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Easing of Taxation for Foreign VC Investors

*In late September, Israel's Finance Minister announced far-reaching tax exemptions for foreign investors in Israeli venture capital funds. The move followed intensive advocacy efforts by the Israel Venture Association, as a representative of Israel's venture capital funds, to bring about relief. **KPMG Somekh Chaikin** tax specialists **Ilan Ezra** and **Talia Bar-Gil** follow up on their July 2001 taxation review in the IVCJ to examine what the new policy means for foreign investors, pinpointing who actually is to receive exemptions and under what circumstances.*

Foreign investors in Israeli venture capital have something to look forward to. Israel's Minister of Finance announced on September 24, 2001 that foreign investments in Israeli venture firms will no longer be taxed. The underlying impetus for changing policy was, in large part, due to the deterioration in the economic climate, downsizing of high-tech investments and pressure to resolve the protracted discussions between
continued on page 15

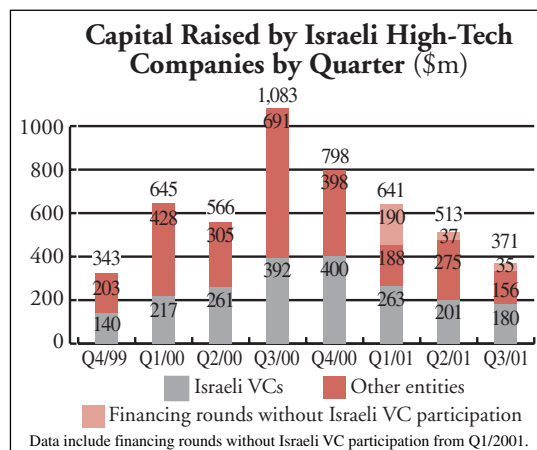
IVC Research Center Q3 Survey Results

Capital Raised by Israeli High-Tech Firms Continues to Slide

Increasing VC focus on follow-on investments

Capital raised by Israeli high-tech companies showed sharp deterioration in the third quarter of 2001. The \$371 million raised from local and foreign venture capital investors was 28 percent below second quarter levels and a whopping 66 percent less than in the third quarter in 2000. These survey results

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were recently released by the IVC Research Center based on reports from 128 venture investors, of which 91 were Israeli venture capital funds and 37 were other – mostly foreign – investment entities.

The number of companies raising capital declined to 117 in Q3 from 137 in Q2, with the average financing round slipping 14 percent in Q3 to \$3.2 million from Q2's \$3.7 million.

In Q3, there were four large financing rounds – those exceeding \$20 million – compared to five such rounds in Q2. Amounts raised in these rounds totaled \$110 million (30 percent of total capital raised), versus \$161 million (31 percent). In comparison, large financing round investments in Q3 2000 saw 15 companies raise more than \$20 million each for a total of \$516 million (48 percent).

VC investment activity is relatively subdued

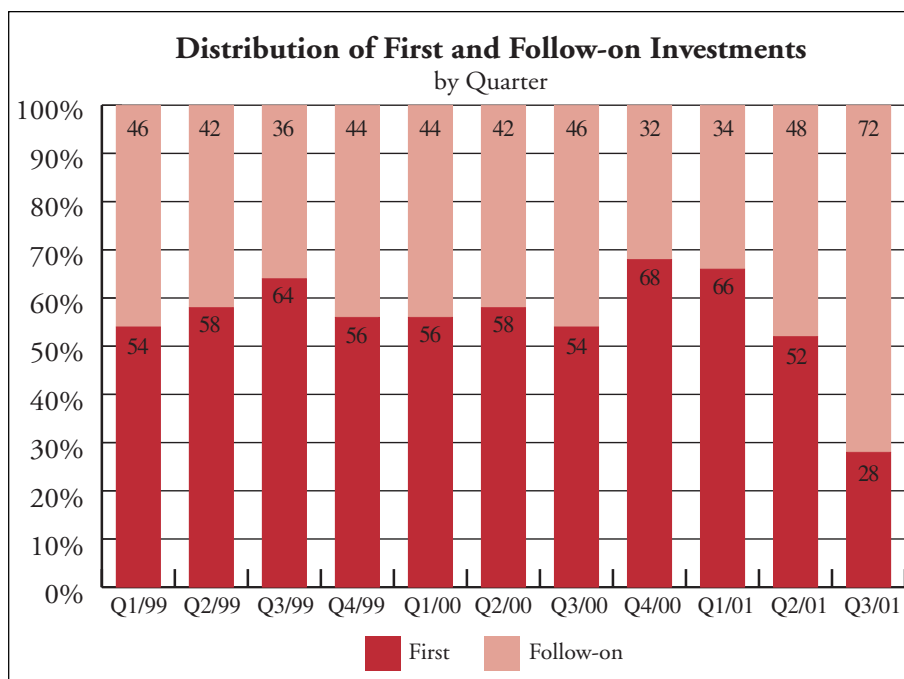
In Q3 2001, Israeli VCs invested \$180 million, an 11 percent decline from Q2 investments and a 54 percent drop from the

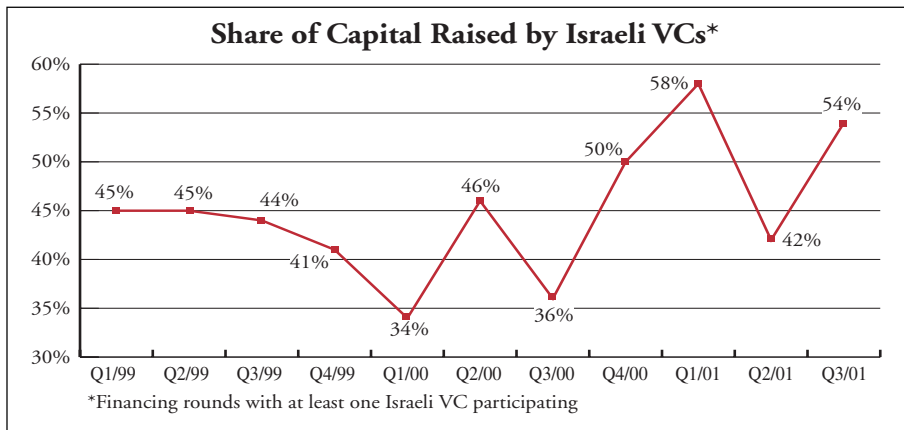
corresponding period in 2000. The remainder raised (\$191 million) by Israeli firms was from non-Israeli VC sources. The bulk (\$156 million) came from financing rounds in which at least one Israeli VC participated, while \$35 million was raised in rounds in which Israeli VCs were entirely absent.

Foreign entities along with Israeli non-VC companies reduced their investments in Q3 by 39 percent to \$191 million from \$312 million in the second quarter. Financing rounds with no involvement of Israeli VCs decreased by 5 percent to \$35 million from \$37 million in Q2.

In Q3, capital raised from Israeli VCs (in financing rounds where at least one VC participated) rose to 54 percent of amounts raised from all investors. This follows the low point of 42 percent reached in the previous quarter.

“First” investments made by Israeli VCs constituted only 28 percent of fund investments, dropping from 52 percent in Q2. First investments of the funds totaled \$51 million (\$2.1 million average), compared to \$129 million (\$1.0 million average) for





follow-on investments.

“IVC forecasts materialized,” said Racheli Er-el, Director of Research for IVC. “First investments of Israeli funds declined to an unprecedented low point in Q3, continuing the trend started last quarter.”

