

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES JOSEPH MORGENSTERN, Publisher
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Global Recession Comes to Israel

In sharp contrast to the beautiful sunny balmy weather Israel's economy is in dire straits. 2009 could prove to be the most difficult time in the country's history. Tourism has dropped noticeably and one can not help but notice the lines of empty taxis waiting at the hotels for the tourists that don't come.

Newspapers gloomily report of companies that are firing personnel.

The most recently announced Consumer Price Index showed a 0.5% drop as housing prices declined. The prospects for the future are equally gloomy.

At the peak of the boom, in 2006, Israel's real estate sector was in clover. Billions upon billions of foreign dollars poured into the country, some into high-tech and much into property. The numbers say it all: Foreign investment in the country totaled \$26 billion that year, compared with \$9 billion in 2005.

Out of that, foreign direct investment (FDI) - meaning not in liquid financial instruments or bank deposits - amounted to \$14 billion. Warren Buffett's acquisition of Iscar for \$4 billion was responsible for some of that.

But the trend has changed. Foreign investment began to drop in 2007, as the first signs of trouble appeared, sinking to \$15 billion, out of which FDI was \$9.7 billion. In January-September 2008, total foreign investment shrank to \$7.8 billion.

January marked the highest number of layoffs in Israel's history, according to an Employment Service report. A total of 19,719 persons lost their jobs last month, and the number of people registered with the service as searching for

work, reached 276,000.

Part of Israel's recession is due to the international conditions. The country is export oriented and these have fallen sharply. Israel's high tech exports are down by 25%.

However, all is not black. Recently a massive gas find has been announced. at t h e

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Retalix receives non-binding merger proposal
Ventor in \$400 million acquisition by Medtronic
Aladdin shareholders approve takeover
Microsoft in talks to acquire local startup 3DV Systems

Tamar 1 exploration site, 55 miles off the Haifa shoreline.

Initial reports indicate that there are at least 142 billion cubic meters, at least 60% above initial forecasts.

Geologist Yossi Langotzky, said the tests indicate the find is a giant one, and strongly suggests there's more gas to be found beneath the waters. The find should be sufficient to meet all of Israel's annual gas needs.

While companies are downsizing we have noticed that startup companies are continuing to get funding. It seems that the venture capital companies are protecting their earlier investments.

The recent incursion into Gaza has had some positive results as the number of rockets falling daily into Israeli territory have dropped sharply from 40 to two a day.

A paradox of the times is the relatively positive movements of the Tel-Aviv Stock Exchange. My barber, a superb market index, confesses that in 2008 he had a 37% after tax return from his investments. The Tel Aviv 100 Index is up about 11% for the year to date, and the large-cap Tel Aviv 25 Index is up 4.8% for the year to date.

Israeli are a hardy people. They have endured difficult times and we have little doubt that they will overcome the current recession. If predictions are true 2010 will mark a return to better days

Southern California Edison and BrightSource Energy in world's largest solar deal

Southern California Edison (SCE) and BrightSource Energy have reached agreement on a series of contracts for 1,300 megawatts of clean solar thermal power, enough to serve nearly 845,000 homes.

"These contracts represent a significant addition to our renewable portfolio, which is already the nation's largest." said Stuart Hemphill, SCE vice president, Renewable and Alternative Power. "This innovative solar technology helps to further our position as the nation's largest purchaser of solar energy, as well."

"This landmark agreement illustrates the increasing demand for solar thermal energy as a reliable source of utility-scale renewable power," said John Woolard, CEO of BrightSource Energy. "We look forward to working with Southern California Edison to provide clean, reliable and cost-competitive solar energy."

The agreement, which now requires approval from the California Public Utilities Commission, calls for a series of seven projects totaling 1,300 megawatts. The first of these solar power plants, sized at 100 megawatts and located in Ivanpah, Calif., could be operating in early 2013 and is expected to produce 286,000 megawatt-hours of renewable electricity per year. BrightSource will build and place in commercial operation each of its plants as quickly as permitting and infrastructure allow. The full 1,300 megawatts of projects will produce 3.7 billion kilowatt-hours of clean energy and avoid more than two million tons of carbon dioxide emissions annually – the equivalent of removing more than 335,000 cars from the road.

BrightSource Energy's technology BrightSource Energy's proprietary Israeli Luz developed and engineered the system.

