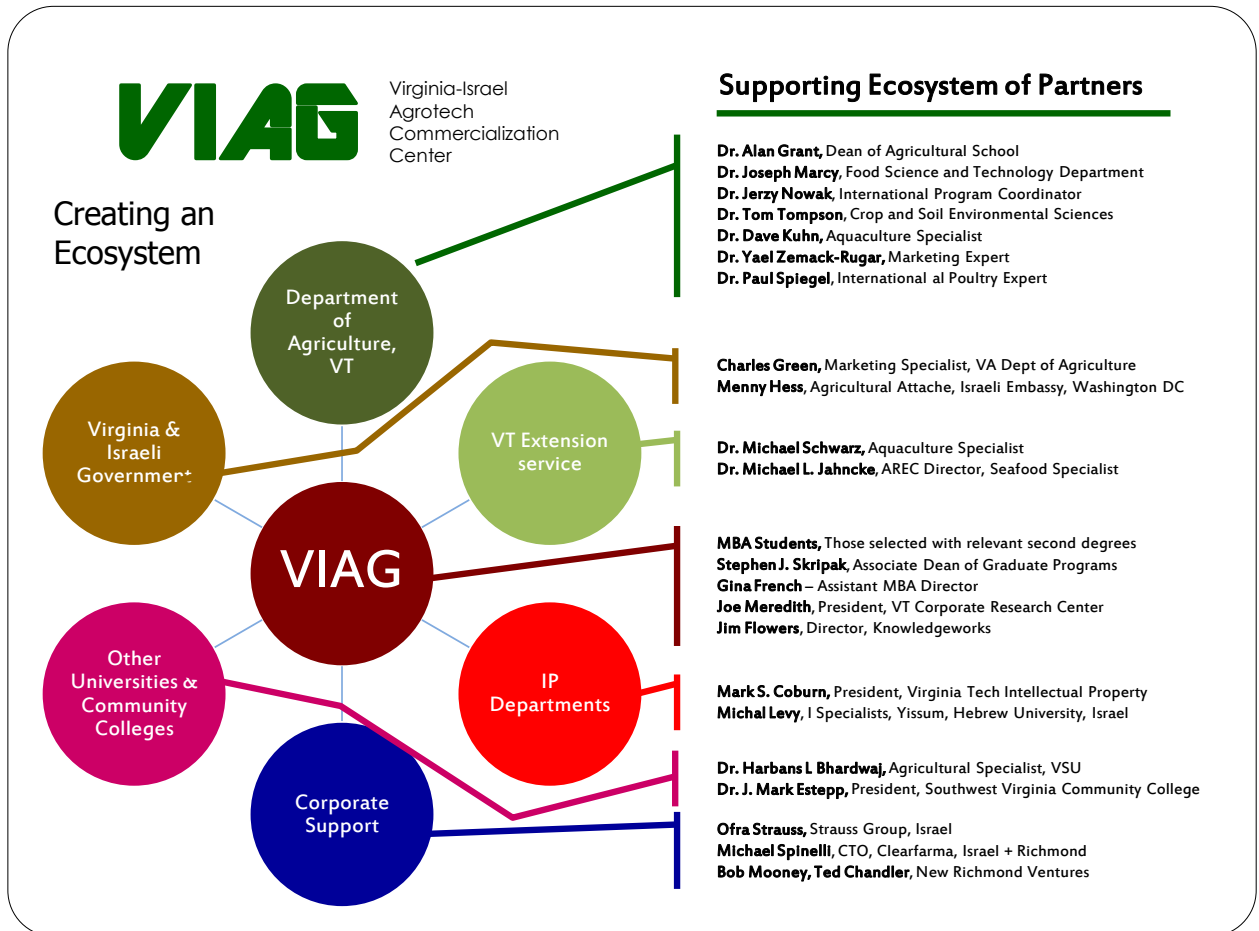
The VIAB has built an ecosystem of support around the Virginia – Israel agro technology initiative that should lead to cost effective entry strategies for Israeli companies and new job growth opportunities for communities in Virginia.



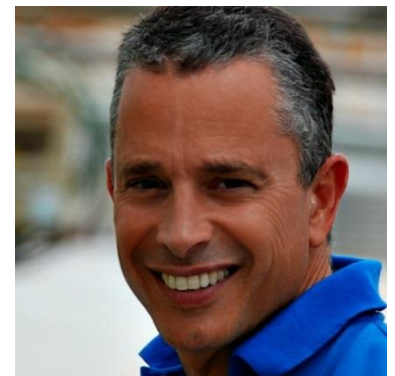
Virginia Israel Agro Technology Commercialization Center

As part of the overall Agro tech program, the VIAB teamed with Virginia Tech and the Virginia Tech Corporate Research Center to establish a Commercialization Center that will serve as the “soft landing pad” for Israeli companies wishing to expand in Virginia in a cost efficient manner. The Center provides the following:

- Access to the “ecosystem of support” that includes:
 - ◆ Experts and advisers from Virginia Tech as required.
 - ◆ R & D facilities that include basic research in labs as well as consumer research related to taste preferences and new product development.



