

ISRAEL HIGH-TECH & INVESTMENT REPORT

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Moonshot

Israel climbs to 5th in Bloomberg innovation index

Israel leapt ahead of the US, Singapore, and Japan in its rise from 10th place last year.

Bloomberg put Israel in fifth place in its innovation index for 2019, ahead of the US (eighth place), Singapore (sixth place), and Japan (ninth place). The annual index is being published for the seventh time. Israel was rated 10th place last year, with better patent registration being responsible for a large part of the improvement in ranking.

Bloomberg put South Korea in first place on the index for the sixth time, due to new investments in key technologies and a regulatory plan for encouraging startups. Germany advanced into second place due to investment in production and research by many of its industrial giants, such as Volkswagen, Daimler, and Bosch. Third and fourth places were taken by Finland and Switzerland, respectively.

China, the world's second largest economy, was rated only in 16th place. Although Bloomberg rated China in second place in patents because of companies like Huawei and BOE, which invest in research and development, China trails far behind in general productivity.

The index is compiled through an examination of areas such as R&D spending, production

capability, and public high-tech companies. Bloomberg examined 200 countries, each of which received a rating between 0 and 100 in seven categories of equal weight. Only 95 countries appear in the final list, because countries that did not submit data for at least six categories were removed from the list. Bloomberg published the 60 highest-rated companies.

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OurCrowd launches \$30m cannabis tech VC fund

The fund is focused on emerging cannabis technology companies in med-tech, ag-tech, retail, e-commerce, marketplaces, SaaS solutions, and deep-tech research in cannabis.

Israeli crowdfunding platform OurCrowd has announced that it will invest and partner with 7thirty to build a global cannabis technology venture capital fund.

The new \$30 million fund is focused on emerging cannabis technology companies in med-tech, ag-tech, retail, e-commerce, marketplaces, SaaS solutions, and deep-tech research in cannabis.

The fund, which will be headquartered in Boulder, Colorado, will invest worldwide with a focus on Israel, Canada and the US.

OurCrowd CEO Jon Medved said, "The explosive growth of the legal and medical cannabis market is quite impressive. Canada recently legalized cannabis nationwide and Israel is in the final stages of legalizing cannabis export. The amount of serious medical research in cannabis is booming. This market will generate unprecedented global investment activity and returns for cannabis focused startups.

Together with 7thirty, we plan to lead investments for serious companies who will pioneer technology for this important and growing market."

The 7thirty Opportunity Fund is led by the US's most active early stage cannabis technology investor, Micah Tapman. Prior to founding 7thirty, Micah was a co-founder at CanopyBoulder, where he led investments in over 90 cannabis related companies. Several of those companies are now recognized leaders in the cannabis market, including Wurk, BDS Analytics and Front Range Biosciences.

Tapman said, "We are pleased to welcome OurCrowd to the 7thirty Opportunity Fund. Israel is a recognized leader and pioneer in cannabis technology, and OurCrowd has a demonstrated track record as a value-added investor. Together we plan to bring a institutional discipline and rigor to the cannabis technology investment market."

OurCrowd principal and cannabis-tech lead Kfir Kachlon said, "The ability to work side by side with Micah and the 7thirty team is really exciting for us. OurCrowd has already invested in leading Israeli Cannabis Technology companies such as Syqe and Edenshield, and now together with 7thirty we look forward to combining our Israeli deal flow with their North American leadership in the industry to create a truly winning fund formula."

Israel conducts Arrow 3 missile trial

Israel's Ministry of Defense and the US Missile Defense Agency (MDA) this morning conducted a successful planned trial of the Arrow long-range missile defense system.

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Amid the tensions on Israel's Syrian border, Israel's Ministry of Defense and the US Missile Defense Agency (MDA) this morning conducted a planned trial of the Arrow missile defense system. Loud explosions were heard in the vicinity of Palmachim in central Israel at about 6.45 am this morning, and smoke trails were seen in the sky.

The Defense Ministry said this morning that the trial was a success and an important milestone in Israel's operational capabilities to defend itself against existing and future threats. Further details about the trial were not disclosed.

