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In today's tight money environment, seed investments appear especially difficult to come by. IVC's 3rd quarter survey revealed that amounts raised in seed rounds skidded 48 percent in the third quarter from second quarter levels. While funds raised declined sharply in all sectors, companies in more advanced stages were having comparatively better success in their efforts. Just five percent of funds raised were in seed rounds, versus seven percent a year earlier.

Prospects for Seed Investing in Israel Israel's top venture capitalists give their prognosis

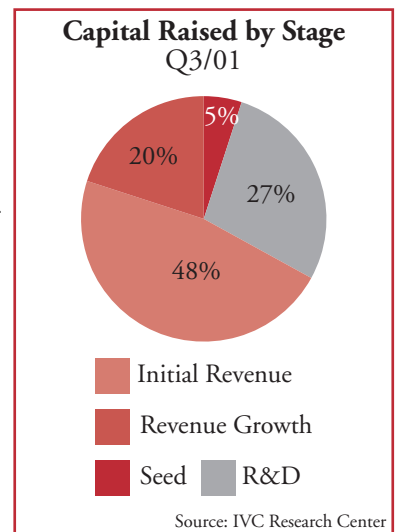
Is the capital raising outlook for new ventures as bleak as the numbers indicate? IVCJ spoke to three leading venture capitalists, Zeev Holtzman, Yigal Erlich and Neil Cohen for their assessment of the state of seed investing in Israel.

Does it make sense for VCs to make seed investments when more mature companies now have low valuations and ostensibly less risk?

Holtzman: Most certainly. Today, seed companies are being established by entrepreneurs who have been with one or two start-ups previously. By and large, they have greater experience and understanding of the markets than previous generations of entrepreneurs. They are coming with high quality ideas, better formulated business plans and with technology that is very attractive. Seed-stage firms also need less money, so you can support their activities with a smaller investment.

Erlich: The risk with seed companies is not necessarily greater, but it's rather of a different nature. More mature companies have risks that are related to the market. There is a high burn rate and all kinds of other issues, not necessarily present with seed investments. This is a place for bigger funds. It's too risky otherwise to invest in later stage.

Cohen: Start-ups at this point need to do much less in terms of relating to the market. On a certain level, it is a more appealing proposition to invest in a



continued on page 2

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continued from page 1



Zeev Holtzman is Managing Partner of Giza Venture Capital, managers of \$270 million in capital.

company that will burn \$150,000 or less a month for 18 months during periods when the market is slow.

What about first time entrepreneurs? What are their chances of obtaining seed capital?

Holtzman: First time entrepreneurs are in a very difficult situation, except if they've had technical and management experience by working for a major high-tech company.

"They (entrepreneurs) are coming with high quality ideas, better formulated business plans and with technology that is very attractive."

-Holtzman

Are there "deserving" companies that might not be able to raise capital?

Holtzman: There is a shortage of capital in and out of Israel. We might very well see many of these deserving companies – especially communications and Internet-related ones – having to close down.

Is there still a place for angel investors to finance new enterprises?

Erlich: Of course. The problem is that there are not too many of them right now. They've mostly disappeared from the market.

Cohen: Entrepreneurs should be cautious when it comes to angel financing. Many young companies that relied on angels in the early going, subsequently found

themselves with awful capital structures, which serves as a strong disincentive for VCs to come in with later round financing.



Yigal Erlich is Managing Partner of the Yozma Group and Chairman of the Israel Venture Association.

Have valuations for seed companies come down so low that they are a disincentive to entrepreneurs to proceed?

Cohen: One of the problems is that there was too much fund raising in recent years at valuations that were economically unjustified. It is easier to do a "sensible financing" today than to do a down round later on. Venture capitalists need to consider at what price money can be raised in 18 months.

For quality people with quality ideas, we're back to 1996 or 1997 valuations, which are not unreasonable. Successful entrepreneurs can always put up some of their own money if they think valuations are too cheap – something that will hurt if lost – just like in the old days.

Holtzman: Lower valuations are not a disincentive. The incentive is still there, but is more reasonable. Entrepreneurs just can't expect the same equity position as they received in the past few years.

The government through the Ministry of Trade's Office of the Chief Scientist (OCS) has recently taken initiatives to spur seed investing. What do you think of these initiatives? Can more be done?

Holtzman: The new initiative, which calls for the OCS to provide a three year loan to match venture capital investments, is a very

“...we must convince risk-averse Israeli institutional investors to invest in venture funds.”

-Erich

positive signal from the government that it wants to encourage seed investing. It will assuredly have a constructive effect on seed investing.

Erich: This, along with recent plans for foreign venture investors to be exempt from tax, are good developments. But more can certainly be done, such as tax relief for local venture investors.



Neil Cohen is General Partner of Israel Seed, a pioneer of seed-stage investing in Israel.

Germany, for example, has successfully accelerated the development of companies and technologies by exempting local investors from tax. Additionally, we must convince risk-averse Israeli institutional investors to invest in venture funds. Perhaps this could be accomplished through a mechanism providing a partial guarantee of their investments.

Cohen: There is certainly more room to provide incentives from a tax standpoint. It's a curious anomaly that local investors pay no tax on their stock market gains where there's no significant economic benefit to the country. Yet, local investors, who put up start-up capital that markedly impacts the economy in a positive way, are actively discouraged by a potential tax bill of up to 50%.

What is the policy of your own firm in regard to seed investments?

Erich: We have a medium size fund. We will invest in a few seed firms that meet our criteria, which

On the VC Horizon

This new feature presents the outlook for venture capital as seen by the industry's top managers.

Allan Barkat, Managing Director of Apex Partners (Israel)

Venture capital is here to stay. The field is going through transition – not disappearing. Institutional investors are just adjusting their expectations and sensibly are not expecting to see returns that were experienced in the past.



I'm enough of a realist not to expect that capital will come back in three months or that Nasdaq will soon break 5000. But be aware that the world will continue to unveil new technologies and create new opportunities. We're going through a cycle now. In time, capital will come back.

Of course the road will be somewhat rocky. The IPO situation is a good example. While there has been a crack in the IPO window, which is encouraging, and there will undoubtedly be more IPOs next year, an increasing number of companies will suffer in the interim.

The Israeli situation is more complex. The financial markets do not like uncertainty or instability. Clearly, there are factors locally that make it more difficult to attract capital. But Israel is starting to receive investors again as they recognize that the technology here is unique and competitive. Corporate and financial visitors are looking at the market. Undoubtedly, that's a positive sign for 2002.

means a firm must be beyond the idea stage.

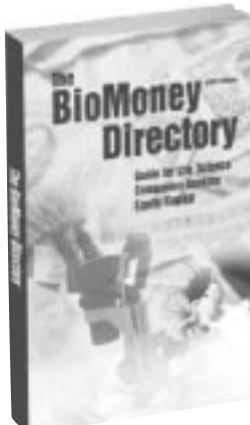
“Successful entrepreneurs can always put up some of their own money if they think valuations are too cheap...”

-Cohen

Holtzman: Giza is proactively seeking quality seed investments and we've allocated specific funds for seed companies. We're finding that there are some very promising

situations out there. In fact, we are willing to invest in pre-seed situations where outstanding people come to us at the idea stage. Granted that the risks are greater, but so will be the rewards when the market turns around.

Cohen: Our fund has available capital for new investments as well as for supporting our existing portfolio companies. So we are continuing to invest in quality seed stage firms where the valuation is right.



