

# ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

September 1997 Vol. XIII Issue No.9

ISSN 0334-6307

## Of Stents and Millionaires

Much has been written about the millions in wind-fall profits garnered by venture capitalists and other early stage investors in the shares of Israeli electronic, software and Internet companies. Any early stage investors in the shares of NICE Systems Ltd. (NASDAQ:NICEY), CheckPoint Software Technologies (NASDAQ:CHKPF), Crystal Systems Solutions Ltd (NASDAQ:CRYSF) have accumulated massive paper profits. Because of the growing popularity of the Internet new technologies whether to speed up the downloading of files, or to protect web sites from hackers or just to make the use of the world wide web safer from external intrusion are drawing media and investor focus. However, both recent and veteran subscribers to the *Israel High-Tech & Investment Report* have been exposed to our ability to identify medical systems and novel technologies long before they reach the stage of public ownership. Actually our approach for pinpointing projects is quite simple. It may start with a chance meeting with a scientist or technologist who discusses possible applications of existing medical ideas. Close contacts with medical researchers at universities are an important source for hearing about new trends in research. Hospitals researchers are a step closer to commercial ideas technologies as they may be running clinical trials. Presenters at medical conferences rarely miss out on presenting their ideas for evolving technologies. Five years ago the hours spent with Dr Hylton Miller, cardiologist and director of the catheterization unit at Tel-Aviv's Sourasky Medical Center opened the exciting, rapidly developing field of stents as an adjunct to conventional balloon angioplasty. These discussions convinced us that medical stents were well on their way to becoming one of

the fastest growing fields among medical devices. The choice treatment for atherosclerotic plaque is balloon angioplasty, with more than 80% of the cases being so treated. However, since the opened blood vessels may again become narrowed, cardiologists have added a stent after angioplasty to improve overall results. Besides for cardiac applications, stents were being designed for less demanding uses such as for the esophagus, bile duct, male urethra, carotid and arterial vasculature. We then discovered that Israeli medical researchers were in the forefront of medical stent research and development.

We visited the Israeli company named InStent Ltd., a subsidiary of InStent Inc., a listed American company (NASDAQ:ININ). We reported in these pages that our investment in InStent represented the only "pure investment play" in stents.

The ININ shares had traded at a low of \$12.50 in the year ending March 1996. Let us now review the progress of a 2,000 share investment at \$12.50 or a \$25,000 position. In less than one year the New York Stock Exchange company Medtronic purchased InStent and the 2,000 shares were exchanged for 760 shares of (NYSE:MDT) which

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### In this Issue

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THE RISING EXCITEMENT OF SUMMER '97  
Community Network Systems Introduces its "Virtual Community of Tomorrow"  
Computax '97: Internet, Video Conferencing and a New Microsoft Product  
John Sculley Pinpoints Israel as Investment Target  
Gilat Communications Readies for US IPO  
IAI HARPY Drone Sales Soar  
MEMCO, Elbit Systems, Crystal Solutions, Electric Fuel  
TESCO in Milestone Pact with Point of Sale  
Weizmann Institute Scientist Discovers New Lubricating Material

recently were priced at \$91 a share and as a result the original \$25,000 investment had grown in value to \$69,160, a gain of more than 175% on the original investment. Prof. Rafael Beyar, one of the Israeli developers of the stent and our interview with him was published about two years ago himself became a multi-millionaire. Those who had backed InStent in its early stage of development were amply rewarded.

### ***Medinol and the NIR Stent***

A new type of stent is in the marketing stage at a startup at the Tel Aviv-based Atidim Science Based Industries Park. The company is named Medinol Ltd. At the outset of 1996 Medinol forged a stent technology alliance agreement with Boston Scientific, a New York Stock Exchange company. The US company at the same time assumed an equity investment in Medinol.

