

ISRAEL HIGH-TECH & INVESTMENT REPORT

A MONTHLY REPORT COVERING NEWS AND INVESTMENT OPPORTUNITIES
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Israel at 62

From our point of view, Israel has it "all". It has a booming economy that adjusts itself to internal and external conditions. It has the highest number of engineers, doctorates and physicians per capita in the world. Electronics, communications, agriculture are among the many areas that are attracting foreign investments. Cleantech a relatively new area of development for Israel. It has recently attracted massive investment funds.

A capsule description of Israel at 62, its people and some of its achievements, follows:

Geography

Israel is only 1/6 of 1% of the landmass of the Middle East and 55% of Israel's land is desert. Israel is roughly half the size of Lake Michigan. The Sea of Galilee, at 695 ft. below sea level, is the lowest freshwater lake in the world. The Dead Sea is the lowest surface point on earth, at about 1,373 feet below sea level. Israel is the only nation in the world that entered the 21st century with a net gain in it's number of trees.

Jericho is the oldest continuously inhabited town in the world.

The Mount of Olives in Jerusalem is the oldest, continually used cemetery in the world.

Demographics

Israel's population is half the size of metropolitan New York City.

Israel has only 2% of the population of the Middle East .

Israel has the highest ratio of university degrees per capita in the world. Israel produces more sci-

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Israel at 62

Hand-clapping songs improve motor and cognitive skills

Teva pays \$334m to collaborate on cancer drug

Israel Information Technology Report Q2

Pegasus to invest \$150m in Israeli cleantech, security companies

Scientists discover genetic key to dramatically raise yields and improve taste of hybrid tomato plants

Israel ~ a magnet for medical tourism

US agro-equipment giant John Deere buys troubled Israeli company

\$234 million raised in Q1, a 15% decrease from Q4 2009

Google makes first ever acquisition in Israel



entific papers per capita than any other nation in the world - by a large margin.

Israel has the highest number of scientists and technicians per capita in the world - by a large margin.

Israel has the largest percentage of it's workforce employed in technical professions in the world.

Israel is the largest immigrant-absorbing nation in the world, per capita.

Israel is the only country in the Middle East where the Christian population has grown over the last 50 years.

Israel is the only country in the Middle East where Christians, Muslims and Jews are all free to vote.

Israel is the only country in the Middle East where women enjoy full political rights.

Economics

Israel has the largest number of startup companies per capita in the world.

Israel is the world's largest wholesale diamond center, finally surpassing Antwerp in the 1970's.

Most of the cut and polished diamonds in the world come from Israel . Israel has the largest number of NASDAQ listed companies outside of the US and Canada.

Israel was the first country to have a free trade agreement with the United States.

Apart from the Silicon Valley, Israel has the highest concentration of hi-tech companies in the world.

Electronics

The cell phone was developed in Israel at

Motorola's largest development center.

The Voice Mail technology was developed in Israel.

In the early 80's, IBM chose an Israeli-designed computer chip as the brains for it's first personal computers.

The first anti-virus software for computers was developed in Israel in 1979.

Most of the Windows NT and XP operating systems were developed in Israel by Microsoft.

Both the Pentium-4 and Centrino processors were entirely designed, developed and produced in Israel .

The Disk On Key was invented, developed and produced in Israel.

The Pentium MMX Chip technology was designed in Israel at Intel.

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Israel has the highest number of home computers per capita in the world.

The technology for the AOL Instant Messenger and ICQ was developed in 1996 by

four young Israelis.

Israel was the first Middle Eastern country to launch a satellite, the Ofek 1, on September 19, 1988.

Culture

Hebrew is the only case of a dead national language being revived in all of world history.

Hebrew had not been spoken as a native tongue by anyone for 20 centuries. Today it is the native tongue of millions of people.

Israel has more museums per capita than any other nation in the world.

Israel has more orchestras per capita than any other nation in the world.

Israel publishes more books per capita than any other nation in the world. Israel publishes more books translated from other languages than any other nation in the world.

Israel reads more books per capita than any other nation in the world. The most independent and free Arabic press in the Middle East is in Israel.

Military/Security

Israel has the largest fleet of F-16 aircraft outside of the US .

Israel has the world's most impenetrable airline security.

Israel spends more money per capita on it's own

protection than any country in the world.

Israeli produced security devices are used internationally.