The Arrow missile defense system is Israel's long range missile defense system, which intercepts missiles outside of the atmosphere, and which has been developed by the Ministry of Defense's Home Administration together with Israel's defense industries, Israel's Air Force and the US Missile Defense Agency. The Arrow missile defense system is designed to protect Israel from the long-range ballistic missiles from enemy countries, which first and foremost means Iran. The Arrow 3 system was delivered to the Israel Air Force for operational purposes in January 2017.

The previous trial of the Arrow 3 system was conducted by the Ministry of Defense and US MDA in February 2018. It was successfully carried out in central Israel by Israel Aerospace Industries Ltd. (IAI) (TASE: ARSP.B1) together with the Israel Air Force. The chief contractor for the Arrow 3 system is IAI's MALAM division together with its Elta unit, which is responsible for the system's radar functions. Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT) Elisra division has developed the Arrow 3's firing management systems while the interceptor was jointly developed by three sub-contractors: IMI Systems, IAI's TAMAM division and Rafael Advanced Defense Systems Ltd.. Boeing is also a partner in development and production of the Arrow 3 system.

Assuta to raise \$150m VC health fund

\$37 million has already been raised and the Israeli fund, which will invest in medical devices and digital health startups, will reach \$50 million by the end of the first quarter.

The Assuta chain of medical clinics and private hospitals, controlled by Maccabi Health Services with a 95% stake, has founded a venture capital fund for investing in medical devices in the later stages of development (before or just after regulatory approval) and digital medicine, sources inform "Globes." The fund will be called Assuta Life Sciences Ventures - Alive.

\$37 million of the initial \$50 million to be raised by the fund in the first stage has already been raised, with the rest of the initial sum slated for completion in the first quarter. The fund plans to reach \$150 million by mid-year.

Dr. Ascher Shmulewitz and Michel Habib will own that fund's management company and actually manage the fund, in which they will also invest their own money. Shmueliwitz is a cofounder of Labcoat, sold to Boston Scientific for \$100 million and a co-owner of cannabis company Therapix Biosciences, whose acquisition by a Canadian company for \$48 million was recently called off. Habib was a managing partner in Agate Medical Investments, founded by Dani Naveh, and a partner in managing the investments in Israel by billionaire Vincent Tchenguiz. His participation in the fund is a continuation of his investments in late-stage medical devices companies.

Assuta operates private hospitals in Tel Aviv, Rishon Lezion, Haifa, and Beer Sheva; a public hospital in Ashdod; and a number of private clinics that are not full hospitals in Tel Aviv, Ashdod, and Ra'anana. The chain is currently managed by chairperson Prof. Joshua Shemer and CEO Prof. Ari Shamiss.

Shemer is a former Ministry of Health director general and former director general of Maccabi Health Services. Shamiss formerly managed Sheba Medical Center.

As reported last July by "Globes," Assuta's 2016 revenue totaled NIS 1.5 billion, 40% of which came from treatment of Maccabi Health Services members and the rest from private revenue. The chain has grown rapidly in recent years, and its private activity has more than doubled. The chain was profitable as of 2016, when its profit was \$400 million. The profits are not given to Maccabi Health Services; they are retained by Assuta for development purposes. The chain bought, brought to Israel, or developed its own unique technologies in recent years.

Assuta operates a unit for clinical research that for several years has provided it with a direct connection to the life sciences industry in Israel and overseas. The Assuta group also offers stipends for research by its staff and by external concerns.

Israel gears up for historic mission to the moon

The exclusive list of countries that have landed spacecraft on the Moon is set to get a new addition this year.

This February, Israel's Beresheet spacecraft is set to launch from Cape Canaveral Air Force Station atop a SpaceX Falcon 9 rocket. Beresheet, which is the Hebrew word for "beginning," is expected to land on the lunar surface about two months later.

The unmanned spacecraft will take Israel into a select group of nations. Only three countries – the U.S., the Soviet Union and China – have made successful 'soft landings' on the lunar surface.

The landing also will be the first private mission to reach Earth's natural satellite.

Beresheet was born out of the Google Lunar XPRIZE competition to land an unmanned probe on the moon. The \$30 million competition was scrapped with no winner last year after the organizers said none of the five finalists would make the March 31, 2018 deadline for a Moon launch, Space.com reports.