We reported the contents of our discussions with one of the developers, Jerusalem physician Dr. A. Almagor, who since 1987 had practiced stent-assisted balloon angioplasty and who expressed considerable enthusiasm about the NIR stent. The NIR stent is a mesh stent, supporting the artery wall without any recoil, and is claimed to provide adequate cover for the wall of the blood vessel. Currently, Medinol is seeking approval from the US Food and Drug Administration to market its urological stent to American surgeons. Patents are pending and market reports reveal that Medinol profits from stent sales outside of the United States were upwards of \$7 million in the recent quarter.

Medinol may choose to go public after securing FDA approval and patent recognition. When the Medinol shares are about to become publicly traded, if attractively priced could offer an speculative investment in the rapidly growing field of stents. In the meantime while awaiting corporate developments Medinol founders Dr. Kobi Richter, Gregory Pinhasik and Dr. A. Goldwasser, have become multi-millionaires after selling some of their equity to Boston Scientific. Early investor, the Polaris venture capital fund, will also be looking to cash out at a great profit.

### ***Easy Internet Pickings May be Over***

Late in the spring of this year there were 35 world wide web companies being traded on Wall Street. These had a total market value of \$18 billion. Today there are more than twice as many publicly traded Internet companies but their total market value has declined to only \$14.2 billion. Have the once eager and exuberant investors who bid up the prices of such shares disappeared from the scene? Not exactly, but they have become more selective in their choices. Also holdings are more concentrated as 50% of the market value of all publicly held Internet companies is invested in just a few companies. Based on market share CompuServe has 25.5%; Elcom - 19.7%, Netscape - 12.4%, IDT - 3%, and CheckFree - 5.9%. The other 60 companies represent only 33.5% of total sales. But eager eyed investors need not give up their hunt for the "big winners". By the year 2000, the Internet and the "downloadable" market will pass the \$12 billion mark. An average 55% annual growth rate puts the number of turn-of-the-century users at 190 million, and the Web will become the effective global computer standard. The Intranet market is expected to reach \$7.4 billion by the year 2000, with an annual growth rate of 49%.

What can we expect in the foreseeable future? Probably there will be a rapid growth in mergers and acquisitions of companies and more outright sales of technology by entrepreneurs willing to accept the fruits of their inventiveness in stead of fighting for a niche of a market among much larger companies.

### ***Novel Non-invasive Cancer Diagnosis***

A non-invasive method for distinguishing between different types of tumors, has been developed by Prof. Hadassa Degani of the Weizmann Institute of Science. The approach may also help establish the prognosis of cancer and monitor the effectiveness of therapy.

The method, according to the researchers, can be successfully employed to diagnose tumors of the breast.

The method consists of injecting a contrast-

enhancing dye-like material into the patient's bloodstream and using magnetic resonance imaging (MRI) to monitor the way in which this material is taken up and cleared out by the tumor tissue. Because the uptake and clearance differ for malignant and benign tumors, such monitoring makes it possible to make a diagnosis: an image of the tumor shows up on a computer screen in different colors reflecting the distribution of the contrast material, and the color patterns for malignant and benign growths are strikingly different.

High resolution reveals tumor properties.

In magnetic resonance imaging, an image of an organ is obtained by recording signals emanating from the nuclei of atoms, such as hydrogen atoms that make up the water in the tissues. Adding a contrast material enhances the signals somewhat, but in general the signals are too weak to produce a resolution comparable to that obtained under a microscope.

### ***BackWeb Personalized Hong Kong Handover***

While most of us watched the Hong Kong handover on CNN or SKY there were others who were supplied personalized information by Israel's BackWeb which has developed a client/server technology that delivers on-going personalized web information to client desk tops. With BackWeb's technology, companies are enabled to build Internet broadcasts and offline programming channels and to communicate with end-users based on their personal interests.

A special broadcast on the web covering the handover of Hong Kong to China, used BackWeb's broadcasting software that enabled subscribers to be informed of customized news flashes and video clips.

The object of the company's technology is to get updates delivered without personal involvement. BackWeb does this by automatically distributing updated content to Net users, whether they are on Internet or Intranet. Typically a website provider installs the BackWeb Channel server software, which then communicates with users who have the BackWeb who

receive on their PCs. The Channel servers send users content in "Infopaks" that can contain HTML pages, video or audio files, software packages, Java applets, Netscape plug-ins ActiveX objects, or links back on line.