Other

Israel 's dairy cows are the most productive dairy cows in the world. They average 25,432 pounds of milk per cow per year, compared to just 18,747 pounds from American cows (or 19,825 pounds from California cows - ; 17,085 from Canadian cows; 13,778 from European Union cows; 10,207 from Australian cows; and 6,600 from Chinese cows.

Israel has more in-vitro fertilization per capita than anywhere in the world, and it's free.

Israelis, per capita, are the world's biggest consumers of fruits and vegetables.

Hand-clapping songs improve motor and cognitive skills

A researcher at Ben-Gurion University of the Negev (BGU) conducted the first study of hand-clapping songs, revealing a direct link between those activities and the development of important skills in children and young adults, including university students.

"We found that children in the first, second and third grades who sing these songs demonstrate skills absent in children who don't take part in similar activities," explains Dr. Idit Sulkin a member of BGU's Music Science Lab in the Department of the Arts. "We also found that children who spontaneously perform hand-clapping songs in the yard during recess have neater handwriting, write better and make fewer spelling errors."

<<http://cmsprod.bgu.ac.il/humsos/departments/art/staff/Warren.htm>>Dr. Warren Brodsky, the music psychologist who supervised her doctoral dissertation, said Sulkin's findings lead to the presumption that "children who don't participate in such games may be more at risk for developmental learning problems like dyslexia and



dyscalculia. There's no doubt such activities train the brain and influence development in other areas. The children's teachers also believe that social integration is better for these children than those who don't take part in these

songs.”

As part of the study, Sulkin went to several elementary school classrooms and engaged the children in either a board of education sanctioned music appreciation program or hand-clapping songs training – each lasting a period of 10 weeks.

“Within a very short period of time, the children who until then hadn't taken part in such activities caught up in their cognitive abilities to those who did,” she said. But this finding only surfaced for the group of children undergoing hand-clapping songs training. The result led Sulkin to conclude that hand-clapping songs should be made an integral part of education for children aged six to 10, for the purpose of motor and cognitive training.

During the study, “Impact of Hand-clapping Songs on Cognitive and Motor Tasks,” Dr. Sulkin interviewed school and kindergarten teachers, visited their classrooms and joined the children in singing. Her original goal, as part of her thesis, was to figure out why children are fascinated by singing and clapping up until the end of third grade, when these pastimes are abruptly abandoned and replaced with sports.

“This fact explains a developmental process the children are going through,” Dr. Sulkin observes. “The hand-clapping songs appear naturally in children's lives around the age of seven, and disappear around the age of 10. In this narrow window, these activities serve as a developmental platform to enhance children's needs -- emotional, sociological, physiological and cognitive. It's a transition stage that leads them to the next

phases of growing up.”

Sulkin says that no in-depth, long-term study has been conducted on the effects that hand-clapping songs have on children's motor and cognitive skills. However, the relationship between music and intellectual development in children has been studied extensively, prompting countless parents to obtain a “Baby Mozart” CD for their children.

She also found that hand-clapping song activity has a positive effect on adults: University students who filled out her questionnaires reported that after taking up such games, they became more focused and less tense. “These techniques are associated with childhood, and many adults treat them as a joke,” she said. “But once they start clapping, they report feeling more alert and in a better mood.”

Sulkin grew up in a musical home. Her father, Dr. Adi Sulkin, is a well-known music educator who, in the 1970s and 1980s, recorded and published over 50 cassettes and videos depicting Israeli children's play-songs, street-songs, holiday and seasonal songs, and singing games targeting academic skills. “So quite apart from the research experience, working on this was like a second childhood,” she noted.

Teva pays \$334m to collaborate on cancer drug

Teva Pharmaceutical Industries Ltd. (Nasdaq: TEVA; TASE: TEVA) has signed a cooperation agreement with US biotechnology company Mersana Therapeutics Inc. for marketing rights to Mersana's cancer drug. Teva will pay up to \$334 million, subject to the meeting of all development, regulatory and commercial milestones, for global mar-



keting rights to XMT-1107, a molecule that is a long-acting treatment for various cancers.

Cambridge, Massachusetts-based Mersana plans to begin a Phase I clinical trial of XMT-1107 in the second quarter of the year.

Teva will also pay Mersana royalties on future sales of the drug, if any. Teva will pay all development costs of the drug, except in Japan, where Mersana retains full commercial rights.