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FundScope

Lightspeed Venture closes \$1b fund, targets Israeli investments

Lightspeed Venture Partners is the new name of **Weiss, Peck & Greer Venture Partners**. The long established firm, which has undergone a restructuring with a new name, new marketing and recruiting partners, and a newly closed \$1 billion fund, expects to continue its early-stage investment focus on product and service companies in the areas of Internet, software and communications. While most investments are in the United States, Israeli and European companies are well placed on Lightspeed's radar screen as well. (See Bezeq, Personeta article on page 5.) Recently, Lightspeed appointed a venture partner for Israel charged with increasing the firm's Israeli investments in optics, security and enterprise software.

IDG takes aim at Israel

UK-based venture fund **IDG Ventures Europe** is planning to invest part of its new \$100 million fund in Israeli companies. The fund specializes in networking, wireless applications, B2B software and services, new media and advertising technologies and computer hardware and software. IDG will give preference to companies with headquarters in the United Kingdom and will seek local venture firms with which to co-invest.

ATV VII reaches \$800m

Advanced Technology Ventures, an early-stage venture capital firm, has closed on ATV VII, an \$800 million venture capital fund. ATV focuses on communications, Internet infrastructure, software,

and healthcare fields, primarily in the United States, but makes select investments in Canada, Europe and Israel as well. The firm's Israel-related investments have included Accord Networks, CeLight and ViryaNet. ATV General Partner Jos Henkens reported that more than 90 percent of ATV's current investors returned to the new fund, while new investors represent approximately 40 percent of Fund VII. ATV now has \$1.5 billion under management.

JVP closes \$400 million fund

Jerusalem Venture Partners closed JVP IV at \$400 million in November with the addition of new investors, **HarbourVest Partners, Adveq Management** (fund of funds) and The Technion – Israel Institute of Technology. The fund, originally targeted at \$500 million, has thus far invested in seven companies in the communications and enterprise software fields – the primary focus of the fund. (See Fund Profile, page 14.)

Corporate Investing

Teva makes \$10m strategic investment in Proneuron

Teva Pharmaceutical Industries, Israel's largest pharmaceutical company, has invested \$10 million in **Proneuron** as part of a wide ranging strategic alliance. The pact focuses on development and commercialization of glatiramer acetate for treatment of Alzheimer's Disease, stroke, brain trauma, glaucoma, Parkinson's Disease and peripheral neuropathy, with Teva funding Proneuron's preclinical and clinical development work in this area. Glatiramer acetate is currently marketed by Teva under the trademark Copaxone for the treatment of multiple sclerosis and is Teva's best selling drug. Proneuron's CEO, Professor Michal Schwartz, and other Weizmann Institute scientists discovered that glatiramer acetate may act as an effective

Vitalife obtains funding from Boston Scientific

Vitalife, an early stage fund investing in biotech and medical devices, is receiving a \$5 million investment from US medical device manufacturer **Boston Scientific**. This follows on the heels of a \$2 million investment from Israel's **Union Bank**. Vitalife, established by **Discount Capital Markets** in 2000, has now raised close to \$30 million towards its \$50 million target.

neuroprotective agent and licensed its rights in this area to Proneuron.

Proneuron based in Ness Ziona, Israel, is a biopharmaceutical company developing cell therapies and other treatment modalities for neurological, ophthalmological and immune-related disorders. Its investors include **Giza Venture Capital, Hudson Investment Group, AG Tech Fund, Israel Infinity** and **Pitango**.

Intel Capital invests in Gilian Technologies

Gilian Technologies Inc. has received an undisclosed investment from **Intel Capital** in addition to its series B financing from **Ascend Technologies, Deutsche Bank Capital Partners, Evergreen Partners, Itochu Technology Inc.,** and **Pitango Venture Capital**. Gilian has developed technology for

Corporate Investing

Web site security that protects against severe attacks and malicious code for falsifying transactions or modifying Web pages. Recent funds raised will be used for extending technology and marketing.

Merck makes strategic investment in Sol-Gel

Merck KGaA has taken an undisclosed minority interest in **Sol-Gel Technologies** of Bet Shemesh, Israel. Sol-Gel has developed a micro-encapsulation technology that entraps sunscreen chemicals in glass. Merck has obtained exclusive worldwide distribution rights to the new technology, which will be used in sunscreen products soon to be launched by Merck. Sol-Gel's other investors include venture funds **Evergreen, Millennium** and **The Challenge Fund**.

Bezeq takes 3.5 percent stake in Personeta

Bezeq, Israel's dominant telco, has taken a 3.5 percent stake in **Personeta**, a company with offices in Wakefield Massachusetts and R&D in Hod Hasharon Israel. Personeta provides carriers and network operators with a scalable, carrier-grade open platform that enables use of next generation services over existing infrastructure and sets the groundwork to introduce advanced services over next generation networks. In addition to its investment, Bezeq will be testing Personeta products in early 2002. **Lightspeed Venture Partners** led the investment round which raised several million dollars. Seed funds were obtained previously from **Sequoia Cisco Seed Capital Fund**.

IBM investing \$6 million in new Israel-based business cooperation unit

IBM Corporation plans to invest close to \$6 million in a unit to foster cooperation with Israeli technology companies. Specifically, the unit will offer Israeli firms a range of cooperation options that will make Israeli technologies and solutions available to IBM customers.

The new IBM unit will, by the end of 2002, be staffed by 40 personnel and incorporate specialists in business development, technological cooperation, technical support for application and integration of IBM products, and promote the marketing and selling of Israeli products to customers.

US-Israel partnerships receive \$9 million in BIRD funding

The BIRD (Israel-U.S. Binational Industrial Research and Development) Foundation provides grants to technology projects between Israeli and US companies, generally up to 50 percent of a joint R&D project's cost. In December, BIRD approved ten investments for a total of more than \$9 million.

<i>Israeli Partner</i>	<i>US Partner</i>	<i>Project</i>
D-Pharm Ltd.	NeurogesX, Inc.	anti-convulsant drug for treatment of pain
General Electric Medical Systems (GEMS) Israel, Ltd.	Robin Medical, Inc.	guidance/tracking system for MRI scanners used in surgery
Home-Medicine.com (Israel) Ltd.	Tender Loving Care, Inc.	remote voice response monitoring system
Baobab Technologies (Israel), Ltd.	InterVoice-Brite, Inc.	voice automated technology for catalog orders via telephone
DiskSites R&D Ltd.	Network Appliance Inc.	data storage consolidation and access
Merlynet Communication Systems Ltd.	SER Solutions, Inc.	Web-enabled call center system
Olive Software Ltd.	OCLC, Inc.	electronic publishing – conversion from microfilm archives
ELAM – Electroluminescent Industries Ltd.	General Electric Co.	technology for illuminating signs and decorative lighting
Tecnomatix Technologies, Ltd.	Unicam Ltd.	assembly line management for electronic products
Integra5 Ltd.	Clarent Corporation	visual caller ID and call management tool

PowerDsine completes \$25 million round led by DB Capital Venture Partners

PowerDsine has raised \$25 million in a financing round led by **DB Capital Venture Partners**, the venture capital arm of **Deutsche Bank**. DB contributed \$15 million of the sum, while others including **Dain Rauscher Wessels Partners**, **Robertson Stephens Partners** and existing shareholders accounted for the remainder. PowerDsine software-controlled technology enables delivery and distribution of operating power over converged voice-data communications networks. Capital raised in the new financing round is to be used mostly for development of a technology to deliver operating power, together with voice and data, on standard LAN cables. Earlier PowerDsine investors include **Jerusalem Venture Partners**, **Steps Ventures**, **Clal**, **Poalim Capital Markets**, **Ampal**, **Vertex**, **Gmulot** and **The Challenge Fund**. www.powerdsine.com

Wireless startup IXI attracts \$12.5 million from DFJ and Gemini

IXI Mobile has raised \$12.5 million from investors led by **Draper Fisher Jurvetson ePlanet Ventures** and **Gemini Funds**. The Palo Alto-based firm, which has its research and development center in Ra'anana, develops software that enables new types of wireless devices and services. The company has entered into partnerships with **ChiMei Communication Systems**, **Duracell**, **GVC**, and **Texas Instruments** which, with IXI software, will introduce new wireless form factors, applications and services by February 2002.