The company is privately owned since its founding two years ago by BRM Ltd., a shareholder of the successful Checkpoint Software Technologies. Among investors in BackWeb is the Japanese SoftBank Corp. BackWeb clients include the Wall Street Journal, General Motors and the Jerusalem Post. The growing acceptance of BackWeb's technology as a useful timesaver adds to expectations that it has the potential to establish itself as one of leader in its field. It appears to be heading for an IPO.

### ***NICE Secondary Well Received***

On July 16 NICE SYSTEMS Ltd. in a second public offering within one year sold 2,650,000 American Depository Receipts (ADRs) at \$34.50. Lehman Brothers served as the lead manager for the offering. The offering was bolstered by analysts' positive recommendations and attracted a new wave of buyers who shortly after the sale of the shares pushed up the price of the stock to \$41. Somewhat later NICE reported 2Q EPS of \$0.31 vs \$0.13 on revenues of \$15.0 million vs. \$9.9 million last year. The results exceeded analysts' estimates of \$0.29. NICE signed a definitive agreement to acquire all stock outstanding of Dees Communications for \$8.0 million in cash and up to 500,000 of its American Depository Receipts. . Dees Communications, based in Canada, provides call center monitoring software for quality assurance, training, and agent productivity enhancement.

### ***Pharmos Corporation***

Pharmos, an American public company with research and development carried out in Israel is changing its direction and moving away from a strategy of developing drugs to that of developing and selling technology.

Pharmos has announced that it intends to jointly

market with the giant Chiron Corporation technology designed to make protein-based drugs more effective.

Since 1991 Pharmos has yet to market its first product based on its concept of delivery of drugs to targeted parts of the body.

However, investors were not particularly impressed that the deal with Chiron would markedly affect the company's performance over the foreseeable future. In 2Q Pharmos shares soared from their year's low of \$1.09 on May 16 to a year's high of \$2.19 on June 9. On July 24, shortly after Pharmos' announcement the shares slumped to \$1.56, in keeping with its price level in recent months.

### ***Ephyx Technologies***

#### ***Attracts Highly-Visible Investors***

Ephyx Technologies, based near Tel Aviv has attracted \$3 million in second round financing from a group of high-visibility investors which include Gemini, an Israeli venture capital fund, Nippon Systemware, a major Japanese software integrator and HK Strategy & Finance, an Israeli investment bank which is investing in partnership with John Sculley (IHTIR/7.97 issue)

Ephyx Technologies is a pioneer in digital video processing technology and the new investors are anticipating that it has the capability to deliver applications that will create the next generation of digital video".

#### ***IDC Projects \$220 billion Web Sales by 2001***

Commerce on the World Wide Web is expected to grow from \$2.6 billion last year to more than \$220 billion in 2001, according to a report by International Data Corporation (IDC), a leading consulting group specializing in Information Technology.

The worldwide growth will be fueled by the increasing number of Web users and the growth in size of the average transaction. IDC forecasts uninterrupted growth in Internet and World Wide Web use around the world," said John Gantz, IDC

senior vice president. The report is based on more than 40,000 primary research interviews per year in 17 countries and on IDC's supply-side forecasts for personal computers, network computers, modems, and other technologies.

The report said that the number of devices accessing the Web will grow from 32 million in 1996 to more than 300 million by the end of 2001. In parallel the number of users associated with the devices will grow from 28 million to 175 million.

#### ***Record Software Exports***

The Israeli software industry includes upwards of 300 companies who are expected to generate exports this year in excess of \$500 million, according to Amiram Shor, chairman of the Israeli Association of Software Houses. The industry is growing at 20% and some suggest that over the the medium term this rate of growth could accelerate. The number of exporters in the industry has grown substantially, and there are now 75 companies exporting software, with one-third focusing on communications and the Internet, according to the report. According to industry estimates, the accelerated growth in current activity, the opening of development centers in Israel by overseas companies, and the emergence of new startups creates slots for an additional 2,000 workers. Israeli software and electronics companies are targeting Asian and Pacific markets and sales there have reportedly grown significantly. Singapore, South Korea, and other South-East Asian countries are increasing their purchases while software exports to Japan, are expected to total \$45 million in 1997.