XMT-1107 aims to compete against Roche AG's (SWX: RO) Avastin and Pfizer Inc's (NYSE: PFE; LSE: PFZ) Sutent.

Analyst Yoav Burgan said, "This is another milestone in Teva's strategic plan to develop a pipeline of brand drugs. Teva's primary objective is to reduce, over time, its dependence on Copaxone and to gradually change its business mix toward brand drugs. This looks like an interesting step, and for Teva, the amounts are standard and reasonable."

Israel Information Technology Report Q2

The report projects that the Israeli IT market will have a value of \$4.9b in 2010, with a return to single digit growth following a sharp slowdown last year. The market is forecast to reach \$6.1b in 2014. The Israeli IT market should have enough momentum from key sectors to expand at a compound annual growth rate of 6% over BMI's 2010-2014 forecast period, thanks to stable demand from defense and government sectors as well as opportunities in verticals like financial services and small and medium-sized enterprises.

Spending is expected to resume single-digit growth in 2010 after a contraction in 2009. In late 2009 and early 2010, there were reports of a pick-up in the flow of projects. Vendors reported

that demand had revived in the key financial services vertical, where new projects included an \$11m. IT outsourcing tender by the First International Bank of Israel. Healthcare, the public sector and utilities were also generating projects.

The Israeli IT market has a number of positive fundamentals, which should keep it in positive territory during BMI's five-year forecast period. Low computer penetration of around 30% offers potential for continued growth. High internet penetration and growing broadband penetration are drivers for the retail segment, while the financial services sector accounts for about 15% of Israeli IT spending. Industry Developments
In 2009, Israel's high-tech sector suffered as demand for high-tech exports dropped by at least 10-15%, with as many as 10,000 sector jobs feared to be at risk. This represented a major concern for the Israeli government given that high-tech accounted for around 10% of Israel's economy, with annual sales estimated at around \$25b. Major IT firms were retrenching in Israel, including SAP, Cisco and HP. IT is viewed as an important policy tool for the Israeli government's 2008-2010 socio-economic policy framework. In 2009, the National Economic Council recently submitted a policy agenda to the government, which specified two main policy tracks of reducing poverty and achieving balanced growth. The first track was expected to emerge as the main priority.

As part of its modernization agenda, the government is pressing ahead with various other strands of its e-government project. Among other initiatives, there has also been spending on computers in healthcare and the nationwide paperless court initiative. The e-government programme is leading to increased demand for computers, with the Israeli government reaching supply agreements with vendors like Dell and HP.

Competitive landscape

The Israeli IT services market is competitive, with leading multinational competitors IBM and HP - following its merger with EDS - both esti-



mated to have Israeli IT services market shares of around 10%. HP Israel's software division hosts HP's biggest research and development center worldwide and the company also has significant production facilities in

Israel.

Leading IT services vendors, including Israeli companies Ness Technologies and Matrix as well as US giant IBM, experienced mixed fortunes in the Israeli market in 2009. Ness Israel reported a 17% decline in full-year 2009 revenues compared with 2008, although around one-third of this was due to foreign currency effects. Meanwhile, market leader Matrix reported wins in a number of key sectors including healthcare, financial services, defence and government.

In 2010, Microsoft Israel, which has an annual turnover of around \$1b. hopes that sales of its Windows 7 operating system, launched in October 2009, will boost its sales. Microsoft anticipated that support from leading PC makers would underpin success for the new system, despite some caution from businesses. Israel is also an important R&D center for Microsoft and in 2010 the company's Israel R&D center launched a new unified access gateway (UAG) product.

Computer sales

The Israeli computer hardware market, including desktops, notebooks, servers and accessories, is projected at US\$2.2bn in 2010, up from \$2.1bn in 2009. The market is expected to grow at a CAGR of 5% over the forecast period to reach \$2.6b. in 2014. Spending is expected to resume single-digit growth in 2010, after a contraction in 2009 due to the economic slowdown and unemployment hitting consumer demand for electronics goods.

Household consumption moved into negative territory in 2009, with spending on household equipment down by 6.7% in Q109, and although

there was a slight recovery in H209, trading conditions remained tough.