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Power Tower 550 (LPT 550) energy system is built on proven “power tower” technology. The system uses thousands of small mirrors called heliostats to reflect sunlight onto a boiler atop a tower to produce high temperature steam. The steam is then piped to a conventional turbine which generates electricity. In order to conserve precious desert water, the LPT 550 system uses air-cooling to convert the steam back into water.

The water is then returned to the boiler in an environmentally-friendly closed cycle. This fully integrated energy system is designed to offer the highest operating efficiencies and lowest capital costs in the industry.

For its technological leadership, BrightSource Energy was recently selected as a 2009 Technology Pioneer by the World Economic Forum. The only solar company to win this year’s prestigious award, BrightSource Energy was recognized for helping global utility and industrial customers reduce their dependence on fossil fuels by providing clean, low-cost and reliable solar energy.

SCE is currently the nation’s leading purchaser of renewable energy and, in 2007, bought more than 80 percent of the solar energy produced in the United States for its customers. Also in 2007, the utility purchased about 12.5 billion kilowatt-hours of renewable energy, which comprises about 16 percent of SCE’s total energy portfolio. SCE currently has sufficient contracts in place that, when delivering, will meet 20 percent or more of its customers’ energy needs with renewable energy.

BrightSource Energy, Inc. provides clean, reliable and low cost solar energy for utility and industrial companies worldwide. The BrightSource Energy team combines nearly three decades of experience designing, building and operating the world’s largest solar energy plants with world-class project development capabilities. The company now has contracted to sell up to 2,200 megawatts of power to be generated using its proprietary solar thermal technology. BrightSource Energy’s solar plants lead the industry in environmental design and help customers reduce their dependence on fossil fuels. Headquartered

in Oakland, Calif., BrightSource Energy is a privately held company with operations in the United States and Israel. To learn more about BrightSource Energy and solar thermal energy, visit www.brightsourceenergy.com.

Agricultural high-tech

The 2009 Israel Agritech Fair is after its 3-day Annual Trade event. IHTIR recently visited this show, at Ein Hatzeva. This agricultural settlement is in Israel’s Arava, halfway between the Dead Sea and the Red Sea on the Jordanian border. It lies in the Great Rift Valley, the fault line that extends from Africa’s Great Lakes to Syria.)

Here LED lights shine for the flowers, not the LSD for the flower children. mats covering the yellow sand underfoot.

The event is attended by 30,000 visitors from all 5 continents and includes delegations from neighboring countries. Many wander around in traditional dress. Local visiting dignitaries included the President of Israel, Sir Shimon Peres.

The main focus is on vegetables and flowers for export. On the vine today and in European markets the next morning, continuously, in all 4 seasons, all the year around.

The Fair, ofcourse covers seeds and fertilizers and water and packaging and pest control and agro-machines and pumps and sprays and solar power.

Our focus is on some local Hi-Tech and Scientific angles and they are legion. Water is pumped from a very deep huge aquifer, and is slightly saline. The supply of water to the growing plants is directly to their roots. The water carries nutrients and protectives against parasites and micro-organisms. Cutting-edge sensors at the roots enable feedback FROM the plant to notify the system of its needs! All the growers use computers or cellular phones for remote monitoring and control.

The Mediterrean Fruit Fly is controlled by the release of sterilised male flies into hothouses, or dropped by millions on open fields by aircraft. The eggs never hatch.

Beating The Heat : Up to 40 degrees C., inside

the hothouse, is “cool” for the plants. The modern hothouse is not all covered by plastic sheets, today walls are fine mesh. Research shows that too hot is detrimental, thus the controlled use of water to cool the mesh walls ensures researched optimum monitored temperatures for growth! Genetically modified tomato plants grow to a height of 3 meters and are suspended by patented flexible attachments to overhead wires. Genetic modification has also enabled the growth of five to eight tomatoes on a stem. Harvesting is by one slice, saving time, labor and minimizing handling of the fruit.

Modern Agrogenetics enables developments in the color, size, shape and taste of the produce as well as extending shelf life. Outstanding examples we noted: long white aubergines, chocolate-colored bell peppers and 16 cherry tomatoes grown on a central stem. There is success with growing plants for work at waist height, for easier access.

We found the cultivation of exotic fish for the home aquarium a fascinating field.