#### ***Electric Fuel:***

##### ***Buy the Shares and Lock them Up***

Electric Fuel Corp. (NASDAQ:EFCX), based in Jerusalem, is beginning to spread its wings with its technology which is bringing its Zinc-air battery closer towards becoming accepted as a viable answer to zero emission and an ecologically acceptable replacement of the gasoline driven engine. The company is starting to apply its technology to non-automotive fields and has secured

income from a contract with STN Atlas Elektronik GmbH to develop a high power zinc oxygen battery for torpedoes.

Electric Fuel bases its business strategy on cooperative ventures of forging of strategic alliances to build and operate electric fleets to test and demonstrate the Electric Fuel energy system under actual operating conditions.

The Deutsche Post AG, the German postal service, is sponsoring extensive field tests of electric vans and light pickup trucks powered by Electric Fuel zinc-air batteries. Other project participants include Deutsche Telekom, Mercedes-Benz, Opel, Siemens, Hoechst, Webasto, and German municipalities and electrical utilities.

The Swedish Post and Vattenfall, the Swedish electrical utility, have also joined the program. Revenues of \$1.8 million for the second quarter of 1997 (\$1.2 million in 1996) were primarily derived from fees collected in relation to a preliminary license agreement completed with Vattenfall AB.

Electric Fuel shares are not expected to move up dramatically in the foreseeable future. Long-term investors could be well rewarded as a flow of royalty payments improve the company's results. Its reported losses of \$3.6 million in the first half of 1997 are a considerable improvement over the \$6.0 million loss in the comparable period in 1996.

### ***Motorola to License and Sell VocalTec IP Telephony Solutions to Corporations***

VocalTec Communications (NASDAQ:VOCLF), an Israeli Internet telephony company, and Motorola Inc.'s (NYSE:MOT) Internet Software Products Division have announced the signing of a licensing and distribution agreement intended to bring the full range of VocalTec Internet (IP) telephony client/server software solutions to mainstream corporate customers. The announcement as well as expectations for an improvement in sales have resulted in increased interest in the shares which have recently appreciated by some 30%. The two companies are focusing on the enhancement and integration of the client, server and net-

work technologies necessary to provide toll-quality, IP telephony solutions for corporate intranets, virtual private networks, and the Internet.

Motorola and VocalTec worked closely to optimize the performance of VocalTec IP telephony applications for corporate enterprise Wide Area Networks (WANs).

VocalTec IP solutions include Internet Phone(TM) client software for voice and video, the Atrium(TM) Conferencing Suite for real-time multiparty voice and data sharing, and the VocalTec(TM) Telephony Gateway Server that bridges the traditional telephone network to the Internet or corporate intranet. VocalTec Communications Ltd. develops and markets software that enables voice and multimedia communications over networks the Internet and Intranets.

### ***General Motors to Expand Purchases***

General Motors' Harold R. Kutner, executive vice president of GM's worldwide purchasing, after visiting the Galilee region stated that he is convinced there is potential for joint ventures with Israeli companies, in addition to the General Motors procurement in Israel, which in 1996 totalled \$32 million. He said there is no doubt whatsoever that GM would increase its purchases in Israel.

Kutner said that, in light of Israeli industry's impressive technological capability, he was surprised that other US companies did not enter into significant joint venture agreements with Israeli companies.

He suggested that Israeli companies organize to dovetail with the new General Motors strategy whereby a variety of complex products would be planned and manufactured simultaneously at a number of plants around the world.

### ***Finjan Debuts on Fortune's Select List***

Fortune magazine has chosen the Israeli Finjan Software company for inclusion on its annual list of the 25 hottest high-tech companies.

Finjan's software shields computer programs embedded in Java code, a flexible, but not fool-

proof programming language from hackers who can break through the code and disrupt computer networks.