IXI was founded in August 2000 with seed capital from Gemini Funds. Gideon Barak, former co-founder and CEO of DSP Communications is IXI's Chairman, while Amit Haller, a founder of Butterfly VLSI is CEO. www.iximobile.com

OREX pockets \$5m, prepares for more

OREX Computed Radiography Ltd. raised \$5 million in a financing round led by Belgium's **DOR Ventures** and **Medica**

Venture Partners of Tel Aviv. Also investing were existing shareholders **Catalyst Fund** and **First Isratech**. OREX manufactures CR image laser scanners that transfer X-ray images to digital computer format. The resultant images can then be manipulated for closeup screening or electronically transmitted to experts for review. Yokneam, Israel-based OREX plans to use the proceeds for stepped-up marketing and product enhancements, as well as for R&D of new applications and technologies. OREX management said it may add to the round because of the "high level of interest" by additional potential investors. This is the company's third private placement since it was established in 1995.

www.orex-cr.com

KaVaDo does \$6.8 million fund raising round

KaVaDo, Inc. has secured \$6.8 million in a fund raising round led by **3i**. **Banc of America Equity Partners** also participated. BAEP already had an indirect interest in KaVaDo since KaVaDo's initial funding round was led by Israel's **Neurone Ventures**, which is backed in part by BAEP. KaVaDo is headquartered in New York and

has its R&D center in Tel Aviv. It provides Web security for applications, filling security needs not adequately addressed by firewalls and other anti-intrusion measures. KaVaDo intends to use the funds raised to expand its sales and reseller network and to increase penetration in the US Europe and Asia. www.kavado.com

iKnowledge's existing investors ante up \$8m

iKnowledge raised \$8 million from its original investors – **Carmel Ventures**, **DOR Ventures**, and **Star Ventures** along with **D-Partners**, a new investor. iKnowledge provides collection and management of enterprise information from disparate systems, turning it into relevant content.

www.iknowledgeinc.com

Start-up CrossOptix completing \$4 million seed round

CrossOptix Corporation says it is completing a \$4 million seed round financing from private sources including its founders. CrossOptix intends to provide ultra-high speed optical interconnect solutions for computing platforms and networks. The firm was established by Dmitry Goroshevsky and Sophia Babkove, entrepreneurs involved in the founding of Internet Telecom and Delta Three. While the company is to be based in the French Riviera, it will also maintain offices in the US and Israel. First round venture capital financing is planned for Q3 2002, by which time the company hopes to complete initial development work and a prototype of its first product.

www.crossoptics.com

Capital Raised

Safewww secures \$5.3 million investment

Internet security firm, **Safewww, Inc.** raised \$5.3 million in Series B round financing from **Cablevision Systems Corp.**, **Archery Venture Partners**, existing investor **Cohen & Company LLC** and private investors. Safewww's identity protection products allow Internet transactions without the need to transmit confidential information. The funding will be used to expand development, customer service and sales activities. Safewww has its corporate headquarters in the US

and research and development center in Herzliya, Israel.

www.safewww.com

Constellation 3D raising \$15m in convertible debts

Nasdaq-traded **Constellation 3D Technology Ltd.** is raising \$15 million from an unnamed investor. The investment is being made via convertible debentures. Constellation 3D specializes in optical data storage and has its headquarters in New York City and offices and laboratories in Texas, Israel and Russia.

www.c-3d.net

Security firm ForeScout raises \$12 million

ForeScout Technologies, Inc. raised \$12 million in Series B financing from **Accel Partners and Pitango Venture Capital**. ForeScout has developed a security system that integrates with firewalls, focusing on early-stage detection and prevention of unauthorized network access. It also appointed Shlomo Kramer, co-founder of Check Point Software, to its board of directors. ForeScout's headquarters are located in Palo Alto, California and its R&D center is based in Tel Aviv.

www.forescout.com

ExaNet 2nd round financing brings in \$17 million

ExaNet Inc. completed its second round financing in December, raising \$17 million. Investors included **Evergreen Canada-Israel Investments, Intel Capital, Microdent Ltd.** and individual investors. ExaNet uses advanced fabric-based storage clustering technology to deliver storage services that scale in capacity, bandwidth, backup/restore speed, geography and manageability. ExaNet will use the funds to help commercialize its storage system. ExaNet is headquartered in Santa Clara, California and has its research and development facilities in Herzliya, Israel.

www.exanet.com

ECI gets \$50 million injection from Isal Amlat, Dovrat and Ofer Brothers

TASE-traded **Isal Amlat Investments** and affiliates of **Shlomo Dovrat** and of the **Ofer Brothers** have invested \$50 million in **ECI Telecom** for a 12 percent stake in the digital telecom firm. Dovrat is founding General Partner of Carmel Ventures and a founder and former Chairman of Tecnomatix. The Ofer Brothers have extensive business interests in Israel in high-technology, shipping, banking, real-estate, chemicals and energy as well as venture capital. Jonathan Kolber, who is stepping down as ECI Chairman said it is "an appropriate time to expand the capital base of the company with investors who bring considerable operating and strategic expertise." Kolber, whose replacement as Chairman is David Ball, (see Trading Places, page 17) former Chairman of Nortel plc, remains on the Board and continues to head ECI's Executive Committee.

www.ecitele.com

Mindset raises \$15m for Alzheimer's Drugs

Mindset BioPharmaceuticals Inc. has raised \$15 million in a financing round led by **MPM Capital L.P.** and **Clal Biotechnology Industries**, both of which focus exclusively on the life sciences. The investment is being made in two tranches and will give the investors a majority stake in Mindset. The Jerusalem-based Mindset is developing products to treat Alzheimer's Disease. Its immunological program seeks to reduce the level of beta-amyloid in the brain, with the aim of preventing, or even reversing, the formation of plaques. Clinical trials for Mindset's lead antioxidant drug

candidate will be funded by the Alzheimer's Disease Cooperative Study, which selected only four of more than 300 proposals to support.