The work is under scientific guidance and sophisticated monitoring for feed, salinity, temperature and hygiene: all the result of research, much of it local.

The tiny fish grow in their thousands in tanks and are exported when they reach about 1 centimeter in length. Since these are commercial ventures, it is cardinal to count them. Software and counting technologies have been successfully developed to solve the problem, counting thousands of the these tiny very mobile fish at once.

There is growing use of solar panels to power the small motors in the hothouses and the electronics in place. Soil quality and analysis technologies were prominent.

This research, as well as many others, are conducted by the local academic Arava International Institute which is attended by hundreds of foreign students, who have come to Israel and to the Arava to study how to make their deserts bloom as well.

Rocket-proof wall a success

Security forces recently successfully tested a special wall designed to protect buildings from Qassam rockets.

In a first experiment in Rishon Letzion, headed by Home Front Commander Yitzhak Gershon, a number of rockets resembling Qassams were fired at the wall. The wall stood up to the rockets, which failed to penetrate.

It was specially designed by a number of defense companies, and is aimed at protecting buildings in the cities, towns, and villages of the western Negev.

After successfully testing out the wall, the defense establishment could adopt it for beefing up structures in communities on the Gaza border and Sderot, with a special focus on educational institutions and kindergartens.

A military source explained that the wall can be placed at the front of the building and will repel a strike by a Qassam rocket.

“This is a relatively cheap solution. The wall can be received directly from the manufacturer and all that is left to do is to install it in the targeted place,” he said.

The project is expected to cost NIS 120 million, and a meeting between the Finance and Education Ministries will decide which ministry will provide the funds.

Until now, only kindergartens for children up to the ages of 6 are fortified.

“The experiment today, like a series of other operations, is aimed at advancing and finding effective solutions against the threat of Qassams,” a military source explained.

“Not every place can be protected with a concrete wall, but things can be done to minimize harm to civilians should a Qassam fall. We will continue to work in this direction and search for effective solutions,” the source added.

Senior surfers

Many senior citizens enjoy using the computer and surfing the Internet for intellectual stimulation, research, and leisure, and staying “connected”

via email. However, there are many seniors who are intimidated by computer technology and an insufficiently friendly user interface. Various governmental and commercial entities have endeavored to help this segment of the population to overcome their reluctance to use the computer, with partial success. "Golden Computers" (Mahshvei Zahav) has introduced a new product that enables a person to take the leap to computer literacy more confidently.

The product, called the Considerate Computer, is a personal computer that has an easy-to-use menu-driven interface that enables a person to immediately access the desired software or website. The menu choices are customized as a result of a private consultation that the user has with one of the developers of Golden Computers. At that point, the senior can specify which are his fields of interest, games; email recipients are relevant for him.

MDKeeper Wristop vital signs monitor



MDKeeper is an innovative remote wireless monitoring solution for mobile-health and home-care applications. Using its proprietary integrated expert system, MDKeeper stores and analyzes patient data. The data is transmitted,

either in real-time or on a daily basis, to a remote medical center for further analysis and care, via its built-in wireless modem. MDKeeper can communicate with remote hospital information systems, integrating its data into existing and emerging telehealth applications, electronic patient records (EPR) and other online data analysis and clinical decision support systems.

Israel – A land of tech promise

Do you know where your AOL instant messenger comes from? Does your computer also run on Intel Centrino technology? Do you know where major parts of your Windows operating systems were developed?

It is not a coincidence. Israel is well known worldwide for its talented hi-tech industry. Venture capitals around the globe know these facts and invest billions in Israeli startup companies. Many

technology giants such as Microsoft, IBM, Cisco and many more have large R&D centers in Israel, and they continue to hire more and more talented graduates of Israeli universities, such as the Hebrew University and the Technion, which are also known for their prestigious.

Here are some facts about technology in Israel:



Motorola's commercial cell phone was developed in Israel. Motorola has its largest development center in Israel.



Intel has four major development centers in Israel. These centers were the origin of Pentium MMX technology, Dothan/Centrino and Pentium.

Israel was Intel's first development center outside the US.

Israel has one of the highest percentages of computers and cell phones per capita in the world.

Israeli universities are known worldwide for their extraordinary professionalism in science and engineering fields.