### ***Super Speeds Achieved with Novel Crystal***

Researchers at the Weizmann Institute of Science have set a new world record for purity.

They have created the purest ever crystals of the semiconductor gallium arsenide - a feat that allows electrons to travel at a record speed.

Electrons zoom through this material at 14.4 million centimeters per second (equivalent to 518,400 kilometers or 324,000 miles an hour) -beating the previous world record of 11.7 million centimeters per second set by Bell Laboratories of the United States in 1989.

The achievement allows scientists to study the behavior of electrons in extremely pure materials and provides them with an important research tool for creating faster and more efficient electronic devices, such as semiconductor transistors for use in the telecommunications industry and other areas.

This research was conducted by Dr. Vladimir Umansky, Ph.D. student Rafael de-Picciotto and Prof. Mordehai Heiblum, all working at the Weizmann Institute's Center for Submicron Research.

In the past few years, scientists at leading research laboratories around the world have invested great efforts in producing the purest possible semiconductors, the materials of which electronic processors, memory chips, signal transmitting circuits and other such devices are made. Purity is an important factor in increasing the speed with which electrons move through the semiconductor the purer the material, the fewer the collisions that deflect the electrons and slow them down, a phenomenon called scattering.

"Moreover, electronic devices made of pure material behave in a predictable, uniform manner - a crucial factor for the electronics industry," says Dr. Heiblum.

Weizmann's "champion" semiconductor consists of a gallium arsenide crystal. This material is gradually replacing silicon, the mainstay of the

microelectronics industry, in an increasing range of applications because of its superior properties. For example, the main component of cellular phones and the laser element in CD players are made of gallium arsenide because, among other advantages, this semiconductor allows electrons to travel faster and emits and absorbs light very efficiently.

Moreover, gallium arsenide stands up better than silicon to radiation in outer space, making it more suitable for satellites, which are expected to play a growing role in tomorrow's telecommunications.

### ***Gilat Revenues for the First Half Of 1997 Up 40 Percent Over 1996***

Gilat Satellite Networks Ltd., Israel's leading public satellite communications company continues to be *Israel High-Tech & Investment Report's* highly favored choice as an industry leader. Gilat designs, develops, manufactures, markets and supports Very Small Aperture Terminal (VSAT) satellite earth stations and related hub equipment and software. Its products are incorporated into telecommunications networks that provide satellite-based communications between a central location and a large number of geographically dispersed sites. Its recently announced financial results reported sales of \$25.3 million in the quarter ended June 30, 1997, a 40 per cent increase over the \$17.8 million recorded in the comparable period in 1996. Net income was \$3.8 million (\$0.34 per share), compared with the \$3.4 million (\$0.30 per share) posted for the second quarter in 1996.

Gilat's entry into the South American market should add to its growing base of installations worldwide and could yield an additional source of income.

A Gilat subsidiary has been awarded by the Chilean government the right to provide telecommunications services to over 1,500 villages in 42 different regions in that country.

Approximately 1,500 satellite payphones, valued at \$5.0 million are scheduled for delivery by the end of 1998.

**Exclusive interview:****"Neurone" a New Venture Capital Fund**

Israel is expanding economically and is thriving on the principles of entrepreneurship and individual and collective risk-taking. More and more entrepreneurs are showing their imagination, boldness and energy and by their very nature, look outside of themselves and their close family members for early-stage financing

Unlike some Venture Capital Funds (VCF) which tend to enshroud themselves in veils of secrecy and project an aura of mystique as to their investment plans the just launched Neurone Venture Capital Fund is outspokenly transparent regarding its structure and goals.

Neurone's objective is to provide seed financing, in the form of capital, not more than \$1.0 million, to an inventor or entrepreneur essentially to prove his concept. This may include product development and market research and in due course help to qualify for startup capital. If the outcome is positive, it may include, as well, the building of a management team and a business plan.

This will, further down the line, lead to participating in startup financing for completing product development and initial marketing.

The *Israel High-Tech & Investment Report* met with Amiran Dotan, Neurone's president and discussed the new fund. Amiram Dotan, 47, for over 20 years has developed and managed communication systems in senior positions in industry and, most recently, as corporate vice-president for strategic programs at RAFAEL.