Software

Israeli software spending is projected at \$1.0b. in 2010, up from \$973m. in 2009. The packaged software segment is expected to grow at a CAGR of around 7% over the forecast period. Businesses were expected to remain cautious, deferring investments or looking for 'good enough' solutions to immediate problems. However, going forward there should still be several growth areas.

Spending on software is shifting towards the SME segment, which forms the mainstay of the Israeli business sector. Spending on enterprise solutions has grown since 2007, with reviving or emerging areas of opportunity including security, customer relationship management (CRM) solutions and business intelligence. In terms of verticals, the financial sector has been a mainstay of demand, with other key opportunities including defence and healthcare.

IT services

The IT services segment is estimated at \$1.6bn in 2010 and this is expected to grow at a CAGR of 7% over the forecast period to reach \$2.1b. in 2014. In 2009, there were reports of IT managers scaling back projects, and vendors will have to adapt to an environment where some projects are commissioned more in response to immediate needs.

Government and defense are two key sectors likely to be a continued source of opportunities, because the factors driving spending in each case are not particularly sensitive to economic vicissitudes.

Another key area of opportunity is healthcare IT. Despite failing to capitalise in the past, Israel is starting to emerge as a desirable location for packaged applications and localisation services.



Elbit Systems venture wins UK Watchkeeper contract

Defense electronics firm Elbit Systems Ltd. (Nasdaq: ESLT; TASE: ESLT) announced that UK venture UAS Tactical Systems Ltd. (U-TacS) had won

a \$70 million contract with Thales UK to provide Contractor Logistics Support (CLS) services for the Watchkeeper project.

UAS-Tac is a joint venture of Elbit Systems (51%) and UK defense firm Thales UK (49%).

The contract is for services to be provided over the next three years.

The Watchkeeper project is designed to provide the UK armed forces with essential intelligence, surveillance, target acquisition and reconnaissance (ISTAR) capabilities. According to Elbit Systems, Watchkeeper is one of the largest unmanned aircraft systems (UAS) projects in the world.

The project's prime contractor is defense electronics firm Thales UK. U-TacS is in charge of development, integration, test flights and manufacture of the UAS' sub-systems, including the unmanned aircraft, the ground control station, Elbit Systems D-CoMPASS payload and other systems

Pegasus to invest \$150m in Israeli cleantech, security companies

US private equity fund Pegasus Capital Advisors LP will invest an additional \$150 million in Israeli companies with an emphasis on technological capabilities.

Pegasus operating advisor Arik Arad said, "In 2010, we'll mostly invest in Israeli water, renewable energy, and homeland security technology companies." He added, "We're also open to other fields."

A common complaint of Israeli high-tech entrepreneurs, managers, and investors is about money, specifically, the lack of it. They don't take issue with the availability of money for founding start-ups, but "real" money needed to turn a small company into a big one and boost a start-up to the next stage.

Therefore, any announcement about an additional source of capital for Israeli companies could be important, especially if the source is a private equity fund that can fairly easily leverage additional funds.

Pegasus is not a large private equity fund, in US terms. Founded in 1995, it manages \$1.8 billion, and focuses on mid-sized companies, by providing financial support, and sometimes strategic advice with a focus on penetrating the US market.

This is not the first time that Pegasus has invested in Israeli companies; it invested about \$100 million in Israeli companies in 2005-08, after Arad joined the firm to handle investments in security related companies. Pegasus was also mentioned in connection with the acquisitions of Bezeq The Israeli Telecommunication Co. Ltd. (TASE: BEZQ) and Granite Hacarmel Investments Ltd. (TASE: GRNT).

Scientists discover genetic key to dramatically raise yields and improve taste of hybrid tomato plants

Spectacularly increased yields and improved taste have been achieved with hybrid tomato plants by researchers at the Robert H. Smith Faculty of Agriculture, Food and Environment at the Hebrew University and the Cold Spring Harbor Laboratory (CSHL), New York.

The researchers have discovered the yield-boosting power of a single gene, which controls when plants make flowers and that works in different varieties of tomato and, crucially, across a



range of environmental conditions. The discovery was patented by Yissum, the technology transfer arm of the Hebrew University, which is seeking potential partners for further development and commercialization.

This discovery has tremendous potential to transform both the billion-dollar tomato industry, as well as agricultural practices designed to get the most yield from other flowering crops,” says CSHL’s Dr. Zach Lippman, one of the three authors of the study, which appears in the magazine *Nature Genetics* online .