In proportion to its population, Israel has the largest number of startup companies in the world. In absolute terms, Israel has the largest number of startup companies than any other country in the world, except the US (3,500 hi-tech companies).

Outside the United States and Canada, Israel has the largest number of NASDAQ listed companies.



Microsoft has one of its three "strategic development center" outside the US in Israel. It is based on several startup companies that Microsoft has acquired in Israel, which are

now part of this development center. Most of Windows NT technology was developed in Israel.

SAP AG, the world's enterprise software leader,

has its larger development center outside Germany in Raanana, Israel. This center, called "SAP Labs Israel", is also based on several startup companies that SAP acquired in Israel.

Checkpoint, the world's leader in Internet security and Firewalls is an Israeli company.
- Israel is ranked #2 in the world for venture capital funds right behind the US.

Israel has the third highest rate of entrepreneurship - and the highest rate among women and among people over 55 - in the world.

Comverse developed voice mail technology in Israel.



Given Imaging, an Israeli company, developed the first ingestible pill-sized video camera, used for medical diagnostic without the need of operations.

The Israeli company M-Systems developed the USB-Flash Drives, used for portable storage all over the world. SanDisk, an American company, the world's leader in the flash storage market, recently bought the company.

IBM, Kodak, Cisco, HP, Google, Novell and many more, also have large-scale research and development centers in Israel.

On a visit to Israel in October 2005, Microsoft chairman, Bill Gates, said: "Israel is a major player in the high tech world... We're super-satisfied with the contributions of our R&D center in Haifa. The quality of the people here is quite fantastic. People in high tech are very aware that Israel - compared to its small size - has some amazing technological achievements. There is a greater concentration of talented high tech manpower here in comparison to other countries - almost to the extent of Silicon Valley."

What they say about Israel

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its small size - has some amazing technological achievements. There is a greater concentration of talented high tech manpower here in comparison to other countries - almost to the extent of Silicon Valley."

Bill Gates, Founder of Microsoft.

"This is a cutting edge community. If you look around the world, many of the countries that you visit are a few steps behind the cutting edge. If you come to Israel you feel you are right there."

Richard Lampman, Senior Vice President of Research in Hewlett Packard

"What sets Israel apart for us is the spirit of the people and the commitment to innovation."

Steve Bolze, President and CEO GE Healthcare

"Israel is an incredible source of entrepreneurship and brilliant ideas."

Safra Catz, President of Oracle

MoneyTree: Funding continues, but companies get less Investment in seed-stage companies remains low.

Behind closed eyes

Even when our eyes are closed, the visual centers in our brain are humming with activity. Weizmann Institute scientists and others have shown in the last few years that the magnitude of sense-related activity in a brain that's disengaged from seeing or touching, is quite similar to that of one exposed to a stimulus. New research at the Institute has now revealed details of that activity, explaining why, even though our sense centers are working, we don't experience sights or sounds when there's nothing coming in through our sensory organs.

The previous studies of Prof. Rafael Malach and research student Yuval Nir of the Neurobiology Department used functional magnetic resonance imaging (fMRI) to measure brain activity in active and resting states. But MRI is an indirect measurement of brain activity; it can't catch the nuances of the pulses of electricity that characterize neuron activity.

Together with Prof. Itzhak Fried of the University of California at Los Angeles and a team at the

EEG unit of the Tel Aviv Sourasky Medical Center, the researchers found a unique source of direct measurement of electrical activity in the brain: data collected from epilepsy patients who underwent extensive testing, including measurement of neuronal pulses in various parts of their brain, in the course of diagnosis and treatment.

An analysis of this data showed conclusively that electrical activity does, indeed, take place even in the absence of stimuli. But the nature of the electrical activity differs if a person is experiencing a sensory event or undergoing its absence. In results that appeared recently in *Nature Neuroscience*, the scientists showed that during rest, brain activity consists of extremely slow fluctuations, as opposed to the short, quick bursts that typify a response associated with a sensory percept. This difference appears to be the reason we don't experience hallucinations or hear voices that aren't there during rest. The resting oscillations appear to be strongest when we sense nothing at all – during dream-free sleep.

The slow fluctuation pattern can be compared to a computer screen-saver. Though its function is still unclear, the researchers have a number of hypotheses. One possibility is that neurons, like certain philosophers, must “think” in order to be. Survival, therefore, is dependant on a constant state of activity.