"Neurone's internationally experienced executives and entrepreneurs include managing directors of Israel's leading enterprises. They bring extensive technological, marketing and entrepreneurial experience and long histories of success in high-tech and in fostering emerging growth companies. The founding partners have invested \$4 million of their own capital and plan to raise an additional \$16 million before the end of 1997. Prior to Neurone's founding the founders' contacts with Israeli startups was gained from continuous experience as distributors and suppliers for Sun

Microsystems, Toshiba, Compaq and Siemens. In this capacity management maintains a direct dialogue with startups. Nearly every Israeli high-tech startup when making its initial purchases of design tools, work stations, software or electronic components, is likely to come into contact with members of our management group. This close relationship with the high-tech universe has allowed us to review 80 startup proposals over the last two months and from these we have invested in two," said Mr. Dotan.

Local capital market experience could prove to be useful in future financing activities. An investor in Neurone controls a public company on the Tel Aviv Stock Exchange; another is on various investment committees for provident, pensions and savings funds and has 17 years of brokerage and investment banking experience. Another founder, Nisko-Ardan is invested in more than 20 startups including E & M Computing, a Tel-Aviv Stock Exchange listed company with a recent market capitalization of \$15 million.

Neurone concentrates on opportunities in computing, communications, networking, digital signal processing, imaging, software and internet applications, information technology, semiconductors and electronics, and technologies for medical applications. "Our main objective is to generate exceptionally high returns for investors whose funds will be invested in an equity basket of startup and rapidly growing high-tech companies," states Amiran Dotan.

**Prime Minister Suggests Biotech Fund**

Prime Minister Benjamin Netanyahu has requested that the recently appointed Minister of Science Michael Eitan establish a \$100 million biotechnology venture capital fund. The proposed fund would operate along the lines of Yozma, the government-sponsored venture capital whereby the Government puts up 30% of capital with the balance to be raised from Israel's private sector and from foreign investors. Under the Yozma model new investors may buy up the Government's equity position at cost plus bank rate interest. Israel's biotechnology industry has grown - but slowly.

However, it has failed to live up to the bright hopes expressed for its rapid extension at the November 1994 International Cooperation for Development of Biotechnology Conference in Jerusalem. Expectations voiced by industry leaders were that the industry which exported \$250 million in 1993 would double that figure before the end of decade. However, as the country's electronic and telecommunications sectors began an exponential growth, the Ministry of Science and Technology was unable to position the industry as meaningful candidate for research and development grants. The then acting Chief Scientist of the Ministry of Industry and Trade Dr. Yeshayahu Gleitman, continuously turned back bids to increase the scope of government research and development funding in biotechnology. He allocated 80% of a \$300 million budget for R&D grants for electronics and only 4% for biotechnology. The current move to establish the Government backed venture capital fund is an attempt to return biotechnology to the forefront of Israel's science based industries. Israel is among five leading countries the fields of molecular biotechnology and microbiology. The incumbent Ministry of Industry and Trade Chief Scientist Orna Berry was recently in the US and participated in fund-raising activities for Israeli biotechnology. Yet, the Ministry's chief scientist is unlikely to make available any government funds for direct investment in the biotechnology industry. It is more likely that any support will be in the form of promoting contacts with potential US investors while financial backing will be offered by increased assistance for appearance in international fairs and exhibits.

### ***LanOptics Expects to Break Even in Q4***

LanOptics' (NASDAQ:LNOPF) continues to introduce new products but its efforts to produce profits were setback in 1997 due to technical difficulties with one of its key products. Its market capitalization has suffered as a result. We contacted David Seligman, the company's CFO who is looking ahead to 1998 as the earliest date for a return to profits.