Nonetheless, the Israeli team pressed on with the development of its 397-pound spacecraft. Earlier this month Beresheet was transported from Ben Gurion Airport in Israel to Orlando International Airport in Florida -- and from there, to Cape Canaveral.

The launch from SpaceX's Launch Complex 40 (SLC-40) is targeted for no earlier than mid-February, according to Israeli space organization SpacEL, which developed the spacecraft with Israel Aerospace Industries.

After its two-month journey, the probe will land within Mare Serenitatis in the Moon's northern hemisphere. SpacEL notes that the site has magnetic anomalies, enabling Beresheet's magnetometer device to take measurements as part of a scientific experiment. Data from the magnetometer, which was developed with Israel's Weizmann Institute of Science, will be shared with NASA.

"Our ultimate aim is to create a profile of the magnetic field of the Moon and understand its origin," said Weizmann Institute Professor and SpacEL Mission Scientist Oded Aharonson, in a statement.

In addition to its science mission, Beresheet will also take a time capsule to the Moon. Consisting of three disks, the time capsule data includes symbols such as the Israeli flag and the country's national anthem, "Hatikvah."

Dictionaries in 27 languages are also on the disks, along with the Bible and a children's book inspired by the mission.

Beresheet and its time capsule will remain on the lunar surface indefinitely.

"Beresheet has completed a significant milestone on her journey to the moon by arriving safely at Cape Canaveral," SpaceX President Morris Kahn told Fox News via email. "The upcoming launch and the lunar landing about two months later will be the culmination of eight years of hard work and dedication."

"This mission has already become a source of inspiration for people around the world, and we are looking forward to making history and joining superpowers Russia, China and the United States in having reached the moon," he added.

China became the first country to successfully land a probe on the far side of the Moon when the Chang'e 4 lander reached the lunar surface on Jan. 2.

The U.S. is the only country to place astronauts on the Moon, having done so most recently in December 1972 during the Apollo 17 mission. Only 12 men, all Americans, have set foot on the Moon.

July 20, 2019, marks the 50th anniversary of the historic Apollo 11 Moon landing and lunar missions continue to be a source of fascination.

A checklist that traveled to the surface of the Moon with Neil Armstrong and Buzz Aldrin recently sold at auction in New York for \$62,500. In the same auction, three tiny Moon rocks brought back from space by the unmanned Soviet Luna-16 mission were sold for \$855,000.

Dec. 21, 2018 also marked the 50th anniversary of the momentous Apollo 8 launch. During a series of historic lunar orbits, NASA astronauts Frank Borman, Jim Lovell and Bill Anders became the first humans to see the far side of the Moon.

Samsung buys Israeli co Corephotonics for \$155m

The Tel Aviv-based company has developed a camera with dual lens technology for smartphones.

Korean tech-giant Samsung has agreed to acquire Israeli company Corephotonics for \$155 million, sources inform "Globes." Three weeks ago, "Globes" was the first to report that Samsung was in advanced talks to buy the Israeli smartphone camera technology developer.

Corephotonics has developed a camera with dual lens technology for smartphones, which is designed to improve the quality of smartphone images. According to IVC, the company, which was founded in 2012, has raised a total of \$50 million, which will give the investors a fine return. Corephotonics declined to respond to the report.

Corephotonics was founded by CEO David Mendlovic, a professor of electrical engineering at Tel Aviv University and former Ministry of Science and Technology chief scientist; chief development officer Dr. Gal Shabtay; chief registration officer Eran Kali; Dr. Noy Cohen; and Ephraim Goldenberg. The company employs a staff of dozens in its facilities in Tel Aviv's Ramat Hahayal.

The main investors in Corephotonics are Samsung Ventures, one of Samsung's investment arms in Israel; Foxconn, a large manufacturer of electronic components; Taiwanese company MediaTek, the world's largest manufacturer of mobile communications chips; Israeli fund Magma Venture Partners; the Amity Ventures fund; Horizon Ventures, controlled by Chinese billionaire Li Ka Shing and Solina Chau; crowdfunding platform OurCrowd; flash memory company SanDisk; and Chinese telephony provider CK Telecom.