Communications remains most popular sector

Thirty-nine communications companies raised \$141 million in Q3, a decline of 37 percent from Q2 and a decrease of 75 percent from the corresponding quarter in 2000. Communications continued as the number one sector in terms of financing rounds, but its share of the total amount raised slipped to 37 percent, compared with 43 percent in the previous quarter. The number of companies raising capital in Q3 remained unchanged from Q2, but the average financing round declined to \$3.6 million from \$5.7 million.

Life Sciences come to life

Funds raised in the life sciences sector totaled \$81 million in the third quarter, an increase of 23 percent from the second quarter and a decline of only 2 percent from the same quarter last year. Twenty-two companies drew 22 percent of capital raised in Q3, compared with 13 percent in Q2.

The average financing round increased by 23 percent to \$3.7 million from \$3.0 million.

Software off

Twenty-three software firms raised \$54 million, down 54 percent from Q2 and 63 percent from 2000’s third quarter. Software companies attracted 15 percent of the total capital raised, compared to 23 percent in Q2. The average round was \$2.3 million, well below Q2’s \$4.2 million.

Internet surprises

Funds raised in the Internet sector jumped 231 percent to \$43 million from a low point of \$13 million in the previous quarter and accounted for 12 percent of the total funds raised by high-tech firms, compared to just 3 percent in Q2. The average financing round for the 15 companies raising capital soared by 300 percent to \$2.8 million, compared with \$0.7 million in the prior quarter. IVC’s Er-el explained that “the sharp increase reflected the large round raised by Sanctum and does not necessarily indicate recovery of the sector.”

Initial Revenue stage firms gain in popularity

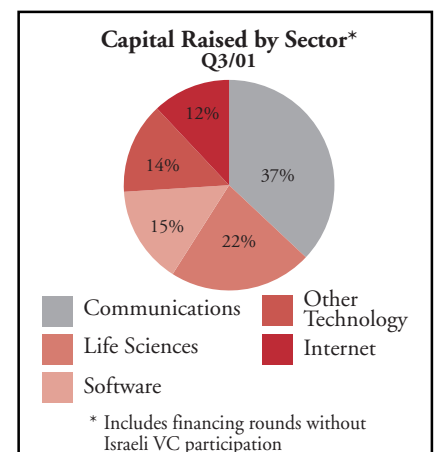
All four stages defined by IVC – Seed, R&D, Initial Revenue and Revenue Growth – experienced

decreases in amounts raised in the third quarter. The sharpest declines – 47 percent and 44 percent – were for R&D and Seed stage companies, respectively. Initial Revenue companies and Revenue Growth companies experienced moderate declines of 13 percent and 11 percent, respectively.

There was continued erosion in the popularity of R&D stage companies, which attracted 28 percent of amounts raised in Q3, versus 38 percent in Q2 and 43 percent in the third quarter last year. Initial Revenue companies made further advances in terms of their relative share with 47 percent of capital raised, compared with 40 percent in Q2 and 27 percent in Q3 2000. Seed companies slipped to 5 percent from 7 percent in Q2 and Revenue Growth rose to 20 percent from 16 percent in Q2.

About IVC

The IVC Research Center has been operating since 1997 and specializes in analyzing and monitoring Israel’s high-tech and venture capital industries. A comprehensive quarterly report based on survey results is available to IVC clients. For additional details, contact Racheli Er-el: Tel: 972-3-640-2367.



Storage – (Still) An Interesting VC Investment Domain

Ron Yachini is a General Partner at Genesis Partners, an Israeli VC that has invested in four companies in the storage sector. Genesis manages \$350 million, specializing in communications, enterprise software and storage.



In difficult times such as the present, it is challenging to be upbeat about any investment domain. Last year's hot areas are dead, and the general mood is gloomy. It is important to note that technology investments were

Sector Review

by Ron Yachini

not created in 1999 and will not die in 2001. There remain outstanding opportunities with attractive valuations in several sectors. One such sector is storage.

Storage has been a growth industry for many years. Current market size is estimated at \$30 billion. A recent study at Berkeley estimates that the amount of information created to date will be doubled in the next 2-1/2 years. Every year 250MB of data are produced per human being worldwide, most of which is digital and needs to be stored and managed. Many applications such as voice mail, video-on-demand and cellular telephony, are great drivers for consumption of storage.

Storage has been growing at 10%-20% per annum, and according to a recent CIBC report, growth for the next five years should average 12% annually. This is despite the fact that "simple" storage (DAS – Direct Attached Storage) is becoming a commodity item. The real growth is in the sub-segments – Networked Storage (whether SAN – Storage Area Networks or NAS – Network Attached Storage).

Within the next four years networked storage is expected to mushroom from today's 30% of the storage market to 70%. Certain sub-segments are expected to grow more than 50% per annum. The key driver of storage growth is the shift by organizations to digital information, including information-rich processes with suppliers, customers and workers.

Many storage companies showed impressive results over the past several years and were last to be impacted by the slowdown in the financial markets. Among these were EMC, NetApp, Brocade, Qlogic and Emulex. EMC, on a ten-year performance basis, was ranked number two among S&P 500 companies. Although storage companies did not escape the market collapse,

it is encouraging that they were the last to be bitten, giving rise to the hope that they may be among those showing early recovery.

The main reason storage growth cannot be stopped is that storage is indispensable to the information technology industry. While delaying the replacement of processors results in slower performance, absence of adequate storage for applications or backup may result in an IT catastrophe. The shift to networked storage is also a requisite, as performance is better and the cost of management is lower. Organizations are willing to pay 10c/MB for networked storage, versus 1c/MB for regular storage, due to the greater reliability of the network, better performance and simpler management. It is estimated that it takes 20 IT managers to manage 1TB of data in an NT distributed environment.

A large, chaotic market is an excellent opportunity for start-ups. Established players often find it difficult to devise novel solutions, especially given their interest in preserving entrenched technological approaches. Moreover, the need for a multi-disciplinary team and solution presents a challenge for large players in the storage market.

Due to the projected opportunity in storage, substantial VC funding has been directed to that sector. According to VentureWire, storage investments soared from \$114 million in 1999 to \$463 million in 2000 and reached \$240 million in Q1 2001 alone.

In addition to the fundamentals, VCs have another reason to like the storage sector – the abundant M&A opportunities. Sun, HP and even Cisco are trying to snare a share of this growing, lucrative market, and are all prospective acquirers.

Some of the "hot" areas within storage are: virtualization, SAN connectivity, storage management and interoperability, and network appliances. Let us take a closer look at these sub-sectors and Israel-related companies in the forefront of these areas.

Virtualization is the ability to treat all storage as a single volume, regardless of physical location. The solution simplifies the management process by the IT manager and provides flexibility of resources. StoreAge Networking Technologies has a leading position in "off the data path" architecture with its advantages of high speed and scalability.

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Giza Venture Capital

\$270,000,000 under management



Shani Design & Production Ltd.

Tumarkin 2000

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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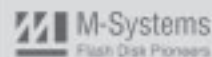
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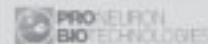
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GIZA VENTURE CAPITAL



Oridion



Capital Raised

Business Layers completes \$25m round

Business Layers completed a \$25 million financing round from **Canaan Partners, Ascent Venture Partners, Novell Inc., Gemini Israel Funds, Formula Ventures, Israel Seed Partners**, and Shlomo Kramer, co-founder of **Check Point Software**. The crowd of investors reflects Business Layers' leading position in provisioning, a high potential IT market niche that allocates digital resources according to business needs. Business Layers' software enables customers to improve productivity and reduce operating costs by integrating employees, partners and vendors into existing IT infrastructure. The company will use funds raised to continue its product development work. Earlier investors include **Garage Technology Ventures**.