Another suggestion is that the minimal level of activity enables a quick start when a stimulus eventually presents itself, something like a getaway car with the engine running. Nir: “In the old approach, the senses are “turned on” by the switch of an outside stimulus. This is giving way to a new paradigm in which the brain is constantly active, and stimuli change and shape that activity.”

The use of clinical data enabled us to solve a riddle of basic science in a way that would have been impossible with conventional methods. These findings could, in the future, become the basis of advanced diagnostic techniques. Such techniques might not necessarily require the cooperation of the patient, allowing them to be used, for instance on people in a coma or on young children.

Free Internet-Calling Services join the cell-phone app market

For years, software providers have offered ways to make free calls from cellphones, and most of them even work. The problem is putting the software on your phone.

It is not that carriers want to make it hard for subscribers to load Skype, Fring and other free-calling apps onto phones, although the networks obviously bristle at the idea of giving their customers a way to make free calls (also known as “voice over Internet protocol” or telephony). The bigger issue is that until recently, carriers have made it painfully hard to load anything onto your phone, whether it is sophisticated software or a simple ring tone.

But since Apple buried its spurs in the backside of the industry by creating an application store that actually works — thereby compelling other companies to follow suit — these free-calling applications are almost within the reach of the average smartphone user.

Of the many free-calling applications, Fring, a start-up based in Israel, and Skype, the standard-bearer of the free-calling realm, are among the user-friendlier. But even then, the applications are not yet worth the inconvenience unless you plan to make a fair number of international phone calls and can put up with less-than-perfect call quality (or far worse).

Here is how it works: It helps to have a device that has Wi-Fi, because the call quality is best when carried over the Internet, not through the carrier's pipes. (Skype offers a version that works with a smartphone's cellular-data connection, but it says it “can't guarantee voice quality” for those.)

Once the application is loaded and started, the software typically displays its own keypad. As long as you are in a Wi-Fi hot spot, you can make free calls directly to other members of the particular service — Fring-to-Fring calls, say, or Skype-to-Skype. Or you can call landlines through Skype at cheap rates once you have a prepaid account.

Skype and Fring users are assigned ID numbers or names, and when they are used for dialing,

the calls go over the service's Internet servers. If a telephone number is used, instead of an ID number, the call is partly routed over phone lines, then to Skype's Internet servers, which hand it off again to a local carrier to connect the call on the other end. That is why users see strange local numbers on their caller ID for incoming calls, rather than the name or number of a friend.

Other Media

Out of a towering mountain of waste near Ben Gurion Airport, methane gas is being captured to create thermal energy for a nearby factory.

In the Negev Desert, solar panels are on loan to Bedouin villages that don't have electricity, allowing the residents to run refrigerators needed to store medicine for ill children.

These are two of a small but growing wave of Israeli projects to help reduce the country's carbon footprint by curbing carbon dioxide emissions -- part of the global battle to arrest climate change.

Along the way, the projects are helping bolster Israel's energy independence by promoting energy efficiency and homegrown clean technologies.

"It's hard to be first, and a challenge, but we believe in what we do," said Eyal Biger, founder of the Good Energy Initiative, the country's first and only voluntary carbon offsetting organization.

The notion of reducing one's carbon footprint has become a buzzword in the United States and Europe, but only recently has it begun to gain currency in Israel.

Last November, the Good Energy Initiative managed some of the carbon offsetting for the estimated 750 tons of carbon emissions produced by the thousands of people who attended the United Jewish Communities General Assembly in Jerusalem. To offset the emissions, caused by such uses as air travel, the Good Energy Initiative subsidized the purchase of solar water heaters and energy-efficient light bulbs for disadvantaged Israeli families.

"We see the mechanism of carbon offsetting as

a way to introduce, enhance and support social projects on environmental issues like energy and air pollution because we believe social and environmental integrity are two sides of the same coin," Biger said.

In Israel, as in the rest of the world, there are two avenues for carbon offsetting. One is the voluntary route being pioneered here by Biger's organization. Among other projects, the group helps Diaspora Jewish organizations offset their carbon emissions by investing in Israeli energy-saving projects.

The other avenue is the commercial side, which taps into the new multimillion-dollar-a-year business of carbon trading.

The handfuls of Israeli companies that deal in carbon offset trading were established in the wake of the Kyoto climate treaty, which took effect in 2005.