With this investment, Clal Biotechnology has increased its targeting of companies developing CNS therapies and has added a relatively early-stage firm to its portfolio, which has tended toward mature biomed firms. MPM, with headquarters in Boston and offices in South San Francisco and Munich, has over \$1 billion under management and invests from early stage start-ups to large capitalization public companies in biopharmaceuticals and medical devices.

www.mindset.co.il



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Companies Raising Capital

Company: Aduva
Field: Information technology
Amount: \$12 million
Contact: Shlomo Weintraub, CEO
Tel: 972-3-753-4300
Email: info@aduva.com

Company: Allot Communications
Field: Telecommunications
Amount: \$10 million
Purpose: R&D
Contact: Yigal Jacoby, CEO
Tel: 972-9-761-9200
Email: info@allot.com

Company: Cyber-Ark Software
Field: Information security
Purpose: Sales, marketing, business development
Contact: Jeff Grossman
Tel: 1-781-251-0670, ext. 206
Email: jeff.grossman@cyber-ark.com

Company: Ester Neurosciences Ltd.
Field: Biotechnology, neurology therapeutics
Amount: \$2 million - \$3 million
Purpose: Phase II clinical development
Contact: Dr. Oded Ben-Joseph
Tel: 972-3-516-0577
Email: odedbj@medicavp.com

Company: Foxcom Wireless Ltd.
Field: Wireless coverage solutions
Purpose: Marketing
Contact: Ofer Ronen
Tel: 972-8-918-3888
Email: oronen@foxcomwireless.com

Company: Innovu Inc.
Field: Interactive Video
Purpose: Sales and marketing, R&D
Contact: Ido Ben Mordechai, CEO
Tel: 972-9-885-6356
Email: idob@innovu.com

Company: MobileSpear Ltd.
Field: Software, wireless
Amount: \$8 million
Contact: Eran Fine, CEO
Tel: 972-3-608-1999
Email: eranf@mobilespear.com

Company: NanoPowders Industries
Field: Nanotechnology
Amount: \$5 million
Purpose: Production, R&D
Contact: Dr. Eynat Matzner
Tel: 972-4-637-9520
Email: sales@nanopowders.com

Company: OncoLogics Ltd.
Field: Biotechnology
Amount: \$1 million - \$4 million
Purpose: Clinical trials, marketing
Contact: Shai Gilboa
Tel: 972-53-774-773
Email: gilboasd@netvision.net.il

Company: Predictive Systems Engineering
Field: Industrial technologies
Amount: \$3 million
Purpose: R&D
Contact: Jim Kleinburd
Tel: 972-54-221-692
Email: jkleinburd@predictiveonline.com

Company: Shellcase Ltd.
Field: Semiconductors
Amount: \$15 million - \$20 million
Purpose: Expand production
Contact: Uriel Feinstein
Tel: 972-2-679-8890, ext. 202
Email: ufeinstein@shellcase.com

Company: SkyBot Ltd.
Field: Robotics
Amount: \$1.5 million
Purpose: Sales, marketing, support
Contact: Niv Sofer, CEO
Tel: 972-3-687-2188
Email: skybot@netvision.net.il

Company: XLoom Photonics Inc.
Field: Communications
Amount: \$4 million - \$8 million
Purpose: Beta testing
Contact: Shai Gilboa
Tel: 972-53-774773
Email: gilboasd@netvision.net.il

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Israel's biotech industry gains increasing recognition

Dr. Avi Molcho and Allon Reiter



Dr. Avi Molcho

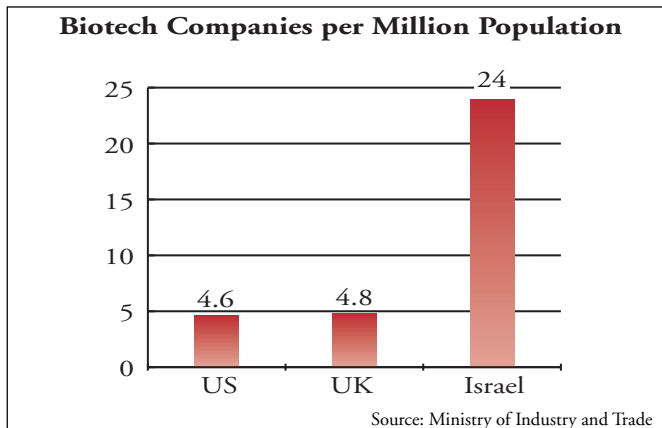
Dr. Avi Molcho, M.D. and Allon Reiter are Senior Vice President and Investment Manager, respectively, of Giza Venture Capital. Giza is a



Allon Reiter

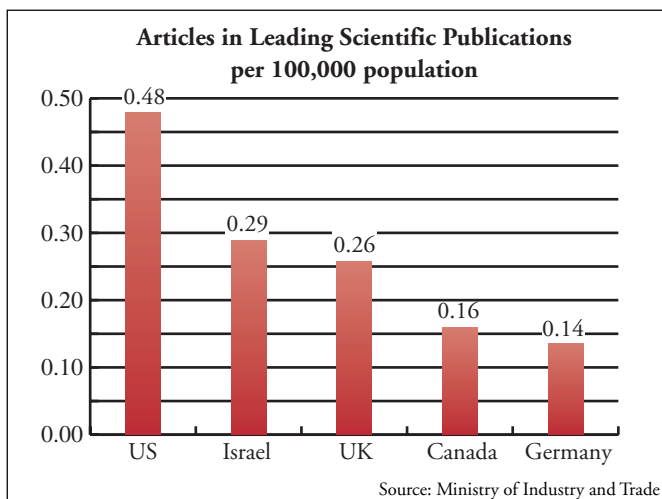
leading Israeli venture capital fund with investments in Proneuron, Proteologics, Compugen and X Technologies among other life science firms. amolcho@gizavc.com • areiter@gizavc.com

Israel ranks high among the technology centers of the world. In the minds of most investors, Israeli industry is associated with telecommunications, Internet, optics, and semiconductor technologies. Often overlooked is Israel's advanced biotechnology industry,



which is producing companies with cutting-edge technologies in several biotech specialties.

Given Israel's small size with a population of only 6.5 million, there is no question that Israel has relatively more bio-impact per capita than most other westernized nations.



Infrastructure is key to successful efforts

Israel's biotech companies are young. With the exception of Biotechnology General, Corp., the great majority are of recent vintage. Nevertheless, in a short time, they have been able to make giant strides in some

of the fastest growing biotech segments - therapies for neuropsychiatry, cancer and autoimmune diseases, for example. These advances did not suddenly come about. They have grounding in a strong scientific infrastructure which boasts outstanding institutions of higher learning (the Weizmann Institute of Science, the Hebrew University of Jerusalem, The Technion, Tel Aviv University, etc.), extensive hospital-based research programs and several incubators that provide structure for start-up companies in their initial years.

Funding and management are primary challenges

At the same time as many biotech companies are emerging, the industry is struggling to deal with serious challenges, which will affect the pace and quality of its future development. There is a sore need for additional funding to enable biotech companies to proceed with expensive research, pre-clinical testing and clinical trials. Like small life science companies elsewhere, Israeli firms are seeking both funding and strategic alliances with larger partners that can provide financial muscle. Some Israeli firms, such as QBI with its US and Asian partners, have been quite successful, while many others encounter a reluctance to invest at pre-clinical stages. Those foreign investors willing to enter at early stages are often allured by the opportunity for maximizing profits.

A shortage of experienced management talent is another challenge that must be addressed. The rapid rise of the industry has resulted in a need for companies to look overseas for such qualified personnel. Relocation issues and competition from US or European companies that face the very same shortages of management are obstacles to be surmounted.

Companies are redefining themselves

Trends in Israeli biotech mirror broader industry developments. It is common today to approach biotechnology firms according to their function. There are drug development companies whose activities lead to an end product. There are also drug development-enabling technologies which have become a hotbed of activity because of the desire to reduce the lengthy drug development process. A wave of bio companies have come along that have developed platforms to shorten drug development time, hoping to share in the profits of resultant new drugs. At least that was their plan. Unfortunately for them, this model hasn't proven itself, as most big pharma companies have not exhibited

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Singapore - Israel high-tech investment cooperation reaching new heights

Ehud Gonen



Ehud Gonen is First Secretary for Economic Affairs at Israel's Embassy in Singapore and heads the Economic and Trade Department.