Sphera up to \$15m in second round financing, seeks more

Sphera Corporation has raised \$15 million in second round financing led by **TLcom Capital Partners** and **Jerusalem Venture Partners** with participation by **Gemini Israel**. Sphera says that it expects additional investments before completion of this round.

Sphera's main product automates the entire Web hosting process while enabling the host provider to streamline operations and reduce costs.

Jerusalem Venture Partners had invested in Sphera twice before – in the seed round in 1999 and again in first round financing in October 2000, which was led by Gemini. TLcom is new to Sphera. The London-based venture capital firm

Mysticom raises \$28 million from leading international investors

Netanya-based **Mysticom, Ltd.** has raised \$28 million from several leading international investors – both financial and strategic. Its new investors include investment bank **Lehman Brothers, ABN AMRO Capital**, the investment arm of Dutch bank **ABN AMRO, Royal Philips Electronics** of the Netherlands, Israel's **Giza Venture Capital** and **Koor Corporate Venture Capital**. Also participating in the current financing round were existing Mysticom investors – **Cisco Systems, Eucalyptus Venture Funds, J.P. Morgan Partners** (formerly Chase Capital Partners), **Newbury Ventures, Pitango Venture Capital** and **Texas Instruments**.

Mysticom is a provider of semiconductor IP for high-speed data transmission at the physical layer. It intends to use proceeds from the funding to expand in the high-bandwidth Ethernet market and extend its technology to other high-speed networking applications. The company designs complex mixed-signal communication cores that have been licensed by communications system and semiconductor companies (**IBM, Infineon, Philips Semiconductors, Texas Instruments** and **Virata Corporation**) to deploy high-bandwidth system-on-chip devices and communication systems based on Ethernet standards.

specializes in communications technologies, investing in Europe, Israel and the US. TLcom maintains a co-investment agreement with **Morgan Stanley's** private equity unit.

Existing investors in Sphera include **Reuters Venture Capital** and **CSK Venture Capital**.

Silverback's second round financing secures \$15 million

Silverback Systems raised \$15 million in its second round financing from **JP Morgan Partners, Pitango Venture Capital, Gemini Israel Funds** and **Newbury Ventures** of the US, along with an unnamed strategic investor. **The Capital Group** and private investors had invested \$2.3 million when the company was established in August 2000 by Oran Uzzad-Nali (a founder of **MMC Networks**). Silverback

develops processor architecture, optimized for storage networks and data centers. The current round of funding will enable the company to complete development of its first product and bring it to market. According to Newbury Ventures' Managing Partner Jay Morrison, Silverback's technology has "compelling advantages in terms of cost, performance, and manageability." Silverback Systems, with 25 employees, is based in Mountain View, California.

Orthopedic device firm Limber lines up \$6m

Limber Ltd. has raised \$6 million from **Jerusalem Global Ventures** (via its life sciences fund **InnoMed**) along with **Gemini Israel Funds** and **Advent International**. Limber is developing innovative orthopedic devices intended to significantly improve orthopedic surgery and

Capital Raised

help patients resume normal physical activities. The new funding is earmarked for completing clinical trials, obtaining regulatory approvals and initiating marketing of Limber's hip surgery product.

This is Limber's first round of financing since December 1999, when Gemini led seed round investors.

Privia banks \$5.5 million in funding

Privia Inc. raised \$5.5 million from **Benchmark Capital** and **Venture Strategy Partners**.

Privia develops applications for automating pre-sales and post-sales processes. The company maintains its headquarters in New York City, while its R&D center and European sales offices are based in Haifa. This was Privia's first institutional round as previous funding of \$2 million was from private investors. Benchmark recently accelerated its activities in Israel with its new \$220 million Israel-focused fund. Venture Strategy Partners is a venture capital firm located in San Francisco investing in early-stage companies.

Bio IT secures \$3m to speed drug development

Bioinformation company **Bio-IT** completed its first round of financing, raising almost \$3 million from investors led by Israel's **Yozma** venture capital fund. Investing along with Yozma were **Orbimed Advisors**, a large US-based healthcare fund manager, and private investors. Bio IT develops models and computational tools that take raw information from the

Human Genome Project and applies it to new drug development. According to Orbimed's Jonathan Silverstein, "Bio IT's algorithms will lead to an accelerated development of safer and more potent drugs that target GPCRs. Such drugs constitute approximately one-third of the worldwide sales by pharmaceutical companies." Among Bio-IT's founders is Prof. Haim Aviv, Chairman of **Pharmos Ltd.** and a founder of **BioTechnology General**.

Unicorn obtains \$6.1m in initial financing round

Unicorn Solutions has raised \$6.1 million from investors led by **Jerusalem Global Ventures**. Half the funds were raised in March 2001, with the remainder coming in October. Other participating investors included **Israel Seed**

Partners, UK fund **Tecc-IS**, **Apropos**, **Intel Capital** and private investors. Founded in January 2001, Jerusalem-based Unicorn seeks to become a key player in enterprise application integration software, which is expected to constitute a huge market in the coming years.

Unicorn has developed products that integrate – accumulate, manage and utilize – information independent of incompatible underlying data formats. Unicorn was founded by Zvi Schreiber and Rannen Meir. The former was founder and CEO, then CTO, of **Tradeum Inc.**, which created a generic software platform for the trading of goods. Tradeum was sold to **VerticalNet Inc.** in March 2000 for \$500 million. Unicorn will use the funds raised to complete the rollout of its platform product.

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D-Pharm Ltd. Raises \$30 million

Biopharmaceutical company **D-Pharm Ltd.** has completed a \$30 million equity financing led by the **Care Capital LLC** group including **Morgan Stanley Venture Partners**, **Rho Ventures** and **Quintiles Transnational Corporation**. D-Pharm's largest shareholder, **Clal Biotechnology Industries**, again made the largest single investment of \$7.7 million, while other existing investors – **Gemini**, **Denali**, **Vertex**, and **SG Ventures**, (the venture capital arm of **SG Cowen**, which served as placement agent) – participated as well.

D-Pharm's selective molecular activation and routing technologies use membrane and lipid biochemistry to achieve disease-specific drug action, thereby achieving safer and more effective treatment. The technology is being applied to develop new drugs and improved, patent-protected derivatives of existing drugs. D-Pharm has licensed rights to develop and market the company's Phase II product for epilepsy, bipolar disorder and migraine prophylaxis to **Shire Pharmaceuticals** and is collaborating with **Nycomed Amersham** and **Eli Lilly & Company** on the application of D-Pharm technologies to their proprietary drug candidates.

While D-Pharm had advanced-stage plans to go public, it decided to postpone its IPO because of market conditions. Proceeds from the current round will be used to finance clinical studies in the US and Europe, aggressively develop the company's discovery programs and expand its technological platform.

Capital Raised

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Cerylion takes in \$5m in second round

Cerylion Inc. has secured \$5 million in convertible preferred funding from investors led by Boston, Massachusetts-based merchant bank **Chestnut Partners, Inc.**

Cerylion's mobile network applications use link management technology that is based on an associative database. Its technology provides users with the ability to logically and easily access personalized information about services or content from the Internet. Cerylion will use the funding to continue development and expand sales efforts. Cerylion was established in 1999 and has its headquarters in Woburn, Massachusetts and research and development center in Jerusalem.