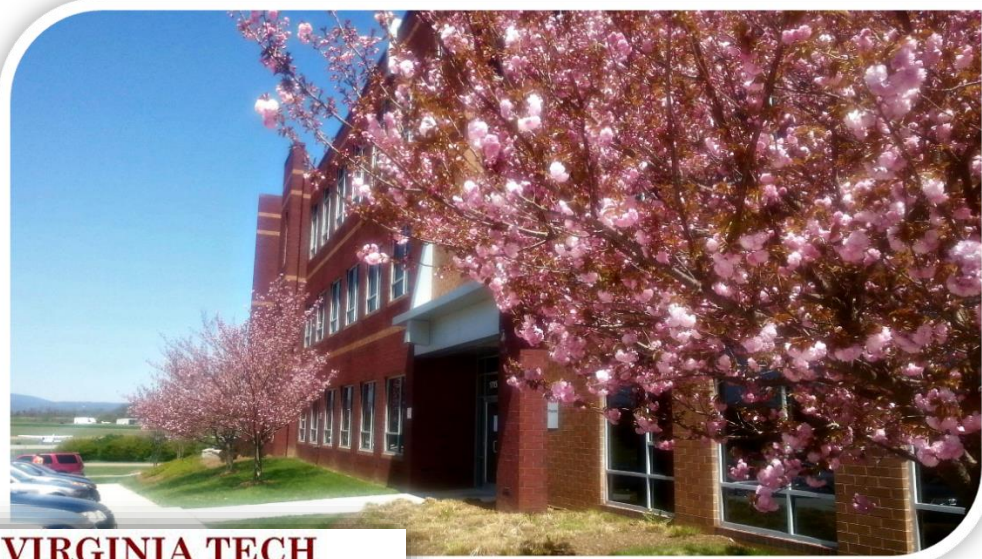
- ◆ Community support with emphasis on the southwest of Virginia to offer this area new opportunities
- ◆ Support from industry
- ◆ Accessibility and potential support from public funding such as the Virginia Coalfield Economic Development Authority, the Tobacco Commission, etc. The degree of support will be determined on a project-by-project basis.
- ◆ Financial and business plan analysis in coordination with the Virginia Tech Pamplin School of Business and the entrepreneurial center, VT Knowledgeworks.



Israel company owner

- ◆ The ability to offer student interns real, challenging and meaningful opportunities to work with the Israeli companies to develop feasibility studies and business plans. **The VIAB has developed internships for seven Virginia Tech students, one of whom traveled to Israel to meet with the companies and to learn about bridging international business culture differences. The internship aspect of this program is also consistent with the VIAB mandate to promote special cultural and educational programs between Virginia and Israel.**
- ◆ A business center within the Corporate Research Center that will provide a temporary headquarters for the Israeli companies including a prestigious address and alliance that will become a permanent center for the Israeli companies as they expand throughout the United States.

The Virginia Israel Agrotech Commercialization Center at the VTCRC



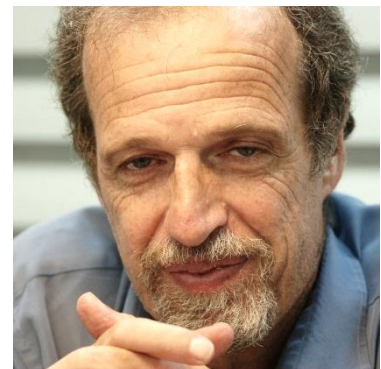
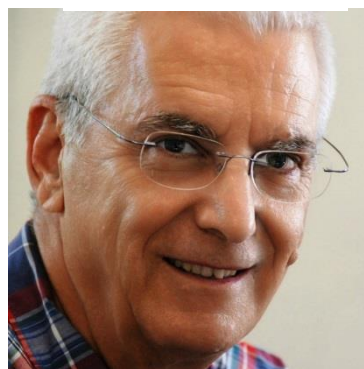
**VIRGINIA TECH
CORPORATE
RESEARCH CENTER**



Interns



Israeli Industry



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 this 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.

Results to date:

- A total of \$18 million has been raised privately and is 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.
- Ten Israeli companies have received direct investments, with an additional company, Qball, establishing its US presence in 2013.



Manufacturing based on Cupron product begins operation in Norfolk: 48 jobs expected

Cupron has joined forces with U.S. company EOS, to establish a factory in Norfolk which is expected to create 48 jobs in Norfolk, Virginia. As a result of participation in the first VIAB **“Gateway: Life Science”** program, Cupron established a presence in Virginia.

This manufacturing facility is producing antibacterial Cupron Enhanced EOS surfaces. Through use of the Cupron labs at the Virginia Biosciences Commercialization Center (known today as VLSI), the company received EPA approval to claim that this product kills 99.9 percent of specific types of bacteria within two hours of exposure.



4. Business Development Program: Results of Gateway USA Defense & HLS

In October, 2012, the VIAB initiated and executed a business development program with the objective of identifying a new pool of high quality leads for Israeli Homeland Security and Defense companies that have a potential for expanding in Virginia during the next 12 – 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 8 of this report*). The program took place from May - November, 2012. The follow-up of the program continued 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.
- 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.

