

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES

JOSEPH MORGENSTERN, PUBLISHER

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Israeli High-Flying Companies are True Sons of the New Economy

It only seems like ages ago that we published our view of the American stock markets in the March issue of the Israel High-Tech & Investment Report. We captioned our comments "Beware of the Ides of March" and suggested that we "expected lower prices at anywhere between 10% to 20%".

Had Washington Irving's Rip van Winkle awakened from a one month's sleep, he would have discovered a somewhat changed world. Valuations have indeed changed. Those who heeded our warning and lightened their portfolios by taking profits before the downdraft can obviously pat themselves on their backs for "good market timing".

Not too long ago we saw the Nasdaq index, the most widely followed index, including the best and least known technology companies, reach an all-time high at 5,132. Now it is exactly 10% off that high. However, that is not the whole story. We examined our IHTIR Model Portfolio holdings and discovered that the Israeli high-flying companies fared considerably worse than the Nasdaq index. Five of the eight holdings are down from their yearly highs by margins of anywhere from 26% to 34%. The portfolio holdings do not include shares of dot com, with the exception of BackWeb which expects to post its first profits this year, all sell products and services and whose reports show growing profit margins.

Having noted this, it is necessary to ask ourselves Quo Vadis? or where do we go from here?

A currently popular description of the "nuts-and-bolts" basic companies is to call them as part of the

Old Economy. The technology and Internet related companies are all part of the New Economy. We confess as being "lock, stock, and barrel" believers in the New Economy sectors. Some time ago we forsook Professor Benjamin Graham, the guru of "value investing" We have drifted away from the "value investment" concepts of discounting the flow of future dividends and projected earnings. Surely

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there isn't a single big time stock analyst who has not studied and digested Graham's "value investing". Graham's theories were of little use to us a number of years ago when we wrote about CheckPoint and Comverse Technologies. We figured that the managers of these companies were ahead of their time in thinking and planning. When these and other companies delivered the technologies, products and services and were able to seize meaningful market share and show profits, we became intoxicated and have remained that way.

One of the rules that we set for ourselves when we created the IHTIR Model Portfolio was that we would not add new funds but use the proceeds of the sale of any of the portfolio holdings to increase existing or to establish new holdings.

Today our bottom line thinking is that CheckPoint, Comverse, the two Gilats and BackWeb at the current levels offer a rare opportunity of investing in the New Economy.

Online Registration and Licensing of Patents

An investment group, including Softbank, the investment fund TMCT of California, and Israeli controlled STI Ventures, have invested \$30 million in the American pl-x.com, an online exchange for registration and licensing of patents. STI Ventures will undertake the development of the site's activity in Israel and Europe. The pl-x.com site aims to provide a platform for an online market in intellectual property including patents, copyrights and trademarks. The site will supply Internet tools for transfer of protected information to buyers and sellers on the exchange and will also supply objective estimates of the intellectual property that is for sale. According to pl-x.com, the financing will be used to expand the company's e-trade team, to develop marketing and sales and to launch joint investments in Japan, Europe, Israel and other markets rich in intellectual property. Among the users of the company's services are patent-rich companies like IBM, Proctor and Gamble and

Dow Chemicals. STI Ventures specializes in investment and consultancy in high-tech companies, with Commtouch, Odimo.com and R-U-Sure.com among its investments.

Capital Gains from Bank Loans Repayable in Customer's Options

Breezecom, an Israeli company, is in the business of wireless data transfer and recently successfully debuted with an IPO. Breezecom is one of 50, mostly high-tech companies, that Bank Hapoalim, Israel's largest commercial bank has granted commercial loans, where part of the loan was repaid in options.

Hapoalim's total funds committed to this program came to \$60 million. Breezecom is the sixth company that Hapoalim can point to as having provided the bank with capital gains following the cashing in on the options after a successful public offering.

In Breezecom's case, Hapoalim has ended up with shares worth several millions after the loans have been repaid as a result of having made a \$4 million bridge loan to the issue date, with a quarter of the loan repayable in company options. Based on the estimated IPO price, Bank Hapoalim stands to gain \$5.5 million and possibly much more since the shares are "locked up" for six months.

Bank Hapoalim's policy has been to invest only in start-ups that are already selling a product. Only those with a proven prototype or successful idea are taken on considered for the program. This is explained by the inability of the bank to screen all potential start-ups that have not yet established their product.

Another criterion is that the start-up must have other investors, such as venture capital funds. Moshe Amit, of Bank Hapoalim's management team who responsible for the corporate division, stated that the program not only benefits, but can leave the bank open to losses. However Bank Hapoalim expects the successful start-ups to

become solid banking clients in the future, utilizing the bank's full range of services – including investment management.