Jim Manzi appointed Interwise chairman as 3rd round financing closes at \$34 million

Interwise closed a \$34 million financing round led by **Accenture Technology Ventures, Lazard Technology Partners** and **UBS Capital**. Also participating in the round were **GIMV** (Antwerp, Belgium), **Leeds Equity Partners** (New York) and Jim Manzi, former chairman and CEO of **Lotus Development Corp.** Manzi, who also invested in Interwise in a previous round, is to become Interwise's non-executive Chairman of the Board.

Interwise is a leading factor in the eLearning industry. In addition to bolstering its international

marketing and sales network, Interwise is earmarking a significant portion of third round proceeds to continue research and development for its enterprise communications platform for live and on-demand collaboration and communications.

Interwise is headquartered in Santa Clara, California with major operations in Tel Aviv, Paris and Tokyo.

InterCure breathes easier after raising \$4.5 million

InterCure, Ltd. has closed a \$4.5 million second round financing led by Tel Aviv's **Medica Venture Partners**. Other investors in Intercure are **The Investment Company of Mizrahi Bank**, New York-based **True North Partners** and **Palladin Capital Partners**, Yaacov Shachar, Dr. Arie Ovadia and Daniel Plotkin, Chairman of InterCure.

Intercure recently received FDA approval to market its non-drug, device-guided breathing treatment for hypertension. Headquartered in Princeton, New Jersey and

Lod, Israel, Intercure will use the proceeds to help launch the product in the US and to conduct clinical trials for treatment of congestive heart failure and asthma.

Friendly capital raising led by Challenge

Friendly Robotics' \$7 million capital raising effort is being led by **Challenge Fund II**. Other Friendly investors include **Concord Ventures, Coral, Technoplast, CDIB, Kardan** and **Canit**.

Friendly makes robotic products for the home and garden including a fully automated lawnmower and a vacuum cleaner.

Proteologics adds \$3m from Challenge

Challenge Fund II has invested \$3 million in **Proteologics, Inc.**, adding to the \$14 million recently raised from **Concord, Giza Venture Capital** and **Deutsche Banc Alex. Brown**. Proteologics focuses on discovering novel membrane-associated drug targets.

Storage firm Siliquent obtains \$10 million from Benchmark, Greylock

Siliquent Technologies raised \$10 million from **Benchmark Capital** and **Greylock**, the two major US-based venture firms that have recently accelerated its Israeli activities.

Siliquent, established in October 2000 as a project at **Orckit Communications**, developed technology aimed at enabling access to processors that will change storage network applications structure and performance.

Charles Chi, Greylock General Partner, said, "We believe that Siliquent's ability to combine interdisciplinary expertise such as ASIC technology, networking and storage, to be a very promising combination."

Siliquent's development center is located in Tel Aviv. Offices were recently opened in San Mateo, California and in Boston, Massachusetts.

Companies Raising Capital

Company name: Active Cool

Field: Semiconductors

Amount: \$2 million

Purpose: R&D, initial sales

Contact: Ronen Meir

Telephone: 972-8-678-1771

Email: ronen@activecool.com

Website: www.activecool.com

Company: Ad4ever Internet Technologies Inc.

Field: e-marketing

Amount: \$3.5 million

Purpose: Marketing and development

Contact: Sivan Tafla, CEO

Tel: 972-3-612-8811, ext. 207

Email: sivan@ad4ever.com

Company: ArgoMed Inc.

Field: Medical devices (urology)

Amount: \$10 million

Contact: Zvi Green

Tel: 972-9-958-8211

Email: zgreen@argomed.com

Company: BroadLight Ltd.

Field: Optical communications

Amount: \$5 million

Purpose: R&D, marketing

Contact: Zvika Pilosof

Tel: 972-3-576-8120

Email: zvika@broadlight.com

Company: LEVRAM Medical Systems Ltd

Field: Medical devices

Amount: up to \$10 million

Purpose: R&D, prototype

Contact: Menachem Scher, CEO

Tel: 972-4-830-8327

Email: menachem@levram.com

Company: Meganet Israel Ltd.

Field: Data security

Amount: \$10 million

Purpose: Marketing and development.

Contact: Ronen Zour, Manager - Israel

Tel: 972-58-683-999

Email: ronen@meganet.com

Company: MemCall LLC

Field: Semiconductors, networking

Amount: \$7.5 million

Purpose: Product development

Contact: Alon Shacham, CEO

Tel: 972-3-900-4180

Email: alon.shacham@memcall.com

Company: Substrate Technologies Ltd.

Field: Agriculture and environment

Amount: \$0.3 million

Purpose: R&D

Contact: Yinon Elroy

Tel: 972-2-996-3880, ext.1

Email: info@substrate-tech.com

Company: Tamarkin Pharmaceutical Innovation Ltd.

Field: Pharmaceuticals

Amount: \$4 million

Purpose: Clinical trials, commercialization

Contact: Dr. Dov Tamarkin

Tel: 972-8-931-6355

Email: tdov@inter.net.il

Company: Transale Ltd.

Field: e-commerce security

Amount: \$2 million

Purpose: R&D, business development

Contact: Daniel Rom

Tel: 972-3-648-5672

Email: danir@transale.com

Company: Tupai eBusiness Systems Inc.

Field: Knowledge management

Amount: \$2 million

Purpose: Marketing

Contact: Roy Manoff

Tel: 972-3-612-2458

Email: rmanoff@tupaisystems.com

Company: WebStyle Internet Solutions Ltd.

Field: Content management

Amount: \$0.5 million

Purpose: Marketing and development

Contact: Gil Ben-Horin

Tel: 972-3-644-4870

Email: gil@webstylecorp.com

Raising Capital? List your company in our next edition.
Send an email with relevant details to: editor@ivcj.co.il

Fund Profile

Pitango

Pitango Venture Capital is Israel's largest venture capital fund in terms of funds managed – more than \$700 million. Its roots as Polaris Venture Capital go back to 1993 when a first fund was sponsored by Dovrat, Shrem & Co. Ltd. A second fund operated under a co-investing relationship with Eucalyptus Ventures. Following a merger of the managing partners of Polaris and Eucalyptus, a third fund was closed at \$500 million in early 2000. Earlier this year, the fund shed the Polaris name to avoid confusion with Boston-based Polaris Venture Partners. It then embarked on investing under its new Pitango identity, and promoting itself as a specialist in finding hidden jewels among Israel's multitude of start-up companies.

Favored Industries

Communications

- optical networks and components
- wireless and cellular technologies
- cellular value-added services
- communications service providers
- data networking
- communications software

Software and Internet Infrastructure

- enterprise applications
- Internet infrastructure
- e-business and e-finance applications
- electronic media
- security

Semiconductors

- semiconductor capital equipment
- fabless manufacturing
- silicon intellectual property

Medical Technology and Healthcare

- implantable medical devices
- disposable medical devices
- medical equipment
- telemedicine applications
- biotech drug delivery

Other

- design automation
- hardware applications

Today, Pitango Venture Capital operates as a partnership of seven managing directors – Rami Kalish, Chemi Peres, Aaron Mankovski, Isaac Hillel, Rami Beracha, Bruce Crocker and Zeev Binman - with a staff of more than 25 professionals. It has made more than 80 investments and has seen 20 companies acquired or having made an initial public offering.

Pitango is headquartered in Herzliya Pituach, a central Israel location which allows it to be in close contact with its portfolio companies. It was an early believer in establishing a presence outside of Israel in order to assist its portfolio companies in making business connections and accessing key markets. Today, Pitango has offices in Menlo Park, California and in London, England.