Israel-Singapore economic and trade ties continue to develop

Singapore and Israel are well-known players in today's high-tech arena. Both have excellent reputations for the quality of their advanced technological sectors.

The Embassy of Israel in Singapore estimates that 150 Israeli companies are active in Singapore, 25 of which maintain offices headed by an Israeli. Some 25 private and government Singaporean players have invested about \$250 million in 50 Israeli VCs and companies in the past three years alone.

Bilateral trade figures reflect mutual interest with total Israel-Singapore trade in 2000 amounting to \$547 million, a 29 percent increase from 1999 levels. Trade between the two countries is estimated to have declined by 11 percent in 2001 to \$485 million. Electronics and high-tech represent more than 75 percent of trade activity.

Singapore is a leading economy in the Asia-Pacific region. It has world-class ports, communications (broadband Internet), transportation, banking and finance which enables Singapore to fulfill its role as a regional hub for commerce and finance as well as e-commerce and info-communications. For Israeli companies, Singapore serves as a gateway to the neighboring countries of Southeast Asia.

Singapore's trade is more than double the size of its GDP. The country enjoys high foreign currency reserves of over \$80 billion and boasts one of the highest per capita GDPs.

Israel has a global reputation for its entrepreneurial spirit, large number of start-ups, high-level research base and vast human intellectual resources. Israel is a brand in the technological world where, in fact, the name Israel is synonymous with technology. Close to 150 Israel-based companies are listed on Nasdaq (ranking third after the US and Canada). The number and amount of investment transactions are truly staggering considering the relatively small size of the state.

Singapore and Israel can attain mutually beneficial and successful collaborations by sharing each other's strengths and advantages. Singapore contributes manufacturing, management and marketing capabilities along with fast growing R&D and technological competence, while Israel adds its own state-of-the art technology and world class R&D.

Bi-national funds encourage joint R&D

Until the financial crisis in Asia of 1997-98, most of Singapore's investment activities were in Asian markets, specifically Southeast Asia. Investors soon realized that geographic diversification made sense in order to help spread the risk of doing business and develop new markets. In 1997, the governments of Israel and Singapore established the SIIRD (Singapore-Israel Industrial R&D Fund), a bi-national fund to support and encourage joint R&D activities. The move signaled industry that the two governments were willing to share the risk of investing in R&D and high-tech.

The Economic Development Board (EDB) of Singapore and the Office of the Chief Scientist of Israel (OCS) are the two cooperating government agencies participating in this fund. Each contributes \$1 million annually. SIIRD organizes matchmaking opportunities between Israeli and Singaporean companies and provides support of up to 50 percent of the eligible R&D costs. In the four years since it was established, SIIRD has supported 23 joint projects.

SIIRD efforts soon began to bear fruit and generated interest among VCs in the private sector and other government investment bodies, which in turn began to seek out other investment opportunities.

Direct investment is growing

Among Israel-based funds, Vertex Israel (a member of the Vertex Management-Singapore group), Giza Venture Capital (the first Israeli VC to open an office in Singapore, as well as Asia), JVC, Platinum, Pitango, Concord and Infinity have taken steps to develop relationships with Asian companies and markets.

On the Singapore side, The Economic Development Board Investments Pte Ltd. (EDBI), an investment arm of the Singapore government, has taken an equity position in an Israeli company, while other branches of the Singaporean government such as GIC Temasek and IDA have reportedly shown interest in Israeli VCs.

Singapore Telecom (Singtel), Keppel, the Singaporean branch of JAFCO Investment, Vertex Management (Singapore Technologies) TDF, Draper Fisher Jurvetson and Vivventure and others from the private sector have made significant investments in Israeli firms as well.

One of the main players in Singapore-Israel investment relations is TIF Ventures Pte Ltd., a fund-of-funds management company. It is incorporated as a wholly owned subsidiary of the Singapore Economic Development Board (EDB), a government agency

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X Technologies obtains CE Mark, additional funding

X Technologies reached an important milestone at the end of November 2001 when it was granted the CE Mark approval for its FXminiRAIL Focused Force Dilation Catheter for coronary angioplasty procedures. This approval is now kickstarting a commercialization program that X Technologies hopes will eventually lead to it becoming a key player in the market for percutaneous coronary intervention.

Company Profile

X Technologies

Solid venture capital backing

Since its inception in June 1999, investors have been lining up solidly behind the venture. X Technologies was founded by a group headed by investor Lewis Pell. Pell has an outstanding record of backing medical device companies that were subsequently sold to major biomedical firms. In 2000, Giza, Yozma and ABS Ventures led investors in the company's first financing round, raising \$4.6 million. Columbine Ventures and The Challenge Fund added \$3.5 million in early 2001. A further \$3 million was closed on December 4 from existing venture investors as well as employees and industry investors, boosting the company's post-investment valuation to a healthy \$54 million.

A step forward for angioplasty procedures

The defining development in the company's short history was its acquisition in 2000 of Medgination, Inc., a small California-based firm founded by Ronald Solar, one of the US's leading experts on medical devices for interventional cardiology. Solar, who is now X Technologies' Chief Technology Officer, developed the FX miniRAIL, the company's main product.

The FX miniRAIL technology addresses key problems in angioplasty procedures being performed today. These include resolving recurrent coronary artery blockage, dilating resistant lesions and treating lesions in small distal arteries not amenable to stenting.

The company's solutions to these problems underwent a study with a 30-patient trial in Europe, which helped it obtain its CE mark. Further trials have been underway in the US where the company hopes to have a 275-patient study completed before mid-year 2002 that is expected to pave the way for FDA marketing approval.

Huge market potential

There is a huge market for devices used in balloon procedures with 1.6 million procedures performed each year throughout the world. X Technologies' President, Guy Shinar, says his firm's target is to have its FX miniRAIL used in some 15% of balloon procedures within the next three to four years.

Products on the horizon

X Technologies is determined not to be a one product company. In the research pipeline is an angioplasty device dedicated to peripheral vascular disease, particularly for the legs and kidneys. The market encompasses 600,000 procedures a year and is growing. The company's unique technology, which utilizes two parallel steel wires adjacent to the balloon skin to focus the balloon dilation force, is expected to be especially useful in overcoming the resistant lesions that are commonly encountered in peripheral arteries.

Another product under development is a novel stent delivery system. The market for this product is promising due to the widening use of stents in balloon procedures.

Operating from California

Manufacturing and R&D take place in California, where most of the company's 33 employees are based. Sales and marketing activities are conducted primarily in Europe and on the East Coast of the US.

Schema targets wireless carriers

Company Profile

Schema

Schema is moving swiftly to capitalize on its unique position which offers wireless carriers better management of their network resources. Most other companies are able to provide either network planning or optimization, whereas Schema is able to deliver both – a compelling draw for wireless network enterprises. Specifically, Schema's total resource management solution is aimed at improving existing spectrum and infrastructure, upgrading service quality and reducing churn.

Key personnel set course

Schema was founded in 1994 by Dr. Yuval Davidor, an international authority on evolutionary computation and artificial intelligence from the

Computer Sciences Department at the Weizmann Institute. Davidor's specialty was optimization technologies for defense applications, logistics and telecommunications which he applied toward wireless communications at Schema. Currently Dr. Davidor



Yosi Ben Dov

provides strategic direction and vision to the company from his US base. Management is headed by CEO Yosi Ben Dov, formerly a vice president of Amdocs, Israel's largest firm providing billing software and services to the telecommunications industry.