VENTURE CAPITAL CORNER

Seven Israeli VC Funds Manage More than 50% of the Pie

Venture capital funds in Israel managed \$4 billion in 1999, according to business information company Dun & Bradstreet, Israel. The Star funds led the group, with a total of \$590 million under management. Evergreen was the most active investor with \$215 million. Evergreen was second in funds managed, with \$370 million. It was followed by Jerusalem Venture Partners with \$260 million, Tamir Fishman \$255 million, Apex Israel \$210 million, Polaris \$205 million and Etgar-Challenger Fund with \$200 million. The above seven funds controlled more than 50% of all funds available under management by Israeli venture capital funds. Tamir Fishman registered the highest rate of growth in funds managed, with a 364% percent growth, which moved it from 17th place in 1998 to fourth place in 1999. VentureOne adds in its recently published report that the year 1999 saw the founding of 18 new venture capital companies. They raised \$1.5 billion. Israeli venture capital firms invested a total of \$409 million in Israeli companies, with the moneys injected into Israeli venture firms climbing to \$967 million in 233 deals, including investments of non-Israeli firms.

VC investment in biotechnology drops

The proportion of venture capital investment in Israeli companies targeted at firms developing products in the life sciences fell sharply in 1999, according to a VentureOne report. VentureOne

conducts market surveys on venture capital investment in Israel and the United States. Life science companies in Israel attracted only 17 percent of venture capital investments in Israeli firms in 1999, compared to 30 percent in 1998. Of last year's investments in this field, medical equipment firms accounted for two-thirds of investments and bio-pharmaceutical accounted for 20 percent.

Net2Wireless Completes \$30 million Private Placement

Net2Wireless has completed a \$30 million private placement at a company value of \$890 million before the money. Net2Wireless is an American company founded by Israeli and American entrepreneurs. Its research and development center is in Israel.

A million Net2Wireless shares were issued in this placement at a price of \$29 per share. In October 1999, the company announced a forthcoming merger with Sensar of the US, listed on the NASDAQ as a shell company.

The merger between the companies is due to be shortly completed after which the Net2Wireless share will be officially listed on the NASDAQ. Meanwhile, following the meteoric rise in price of the Sensar share since news of the merger came out, the share price reflects a theoretical value of more than a billion dollars for the merged company.

Cellular operator Partner has an option, exercisable until October 2000, to acquire shares in the merged company at \$55 per share.

In the current Net2Wireless capital raising round the Israeli company Elkanit, of the Elrov group controlled by Alfred Akirov, was one of the investors.

Net2Wireless develops a technology enabling cellular network operators to provide G3 value added services, considered the next generation of the cellular world, through currently existing G2 infrastructures. The services are intended for terminal instruments, such as PDA electronic per-

sonal desktop assistants, smart telephones and laptop computers. The company notes that the wireless application servers it develops will provide mobile users with immediately available services. On completion of the placement Davidson noted that this round of raising capital was a milestone in the company's growth and an expression of confidence in its technology. In his assessment, the placement will speed up the process whereby Net2Wireless becomes a leader in the provision of value added services to cellular companies. According to him, the capital that has been raised is intended for increasing R&D resources and for the company's marketing and business development worldwide.

Deliverex Obtains \$10 million

Deliverex announced it has completed raising of over \$10 million. The investment round was led by the BRM Group, which was joined by Goldman Sachs, Intel Capital, and a number of prominent Internet CEOs. Deliverex the Internet Priority Content Delivery Service, recently debuted at Demo 2000. Deliverex's outsourced e-service enables businesses and consumer e-mail users to exchange "priority content"—priority messages, documents, and large content files, such as music, video, and photography—that are personalized, permission-based, trackable, signable and secure. Along with Goldman Sachs, Intel Capital was part of the second round of financing for Deliverex, which will use the investment to help fund technology development of the Internet courier service, to be introduced in Q4 2000. Deliverex received an initial financing round from the BRM Group, the largest venture fund focused on Israeli Internet infrastructure start-up companies. BRM was the first investor in CheckPoint Software Technologies Ltd., which currently has the largest market cap of any company in Israel. BRM has also invested in BackWeb Technologies, with headquarters in San Jose, Calif. and Ramat Gan, Israel. Deliverex will be using BackWeb technol-

ogy to address the burgeoning market for the delivery of rich content.