The treaty assigned different responsibilities to developed and non-developed countries. Developed countries agreed to comply with new carbon dioxide emissions standards. Through carbon trading, polluting entities such as governments, factories and power plants from developed countries offset the environmental damage they cause by buying carbon credits from an array of greenhouse gas reduction projects in non-developed countries.

This has opened a door of opportunity for Israel and other countries defined as non-developed by Kyoto. It's how, for example, the decomposition of organic waste being captured and transformed into thermal energy at the Hirya landfill just outside Israel's main airport is being sold to France's national electric company as a carbon offset.

Adi Dishon, the co-founder of EcoTraders, the largest carbon trading company in Israel, brokered that and many other such deals in the country.

"When we started out five years ago it was very difficult," Dishon told JTA. "There was not much awareness of climate change in general. But now the global awareness is huge, and anyone who does business in Europe or the United States understands you cannot sell products

without addressing the issue of climate change or energy efficiency.”

Israeli companies now realize it's a “double bonus” to become more energy efficient, she said. They are weaning themselves off coal, Israel's major energy source, because it reduces their own costs while providing the added revenue source of being able to sell carbon credits abroad.

Elysium, which also deals in carbon trading, was the first to create “the first Hebrew carbon meter,” which calculates carbon footprints for Israeli individuals, companies and local governments.

Noam Gressel, Elysium's managing partner, says Israel can be especially competitive in the carbon offsetting market because it is emerging as a clean technology hub where local industries can tap into wind, solar and bio-fuel technologies being pioneered in the Jewish state.

One of Elysium's projects is a large coffee factory in the northern town of Safed. The factory burns the waste from its coffee production to create its own steam to replace the polluting heavy fuels it once used. Installing the biomass burner to help create the steam was not cheap, Gressel said, “but adding the revenue of carbon credits tips the scale and makes it that much more profitable.”

Beyond the carbon credits being traded commercially, credits are also being traded on the volunteer market. EcoTraders had been planning to auction voluntary units from Israel in Europe, but anger in Europe over Israel's recent operation in Gaza prompted the company to postpone the event.

This, and the nature of carbon trading itself, underscores the interconnectedness of the world. As the Good Energy Initiative's Biger put it when speaking about how emissions in one corner of the globe can be neutralized anywhere else, “Our atmosphere is shared.”

Treasury announces high-tech, biotech stimulus plans



The Ministry of Finance will allocate an additional NIS 400 million to assist these sectors.

Minister of Finance Ronnie

Bar-On recently announced a stimulus plan for the high-tech and biotechnology sectors. The Ministry of Finance will allocate an additional NIS 150 million to the Office of the Chief Scientist, which will all be invested in the first quarter of 2009. This allocation is explicitly designed to provide an immediate response to the crisis in financing for promising R&D companies, which due to the global credit crisis are struggling to find funding sources.

The new NIS 150 million allocation will be added to the Office of the Chief Scientist's regular annual budget of NIS 1.2 billion. However, because the government's 2009 budget has yet to be approved, the Chief Scientist is only permitted an allocation of NIS 100,000 per month.

This is in addition to the extra NIS 200,000 allocated to the Chief Scientist in the Ministry of Finance's previous stimulus plan, which was approved by the Knesset Finance Committee in December 2008.

The Ministry of Finance will also allocate NIS 250 million for the setting up of a fund specializing in biotechnology investments. The fund will be leveraged by the private sector and will reach a total of between NIS 750 million and 1 billion. An experienced management body will manage the fund with expertise in the biotech R&D sector. The new fund's investments are expected to enable the sector to realize its potential and provide employment opportunities for university graduates, and an estimated 600 Israelis returning from abroad.

Hurvitz criticizes gov't high-tech aid plan

Teva chairman Eli Hurvitz believes that economic policy in times of crisis should refer directly to both the past and the present. “The government should operate in the same way as enterprises act at the microeconomic level. I criticize the government on this point. In a crisis, if I get a solution that I don't understand, or if I don't think there was consulting on it, I shouldn't accept it. Otherwise the government will end up with solutions that will no good either now or in the future,” he told the Herzliya Conference in an open discussion on the economic dimension today.