Customers include leading industry names

Schema has managed to draw top customers, which has served to give it credibility and attract a wide client base. Among its customers are Verizon, US Cellular, Cellcom Green Bay as well as Israel's Cellcom and Pelephone.

Falcom is main product family

Schema's principal optimization products are sold under the Falcom name. Falcom is a comprehensive spectrum optimization system designed to achieve optimal frequency planning for wireless networks. Its aim is to increase the value of its existing infrastructure, improve overall performance and reduce costs in all stages of planning and operations. Operators using Falcom's technology can increase system capacity without adding infrastructure. Furthermore, Falcom enables increased efficiency of ongoing network maintenance and management, resulting in a reduced need for additional base station sites.

Key technical advantages of the Falcom system

- Allows implementation of "what-if" scenarios to determine the best use of spectrum and network resources.
- Multi-vendor compatibility enabling integration with most tools and vendors.
- Provides an integrated solution for the entire RF planning process - network design; RF spectrum allocation and optimization; network performance analysis.

Funding history

A major funding round took place in February 2001, when Schema raised \$26 million from investors led by BRM Capital, which was joined by TL Ventures and EnerTech Capital Partners.

Existing Schema investors – Walden Israel, The Challenge Fund, Gemini Israel Funds, Eurofund, and

Docor International BV – also participated in the round. Funds were earmarked for expansion of the company's US and European presence and for new product development. There are no current plans for additional capital raising, as the company has begun generating revenues from product sales at a healthy clip.

Four representatives of Schema's venture fund investors – Walden, BRM, Gemini and EnerTech - sit on the company's board with Yosi Ben-Dov, Yuval Davidor and outside directors from AT&T Solutions and Booz-Allen & Hamilton.

Israel Biotech

continued from page 10

readiness to share their profits with tool companies. As a result, many companies have been relegated to providing services on a fee basis, which keeps them going, but is not enough to generate the growth demanded by investors. Many tool companies have therefore allowed themselves to be acquired by larger firms. Those remaining have largely redefined themselves as biopharmaceutical companies. They are not only providing tools, but are developing their own proprietary drugs.

Bioinformatics is a field that is increasingly moving to the hybrid formula as original business models falter. The US's Celera is one of the most visible examples, by using its self-developed technologies for in-house drug discovery and development. There are Israeli companies that fit this new hybrid mold as well. Having found its bioinformatics business insufficient to support its growth, Compugen has moved to developing biopharmaceuticals of its own. Another hybrid company is D-Pharm, which has developed technology to activate drugs at the site of diseased cells. It is applying its technology to develop other companies' drugs, while researching drugs for its own account, as well.

VCs are increasingly looking at biotech

According to the Israel Venture Capital (IVC) Research Center, Israel's life sciences has begun to show a resurgence in investment. In the third quarter 2001, Israeli life science firms raised 23% more capital than they did in the second quarter, with the average financing round recording strong gains as well. The upswing in the sector is particularly noteworthy coming at a time when other technology areas are feeling the effects of tighter investor purse strings. Previously, many VCs shied away from biotech because of time-to-market considerations. Today, biotech is considered less volatile than telecommunications and other technology areas and is therefore becoming increasingly amenable to the venture funds.

Fund Profile

Jerusalem Venture Partners

Capital under management: \$660 million

Number of funds: 4

Latest fund: JVP IV

Active portfolio companies: 22

Number of exits: 11

Industry focus: Communications, software, infrastructure

Web site: www.jvpvc.com

Jerusalem Venture Partners was one of the early pioneers of Israeli venture capital. Founded in 1993 by Erel Margalit, JVP has established itself as one of Israel's foremost funds, with more than \$650 million under management.

New fund closed in November

In 2001, when investors in venture funds generally preferred to sit on the sidelines, JVP succeeded in raising a new \$400 million fund. JVP IV closed in November, bringing together a combination of corporate, financial, academic/institutional and private investors (See FundScope, page 4).

Investors in JVP funds (partial list)

Boeing	Infineon/Siemens
France Telecom	Merrill Lynch Ventures
Nortel	Nortel Networks
Reuters	Invesco
Access	Jafco
AXA	Government of Singapore
Bank Leumi	Investment Corp.
Flag Venture Management	Mitsui
HarbourVest	MIT
Horsley Bridge Partners	Columbia University
	Hebrew University

JVP has held steadfast to its investment focus, concentrating on:

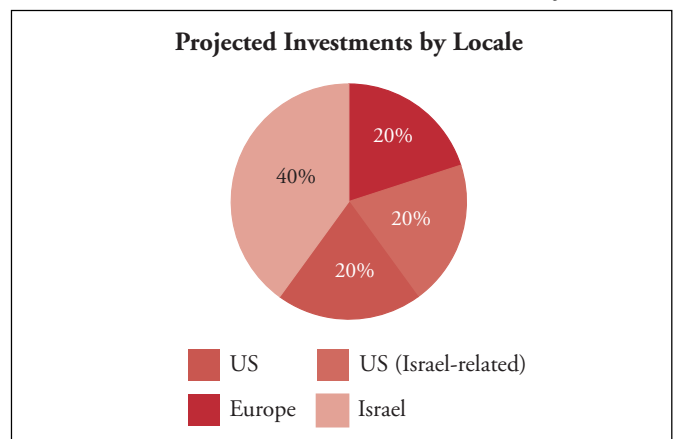
- Optical Communications - Switching, transport and networking technologies on the components, system and service levels for optical networks
- Data Communications - Communications components and systems for WANs and LANs
- Wireless Communications – A wide range of technologies including LMDS broadband and Bluetooth
- Service Infrastructure - Infrastructure technologies to facilitate and support advanced services over communications networks

- E-Commerce Infrastructure - Software technologies to facilitate B2B and B2C commerce

Management shifts

JVP has instituted several management shifts in recent months. Managing Partner Erel Margalit has moved to head the New York office, which has been bolstered by the addition of General Partner Zeljka Matutinovic and CFO Michael Carus. Meanwhile, Glen Schwaber has returned to Israel from New York to head JVP's Jerusalem office, and Laurel Bowden continues to lead European activities from JVP's London office.

Future investments to take an international flavor



Selected Portfolio Companies

Optical Communications

Cogent Communications. Internet Service Provider based on advanced optical network. Serves business customers in large multi-tenant buildings.

CyOptics. Electro-optical communications components to increase the data handling capacity of optical fiber networks.

Inplane Photonics. Integrates optical components on low-cost platforms for metro applications.

Kodeos Communications. Developing optical subsystems for fiber optic communication networks.

Renka. Development and manufacture of fiber optic cable to deliver broadband services to homes and offices.

XLight Photonics. Optical switching fabrics for multi-terabit routers.

Data Communications

Native Networks. A developer of high-speed connectivity service solutions for optical access networks.

PowerDsine. Software-controlled power solutions for the delivery and distribution of operating power over converged voice-data communications networks.

Quarry Technologies. Switching for network service providers to create and deploy advanced IP services for businesses.

SANgate Systems. Storage solutions for Storage Area Networks.



Glen Schwaber, a four year JVP veteran, is the new head of JVP's Israel office. He explains how he sees JVP's future direction. glen@jvpvc.com

Has the new venture environment changed JVP investment plans?

We are continuing to make new investments at this time, but these are expected at six to eight new deals annually. We're finding there are still very good opportunities, particularly with second and third time entrepreneurs. Of course, we're being more realistic about expectations and looking at more mature companies with business models moved out 18 months. Our initial investments generally range from \$5 million to \$7 million and up to \$15 million to \$20 million over time, and we're generally looking at a four to six year time horizon to liquidity. Our main interest is in building businesses that will grow.