Koor Announces New Directions

Koor Industries plans to pour hundreds of millions of dollars into a new investment plan that will focus on young technology companies, CEO Jonathan Kolber said. Details of the plan will be announced in the next few weeks. However, Kolber already has indicated that the company will put large amounts of capital into new technology investments. "We are going to be putting cash into young companies including a special emphasis on Internet-related technologies and wireless telecommunications," Kolber said. In a related development Koor has joined as a limited partner in the new venture capital fund Polaris 3, of Polaris Venture Capital Fund. Koor will invest \$35 million. Koor's management estimates, that its investment will give it a 7% position in the fund. The Polaris Venture Capital management company plans to raise \$300-400 million for Polaris 3.

Koor Industries is to invest \$10 million in early stage biotechnology and life science companies, together with Medbiotech of Switzerland. Koor general manager Jonathan Kolber said the cooperation with MedBiotech would enable Koor to create a portfolio of quality investments in biotechnology and the life sciences, based on MedBiotech's proven experience in biotechnology. Koor and MedBiotech are currently negotiating a number of initial deals.

Chase Capital Partners, Cisco, Texas Instruments Invest in MystiCom

Netanya-based MystiCom has completed a second round of financing totaling \$10 million. It is estimated that company value for the round was \$90 million after money.

Chase Capital Partners, a subsidiary of the Chase Manhattan investment bank, led the round. Communications giant Cisco Systems and world lead-

ing supplier of digital signal processors (DSPs) Texas Instruments invested in the round. Israeli funds Polaris and Eucalyptus and the US fund Newbury Ventures also participated in this financing round. The three funds invested \$2 million in a previous financing round, held in August 1998.

MystiCom is a start-up specializing in developing semiconductor devices for various high-speed communications. Its products enable companies manufacturing chips for the communications industry to integrate them quickly, shorten design time and reduce costs.

The sum raised will be used to set up a development and support center for customers in the US, and to develop new products for the emerging Internet communications markets.

ADC Launches \$100 Million Venture Capital Fund

ADC (Nasdaq: ADCT), a leading global supplier of network equipment, software and integration services for broadband, multiservice networks, announced the formation of ADC Ventures, a venture capital fund. ADC Ventures is a private venture fund focused on investing in emerging and start-up companies in the United States, Europe and Israel who are engaged in developing high-performance, next-generation broadband communications technologies. The fund will work closely with entrepreneurs and co-invest with other venture capital firms to maximize value for each stakeholder.

ADC Ventures will be managed by Robert Switz, senior vice president, chief financial officer and head of business development at ADC. The fund will have offices in Minneapolis; Boston; Mountain View, Calif.; and Herzliya, Israel.

"In today's rapidly evolving world of broadband communications, the ADC Ventures fund will provide ADC a tool to increase its ability to participate early in the development of next-generation optical, Internet Protocol (IP) and software

technologies that can benefit our customers' deployment of broadband, multiservice networks," said Switz. "The fund's investment strategy is to invest in these new and emerging technologies that are closely related to ADC's three core businesses - network equipment, software and integration services supplied to broadband communications service providers."

Outside of the ADC Ventures fund, ADC currently has investments in 12 companies, including Siara Systems, Efficient Networks, Optical Networks, Vyvo, Mind CTI, Tdsoft, G-Connect and Ensemble Communications, with a cost basis of approximately \$40 million and an estimated market value of \$1.2 billion.

ADC Telecommunications, Inc. is a leading global supplier of network equipment, software and integration services for broadband, multiservice networks that deliver data, video and voice communications over telephone, cable television, Internet, broadcast, wireless and enterprise networks. ADC's broadband, multiservice network solutions enable local access, high-speed transmission and software management of communications services from service providers to consumers and businesses over fiber-optic, copper, coaxial and wireless media. ADC is headquartered in Minneapolis, Minnesota. ADC, last month, purchased shares of the American firm ITXC for \$66 million. The sale was conducted as part of a secondary stock offering, totaling \$340 million, of ITXC shares on Wall Street.

Four million ITXC shares went on the block at a price of \$85. The venture capital fund Polaris, which is owned by the Shrem Group sold 80,000 shares worth \$6 million.

Tyden to Invest \$4 million in Hi-G-Tek

American Tyden is investing \$2 million in Hi-G-Tek of Israel, plus another \$2 million to set up a jointly held marketing company. As a result of the investment, Tyden will own a 20% stake in Hi-G-Tek, which for the purposes of the transac-

tion was valued at \$20 million, post money. Tyden operates in the cargo security field has global annual sales of \$300 million. The joint marketing venture will use Tyden's large distribution system to market Hi-G-Tek products.

Hi-G-Tek develops wireless electronic security products, intended for remote monitoring of containers, equipment and fuel tanks. Hi-G-Tek's system is compatible with cellular TDMA technology, and in the future will be CDMA compatible.