In addition to working closely with the management of its portfolio companies, Pitango provides a variety of services aimed at accelerating time to market and giving its portfolio companies an edge. These include organization and management development, recruitment and marketing, and branding.

Selected portfolio companies

Cash-U. Supplies cellular operators and wireless applications service providers with enabling technologies for mobile entertainment value-added services.

Celltrex. Develops technologies for mobile e-mail.

Chiaro Networks. Designs and manufactures data switching software to remove bottlenecks from carriers' optical backbones.

Comsys Communication. Solutions to enable high-speed data connections for cellular networks.

iamba. Communication platforms for service providers. Developing optical access platform offering multiple end-users broadband, IP, voice and private network services.

PacketLight Networks. Offers an optimized Metro solution using advanced optical technology. Enables carriers to efficiently provide high-bandwidth.

Phonetic Systems. Provides speech-enabled directory-search solutions. Applications include public directory assistance, voice-activated dialing and speech-enabled auto attendant.

Scopus. Supplies digital compression technology to the broadcasting industry.

TeraCross. A fabless semiconductor company. Developing high-performance, multi-terabit switch fabric solutions for the high-end core and metro switch/router markets.

Bpath. Internet services for small and medium-sized



Rami Kalish has been Managing General Partner of Pitango since its inception in 1993. He has been instrumental in establishing relationships between Pitango and VC firms worldwide and has spearheaded Pitango's global expansion. Kalish is also a board member of the Israel

Venture Association. Here he discusses the impact of recent world events on Pitango.

Have the events since the terror attack of September 11 changed Pitango's investment strategy/policies?

RK: The events of September 11th are of global significance and have implications for many issues including investments and investment-related activities.

They've created greater uncertainty in the investment environment which affects investments in a less than constructive manner. However, we need to believe that once this problem is under control, a window of opportunity opens up. In fact, certain opportunities have already presented themselves.

Have they made it more difficult to operate in any way?

RK: In general, there has been a decline in the amount of overseas travel for business and other purposes.

Therefore, it is only natural that meetings that were to have taken place face-to-face in distant locations have changed their format into video conferences or conference calls.

Are foreign investors/funds showing less of an interest in co-investing with Pitango in Israeli companies than previously?

RK: No, to the contrary. Now, more than ever, there is a clear interest and desire by leading funds worldwide to cooperate. Pitango is frequently approached by leading funds for co-investments in Israel. We recently completed investments in some of our portfolio companies together with funds such as Greylock, Accel and Fidelity.

Which sectors are now receiving additional emphasis compared to 6-12 months ago?

RK: Pitango has always been a balanced and diversified fund. Lately the trend of the industry is to focus more on biotech and medical technology companies.

Is Pitango currently considering raising capital for a new fund?

RK: Pitango III closed \$500 million and has so far invested only a small amount of that sum. Currently, Pitango is not raising an additional round.

businesses including domain name registration, site building and enhancement tools, targeted customer reach, advertising and other traffic generation.

ClearForest. Provides software services that allow users to efficiently garner and comprehend vast amounts of textual information.

Mainsoft. Common code-base cross-platform solutions. Enables Internet infrastructure and application software developers to write on Windows and deploy simultaneously on Windows, UNIX and Linux.

Virtio. Has virtual prototyping technology. Allows system designers to create a high-performance software model of a complete system without physical hardware.

Voltaire. Develops InfiniBand-based connectivity solutions for data centers.

Mysticom. Develops advanced DSP and mixed-signal technologies for increasing high-speed communications bandwidth.

Silverback Systems. Provides silicon and software solutions for networked storage and data centers.

Colbar. Develops biodegradable implants for treatment

of medical conditions. Platform technology controls rate of biodegradation of Collagen. First product is for guided bone regeneration in dental surgery.

IntelliGene. Develops rapid diagnostic tests based on ribozyme technology.

Medinol. Provides devices for the interventional cardiology market.

TransPharma. Developer of a novel transdermal and pulmonary drug delivery system.

CogniTens 3D Vision Systems. Develops 3D vision measurement systems for industrial applications, targeted mainly at the automotive and aerospace industries.

Gizmoz. A marketing technology company. Supplies a visual communication platform for content and commerce providers promoting customer retention and acquisition.

Nextec. Developed a high precision, non-contact 3D scanning and digitizing solution for dimensional verification and reverse engineering applications.

Corporate Investing

Deutsche Telekom VC unit gives MessageVine a \$6 million message

MessageVine secured \$6 million in first round financing from **T-Telematik Venture Holding GmbH** (T-Venture), **Deutsche Telekom's** corporate VC unit and other international investors. MessageVine, with offices in New York, San Mateo, California and Tel Aviv, provides private-label instant messaging server products to wireless carriers, telcos and ISPs. MessageVine had already agreed earlier this year to provide **T-Online International AG**, with instant messaging technology for its 7.9 million users. The current investment is expected to help MessageVine solidify its market position. Existing investors in MessageVine are **Cedar Fund**, **CSK Venture Capital** and **Technorov Holdings**.

Lucent leads \$10 million round in Mobilitec

Lucent Venture Partners, the venture capital arm of **Lucent Technologies**, led a \$10 million investment round in **Mobilitec Inc.** Headquartered in Garden City, New York with its R&D center in Haifa, Mobilitec provides platforms to enable over-the-air delivery of services and applications to Java-

enabled mobile devices. Its recently introduced first product, geared to wireless carriers and service providers, manages, monitors and allows flexible charging for applications and services that are downloaded and operated on an end-user's mobile device.

Arie Litman, General Partner at Lucent Venture Partners, said "We are witnessing a surge of activity in this area led by handset manufacturers..."

Lucent Venture has offices in Palo Alto, California; Waltham, Massachusetts; and Murray Hill, New Jersey. Formed in 1998, the group invests in early-stage technology companies. Joining Lucent in this round were **Sun Microsystems** and **AIG Orion Fund**.

Mitsubishi Pharma makes Quark Biotech investment

Japan's **Mitsubishi Pharma Corporation** (formerly Mitsubishi-Tokyo Pharmaceuticals) has made an equity investment in **Quark Biotech** in an undisclosed amount.

QBI and Mitsubishi have been collaborating to develop therapeutic drug targets identified in gene discovery programs in neurodegeneration and other disease areas. Mitsubishi's head of

Research and Development, Akihiro Tobe, projects that QBI's applied genomics technology will "greatly accelerate the drug discovery and development activities" of the company.

This fund raising series of Quark is reserved for strategic partners and will help finance the development and preclinical and clinical studies of drug candidates generated by QBI's applied genomics technology.

In mid-2001, Quark received separate investments from other Japanese drug makers – **Fujisawa Pharmaceutical Co.** and **Taisho Pharmaceutical Co.** – as part of strategic collaboration agreements. QBI has said that it plans to relocate its headquarters to the campus of the **Cleveland Clinic**, with which it also maintains a research alliance. QBI has research facilities at the Weizmann Science Park in Nes Ziona, Israel.

Applied Materials venturing in Israel

US-based **Applied Materials** is poised to make Israel a prime target of its new corporate venturing unit. **Applied Materials Ventures** is establishing a presence in Israel to seek out companies primarily in the optical communications area as well as in other high-tech areas – not necessarily those related to Applied Materials' current business. The fund expects to invest about \$2 million per company in first round investments, and up to \$3 million additional in later rounds and will likely co-invest with other venture funds. Applied Materials is no stranger to Israel, having made several acquisitions and investments in Israel in past years.