What is JVP's policy towards follow-on investments?

Even if our companies are struggling and a shift in direction is required, we will continue to back our portfolio companies. We work hard to take these investment opportunities to other investors, as well. But we also have to make tough choices, and where we see no viable future, we will not invest further.

Where are you seeking co-investors investors from?

We are having our best success in Europe and Asia, while funds appear tightest in the US.

Has your industry focus shifted?

No. We continue to look at communications and the optical world. Previously, we looked at some consumer-oriented Internet applications, but that is of less interest to us now.

Are Israeli investments still your main focus?

Yes, but in the course of our activities – including making customer and client connections for our portfolio companies – we're also discovering some excellent opportunities in the US and Europe. They're of such a nature that we don't want to pass them up. Going forward, Israeli firms and Israel-related companies – that is, with an R&D, management or technology angle – are likely to comprise roughly 60 percent of our investment activity.

Wireless Communications

BridgeWave Communications. Broadband wireless technology.

First Access. Wireless security solutions including contactless authentication of users to corporate networks and desktops.

Netro Corporation. Traded on Nasdaq. High-speed digital wireless networking equipment for emerging service providers.

Wireless Links International. Hardware and software for two-way wireless data communication services.

Service Infrastructure

Celltick Software Technologies. Media streaming solutions for mobile networks.

MagniFire Websystems. Technology to speed delivery of static and dynamic Web pages over IP networks.

Sheer Networks. Broadband network management solutions.

Sphera. Software for automated Web hosting.

TeleKnowledge. Billing software for broadband service and content providers.

ViryaNet. Traded on Nasdaq. Field service management software.

E-commerce Infrastructure

Fundtech. Traded on Nasdaq. Financial software products to facilitate electronic payments.

Jacada. Traded on Nasdaq. Products to extend mainframe, business-critical applications to the Internet.

NuVisio Corporation. Promotion and marketing solutions for e-commerce.

Precise. Traded on Nasdaq. Supplies application and e-commerce performance management software

XMPiE. Server software enabling personalized customer communications across web, e-mail and print.

Other

NanoTectonica. Developing products and services for the electronics industry based on nano-particle inks.

Paradigm Geophysical. Traded on Nasdaq. Oil and gas exploration software.

Innoveda. Formerly Summit Design. Traded on Nasdaq. Verification software tools for semiconductor design. Merged with ViewLogic.

Acquired

Chromatis Networks. Acquired by Lucent. Offers fiber optic DWDM transport solutions for Metropolitan-area service providers.

Scorpio Communications. Acquired by US Robotics. ATM networking systems.

T.square. Acquired by Globespan, Inc. Network edge processors.

Ultracom Communications. Acquired by Terayon Communication Systems. VLSI-based subsystem for cable industry.

Conference Calendar

January 10 - 11, 2002

System Area Networks Conference

The Plaza, 5th Ave. at Central Park So., New York, NY

Contact: RBC, Joleen Luhmann

Tel: 1-612-313-1215

Email: jluhmann@dainrauscher.com

Web site: www.rbccmevents.com/event/san2002

January 10 - 11, 2002

China Telecom 2002

Hawaii Prince Hotel, Waikiki, Hawaii

Contact: Paul Swydan

Tel: 1-617-232-3111

Email: events@igigroup.com

Web site: www.chinaconf.com

January 21 - 23, 2002

All-Optical Networks & GMPLS

Park Lane Hotel, London, UK

Contact: EF Telecoms

Tel: 44-20-7878-6888

Email: enquiries@ef-telecoms.co.uk

Web site: www.ef-telecoms.co.uk/aon

January 23, 2002

Journey Europe 2002

Arabella Sheraton, Munich, Germany

Contact: Gil Forer

Tel: 1-212-773-0335

Email: gil.forer@ey.com

Web site: www.eymeet.com/journey02

January 29 - 30, 2002

The 2nd Annual European Venture Capital Forum

Arabella Sheraton, Munich, Germany

Contact: Simon May

Tel: 44-207-405-5544

Email: simon@sachsforum.com

Web site: www.sachsforum.com/vc2002_fs.html

February 5 - 6, 2002

Investors Choice: Global VC Conference

Park City, Utah Grand Summit – The Canyons, US

Contact: Israel-Utah Int'l Business, Dov Raviv

Tel: 972-3-642-5051

Email: dov@revivim.com

Web site: www.venturecapital.org/icwbr.html

February 6 - 7, 2002

Corporate Tech Summit

Hotel Hilton Munich Park, Munich, Germany

Contact: Europe Unlimited, Ronan L'Heveder

Tel: 32-2-626-0102

Email: ronan@e-unlimited.com

Web site: www.e-unlimited.com/corporatesummit

February 11, 2002

Nanotechnology Investing Forum

The Ritz-Carlton Hotel, Rancho Mirage, CA

Contact: Cathy Fenn

Tel: 1-516-594-3000, ext. 20

Email: cathyf@ibforum.com

Web site: www.ibfconferences.com/conferences/investing/nanotech.htm

February 12 - 13, 2002

Corporate Venturing and Strategic Investing

The Ritz-Carlton Hotel, Rancho Mirage, CA

Contact: Cathy Fenn

Tel: 1-516-594-3000, ext. 21

Email: cathyf@ibforum.com

Web site: www.ibfconferences.com/conferences/investing/cv_2001.htm

February 19 - 21, 2002

7th Annual Int'l Fund Management Conference

Arabella Sheraton, Munich, Germany

Contact: Cadogan International, Chris Evans

Email: info@cadogan-conf.co.uk

Web site: www.cadogan-conf.co.uk

February 19 - 22, 2002

3GSM World Congress 2002

Cannes, France

Contact: Informa, Tamara James

Tel: 44-1932-893-855

Email: cust.serv@informa.com

Web site: www.3gsmworldcongress.com

February 25 - 28, 2002

The Robertson Stephens Technology Conference

The Palace Hotel, San Francisco, California

Contact: Robertson Stephens

Tel: 1-414-248-4848

Email: conferences@rsc.com

Web site: www.robertsonstephens.com/conferences/technology

February 27 - 28, 2002

The 5th Annual European Private Equity & VC Summit

Bayerischer Hof Hotel, Munich, Germany

Contact: ICBI, Melissa Digiacomo

Tel: 44-20-7850-7604

Email: mdigiacomo@iirltd.co.uk

Web site: www.icbi-uk.com/superreturn/default.asp

Trading Places

David Ball has been confirmed as Chairman of the Board of **ECI Telecom**, replacing **Jonathan Kolber**. Ball was formerly Chairman of Nortel plc, held various senior management positions within the Nortel organization and served on the boards of over 50 companies throughout the world. A Chartered Engineer, Ball was elected a Fellow of the Royal Academy of Engineering in 1998. (See Capital Raised, page 7).



Doron Rosenbaum has been appointed Information Manager of **IVC Israel Venture Capital** with responsibility for IVC's online database of more than 3,400 Israeli high-tech and investment companies and for the Israel Venture Capital Journal. He previously held the position of Information Manager at Koldoon. Rosenbaum holds a BA in Hotel & Tourism Management from Ryerson Polytechnic University in Toronto, Canada.

Guy Pereg has been appointed Director of Finance at **Decimal Ventures**. Pereg comes to Decimal from Vyyo where he was the controller. He is a CPA and holds a BA in Accounting and Economics from Bar Ilan University.