Hyundai to Invest \$10 million in Israeli High Tech Companies

The South Korean Hyundai concern will invest at least \$10 million in Israeli high tech companies operating in the fields of e-commerce, the Internet, and additional fields in which the concern operates, such as the automobile industry, stated a Hyundai executive.

Hyundai is said to be examining investment possibilities in Israeli companies through existing venture capital funds, as well as by establishing an independent venture capital fund, which would raise several million dollars from each of Hyundai's subsidiaries.

The investments are part of a strategic decision taken by Hyundai to expand its activity in Israel. The concern intends to invest in high tech companies in two ways. One way is through acquisition of Israeli companies, including companies in the seed stage. Product development of these companies would take place in Israel, while manufacturing of the products would take place in South Korea or other Southeast Asian countries.

Another way of investing would be through investments in products and technology developed in Israel, which are related to fields in which Hyundai is active, and which could be integrated into the concern's products.

Chase Manhattan, AOL Invest \$14 million in Gizmoz

Investment bank Chase Manhattan and venture capital fund Polaris led the investors, which also included America Online Investments, venture capital fund Giza, and Internet site 1-800-flowers.com. The company value at which the financing round was conducted was not disclosed.

Gizmoz is a content distribution company. It enables Internet content owners to enlarge their customer bases, to form relationships with them, and to boost traffic to sites. Content is distributed by means of interactive visual messages which users can save and collect it.

The company was founded in 1996 by its current manager Eyal Gever.

H.C.Wainwright Bank Buys \$10 million of TTR Options

The US investment bank H.C.Wainwright & Co., considered one of the leading investment houses in the technology investment field recently completed the purchase of options in Kfar Sava-based high tech company TTR for \$10 million. The bank purchased the options at an average price of \$13 per share, while the shares traded on Wall Street at \$10. Under the agreement, the US bank can exercise its options during 2000. Globes a local financial newspaper reported learned that the venture capital fund owned by George Soros invested in March \$925,000 in TTR shares. The fund purchased 100,000 TTR shares on the US stock exchange at a value of \$9.25 per share.

A Visit with Joseph Ciechanover: President of the Challenger Fund

Joseph Ciechanover the President of the Challenger Fund, a private equity management company with two funds under management talked with the Israel High-Tech & Investment Report. The First Challenger Fund was established in

1995 with a capital of \$81 million. The fund invested in 32 companies and as of recently ten of the investee companies have emerged as public companies or were the object of takeovers. However, the main news is that the Challenger II Fund, originally planned to close at \$110 million has been expanded and will seek to raise a total of \$250 million. "It will allow us to invest larger individual sums that we might have otherwise," said Mr. Ciechanover.

An advantage of the Challenger Fund Group lies in the strength of its investors who include some of the best known global names. Among them is Edgar Bronfman Sr. "Our investors often assist our portfolio companies in business connections including to the Wall Street investment bankers. Some of the companies that we have invested in and are traded on Wall Street include ComTouch, Telegate, DSPG, Orckit and Technomatix," said Mr. Ciechanover.

Joseph Ciechanover's career reflects a keen ability for periodical reinvention and to creatively assume new responsibilities. A lawyer by profession he is a member of the Israeli and New York State bars. The one time director general of Israel's Ministry of Foreign Affairs prior to returning to Israel served as President and board member of PEC-Israel Economic Corporation. Under his stewardship PEC was listed on the New York Stock Exchange. He also served as Chairman of the Israel Discount Bank in New York. Currently, he serves as Chairman of the Board of El Al Israel Airlines.

Among his other posts is being a board member of the International Markets Advisory Board of the Nasdaq Stock Market.

Foreigners Invested Record \$7.5 billion in Israel in 1999

Foreign investments in Israel reached a record \$7.5 billion in 1999 - \$2 billion more than in the previous year. Investment in the shares of Israeli

companies traded abroad grew 430 percent to \$2.5 billion, compared with \$900 million in total foreign investment on the Tel Aviv exchange. This was well short of the record \$8.2 billion which came in from abroad last year. The annual survey by the Bank of Israel's foreign currency supervisor, published recently, stressed that, as in 1998, investments in the development of world financial activity had an affect on foreign investment in Israel last year. The increased activity reflects increased integration of the Israeli economy into the world economy.