"We mentioned in our conference call, that we expect revenue to grow in Q3 but considerably

more in Q4. With LANmaker back on track (in Q2 1997 shipments were stopped due to technical problems but since then have been resumed) and other products doing well, we expect to break even in Q4 and thus go into 1998 with a strong probability for profitability. Where is the risk and where am I more confident? The older products are doing better than expected. This summer we received first prize in LANTimes magazine, leaving behind all of our competitors in the NT Firewall market. It is more than likely that we can continue to see revenue at least at the same level and a high probability of 20-40% growth each quarter.

I estimate as much of \$1.5 million sales of LANmaker in Q4. As you can see, achieving our goals should bring our sales in Q4 up to over \$7 million and we will break even. 1998 looks good. In conclusion, having not one but three new lines of products enables us to be more confident in our ability to succeed. We stand a good chance to succeed but as usual with high-tech, some degree of cautious is appropriate," warns David Seligman.

### ***News and Earning Reviews***

Jackson Partners, an American brokerage firm has initiated coverage of DSP Communications (NASDAQ: DSPC) as an "attractive buy".

Israeli venture capital fund raised \$40 million in its first round of fundraising, including \$15 million from the pension fund of AT&T. The fund, which was established by Kardan Technologies, plans to raise a total of \$75 million. Another fund set up by Kardan called Nitzanim has brought two companies to Nasdaq—ESC Medical Systems Ltd (ESCMF) and Galileo Technology Ltd (GALTF). Accent Software International Ltd. has reported that it netted \$1.85 million in a private placement. The beleaguered software developer said it completed the sale of a two-year six-percent \$2 million convertible debenture and 300,000 warrants to an institutional investor. Accent said it would use the net proceeds to develop more software language solution products and increase marketing. The new EpiLight™ Hair Removal System



according to ESC Medical Systems safely and effectively eliminates unwanted hair of all colors anywhere on the body for skin types I through V, ranging from lighter to darker complexions. The non-invasive hair removal treatment system was recently cleared for marketing in the United States by the U.S. Food and Drug Administration.

The EpiLight Hair Removal System uses patented intense pulsed light energy to effectively destroy undesired hair while reducing potential side effects. Known as photo-epilation, the EpiLight method requires that the pulsed light penetrate deeply enough and with sufficient energy to damage the hair follicles without harming the surrounding skin tissue. The EpiLight's design is based on the same patented technology as the the company's PhotoDerm® VL/PL for the treatment of benign vascular and pigmented lesions.

Tadiran Ltd. (NYSE:TAD), Israel's largest electronics company, reported second-quarter net profit of \$14.1 million or \$0.72 a share, down from \$53 million or \$2.70 a share a year earlier.

The 1996 figure included a \$33.7 million gain from the initial public offering of Tadiran's subsidiary Tadiran Telecommunications Ltd (TTELF). Without this gain earnings per share would have been \$0.98. Wall Street analysts had forecast 1997 second-quarter EPS of \$0.62.

The 1997 profit included a capital gain of \$2 million mainly from the sale of a portion of its subsidiary Tadiran Appliances Ltd (TADI.TA) to Carrier Corp.

Sales in the quarter fell to \$298.7 million from \$311.4 million. On a quarter-to-quarter basis sales rose by eight percent from the first quarter of 1997 and by 11 percent from the last quarter of 1996.

All operating segments were profitable. Gross profits for the quarter, the highest recorded by the company, increased to 30.3 percent of sales from 27.2 percent last year. "Although we expect the devaluation to improve long-term profitability of export sales, it occurred too late in the quarter to materially affect second-quarter results."

Exports rose 23.8 percent to \$173.9 million and represent 58 percent of total sales against 45 per-

cent last year.

The company's backlog stands at \$865 million, up by \$44.6 million since the end of 1996.

Tadiran is a subsidiary of Koor Industries Ltd (KOOR.TA) (KOR), Israel's largest investment holding company.

Laser Industries Introduces New Erbium Laser Company Also Granted Additional FDA Clearance for Its Softscan™ Laser Scanner

Laser Industries Ltd. (Nasdaq:LASRF) recently introduced its computerized Erbium laser system for extremely superficial skin resurfacing at the World Congress of Dermatology in Sydney, Australia. The company has applied to the U.S. Food and Drug Administration ("FDA") for marketing clearance. Company executives have scheduled to begin shipping the product to non-U.S. customers in September 1997 and to its U.S. customers subject to FDA regulatory clearance.