Investment Banking

RBC Dain Rauscher Wessels investing in Tamir Fishman

US investment bank **RBC Dain Rauscher Wessels** has agreed to invest \$7.6 million in Israel's **Tamir Fishman & Co.** The transaction calls for Peter Grant, RBC Dain Rauscher Wessels' President, to join Tamir Fishman's board of directors. A relationship between the two firms was established in March 2000, which will be solidified by this equity investment. Closing of the transaction is subject to regulatory approvals.

M&A

Bausch & Lomb acquires Pharmos' ophthalmic business

In October, eye healthcare giant **Bausch & Lomb** purchased the ophthalmic business of **Pharmos Corporation** for \$25 million in cash and assumption of certain ongoing obligations. Bausch & Lomb received rights to Lotemax, the most prescribed ophthalmic steroid brand in the US, and Alex, a drug for severe seasonal allergic conjunctivitis. As part of the deal, Bausch & Lomb will pay an additional \$14 million for a new combination therapy drug now in Phase III clinical trials and a further \$10 million should new product sales top target levels in the first two years after introduction. The total package could reach \$49 million.

Pharmos and Bausch & Lomb have had a strategic cooperation agreement for several years. Pharmos will use the proceeds from the sale to focus on its drugs for the central nervous system.

HP likes Indigo, offers buyout deal

Hewlett-Packard is offering to acquire **Indigo N.V.**, a Nasdaq traded manufacturer of digital color printing systems. Indigo is headquartered in the Netherlands, but maintains manufacturing operations and R&D in Israel.

Before the offer HP owned 13.4% of Indigo's shares and had a close strategic OEM relationship with Indigo. Under terms of the offer, Hewlett-Packard will acquire the remaining shares of Indigo for

about \$629 million in Hewlett-Packard stock and a cash payment of up to \$253 million, contingent on Indigo meeting revenue goals.

Precise buys storage software firm for \$35m

Venture-backed, Nasdaq-traded **Precise Software Solutions** acquired **WQuinn Associates, Inc.** in September. Precise paid \$35 million in cash and stock for WQuinn, a privately held company based in Virginia. WQuinn provides storage resource and performance management software to support Windows NT/2000. The acquisition is regarded by analysts as a good fit for Precise as WQuinn's products complement existing Precise storage solutions and helps Precise expand its OEM channels and customer base.

FundScope

ProSeed Capital raising new life sciences fund

Belgium-based **ProSeed Capital Holdings** has launched fund raising for a new life sciences fund that will be a joint undertaking with a large biomed investment group currently operating in Israel. The new fund is targeted at \$60 million to \$80 million and will have its first closing at \$40 million. The fund will invest globally, but with most of the fund's managers based in Israel, local firms are expected to garner the lion's share of investments. ProSeed Capital's investors include European partners such as investment banking group **Dexia** and **Trust Capital**, a VC traded on Euronext.

ProSeed Capital should not be confused with **ProSeed Venture Capital Fund**, a public fund located in Rehovot.

Blumberg closes on \$50 million fund

In October, **Blumberg Capital** had a \$50 million final closing on **Blumberg Capital Ventures 1 LP**, which was launched in 2000. Among the fund's investors are **RIT Capital, plc** (a public unit

trust based in London, headed by Lord Jacob Rothschild), **Silicon Valley Bank** and CEOs of various technology companies.

Blumberg Capital, which focuses on communications, networking, Internet technologies, enterprise software, e-commerce infrastructure and information technology, has long been an investor in Israeli high-tech. The new fund is expected to devote some 10% to 20% of its capital to Israel-related firms.

Alice in Israel

Alice Ventures has opened an office in Israel headed by Hillel Milo (See *Trading Places*, page 18). Alice is a Milan, Italy-based firm specializing in early stage IT, telecom, Internet, media and life science investments in Europe and now in Israel.

It has 170 million euro under management with investors from leading Italian firms in finance and industry such as **Assicurazioni Generali, Banca di Roma, Mediobanca, Fiat, Italtel, Montedison** and **Pirelli** as well as pharma concerns **Angelini, Bracco** and **Dompe**.

Given Imaging

Braving an exceedingly difficult new issue market, Yokneam, Israel-based Given Imaging forged ahead with its initial public offering in October. This innovative medical diagnostics firm sold 5,000,000 shares at \$12 each through underwriters led by Lehman Brothers and Credit Suisse First Boston, with co-manager Robertson Stephens. The shares now trade on Nasdaq under the symbol GIVN.

Miniature camera takes pictures moving through GI tract

Given Imaging has developed a wireless imaging system to examine the gastrointestinal tract. The system uses a miniaturized video camera contained in a single-use 26 mm x 11 mm capsule that is ingested by the patient. The capsule moves through the digestive system without causing discomfort. In a typical seven-hour test, 50,000 images are transmitted to a data recorder worn by the patient allowing his or her normal activities to continue. A physician can review the results during the course of about one hour.



Inside view of capsule.

Better, painless diagnostic procedure

The technology has several advantages over existing flexible endoscopic technology, including high quality visualization of the entire small intestine, which allows physicians to discover and diagnose pathologies that might otherwise go undetected. The Given Imaging procedure is non-invasive, painless and does not involve X-rays, and administration of the capsule can be on an outpatient basis.

Given Imaging management believes the procedure will be cost-effective for healthcare providers since it will reduce the need for multiple diagnostic tests based on a higher expected diagnostic yield. Owing to its outpatient nature, savings could accrue as a result of fewer physician resources and facility expenses.

Future diagnostic areas

The system is now being applied to the small intestines but the company hopes to expand its use as a tool for diagnosis of other areas of the gastrointestinal tract, such as the esophagus, stomach and colon.

Preparing for marketing following regulatory approval

Given Imaging achieved an important milestone in August 2001 when it received approval to market its system in the United States. As a result, the company is now gearing up to market the system in North America through a direct Atlanta, Georgia-based sales force.

European operations are headquartered in Hamburg, Germany. Given Imaging received CE mark authorization to market its system in EU countries in May 2001. It put in place sales managers and a network of distributors and recently commenced marketing activities.

DIC investors lead funding

Given Imaging was established in 1998 by Gavriel Meron and acquired capsule, camera system technology and patent rights from Rafael (Rafael Armament Development Authority), a division of Israel's Ministry of Defense. Technology collaboration agreements continue with Rafael and RDC Rafael Development, a Rafael affiliate, which is controlled by Discount Investment Corp.

Given Imaging's initial funding was obtained from Thermo Electron Corporation, Discount Investment Corporation and its subsidiary PEC, and Elron Electronic Industries in 1998 and was followed by a February 2000 investment of \$5.0 million from 33 investors. A September 2000 Series A financing raised \$25 million and included OrbiMed, a US-based venture capital firm specializing in medical technology. Following the initial public offering and a private placement made to a fund affiliated with OrbiMed, certain members of Israel's Recanati family, through Discount Investment Corporation, beneficially own 48.6% of Given Imaging shares, while OrbiMed investors own 17.6%.

Proceeds

Net IPO and private placement proceeds of \$64.6 million are being earmarked mostly for expanding sales and logistics offices; building a system component inventory; subcontractor expenses; and financing research and development enhancements to the company's system.

the US and Israeli tax authorities on the issue of double taxation for foreign investors in Israel. The Ministry agreed to implement the tax exemption to encourage an infusion of capital into the Israeli market and greater investment in Israeli companies.

Who's entitled to the exemption?