Hurvitz added, "Couldn't they have consulted more with industry before deciding to give what they intend to give? I'm not talking about the amount, which I also find wanting"

Hurvitz said that if the high-tech industry lays off 10,000 people, "the day before the end of the crisis, do you know how we'll look? We must think outside the box, possibly lower salaries, or maybe only 2,000 workers should go into teaching."

Hurvitz wondered, "Will the Ministry of Finance's bureaucracy be able to succeed in something that an entire industry failed to do?"

Steady at Israel's Nanotech companies

A recent survey conducted of approximate 100 nanotech companies in Israel showed that, despite the global economic downturn, nanotechnology companies have not laid off employees. The study also found that not only has there been a 10 percent growth in demand for chemists and chemical and research and development engineers, but filling such positions with qualified candidates has been very difficult. The greatest demand in terms of mechanical engineers has been in the field of plastics and optics. Lizi Shuv London, director of Nisha Group, which conducted the survey, said, "[T]here is currently no rise or fall in the number of layoffs in the nanotech sector. The reason is that many of the companies are still start-ups and there is a balance between vacancies, layoffs, and the number of candidates available."

South Korea to buy Israeli radar system in \$215 million deal

South Korea's military has decided to buy Israel's Oren Yarok (Green Pine) radar warning system, in a deal worth \$215 million, according to a report in Sunday's Korea Times newspaper.

South Korea plans to install the system for operational use by 2012.

The United States and France also put in bids for the deal. The U.S., however, was only willing to sell South Korea a less advanced radar system.

The deal is one of the largest weapons sales

ever between Israel and South Korea. Israel Aerospace Industries previously lost a tender to sell South Korea the Falcon radar warning system, after the U.S. pressured them to favor American companies.

Oren Yarok was developed by Elta, and is used as Israel's main warning system.

Mexico police buy Israeli air surveillance systems

Israeli firm, Aeronautics Defense Systems Ltd., said it had won 22 million euros in contracts to supply Mexico's federal police with airborne surveillance systems.

Products sold include the Skystar 300, a blimp with on-board cameras offering 24-hour monitoring of surroundings, and the Orbiter, a miniature unmanned spy plane, Aeronautics said in a statement.

Arison unit plans Negev's largest private solar power plant

Arison Holdings Ltd. subsidiary Housing and Construction Holding Co. Ltd. (Shikun u'Binui) (TASE: HUCN) plans to build a huge thermosolar power station in the Negev at an investment of several hundred million dollars. Industry sources estimate the cost at \$400-500 million.

The project was discussed at a secret meeting last week at the Ministry of National Infrastructures. The participants also discussed the possibility of a publishing a tender for the project, after Housing and Construction asked the Israel Land Administration (ILA) for land for its proposed project.

The thermosolar power station will reportedly produce at least 100 megawatts of electricity on a 3,500-dunam (875-acre) site. If the project goes ahead, it will be Israel's largest privately owned solar power station.

Housing and Construction is Israel's largest solar energy company after making the strategic decision to expand its renewable energy and cleantech activity. The company is currently bidding in two government tenders for the construction of solar power plants at Ashelim in the Negev, at an estimated

investment of \$700 million. One tender is for a 125-250 megawatt thermosolar power station at a cost of \$600 million, and the second is for the construction of a 70-megawatt photovoltaic power station.

Housing and Construction has partnered with Solel Solar Systems Ltd., and Bateman Litwin NV (AIM: BNLN) in the tender for the thermosolar power plant. It has partnered with Spain's Elecnor Group SA (IBEX: ENO) in the tender for the photovoltaic power station.

Energy market sources believe that Housing and Construction wants to move forward on renewable energy project regardless of who wins the Ashelim tenders, which will be announced in April. Ten consortia are bidding in the tenders, and Housing and Construction's desire to move forward on another solar energy project fits in with its policy to ensure become a leading player in the industry.

Energy market regulations stipulate that a company may obtain a private power license when the electricity rate is known in advance. The current price per kilowatt/hour for thermosolar energy is NIS 0.70 for plants of up to 20 megawatts and NIS 0.876 for plants up to 100 megawatts. Sources believe that the construction of large solar energy plants will be feasible only if these prices are revised.

A senior government official said, "There is no reason not to allow Housing and Construction to build another solar power plant in the Negev, provided it meets the criteria. The project should have no effect on the state's solar energy tenders."