The team made the discovery while hunting for genes that boost hybrid vigor, a revolutionary breeding principle that spurred the production of outstanding hybrid crops like corn and rice a century ago. Hybrid vigor, also known as heterosis, is the phenomenon by which intercrossing two varieties of plants produces more vigorous hybrid offspring with higher yields. First observed by Charles Darwin in 1876, heterosis was rediscovered by CSHL corn geneticist George Shull 30 years later, but how heterosis works has remained a mystery.

Plants carry two copies of each gene, and Shull’s studies suggested that harmful, vigor-killing mutations that accumulate naturally in every generation are exposed by inbreeding, but hidden by crossbreeding. But there is still no consensus as to what causes heterosis. A theory for heterosis, supported by this new Hebrew University-Cold Spring discovery, postulates that improved vigor stems from only a single gene – an effect called “superdominance” or “overdominance.” To find such overdominant genes, the US-Israeli team developed a novel approach by turning to a vast tomato “mutant library” – a collection of 5000 plants, each of which has a single mutation in a single gene that causes defects in various aspects of tomato growth, such as fruit size, leaf shape, etc. Selecting 33 mutant plants, most of which produced

low yield, the team crossed each mutant with its normal counterpart and searched for hybrids with improved yield. Among several cases, the most dramatic example increased yield by a whopping 60%.

This hybrid, the team found, produced greater yields because there was one normal copy and one mutated copy of only a single gene that produces a protein called florigen. This protein, touted as the breakthrough discovery of the year in 2004 in *Science* magazine, instructs plants when to stop making leaves and start making flowers, which in turn produce fruit.

In plants such as tomatoes, flowering (and therefore yield) is controlled by a delicate balance between the florigen protein, which promotes flowering, and another related protein that delays flowering. A mutation in only one copy of the florigen gene causes the hybrid to produce more flowers in less time – the key to improved yield. What the researchers found is that to maximize yield, there can’t be too much or too little florigen. A mutation in one copy of the gene results in the exact dose of florigen required to cause heterosis.

The scientists have observed the gene’s heterosis effect in different varieties of tomatoes and in plants grown in different climate and soil conditions, both in Israel and in New York at CSHL as well as at the Cornell Horticultural Experiment Station at Riverhead, N.Y.

In addition to superior yield, the hybrids also display another, perhaps equally important quality – taste. Tomato plants only produce a finite amount of sugar, which they distribute equally among their fruits. So higher yields usually result in each fruit having a lower sugar content. But, remarkably, the florigen gene also boosted sugar content and sweetness of the individual fruits.

This study marks the first example of a single gene that consistently causes heterosis. The scientists are now looking to team up with agricultural companies to develop the hybrids for com-



mercial use. The concept that mutations in one copy of a single gene can improve yield has broad implications for breeders. Mutant plants are usually thrown away because of the notion that mutations would have negative effects

on growth, but this study suggests that hybrid mutations might lead the next revolution of improved crops.

Israeli scientists racing to create 'bionic eye' that could help millions

Israeli and international scientists are working to develop a revolutionary technology that could restore sight to millions. Within a few years, one or more versions of a "bionic eye" for people with degenerative conditions affecting the retina are expected to be available commercially.

Damage to the retina, the membrane that lines the inside of the eyeball and is connected via the optic nerve to the brain, is among the leading causes of vision loss in the developed world.

The innovative technology relies on the brain's acquired ability to process visual data. As such, it will only provide a limited field of vision.

Nano Retina, founded by entrepreneur Yossi Gross, is developing an implant that will replace damaged photo-receptors in the eyes and provide gray-scale vision to a resolution of 1300 pixels for the first generation of chips and 5000 pixels for the second generation. The company hopes to begin marketing its implant within five years.

The German biomedical firm Retina Implant AG, meanwhile, recently reported the successful conclusion of a clinical trial involving 11 subjects who lost their sight due to retinitis pigmentosa. A tiny chip implanted underneath the retina enables light entering through the pupil to be converted into neural signals that are received by the brain. The chip is powered by a tiny exter-

nal battery that is affixed behind the ear.

Nano Retina engineers say their chip will enable users to identify facial features and to watch television.

While both chips use a similar biological infrastructure, Nano Retina's battery will be charged wirelessly, by a mini-laser attached to a pair of eyeglasses.