The Erbium laser complements the company's carbon dioxide skin resurfacing systems for deeper lines, wrinkles, scars and hair transplantation, and its laser for hair removal and the treatment of tattoos and pigmented lesions.

The company was recently granted FDA clearance for its Softscan™ laser scanner. The FDA clearance covers the manipulation of a pulsed or continuous wave laser beam for use in dermatology for the treatment of soft tissue, including ablation, vaporization and coagulation.

Clinical trials on Laser Industries' Erbium laser system have been conducted by Dr. Cynthia Weinstein, an internationally recognized pioneer in the field of laser skin resurfacing based in Melbourne, Australia. The results show that the unique integration of Sahar's laser scanning technology with Laser Industries' high repetition rate Erbium technology enables extremely homogeneous and superficial laser peeling with rapid healing and an absence of prolonged skin redness (Erythema).

Teva Pharmaceuticals Industries Ltd. (Nasdaq:TEVIY)

A post approval inspection by the Food and Drug Administration discovered "certain deficiencies"

in a qualification of raw material” for Teva’s Clindamycin product. In response to the FDA’s findings, the company immediately recalled five batches of Clindamycin.

Teva stated that in the first six months of 1997 before the recall, total sales of the product were less than \$2,000,000, therefore “having practically no material effect upon earnings.” The company added that it hopes to reintroduce Clindamycin later this year.

### ***Vishay’s Chairman of the Board Dr. Felix Zandman Cancels \$1.2 million Allianz Insurance Policy***

Vishay’s Dr. Felix Zandman, following revelations by Germany’s weekly “Der Spiegel” that Allianz during the second world war insured Auschwitz installations, canceled a policy whose annual premium was put at \$1.2 million.

Dr. Zandman is a Holocaust survivor whose parents were put to death at Auschwitz. Vishay is a multinational company based in the United States and with subsidiaries in Europe, the Far East. and Israel. In Israel Vishay employs nearly 3000 in making precision parts used in the computer industry. Vishay is listed on the New York Stock Exchange and is among Fortune’s 500.

### ***ISD Opens Development Center for Sound Memory Chips***

The American ISD company, in the five years, since it has begun to sell sound memory chips has sold more than 50 million chips. The company recently completed the purchase of technology from National Semiconductors (Israel) Ltd. for \$5 million, and will spend \$2.0-\$3.0 million at its new development center, to be located in Kiryat Atidim, in Tel Aviv, to develop unique products combining analog recording technology and digital technology. The purchase of Israeli technology from National Semiconductors was intended to integrate analog technology with more up-to-date digital technology, and to develop a completely new product line. Compact SPEECH chips are based on digital voice processing, and facilitate

voice recording on a chip for between 10 seconds to one hour. The technology provides high quality sound, and opens up the possibility of developing chips with special properties, such as call identification, protection from power-cuts, and flash memory management, enabling messages and other system data to be saved. Like DSP, one of its largest competitors in the voice chip area, ISD does not manufacture the chips itself, but hands over its techniques to sub-contracting fabs. ISD has announced that manufacture of the chips designed in Israel will be carried out at Tower Semiconductor’s plant at Migdal Ha’emek. Israel was chosen because of its convenient business environment and the vast experience accumulated in Israel in the area of digital signal processing, ISD chairman and CEO David Angel explained during his recent visit here.

### ***US to Buy \$39 million in Rafael Popeye Missiles in 1998***

The US Senate Appropriations Committee and the US House of Representatives Appropriations Committee Subcommittee on National Security recently approved a request, put forth by the US Air Force, to procure \$39 million in Popeye missiles manufactured by Rafael, Israel Arms Development Authority.

The Popeye purchase comes at the expense of procurement from competing US missile manufacturers including Rockwell, Boeing and McDonnell-Douglas.

Since the US began arming itself with Popeye missiles in 1989, \$220 million of the missiles have been supplied, according to a RAFAEL executive.

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