Israel's Income Tax Commissioner agreed that the tax exemption would apply to new funds that raised money after September 24, 2001 and would also apply partially to capital commitments not yet called in from investors and not yet invested in Israeli companies. This means that the exemption will not apply to investments already made in existing funds, but only to new investments made either in existing funds or in new funds.

In October, the Israel Venture Association and the Income Tax Commission reached agreement on principal points regarding implementation of the new policy as discussed below:

- New funds would be fully entitled to benefits of the new policy. New funds are defined as either (1) funds that have not yet begun raising capital commitments from investors but which will complete the first closing of fund raising by January 1, 2004, or (2) funds which have already begun raising commitments from investors, but as of September 24, 2001 had not completed their final closing.
- Funds which have completed raising capital, that is, have had their final closing, but have not yet invested all their funds, will receive a partial exemption. The tax rate for the taxable limited partners would be reduced from the original rate determined in the initial tax ruling according to formula (see side box). The reduced rate will apply only to income generated after September 24, 2001.

Tax Reduction Formula for Existing Funds

- The Initial Rate multiplied by a fraction whose numerator is the difference between the amount contributed to the funds according to its capital commitments before September 24, 2001 and the cash held by the fund on September 24, 2001 up to 5 percent of the total capital commitments of the fund; and whose denominator is the fund's total capital commitments.
- Benefits of the new policy apply to any realization by entitled funds, even if occurring after January 1, 2004.
- Entitlement to exemptions is conditioned upon compliance with the terms of each fund's specific tax ruling. These rulings require each fund to invest a specified minimum of its funds in Israel. The fund will meet the new requirement if either (a) at least 20 percent of the total funds raised by the fund (net of management fees) is invested in companies incorporated in Israel and that have most of their activities in Israel (The applicable rate is 30 percent for funds that start raising investor commitments after January 1, 2003.) or (b) at least 30 percent of total funds raised by the fund (net of management fees) has directly or indirectly been disbursed in Israel by the portfolio companies (via salaries to the R&D staff, rental of premises, etc.).
- To qualify for exemptions, both new and existing funds are required to apply for either an amendment to their tax rulings or for new tax rulings, preferably before the end of 2001.
- Existing funds that have raised all of their capital commitments and invested the entire amount of the proceeds prior to the cutoff date will not be entitled to exemptions under the new policy.

Storage continued from page 4

Connecting remote SANs can be a daunting task as Fibre Channel, the protocol of most networked storage, is limited to 10km. The need to connect branches and remote SANs over WANs is of great importance to distributed organizations. SANcastle Technologies, for example, manufactures a fast switch that transparently connects the two networks.

Management is a central issue in storage. Of growing importance is the interoperability of different storage systems from a variety of vendors. Although the vendors attempt to keep their systems proprietary, customers are demanding management capabilities that allow interoperability. Cloverleaf developed a universal storage gateway and management system to assist the IT manager

in this task.

In sum, storage systems are here to stay. Storage should be considered the backbone of IT with the industry continuing to generate new and innovative companies. There is solid demand for advanced storage systems, and the percentage of IT spending for storage is growing steadily. Storage solutions that are both sophisticated and cost-effective create opportunities for startups.

Envara seeks to be leader in 5GHz band

Ra'anana-based Envara is developing low-power chipsets for the wireless networking market. It is on a fast track to capture a significant share of the 5GHz band market which, according to industry analysts, will eventually replace 2.4GHz band. LAN systems operating in the higher frequency band offer better data rates and have other important advantages (see box below).

Company Profile

Envara

Formed in March 2000 by wireless networking gurus Gideon Barak, Izik Kirshenbaum and Alain Fogel, Envara attracted \$2 million in seed funding from the Gemini Fund. Just four months later, it added several top venture investors – Giza, STI, Koor, Challenge and Evergreen – bringing total first year investments to \$17 million.

Growing wireless markets

Key to the success of the wireless market is user ability to access data from anywhere without restrictions imposed by low data rates or other technical considerations. Three markets are emerging as particularly promising for Envara:

■ Enterprise networking

Wireless LAN systems are becoming increasingly important for the enterprise market, complementing wired LANs. A key benefit is that wireless systems give corporate users more mobility in using laptops. Moreover, proponents of wireless systems maintain that the high data rate and network capacity provided by wireless networking in the 5GHz band can even allow replacement of wired LANs in highly populated offices.

■ Public network access

Wireless LANs can be installed in key public places such as airports, train stations, exhibition halls and hotels enabling individuals to access their corporate LANs, receive e-mails and browse the Internet at 100 times the speed of voice modem solutions available today.

Advantages of 5GHz

- Low interference frequency band that does not result in degradation of network performance
- Very high data rate enabling multimedia and ethernet replacement
- Numerous non-overlapping channels allowing for large scale deployment and greater network capacity
- Low incremental cost



Envara's founders have extensive industry experience

Gideon Barak, Envara, Chairman. Prior to founding Envara, Barak was CEO of Butterfly Ltd., a provider of RF wireless chipsets which Texas Instruments acquired in February 1999. Previously, he was the first CEO of DSP Communications Inc., which was acquired by Intel in 1998 for \$1.6 billion.

Izik Kirschenbaum, Envara, CEO. Izik Kirshenbaum headed the Israeli Ministry of Defense's Electronics R&D Department from 1996 to 2000 where efforts were concentrated on development of advanced wireless communication systems. He is a two-time winner of Israel's most prestigious R&D award

Alain Fogel, Envara, CTO. Dr. Fogel was most recently VP of Algorithms and Systems at ICCom Ltd., a semiconductor design company and previously was a consultant for Israel Aircraft Industries, Tadiran, National Semiconductor, and DSPC. He is on the faculty of the Technion, Department of Electrical Engineering.

■ Home networking

High data rates are critical for advanced multimedia applications in the home - such as distribution of cable, video, audio, and TV broadcasts. The 5GHz band enables use of simultaneous channels of full resolution video, interactive video games, browsing the Web, and making telephone calls without the cost and inflexibility of wiring the home.

Adoption of 5GHz band could take time

There seems to be little disagreement that the 5GHz band will become dominant and eventually replace 2.4GHz operations. Yet, many companies have invested considerable sums in 2.4GHz that will surely be reflected in a reluctance to change over to the more advanced technology. Recognizing that a long transitional timeframe is likely, Envara has announced that it will offer 5GHz band 802.11a chipsets, compatible with existing 2.4GHz, 802.11b wireless LAN devices. With its dual-mode chipset design, Envara is developing an easy, low cost upgrade path from 2.4GHz into the 5GHz band that will spur adoption of 5GHz technology. Envara's dual chipsets will begin sampling in 4Q 2002. Single mode 5GHz chipsets will begin sampling in 2Q 2002.

Conference Calendar

November 12-16, 2001

Comdex Fall 2001

Las Vegas, Nevada USA

Contact: Key3Media Events

Tel: 1-781-433-1596

Email: chris.mattoon@key3media.com

Web site: www.key3media.com/comdex/fall2001

November 14-16, 2001

2001 Asian Venture Forum

JW Marriot, Hong Kong

Contact: Asian Venture Capital Journal, Amy Cheng

Tel: 852-2838-9626

Email: amy@asianfn.com

Web site: www.asianfn.com/conferences/

November 14-15, 2001

Biotech Investing Conference

Marriott San Francisco Airport, San Francisco, CA

Contact: Cathy Fenn

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

Email: cathyf@ibforum.com

Web site: www.ibforum.com/conferences/investing/biotech

November 19-23, 2001

Delegation of Communication & IT Cos. Scandinavia

Stockholm, Sweden; Helsinki, Finland

Contact: Israel Export Institute, Moran Ben-Yair

Tel: 972-3-514-2855

Email: moran@export.gov.il

Web site: www.export.gov.il

November 26, 2001

The 4th European Conference of Cukierman & Co.