Yossi Rein was appointed a Director of **Tamir Fishman VC II**. Rein was a founder of Nitzanim VC Fund, CSC Strategic Consulting, and Niar Ltd., a private investment company. He has also served in senior positions at Philips (Holland), CSR (Australia), and Tadiran. Rein holds a doctorate from the Management & Industrial Engineering faculty of the Technion.



Yael Shechter has been appointed Editor at **IVC Israel Venture Capital** with responsibility for the IVA Yearbook. Previously, she was in administration at Giza Venture Capital. Ms. Shechter is completing her BA in Computer Sciences at the Academic College of Tel Aviv-Yafo.

Eran Yarkoni has joined **Tamir Fishman Ventures II** as a member of its strategic consulting group. He was formerly CEO of CyOptics and has held senior positions at Intel. Yarkoni is experienced in technological entrepreneurship, management and research and development.



Zachi Keinan joins **Nessuah Zannex** as Head of Investment Banking. He was previously with Orad, a publicly traded technology company as CFO and as CEO of an Orad unit. Prior to that, he worked at Apex Partners in the technology area. Keinan holds a BA in Accounting & Economics from Tel Aviv University and an MBA from Instead International in France.

Ilan Ben Avi was appointed Investment Banking Activity Coordinator at **Everest Corporate Finance**, the private banking arm of **Maoz Everest – Funds Management Ltd.** Ben Avi was previously VP Private Investments at Shrem Fudim Kelner and also held positions at Credit Suisse First Boston and Punk, Ziegel & Company. He holds a BA in Finance the State University of New York at Albany.

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Giza Venture Capital

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Giza is an Israel-based Venture Capital fund with a global approach and presence. We focus on early-stage Israel-related companies in the areas of communications, Internet infrastructure, software, and life sciences. Giza is an active, value-added, long-term investor. Our limited partners include GE Capital, Deutsche Banc Alex. Brown, NIB Capital, Bank Hapoalim, Bank Leumi, and other leading institutional investors from the U.S., Europe, Asia, and Israel.

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Biosonix buyout by Neoprobe planned

Biosonix Ltd. is being acquired by US-based **Neoprobe Corporation**. Biosonix, located in Hod Hasharon, Israel, develops products that provide blood flow measurement and cardiac output information to physicians in neurosurgery, cardiovascular surgery and critical care, while Neoprobe produces gamma detection systems for intraoperative lymphatic mapping in cancer surgery.

Neoprobe, quoted on the OTC Bulletin Board, is to pay Biosonix stockholders 9,714,737 shares of its common stock (valued at \$3.3 million in late December). An additional 2,085,826 shares will be issued to Biosonix holders upon meeting milestones. Neoprobe's management expects commercialization of Biosonix products by the end of 2002, assuming FDA marketing approval is received.

eMation is acquired by Ravisent

eMation, a software and intellectual property licensing company, has been acquired by Nasdaq-traded **Ravisent**. Pennsylvania-based Ravisent purchased eMation shares in exchange for 8 million shares of its own stock (valued at more than \$20 million) and assumption of \$5 million of eMation indebtedness. eMation is based near Boston, Massachusetts and has offices in Israel as well as in Europe and Japan. Its shareholders include Clal Electronics Industries.

Sec2Wireless in merger with Uniprime

Sec2Wireless Inc. has merged with **UniPrime Capital Acceptance Corp.** Sec2Wireless developed technology for centralized user authentication and monitoring that recognizes a person's identity. The exchange of shares resulted in Sec2Wireless shareholders acquiring control of UPRC with Sec2Wireless replacing UPRC's management and board of directors. Sec2Wireless, which has an Israeli subsidiary, raised \$3.2 million since its founding in February 2000. A major investor is Shamrock Capital Growth Fund.

Always-On acquired by Veracicom

Veracicom has acquired **Always-On, Inc.** which until May 2000 was known as **LightPC.com**. Always-On technology allows use of software applications over the Internet without having to install software on one's PC. Terms of the acquisition were not announced. In April 2000,

Always-On raised close to \$11 million. Pre-acquisition investors included Coral Ventures, Yossi Vardi, Synergy Venture Capital, Poalim Capital Markets, Technoplus and Star Ventures.

Lumenis buys HGM Medical Laser for \$9.7 million

Lumenis Ltd., formerly ESC Medical Systems Ltd., has acquired **HGM Medical Laser Systems** of Salt Lake City, Utah for \$9.7 million in cash. HGM markets laser and delivery systems primarily to the ophthalmology market. Yacha Sutton, CEO of Lumenis, said the acquisition "strengthens our ophthalmic product offerings and signals our commitment to the ophthalmic business, which we acquired through the union with Coherent Medical Group."

Singapore

continued from p. 11

under the Ministry of Trade & Industry. TIFV currently manages \$800 million of the Technopreneurship Investment Fund (TIF). TIFV's VC partnerships in Israel include Pitango III, Giza III, Vertex Israel II and Platinum. In addition to fund-of-funds investment, TIFV engages in direct investment and venture services activities.

Singapore Economic Indicators – 2000

Total trade: \$276 billion
 Total exports: \$139 billion
 Total imports: \$136 billion
 GDP: \$93 billion
 GDP per capita: \$23,285 billion
 GDP growth (2000): 9.9%
 GDP growth (2001): (-3%)
 Annual inflation rate: 1.3%
 Unemployment rate: 3.5%
 Foreign currency reserves: \$82 billion

Information sources

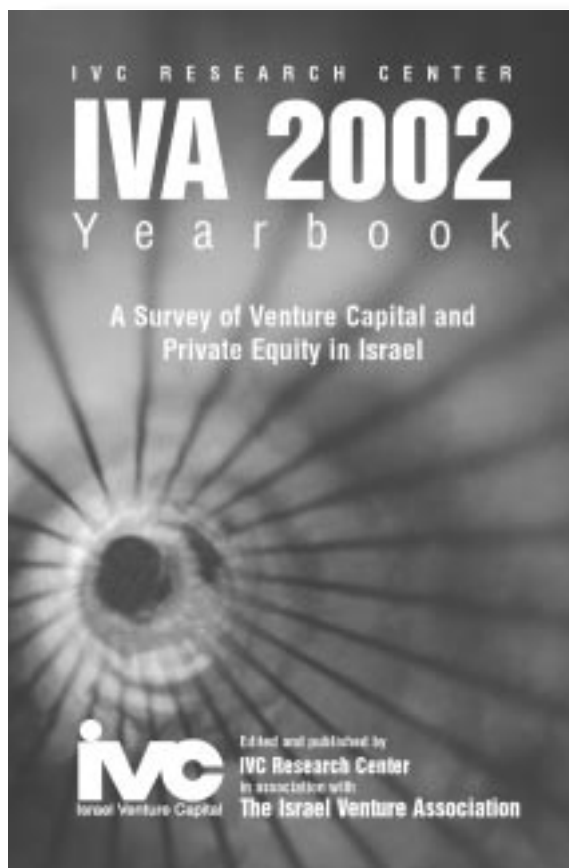
Singapore-Israel investment and trade inquiries can be made by contacting: israeltr@magix.com.sg. An Israel-Singapore investment/trade event is planned for April, 2002. Details are available on the TIF Ventures Web site: www.tifventures.com.

Future events to be held in Singapore

- February 20, 2002: Israel BioTechnology seminar, organized by the Economic Department of the Israeli Embassy in Singapore
- April 24, 2002: TIFV Israel-Singapore investment/trade event, organized by TIFV



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