Results of Program

- Four companies that were part of the program have established a presence in Northern Virginia. Another company in the HLS area that we have been in contact with has also established a presence in Northern Virginia.
- The VIAB is mentoring several of the companies with the expectations that our efforts can lead to accelerated growth and thus job creation.
- The five companies so far represent **10 additional jobs** and we expect this number to increase over the coming 12-24 months.



5. Other Business Development Activities

Nutritional Food R&D Center in Richmond

An Israeli company, ClearFarma, established R&D facilities and 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. Financial challenges have caused the company to restructure, but expects to continue its growth.

Developments over the past year include “protein isolates” made from the chickpea. Mr. Spinelli continues to remain close to Professor Harbans L. Bhardwaj who is the Virginia State University expert developing the “Sabra chickpea”

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, with sales over \$25.3 billion worldwide is expanding rapidly.



Professor Harbans in discussion with Mike Spinelli at the Randolph R&D farm

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 a graduate of the Weizmann Institute. Israeli companies are being targeted for inclusion in the Center. The VIAB is working closely with Cohava on this initiative. Fundraising has become a challenge due to the economic climate.



Cohava Gelber

Companies VIAB works with to Promote Retention and Growth in Virginia:

The VIAB spends quality time with companies to improve retention and to promote activities that can accelerate their growth. We often team with other Economic Development Offices throughout the state.

Zim Integrated Shipping Service. The company turned to the VIAB to resolve two issues over the past two years. One included retention which involved 400 jobs. Both issues were resolved. A third issue is being addressed.



CQM opened a marketing office in Richmond as a result of the VIAB **Gateway USA: Clean Tech** that took place two years ago.

Other Israeli connected companies with a presence in Virginia that the VIAB has worked with over the years at various levels of intensity:



Direct Flights: Tel Aviv – Dulles

Neither the VIAB nor the Metropolitan Airports Authority have been able to convince United Airlines of the incremental benefit to the airline that would result from inaugurating a direct flight between Tel Aviv and Dulles Airport. 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 CY2014.

Funding Opportunities

The VIAB continues to represent the BIRD Foundation in the DC/VA area. The Foundation provides up to \$1 million in “convertible grants” for joint R&D projects between an Israeli company and a US company. In the previous year, two companies that were seeking funding dropped out of the process for various reasons. We expect new projects in the coming year. In the past, BIRD projects in the region have led to the growth of an Israeli company, Gilat Satellite, in McLean, Virginia which employs approximately 300 people. Mergers and acquisitions have changed the status of the company, but the jobs remain in Virginia.



6. Cultural/Educational Updates and Achievements:

Minds in Motion Program Seeks to Regain Lost Funding

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.



After four years, the program lost critical funding and had to take a year hiatus during FY2013. The VIAB is working with the Ballet to restore the funding via connections with private industry. We expect the program to continue in FY2014.

Israeli Robotics Team Reciprocates Visit to Virginia

The Warrenton, Virginia 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. 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.



In April of 2013, as part of VIAB's mandate for cultural and educational exchange, the Emek Hefer Robotics team visited Virginia during the regional finals in Washington DC. VIAB facilitated events with the Fresta Valley team as well as a dinner with members of the Jewish Community in Northern Virginia.

Internship Program for Virginia Tech and UVA Students

The VIAB has established 7 student internships beginning in FY2013 and extending into FY2014. These are tied to both the homeland security program we held in Northern Virginia and the agro technology initiative at Virginia Tech.

All of the internships analyze challenges facing foreign companies (in our case Israeli companies) to enter the US market. Challenges include bridging cultural gaps, adapting and analyzing business models and preparing feasibility studies.

One of the interns, Ikenna Osuji (IK), traveled to Israel this summer with Ralph Robbins, VIAB's executive Director, in order to meet with the targeted agro tech companies. As a candidate for dual Master's degrees in business and industrial engineering, IK was involved in high level discussions at a level rarely encountered by university interns.



“The experience I am gaining working with the VIAB and being thrust into real business situations is extraordinary. I firmly expect the outcome to be real businesses entering Virginia creating real jobs and real opportunities.”

*Ikenna Osuji
Virginia Tech Master Degree Candidate*



Aaron Botwick, an aeronautical engineering student at the University of Virginia, worked in Simlat's Israeli headquarters during the summer. Simlat is a company specializing in aerospace simulation and one of the companies that established an office in Northern Virginia after participating in VIAB's Gateway program.

7. Goals for FY 2014

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 ten companies.
2. To facilitate the establishment of two Israeli agro tech companies in the Southwestern part of Virginia. One will be in aquaculture and the other in a turnkey greenhouse project. We expect over 450 jobs to be created if we are successful. Total investment would exceed \$150 million.
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.
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. The Virginia Israel Advisory Board expects to impact the Virginia economy in FY 2014 by adding over 100 new jobs via new direct investment totaling more than \$20.0 million.