Corephotonics works with all of the large smartphone companies. Shabtay once told "TheMarker" that the company had realized that "There are several large gaps, above all an optical zoom lens. Real zoom does not exist in a smartphone camera, which only has a digital zoom that is actually a manipulation of the image." One of the challenges faced by the smartphone manufacturers is the need to making the devices thinner. Samsung is also planning to launch a folding smartphone in the coming months. It was previously reported that Corephotonics was planning to expand its activity to the vehicle, drones, and security systems markets.

Corephotonics does not manufacture the camera itself; it only designs it. Reuters reported in November 2017 that the Israeli company had filed suit against Apple Computers for using the technology it had developed, for which Corephotonics said it had a registered patent, in the iPhone 7 plus and the iPhone 8 plus. The fate of this lawsuit is unknown.

IVC-APM: Vertex, TLV Partners Israel's most active VC funds

Both funds made 11 new investments in 2018, IVC Research reports.

IVC Research, in cooperation with the Amit, Pollak, Matalon & Co. law firm (APM), today published a report rating the most active venture capital funds in Israel in 2018. Vertex Israel, which manages \$960 million, and TLV Partners, which manages \$267 million, are rated the most active in Israel, with 11 new investments each in 2018.

The two funds are investing money raised for the Vertex IV and TLV I funds in 2016 and raised for the Vertex V and TLV II funds in 2018. The high rating for 2018 is a result of the timing of these financing rounds, which usually produce many investments after the funds are

raised. Vertex was also rated the top fund in 2017 with 12 new investments. TLV Partners, which was founded in 2015 by managing partners Rona Segev and Eitan Bek, former Pitango Venture Capital general partners, appears on the list for the first time.

Second place was shared by three venture capital funds with eight new investments each: CE Ventures from Hong Kong, which has been active in Israel since 2015; Israeli venture capital fund Next Gear, which invests in mobility companies in the early stages, and MizMaa, another fund located in Hong Kong. The prevalence of Chinese funds in Israel has increased in recent years, mainly in later-stage ventures.

Four funds, three of them Israeli, placed joint third on the list with eight first investments each: veteran Pitango, Brazilian venture capital fund ROI Ventures, Tel Aviv University micro-fund TAU, and Upwest Labs, another Israeli micro-fund. Of the nine funds in the first three places on the list, six are Israeli, two are from Hong Kong, and one is from Brazil.

"In continuation of the trend that has gained momentum in recent years, it appears that like 2018, 2019 will feature a transition from marketable to non-marketable investments. With the development of the market, it is clear that both areas of investment and the groups of managers are become more diversified and distinctive. New venture capital funds and private equity funds are being founded - both specialist funds and general funds for each investment stage," said Amit, Pollak, Matalon chairperson Adv. Yonatan Altman. According to Altman, high-tech activity is penetrating all industries, including conventional industry, and offering opportunities to all of the parties.

Venture capital funds slowed their activity in 2018, making 503 first investments in companies, compared with 533 in 2017, according to IVC's figures. The number of first

investments made by Israeli venture capital funds dropped by 17% in comparison with the five-year high posted in 2017. The number of first investments made by foreign venture capital funds has been declining since 2015, and fell by a further 4% in 2018. The foreign venture capital funds maintained their share of the market, accounting for 60% of all first investments in 2018, compared with 40% by Israeli funds, the same proportion as in recent years.

The total number of investments by active funds has also declined in recent years. The most investments by a fund this year was 11, compared with 17 in 2013. The top-rated fund in 2015 was Samurai Incubate, a specialist Japanese fund for investments in companies in the early stages, which made 15 first investments. Samurai Incubate was the only non-Israeli fund to lead the list in the past five years.

356 new seed-stage investments, 33% of all investments, were made in 2018, the lowest number since 2014. According to IVC, first investments in seed-stage companies by foreign funds totaled 77 in 2018, lower than the 90-113 range prevailing in the preceding four years. In 2018, venture capital funds preferred investing in A rounds, which accounted for 38% of all first investments.

Together with the decline in investments in the early stages, IVC recorded a 5% rise in the number of first investments in companies in the intermediate stages (annual sales of up to \$10 million), which accounted for 35% of all new investments in 2018.

Walmart buys Israeli AI co Aspectiva

The Tel Aviv-based company analyzes consumer opinions and turns them into valuable insights for retailers.