This had been boosted by structural reform in the Israeli economy, the accelerated development of the high-tech sector, and the success of anti-inflationary efforts and foreign currency liberalization. The increase in foreign investment last year was largely due to growth in other investments - deposits, direct and commercial credit - while the growth in direct investments and in commercial securities was much smaller. The most remarkable growth was in net investments in Israeli shares - a record \$2.5 billion. This reflected the relative advantages of the Israeli economy as perceived by foreign investors, plus demand worldwide for investments in advanced technology companies. Israel has a good reputation in the world of high tech and foreign investors' assessments of the risk factor in Israel are largely positive. The Central Bank says world demand for high tech investments had led Israeli companies to prefer IPOs abroad. At the same time, there is a sharp change in the composition of stock portfolios owned by foreign investors. A comparison of investments in Israeli companies traded abroad with investment in locally-traded shares shows that last year foreign investors were not active here out of speculative considerations - like exploiting the interest gap between the shekel and foreign currency - but with an eye

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How the Global Individual Investor Can Capitalize on Israel's High-Tech Boom

UPDATE

TASE Publicly Traded Venture Capital Companies

A "basket" of these shares followed since the beginning of 2000, currently shows a nominal paper profit of 67.2%

More public attention than ever is being focused on the publicly traded venture capital funds. When we began our coverage in 1999 we contacted the funds' managers and did research in the archives of the Tel-Aviv Stock Exchange. Israel's financial reporting press gave little coverage to the ongoing developments. There was little to add to fundamental research. Our own examination of the funds aimed at establishing a more realistic valuation for the holdings and compares it with the current market capitalization. It was a task complicated by the nature of the accounting system used by the funds that valued its non-public holdings at cost of investment. In addition to the existing information our valuation included projections of the time frame estimated for invested companies to go public, the projected valuation and the capital gain to be garnered by the venture capital fund. This is a complicated procedure that requires lots of experience and insight into the universe of Israeli startups and into current valuations being accorded to them by Wall Street. It is the inexact nature of projections that leads us to maintain our recommendation to invest in a basket of the five venture capital companies. Such a basket since the beginning of 2000 currently shows a nominal paper profit of 67.2%

Results for the individual companies

Sadot	+ 40.1 %
Teuza	+ 79.7 %
Marathon	+ 35.9 %
Mofet	+ 79.4 %
Inventech	+ 100.8 %*

*as of March 22, 2000 and since Jan. 1, 2000

Tel-Tech – is a new index created by the Tel-Aviv Stock Exchange and it will form the third shares index. The others are the Tel-Aviv 100 and the MAOF, an index of the 25 largest capitalization companies.

	% of Index	other market
Elron	7.50%	NASDAQ
Clal Electronics	7.50%	
Nice	7.50%	NASDAQ
Formula	7.50%	
Lipman	7.19%	
Elbit Systems	7.09%	NASDAQ
Elbit5.	39%	NASDAQ
Point of Sale	4.98%	NASDAQ
Mashov Computers	4.70%	
.Hazera	3.30%	
.Eshed	2.56%	NASDAQ
.Zeevi Computers	2.11%	
.Orbit	2.10%	NASDAQ
.Mofet*	2.09%	
.Green	2.06%	
.Inventech*	1.97%	
.TechnoplastTech	1.67%	
.Aura	1.58%	
.Teuza*	1.51%	
.Electronics	1.33%	
.LIMS	1.19%	
.Walla	1.06%	
.Sadot R&D*	1.01%	
.IFN	0.98%	
.Trendline	0.90%	
.Ericom	0.89%	
.Tamir Capital	0.86%	
.Tesnet	0.83%	
.DCL	0.82%	
.IES	0.79%	
.Marathon*	0.73%	
.Ophir	0.72%	
.MTI	0.72%	
.Medcon	0.67%	

.Quality	0.59%	
.Lasers	0.56%	
.Aviv Solutions	0.56%	
.Spectronix	0.54%	
.RSL	0.52%	
.Danbar Techn	0.46%	
.Degem	0.37%	
.Aryt	0.36%	NASDAQ
.TAT	0.35%	NASDAQ
.C I Systems	0.32%	
Ramdor	0.32%	

* Selected in our IHTIR group of Public Traded Venture Capital Companies on the TASE

on the long-term.

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Public's Stockmarket Exposure in Israel and in the US

Israelis' exposure to the stockmarket is generally by way of holdings in bonds, which make up the vast majority of the holdings of pension funds and savings schemes, the most popular forms of investment. Israeli investment in shares is generally through mutual funds. These totaled \$12.2 billion after a 23% rise in such holdings in February when the Tel-Aviv Stock Exchange Indices were reaching new all-time highs. In contrast American households are heavily exposed to the stockmarket, according to a Federal Reserve report. In 1999, Americans held \$13.3 trillion in shares, nearly 32% of household wealth, ten percentage points higher than in 1995.