Retalix receives non-binding merger proposal

Retalix(r) Ltd. (NasdaqGS:RTLX) announced that, although the company has not been for sale, the Board of Directors received on February 14, 2009, a non-binding proposal to purchase all the outstanding shares of the company in a merger transaction for a price of \$8.00 per share in cash. The Board of Directors is evaluating the offer.



Retalix is an independent provider of software solutions to retailers and distributors worldwide. With

over 40,000 sites installed across more than 50 countries, Retalix solutions serve the needs of grocery chains, convenience and fuel retailers, food and consumer goods distributors and independent grocers. The Company offers a portfolio of software applications that automate and synchronize essential retail and supply chain operations, encompassing stores, headquarters and warehouses.

Ventor in \$400 million acquisition by Medtronic

Start-up Ventor Technologies Ltd. is in advanced negotiations to be acquired by Medtronic (NYSE: MDT) for over \$250 million.

Ventor and existing investors Pitango Venture Capital, Medica, and co-founder Dr. Shimon Eckhouse all denied that the firm was in talks to be sold. Medtronic did not respond.

Medtronic has previously invested over \$10 million in the start-up. Ventor has raised a total of around \$20 million, so investors will see a return of over 12 times their investment. For the Israeli investors who invested in the company at an early stage, the return can be even greater.

Ventore has developed an aortic valve prosthesis. The prosthesis can be implanted into a beating heart using a catheter, under local anesthesia. The valve has a unique geometric shape that improves hemodynamic performance.

Ventor was founded by Dr. Ehud Shvemental of Sheba Medical Center Tel Hashomer, Rafi Benary, and Dr. Shimon Eckhouse. Its president and CEO is Guy Ezekiel.

Aladdin shareholders approve takeover

The agreement is subject to Aladdin having cash and cash equivalents of at least \$7 million at the time of closing.

At a meeting, shareholders of information security company Aladdin Knowledge Systems Ltd. (Nasdaq: ALDN; TASE: ALDN) approved the acquisition of the company with Vector Capital.

Under the terms of the merger agreement, Aladdin shareholders will receive \$11.50 per share in cash for each ordinary share they



hold at the closing of the merger plus an amount in cash equal to each shareholder's pro rata portion of the amount, if any, by which Aladdin's cash level exceeds \$12 million. The transaction is expected to close at the end of March.

The agreement is subject to Aladdin having cash and cash equivalents of at least \$7 million, and working capital of at least \$13.5 million at the time of closing. The deal must also be approved by anti-trust regulators in Israel and Germany.

When the deal is closed, Petah Tikva-based Aladdin's shares will no longer trade on Nasdaq.

Can hybrid solar provide nonstop electricity

Israeli energy company AORA wants to prove it doesn't have to be sunny for a solar power plant to make electricity. Like weaning a car from total dependence on fuel, the answer, it says, is to go hybrid.

Their idea is to combine traditional fuel such as biomass or diesel with low-carbon solar power, during daylight, to generate uninterrupted electricity.

The approach is a novel answer for handling the variability of solar power, a major challenge which otherwise requires expensive batteries or other forms of storage to provide round-the-clock power.

AORA is constructing its first hybrid solar power station on a half-acre (0.2 hectare) plot in Israel's Negev desert, where companies are competing to create more efficient technologies and tap into the multi-billion dollar clean energy market.

The Negev plant, unveiled to the public this week at an energy conference in Israel's Red Sea resort of Eilat, uses diesel for now.

It will be online next month, producing 100 kilowatts, enough energy to power about 40 houses, said Pinchas Doron, AORA's chief technology.

Microsoft in talks to acquire local startup 3DV Systems

The first Israeli exit of 2009 is hitting the road. Software giant Microsoft is negotiating to acquire the Israeli startup 3DV Systems for about \$35 million, despite the alarming condition of the global economy and grim forecasts of more pain to come.

This is no dream exit, however. To date 3DV Systems has raised \$38.6 million in financing, according to IVC Online, which means that at least some investors will be losing money.

Speaking of which, the company is owned by Elron, a member of Nochi Dankner's IDB group, the venture capital funds Pitango and Kleiner Perkins Caufield & Byers, and RDC Rafael Development Corporation.

3DV Systems develops "virtual reality" imaging technology for digital cameras that it sells, called ZCams (formerly Z-Sense). Its main targets are the gaming market.



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