Go4Europe Business Conference

Hilton Tel Aviv, Israel

Contact: Focus Ha'aretz

Tel: 972-3-512-1195

Web site: www.rsvpcentral.com/cookierman/index.html

November 28-29, 2001

IFM Conference 2001

Hotel Intercontinental, Geneva, Switzerland

Contact: ICBI

Tel: 44-20-7915-5103

Email: icbi_registration@icbi.co.uk

Web site: www.icbi-uk.com/ifmb/default.htm

December 1-3, 2001

Israel Conference for Business

David Intercontinental Hotel, Tel Aviv, Israel

Contact: Globes Yizum

Tel: 972-3-953-8851, 972-3-953-8678

Web site: www.globes.co.il/conference

December 2-7, 2001

ITU Telecom Asia 2002

Hong Kong, China

Contact: ITU TELECOM

Tel: 41-22-730-6161

Email: telecominf@itu.int

Web site: www.itu.int/asia2002

December 3-4, 2001

5th International Venture Capital Summit - IVCS

Sophia Antipolis, France

Contact: Barbara Berini, Stéphane Kratz

Tel: 33-4-9306-7041

Email: info@ivcs.org

Web site: www.ivcs.org

December 4-6, 2001

Comdex Israel

Tel Aviv Fairgrounds, Israel

Contact: Enet

Tel: 972-3-638-5802

Email: events@enet.co.il

Web site: www.comdex.co.il

December 5-6, 2001

Thomson Financial's 11th Annual Venture Forum

The Royal Lancaster, London, UK

Contact: Thomson Financial, Ingrid Olsen

Tel: 1-646-822-3058

Web site: www.tfevents.com/tfevents/conferences/EurVentForum_why.htm

December 10-11, 2001

Value Added Mobile & E-Services

The London Marriott Hotel, London, England

Contact: IBC Conferences, Wendy Sutton

Tel: 44-1932-893-855

Email: cust.serv@ibcuk.co.uk

Web site: www.ibctelecoms.com/valueadded

December 11-13, 2001

Streaming Media East 2001

Jacob K. Javits Convention Center, New York, NY

Contact: Streaming Media

Tel: 1-888-301-8890

Email: register@streamingmedia.com

Web site: www.streamingmedia.com/east

Trading Places

Menashe Ezra has joined **BRM Capital** as a Managing Director. In his new position Ezra will expand BRM's investments in the communications and wireless infrastructure sectors, helping to identify potential investments and also assisting BRM's existing portfolio companies. Ezra was a founder and CEO of WaveAccess, a developer of wireless network products that was acquired by Lucent Technologies in 1998. More recently, he served as Vice President of Communication Networks at Lucent. Ezra holds a BSc. in Electrical Engineering from Tel Aviv University and is a two-time recipient of the Israeli Defense Award.

Betsy Atkins and **Casimir Skrzypczak** have joined BRM as advisers on new investments. They will also provide existing portfolio companies with counseling on operations and business development. Betsy Atkins was co-founder of Ascend Communications, which was sold to Lucent for \$23 billion in 1999. She currently is an independent venture capitalist and serves on the boards of Lucent, Florida International University and Polycom.

Casimir Skrzypczak is an expert on telecommunications network planning and a spokesperson on telecommunication architectures and technology trends. He is a General Partner at Global Communications Partners and a private equity investor.

Hillel Milo will head **Alice Ventures'** new office in Israel. Milo, a partner in the Italy-based firm, was previously a co-founder and manager of Walden Israel, Clal Venture Capital and Infinity Venture Capital. He was also a co-founder of Zoran Microelectronics in the 1980s. Milo is a graduate of the University of Alabama where he studied Mechanical Engineering and Management Sciences.

Yoav Chelouche has been appointed Managing Partner of **Fantine Europe 1 Fund** of the Fantine Group. Fantine Europe 1 invests in communications, Internet and software companies in Israel and Western Europe. Chelouche had previously been CEO at Scitex Corp. where he worked with Dov Tadmor, former Scitex board chairman and now chairman of Fantine Europe 1 Fund.



Moshe Mor has been appointed Venture Partner at **Greylock** with responsibility for heading investment activities in Israel and Europe.

Mor has been with Greylock since December 2000 and was responsible for Greylock's recent investment in Cash-U, an Israeli developer of a platform for mobile entertainment applications (see 9/2001 issue of IVCJ). Before joining Greylock, Mor was a founder and CEO of SPL WorldGroup, a \$150 million US-based software firm with operations in Europe and Asia

Pacific. Mor holds a BS degree in Economics from Tel Aviv University and an MBA from Harvard Business School.

Michel Habib has been appointed by **ING Barings**, the Dutch-British banking and financing group, to head its investment banking activities in Israel. Habib was formerly a partner at MBI Partners Investment Bank and served as Israel's Economic Consul in Boston. Habib holds a BSc. in Aeronautical Engineering from the Technion.

Tal Lev has joined **Jerusalem Venture Partners** in its New York office as a senior associate. He will focus on deal generation in the optical networking and wireless sectors. Before coming to JVP, Lev was with ECI Telecom and Ceragon Networks. He received an MBA in Finance from the Wharton School of the University of Pennsylvania and also holds graduate degrees in International Studies and in Computer Science – the latter from Tel Aviv University.



Michael Carus has been appointed chief financial officer/chief operating officer of **Jerusalem Venture Partners**, operating out from the VC firm's New York office. In this position he will direct the global financial strategy of JVC and advise its North American portfolio companies on corporate



Trading Places

structuring and operational and taxation issues. Carus was previously COO and CFO of Nasdaq-listed Fundtech, a JVP portfolio company, and prior to that was a vice president and CFO of Geotek Communications. Carus is a CPA, and worked for Coopers and Lybrand. He holds a BA in accounting from Ithaca College in upstate New York.

IVC – Israel Venture Capital has appointed **Racheli Er-el** as its Director of Research. Ms. Er-el will supervise the Research Department with responsibility for the IVC Quarterly Survey, the leading source of data on investments in Israeli high-tech. She was formerly a senior analyst at IVC and had also



worked at the Bank of Israel. Ms. Er-el holds a BA in Economics and East Asia Studies from the Hebrew University of Jerusalem.

Koby Simana has joined **IVC – Israel Venture Capital** as Marketing Manager with responsibility for marketing and customer relations. In his prior position, he was a research analyst and economics adviser to the Housing Minister under a fellowship program at the Institute for Advanced Strategic and Political Studies. Simana holds a BA in Economics and Communications from Tel Aviv University.



Itai Rotem has joined **Koor Venture Capital** as a partner.

Rotem has a strong background in the telecommunications sector, having previously worked for AdamTech, a start-up in cellular applications.

Dr. Moshe Nazarathy has joined **Giza Venture Capital** as a Technology Venture Partner. Nazarathy is a co-founder of Harmonic Inc. and served as Senior VP R&D and General Manager of the company's Israeli subsidiary. Previously, he was with Hewlett-Packard's Photonics and Instruments Laboratory. Nazarathy obtained a BSc. and Doctor of Science in electrical engineering from the Technion - Israel Institute of Technology, where he currently holds a visiting staff position.



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