Cisco is Acquiring Infogear for \$301 million

Cisco, a global marketer of data communications products, is buying US company InfoGear for \$301 million. InfoGear's subsidiary in Israel, InfoGear Technologies, is in charge of InfoGear's R&D, and employs 40 staff. One of its founders is Hayim Bendelac, an Israeli, who serves as VP

of engineering in InfoGear.

This is the second Israeli company acquisition for Cisco, which two years ago bought Class Data Systems of Ra'anana. Silicon Valley-based InfoGear has developed a technology for managing Internet appliances. One of its products is iPhone, a telephone fitted with a screen, which links up to the Internet and enables browsing in designated content sites through a unique server developed by InfoGear.

Versaware Obtains \$25 million.

US Investment Bank Josephthal has completed a \$18.5 million capital raising exercise from US investors, for Israeli high tech company Versaware. The money was raised at a company value of \$115 million, in the framework of a total round of \$25 million, which was recently completed by the company. In addition, Josephthal will make bridging finance available to Versaware for the near future. Versaware was founded two years ago, and is one of the world leaders in Internet publishing. Its shareholders include entrepreneur Harry Fox who serves as general manager, Canadian businessman Mark Belsberg and Japanese bank Nomura as well as Israeli Clal Venture Capital. Versaware maintains a research and development facility in Jerusalem and a major production facility in India. Following this investment Josephthal, reported that the capital raising round for Versaware took place as part of the bank's strategy of deepening its activity in Israel.

VCon Marches to Greater Glory

VCON, a video teleconferencing high-tech company is the third most actively traded share on the small Nouveau Marche exchange of growth stocks. Its price has more than tripled since a November 1998 IPO. Some 45 percent of the company's \$27 million of 1999 sales, much of it from \$3,000 and \$5,000 personal computer units that connect executives to one another in Inter-

net-delivered video and audio, were in Europe. About 28 percent came from the United States, where the company maintains an Austin, Texas, headquarters

Israel Tenth in High-Tech Imports from the US

Israeli imports of high tech products from the US in 1999 totaled \$2 billion. The figure is from a report published recently by the Nasdaq Exchange and the US Electronics Association. The report includes data on US exports to 65 markets around the world.

The report notes that Israeli imports of high tech products from the US in 1999 were 95% higher than in 1993. The volume of imports of these products in 1999 from the US to Israel reached \$1 billion. Israel was listed in tenth place by the rate of growth in exports of high tech products since 1993 - after Brazil, China, the Netherlands, and Taiwan.

Leading the list of markets importing high tech products from the US was Canada, to which the US high tech exports in 1999 reached \$29 billion, followed by Japan (\$16 billion), Britain (\$11 billion), Singapore (\$7 billion), and Malaysia (\$6 billion).

The report stated that the volume of US high tech exports reached a record \$181 billion in 1999, constituting 26% of all US exports. High tech exports to Israel constitute 1.1% of total US exports of these products.

First Access to Cooperate on User Authentication Product

Israeli company First Access has announced that it is cooperating with Vasco Data Security of the US. The cooperation involves integrating Vasco's authentication card into First Access's VicinID product.

VicinID provides company employees with access without touching their PCs, which are programmed to "sense" their continued on p 12

ISRAEL HIGH-TECH MODEL PORTFOLIO

Selected Israeli Growth Companies

3/22/2000

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	Quantity		Commission	Open Amount	Current Value	Gain/Loss
IHTIR Model Portfolio						
BackWeb		BWEB		Price as of 3/21/2000: 40.375		
Total:	1,000		\$0.00	\$43,500.00	\$40,375.00	(\$3,125.00)
<hr/>						
Check Point Software Tech		CHKP		Price as of 3/21/2000: 223.50		
Total:	1,500		\$0.00	\$17,015.62	\$335,250.00	\$318,234.38
<hr/>						
Comverse Technology, Inc.		CMVT		Price as of 3/21/2000: 200.375		
Total:	750		\$0.00	\$34,687.50	\$150,281.25	\$115,593.75
<hr/>						
Gilat Commun.		GICOF		Price as of 3/21/2000: 30.25		
Total:	5,000		\$0.00	\$49,375.00	\$151,250.00	\$101,875.00
<hr/>						
Gilat Satellite Networkss		GILTF		Price as of 3/21/2000: 130.125		
Total:	1,000		\$0.00	\$56,125.00	\$130,125.00	\$74,000.00
<hr/>						
Point of Sale Ltd.		POSI		Price as of 3/21/2000: 27.281		
Total:	7,800		\$0.00	\$49,725.00	\$212,791.80	\$163,066.80
<hr/>						
Technomatix		TCNO		Price as of 3/21/2000: 43.50		
Total:	871		\$0.00	\$23,734.75	\$37,888.50	\$14,153.75

IHTIR Model Portfolio Investment Summary

Original Assumed Investment at the Start of 1999 was	\$ 246,850
Total Current Value	\$ 1,057,962
Gain	\$ 811,112 +328.6%

*valued as of March 21, 2000

(continued from page 10 presence. The employee has a wireless smart card, which broadcasts continuous radio waves that sample the card owner's presence near his computer. When the user distances himself from his computer, the work station is "locked" automatically. The cooperation will facilitate easy access to computer resources for range-based and mobile users, without the use of passwords.