Israel ~ a magnet for medical tourism

Israel has long enjoyed a reputation as a global leader in medical R&D and high-tech applications that save lives and improve the quality of life for millions. The country maintains some of the highest standards of healthcare in the world, available to both Israeli citizens and visitors from abroad. This has given rise to a phenomenon known as medical tourism, which is becoming a sophisticated part of Israel's tourism industry.

Last year, one and a half million Americans went abroad as medical tourists. It's an attractive option for those whose insurance policies require the insured party to pay a portion of the bill; the entire medical cost in some countries can still result in a net savings. For those who do not have healthcare insurance, traveling internationally is often the only way to receive necessary medical treatment.

It's easy to see why Israel is high on the list for many Americans. Israeli hospitals and clinics are offering foreign visitors. Furthermore, many Israeli doctors and other medical specialists were trained in the U.S. and are recognized as world renowned authorities in their field, with pioneering techniques and high rates of success.

Famous for its unique tourist attractions, Israel contains thousands of years of history, religion, archeology and culture matched by natural wonders and beautiful landscapes. Additionally, high standards of comfort and luxury in hotels, malls and fine dining encompass the experience of visiting Israel as a medical tourist.

American businesses, in seeking better health-



care for their work force, have begun offering medical tours to Israel as part of their employee health insurance benefits. Not least among the attractions for employees is the prospect of an all-expense-paid vacation

in a beautiful Mediterranean climate as part of the treatment package. Companies are hoping to attract and keep valued workers with such “perks” in the benefits package.

For Americans with strong religious beliefs, the combination is compelling. The justifiable pride in Israel’s contributions to the world becomes quite personal when Christians and Jews from around the globe benefit first-hand from Israeli achievements. When the expenses are covered by medical insurance, a trip to Israel that “would be nice someday” suddenly becomes a reality. Even for those who finance the trip themselves, the total price for both medical and sightseeing during recovery is so compelling compared with U.S. treatment, it amounts to a vacation that pays for itself – in a place that offers a deeper meaning.

One of the most remarkable Israeli Medical Tourism options is IVF treatment (in-vitro fertilization). Couples who are unsuccessful in having children in the United States can expect to pay more than \$20,000 for IVF, usually not normally covered by medical insurance.

The same treatment is available at 24 different fertility clinics in Israel for around \$4,000, with the added value of IVF specialists who have one of the highest success rates in the world – between 35 and 40 percent, compared with the global average of only 20 percent.

All of Israel’s hospitals have established Medical Tourism centers, staffed by professional, multi-lingual personnel. The treatments offered are comprehensive and include Orthopedics, Oncology, Cardiology, Urology, Cosmetic Surgery and rehabilitation from injuries, as well as treatment

for obesity and infertility. Moreover, the Israeli medical community is home to some of the latest advances in cancer treatment, stem cell therapy, genetic research and minimally invasive surgical procedures.

Israel’s pool of quality doctors and surgeons draw from international training and experience, in addition to broad intercultural skills, ensuring patients feel safe and secure during their treatments in Israel. An added advantage for North Americans is that English is one of the official languages and is commonly spoken by Israeli professionals.

Global Health Israel is the organization representing the Medical Tourism Association (MTA) in Israel. GHI networks with American companies and religious communities to raise awareness about Israel’s Medical Tourism, enabling patients to take complete advantage of all possible opportunities.

GHI’s Vice President of Marketing, Ms. Natalie Steiner notes: “Medical tourism is booming in Israel - the numbers this past year were almost double those of the year before. Israel is recognized for some of the highest quality healthcare anywhere in the world, with a higher than average success record in certain disciplines. And even with the overseas airfare and hotel accommodations, patients are still spending less than they would for the same medical treatment in the U.S.”

Patients can work with GHI directly to arrange their own medical tour, for fertility treatments or other procedures. They can also ask their employers and/or insurance companies about including the GHI option as part of their health coverage.

The clear medical and financial advantages, plus a vacation that pays for itself, guarantee that medical tourism to Israel will soon become the preferred option for every American seeking the leader in healthcare.



US agro-equipment giant John Deere buys troubled Israeli company

US agro-equipment giant Deere & Company (NYSE: DE) is to acquire the assets of agriculture implements and machinery manufacturer Beit Hashita Metal Industries Ltd. (BHC) for about NIS 55 million from its receiver. John Deere said that it was willing to keep 75% of the company's 110 employees over the long term, including general manager Yaakov Hadar.