Walmart has acquired Israeli artificial

intelligence (AI) startup Aspectiva, the US retail giant has announced. Aspectiva will be joining Walmart's Store N° 8, the incubation arm launched by the retailer in 2017 to promote technologies that will enhance the future retail and consumer experience. No financial details about the acquisition were disclosed but sources close to the deal say that it was for several tens of millions of dollars.

The Tel Aviv-based company uses AI to analyze consumer opinions and turns them into valuable insights for retailers. Walmart said that Aspectiva's natural language processing capabilities will help it to further enhance the end-to-end shopping experience. The Aspectiva team joined Store N° 8 and will continue to operate from Aspectiva's offices in Tel Aviv.

Aspectiva was founded in 2013 by CEO Ezra Daya, CTO Eyal Hurwitz and was later joined by VP business development Yoad Arad. The company has raised \$4 million, led by JVP in addition to Global Brain, Union Five, LivePerson and Re-Invent. Daya said, "Our team is extremely excited to be joining Store N° 8 and be part of Walmart's most recent investment in Israel. Store N° 8's record of innovation and of developing capabilities that will transform retail as we know it makes for the perfect environment to leverage Aspectiva's technology throughout the shopping funnel."

In recent years, Walmart has targeted Israeli technology in attempts to compete with retail technology rival Amazon. The company has made a strategic investment in Team8, an Israeli think tank and tech incubator, launched a joint venture with Eko, an interactive media and technology company with offices in Tel Aviv and New York, and recently joined The Bridge, a technology accelerator connecting global companies with the technology startup community in Israel.

JVP said, "As the lead investor in the company, we're thrilled that Walmart has chosen to acquire Aspectiva, a portfolio company of JVP, founded and grown in our JVP Labs in Jerusalem. We are proud of our JVP Partner and Aspectiva Board Member, Haim Kopans, who has been leading the company since inception until its successful acquisition today. We believe that this will bring new jobs and opportunities to Israel and serve as an additional example of how Israeli innovation is helping shape our world, by bringing together disruptive technologies and key global markets."

Outbrain buys Ligatus to expand in Europe

Headquartered in Cologne, Ligatus is a leading European content recommendation company with other offices in Germany as well as France, Spain, Italy, Belgium and Netherlands.

Israeli content recommendation company Outbrain announced today that it has entered an agreement to acquire Ligatus, a fully owned subsidiary of Bertelsmann group company Gruner + Jahr, in a stock deal. No other financial details were disclosed.

Headquartered in Cologne, Ligatus is a leading European content recommendation company with other offices in Germany as well as France, Spain, Italy, Belgium and Netherlands. Ligatus' solutions bring advertisers and publishers together through high-impact, non-intrusive native ad placements, leveraging a mobile-first native ad solution for marketers to build awareness and engagement with the right audiences. Delivering more than 37 billion ad impressions per month, Ligatus provides tailored and contextual advertising alongside publisher content in a multi-device format while guaranteeing brand safety.

With the addition of the Ligatus premium publisher network, Outbrain will expand and strengthen its position in Europe with over

1,400 premium publishers, including STERN, RTL and Femme Actuelle.

Outbrain co-CEO David Kostman said, "The acquisition of Ligatus is part of our market consolidation strategy and will allow us to expand our native offering to marketers and strengthen the relationship with our publisher partners. By combining the sophisticated native advertising offering of Ligatus with Outbrain's strong targeting technology and reach, the benefit for marketers, publishers and users will be a trustworthy feed of discovery that is powered with a strong underlying, non-interruptive advertising experience."

He added, "This transaction will grow Outbrain's footprint in key new European markets and open a premium group of Gruner + Jahr and Bertelsmann publishers to our advertisers."

Ligatus CEO Klaus Ludemann said, "We are excited to join ranks with Outbrain in order to create a true native advertising powerhouse. This combination will create a win-win for our publishers and advertising partners by leveraging the combined strengths of our teams."

The acquisition is subject to certain regulatory and other approvals and is expected to close by the second quarter of 2019.

Israeli cryptocurrency security co Curv raises \$6.5m

The company has also unveiled its Institutional Digital Asset Wallet Service to give financial institutions and enterprises strong security.