"The strategic cooperation with Vasco will allow an easily applied solution to non-contact access for company employees to their computers. There is no longer any need for passwords and complex operations while logging in to the computer", said a First Access executive.

Pharmos Moves to Late Stage Testing of Brain Injury Drug

Pharmos, (Nasdaq:PARS) whose research and development are carried out in Israel, said it planned to begin late-stage testing of treatment for traumatic brain injury, which has a worldwide market potential of \$1 billion a year. The company said it successfully completed a mid-stage trial of dex-acannabinol for traumatic brain injury, which showed the drug was safe, and set guidelines for the dosing to be used in the pivotal late-stage testing of several hundred patients.

RADVision (Nasdaq:RVSN) Debuts and Price Skyrockets by 278%

When the shares of the Israeli networker RADVision (Nasdaq:RVSN) came to the market their price jumped from \$20, to \$55.94

RADVision is a leading Israeli based provider of products and technology that enable real-time voice, video and data communications over packet networks, including the Internet and other networks based on the Internet protocol or IP. RADVision products and technology are used to develop systems that enable enterprises and service providers to migrate their voice and video communications from traditional telephone networks to

next generation packet networks.

The company's initial public offering consisted of 3,800,000 of its ordinary shares at an initial public offering price of \$20 per share Lehman Brothers was the lead underwriter for the offering. Salomon Smith Barney, U.S. Bancorp Piper Jaffray and Fidelity Capital Markets, Financial Services Corporation, served as co-managers.

Compugene Signs with HGS : Gene Databasing Pact

Compugene, which developed an algorithm that enables efficient processing of the data collected by the human genome project's effort to map the genes that make up human life, has signed a major cooperation deal with Human Genome Sciences. HGS is one of the leading companies involved in the world-wide effort to map the human body's genetic structure. According to the agreement, Compugene will undertake to process the database built by HGS. The goal is to provide a tool for accelerating the pace of development of pharmaceuticals devised from natural genes. The several million dollar deal is for a year and could thrust Compugene into a major role in the complex processing of the billions of pieces of data involved in mapping the genetic structure of human beings. HGS regard Compugene as a strategic partner in the development of new generations of technologies, Compugene's technology enables the collating of information about the myriads of human genes, to build contiguous blocks of information about genes. This enables the discovery of new genes that fill the gaps between the contiguous blocs. HGS, which is valued at \$10 billion, has received approval by the U.S. Food and Drug Administration to begin experimental testing of drugs it has developed from the genetic information it has so far collected.

Compugene, which is heading toward an IPO later this year with a valuation of \$400 million, was established in 1993. The last private placement conducted by the company was in November 1998,

when the company was valued at \$60 million. Among the shareholders in the company are Israel Seed Partners, Evergreen, Apax-Leumi, U.S. Ventures, Genesis, Clal Biotechnology, Ampal and Poalim Investments. The company headquarters is located in Tel Aviv, and it employs 90 people, including mathematicians, biologists and computer engineers.

VocalTec Sells ITXC Shares for \$66 mil.

The Israeli company VocalTec recently sold its shares of the American firm ITXC for \$66 million. The sale was conducted as part of a secondary stock offering, totaling \$340 million, of ITXC on Wall Street when four million ITXC shares went on the block at a price of \$85 per share. VocalTec sold 780,000 of its shares, and the venture capital fund Polaris, which is owned by the Shrem Group sold 80,000 shares worth \$6 million. VocalTec still holds 4.8 million shares of ITXC, which are worth approximately \$408 million, and the Polaris Fund still holds some 2 million shares, worth around \$170 million. ITXC was founded three years ago on the initiative of VocalTec chairman Elon Ganor, who wanted to advance the field of telephony with the aid of data networks which operated through Internet protocols (IP telephony). The company is attempting to create a legal and operative infrastructure for IP telephony, and connections between international communications providers in various countries.