Israeli cryptocurrency security company Curv announced the completion of a \$6.5 seed financing round led by cybersecurity think tank Team8 and digital asset company Digital Currency Group, with participation from

Flybridge Capital, Jump Capita and Monex Group.

Curv has also unveiled its Institutional Digital Asset Wallet Service to give financial institutions and enterprises strong security, instant availability, and total autonomy over all their digital assets.

Curv observes that many financial institutions have been hesitant to fully embrace digital assets within their portfolios because of the lag, operational complexity, and single point of failure associated with the private keys needed to sign blockchain transactions. Curv eradicates the concept of private keys to eliminate these issues, introducing revolutionary cryptography that delivers a simple, distributed way to secure and sign transactions.

"Curv makes it easy for us to manage our digital assets and ensure each and every transaction is authorized," said Ronen Assia, co-founder and Chief Product Officer of eToro and advisor to Curv. "Curv's unique approach gives us the security and operational simplicity we need to start adding new, emerging digital assets to our portfolios."

Curv's Institutional Digital Asset Wallet Service: eliminates the concept of private keys by using proprietary multi-party computation (MPC) protocols; replaces the need for both cold and hot wallets; and offers a flexible, enterprise-grade policy engine.

The Curv service also includes the setup, management and maintenance of the blockchain infrastructure. This allows customers to adopt any cryptocurrency or blockchain app they want, without having to worry about investing or scaling the underlying IT infrastructure.

"Curv is solving the eternal trade-off between security and availability," said Nadav Zafrir,

co-founder and CEO of Team8. "No longer do institutions or enterprises need to maintain physical security that doesn't scale or hot wallets that are difficult to integrate and secure. Curv gives them a single solution that does it all."

Curv is led by cofounders CEO Itay Malinge and CTO Dan Yadlin, and cryptography forerunners, Ben Riva and Jonathan Katz. The Institutional Digital Asset Wallet Service is a subscription service that will be available starting March 20 and is currently being used in a private beta with exchanges, custodians, fintechs and institutional investors located around the globe including eToro, Y and Z. Malinge said, "We are focused on unleashing the potential of blockchains with our revolutionary approach to digital asset security," said Itay. "We give customers a way to securely integrate and manage all their digital assets, so they can easily transact and thrive in the digital world."

Israeli endoscope co Zsquare raises \$10m

The company has developed an ultra-thin, flexible, high-resolution, single-use endoscope, which has broad applications.

Israeli ultra-thin endoscopy company Zsquare has secured \$10 million in financing for further development of its MultiPly single-use endoscopic platform. The company plans moving its mini 0.45mm fiber endoscope towards expedited FDA 510K clearance.

The financing round was led by previous investor Chartered Group, which has a strong presence in East Asia and Japan.

Zsquare's disruptive technology has broad applications. The platform offers the only ultra-thin, flexible, high-resolution, single-use endoscope that enables access to unserved indications and improves usability and diagnosis quality in commonly practiced

indications. The endoscope's unique single-use properties eliminate the risk of infection caused by contaminated, reused endoscopes, and dramatically reduces healthcare costs.

At the core of Zsquare's endoscopes are its unique 0.45mm square fibers, which provide a distinctive building-block-style modularity. Starting from a single-fiber imaging endoscope, additional medical indications can be addressed as more fibers are bundled in, with enhanced functionality and performance that include higher resolution, 360° angulation, 3D capabilities, extended depth of field, extended field of view, and more. Zsquare's special combination of single-use, flexibility, tiny dimensions, and high-resolution imaging is a breakthrough in endoscopic technology, delivering higher performance in a smaller package than any current endoscope, giving the physician, for the first time, the best of all

Worlds. Chartered Group chairman Eyal Agmoni said, "Zsquare is set to revolutionize the landscape of endoscopic care by introducing a game changing modular, single-use concept, opening the door to endless new and exciting integrations in the minimally invasive care world."

The Tel Aviv based company was founded by CEO Dr. Asaf Shahmoon and CTO Prof. Zeev Zalevsky.

Dr. Shahmoon said, "This investment is a vote of confidence in Zsquare's unique platform. We firmly believe that our endoscopes will not only transform current practices, but also democratize procedures, by expanding the reach of endoscopic-assisted care to outpatient clinics and developing-world settings."



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