Model Portfolio Company News

Gilat Satellite Networks Ltd Announces Record Results

Gilat Satellite Networks Ltd. (NASDAQ: GILTF) reported revenues for the year ended December 31, 1999 of \$337.9 million, an

increase of 118 percent over 1998 sales of \$155.3 million. Gilat reported net income of \$19.6 million, or \$0.92 per share. Excluding one time charges, net income would have been \$58.4 million, or \$2.73 per share, an increase of 136 percent over the \$24.8 million \$2.14 per share reported for 1998. Gilat also announced its intention to split its stock at a ratio of three-to-one.. Gilat Chairman and CEO Yoel Gat remarked, "In 1999 Gilat's core business grew at an unprecedented pace, and the company has strengthened its position as the leader in VSAT technology. The opportunity in each segment of our business is immense and we are moving aggressively with the Gilat-To-Home initiative into international markets."

He also predicted that his company would be the world's first to offer two-way broadband service via satellite—as soon as this summer. Gilat is finishing a \$350m million round of financing for its Gilat To Home unit, a business in which Microsoft will have an approximately 15 percent stake, Gat said.

Gilat is using a satellite network to deploy networks for the U.S. Postal Service. The company's market cap is almost \$3 billion. "We can give people broadcast quality content," he said. "Plus, there are 8 million people in the United States without flat-rate IPs (Internet service providers)," he said. "We can offer them flat rate, broadband service in places like Colorado." Gilat intends to offer American consumers a suite of satellite services from kiosks in Tandy Corp.'s Radio Shacks, in Microsoft retail outlets and even through satellite services company said Joshua Levinberg, Gilat Satellites' senior vice president of business development. Gilat, whose headquarters is about 25 minutes outside Tel Aviv, also has offices in McLean, Va.

Nessuah Zannex Securities, an Israeli investment bank group, raised its rating on Gilat Satellite Networks (Nasdaq:GILT) to strong buy from buy and increased its target price on the share to \$190

from \$110. A research report dated March 3 but cited the recent decline in Gilat's share price as well as the company's new broadband ventures as grounds for a higher recommendation. "Investors in Gilat in effect receive three companies, via the Gilat-To-Home ventures in the United States and Latin America," the report said.

Gilat-To-Home is a venture offering high-speed Internet access via satellite and includes a \$50 million investment by Microsoft Corp.

Comverse Buying Loronix

Comverse Technologies (Nasdaq:CMVT) is acquiring Loronix of the US in a share swap deal at \$224 million value. This involves a premium of 42% in excess of Loronix's value on Wall Street. Loronix is a leader in the supply of software-based digital video management systems based on its core technologies in areas including video recording, storage, networking and live Internet video streaming technology.

Comverse almost tripled its sales in 1999 to \$37.5 million, compared to \$13 million in 1998. Its equipment enables the recording, storage and retrieval of video transmissions, with the option of transmitting in real time. The company designates its sales mainly for retail chains, which position security cameras in retail outlets, all the cameras being connected to a national storage centers, as well as in casinos, where a security camera is installed over every table.

Tecnomatix Rolls Out Novel B2B e-Manufacturing Software Solutions

Tecnomatix Technologies Ltd. (NASDAQ-NM: TCNO), specialists in e-Manufacturing software solutions, announced the launch of eMPower, a suite of Web-enabled, B2B e-Manufacturing software solutions for developing, communicating and operating optimal manufacturing processes. eMPower boosts enterprise compet-

itiveness by enabling B2B collaboration across the supply chain, accelerating new product introductions and reducing time to customer.

P-O-S. Software System Uses Internet for Shoppers at Big Y Markets

Point of Sale Ltd. (Nasdaq:POSI) announced the first installation of its new dual-screen check-out system at Big Y World Class Markets that enables shoppers to access the Internet while in the check-out lane. Big Y, a family-owned chain of 45 stores in Massachusetts and Connecticut, plans to install the new system throughout its chain during 2000.

The new system, marketed as the ISS45 by the company's U.S. marketing partner, ICL Retail Systems, seamlessly integrates point of sale with the Internet and various corporate systems. Shoppers can, by touching the screen, produce recipes, access personalized promotions from Big Y's shopper database and even get help with homework assignments. "Customer interaction is the cornerstone of our competitive advantage," said John Sarno, Big Y vice president of InformationSystems. "The ISS45 system allows us and our shoppers to take full advantage of our customer relationship management capabilities through the Internet while in the check-out lane", he added.

The ISS45 is scalable, accommodating store environments from 20 to 200 lanes. The new, easy-to-use touch screen interface is aimed at reducing training time and speeding check lane operations.

Cable & Wireless to Market BackWeb's Push for E-Business Solutions

BackWeb Technologies (Nasdaq:BWEB), pioneer of push for e-business solutions, announced that Cable & Wireless (NYSE:CWP), the global telecommunications group, will offer BackWeb's popular push software to its top global accounts.