John Deere and BHC receiver Adv. Gil Hirshman signed the deal earlier this week, after the Nazareth District Court approved the sale of BHC's assets last week to John Deere as part of a creditors' settlement. John Deere first submitted a NIS 55 million offer in December 2009, subject to due diligence.

This is John Deere's second major investment in Israel. Two years ago, it acquired irrigation equipment manufacturer Plastro Irrigation Ltd. from Kibbutz Gvat for \$245 million. The company is now John Deere Water - Israel Ltd., which currently operates two factories in Israel. BHC will be John Deere's third manufacturing plant in Israel.

John Deere Israel projects manager Nissan Dar stated that BHC's product line has a global reputation. "The combination of the factory's production capacity with John Deere's marketing and distribution platforms will provide an excellent solution for customers," he said.

Innovative surveillance system from Adaptive Imaging Technologies

An Israeli startup company has recently developed a cutting-edge surveillance camera that rivals counterparts that can only be found in science fiction. The single camera by Adaptive Imaging Technologies takes the place of an entire sector of a surveillance system by allowing both panoramic and zoomed in views of an area

of surveillance, with exceptional quality.

The feature that allows this camera to have such a range of surveillance capabilities is its unprecedented resolution. Where the average off-the-rack consumer camera usually finds itself with a resolution of around 10 megapixels, Adaptive Imaging's panoramic telescope technology can deliver 1,000-megapixel resolution images. That's a massive 1 GigaPixel of raw image resolution.

Perhaps what's even more impressive than the Israeli GigaPixel camera is the software that can handle it. At the moment, there is no software that can handle one GigaPixel of data all at once. Instead, this system can focus the pixels on one particular area within the field of view and deemphasize the less critical parts of the scene. Because there are so many pixels to draw upon, the camera can zoom in on multiple images such as a security checkpoint, all emergency exits and the check in counter, at the same time. An operator can even choose to set the camera to only look at faces, for example.

"Because of this feature," Cohen says, "One single camera can take the place of a multi-camera security system at a transportation hub or national border.

With the advent of GigaPixel security cameras, organizations will be able to maximize their surveillance capabilities, and provide better security for their constituents.

\$234 million raised in Q1, a 15% decrease from Q4 2009

Life Sciences sector leads capital raising with \$86 million

In the first quarter of 2010, 91 Israeli high-tech companies raised \$234 million from venture investors – both local and foreign. This was the lowest quarterly amount raised in the last five years, 15 percent below the amount raised by 124 companies in the previous quarter and 12 percent below that raised by 93 companies in



Q1 2009 (which had been the lowest quarter in the past three years). (See chart)

Koby Simana, CEO of IVC Research Center says that “figures for the first quarter of 2010 emphasize that Israel’s

high-tech industry is still experiencing substantial difficulty. The decrease in the number of active Israeli VC funds and a reduced amount of capital available for investments, were the main reasons for the decline in capital raising. Unfortunately, we don’t expect any dramatic improvement in the next few quarters.”

Google makes first ever acquisition in Israel

LabPixies develops website gadgets for personalized webpage iGoogle, as well as iPhone and Android devices.

Google Inc. (Nasdaq: GOOG) has made its first ever acquisition in Israel - LabPixies Ltd., a developer of personalized website gadgets for Google’s personalized search page iGoogle, as well as for mobile devices. The companies did not disclose the size of the deal, but sources estimate it at \$25 million.

LabPixies, which has 12 employees, will be absorbed by Google Israel.

LabPixies’ gadgets provide user information, such as news and weather reports, games, and quick access to e-mailboxes. Google says that it acquired LabPixies because it specializes in the development of cloud-based applications enables thousands of developers to create applications for users worldwide, which will strengthen the iGoogle product.

LabPixies CEO Ran Ben-Yair, VP R&D Oded Poncz, VP business development Nir Tzemah, and creative director Udi Graff founded the company in 2006. The company’s customers include “The New York Times”.

LabPixies raised \$1 million from private investors.

Google Israel managing director Prof. Yossi Matias said, “We welcome LabPixies’ team to the Google Israel R&D center. We believe that adding this talented team to the center will enable us to continue to strengthen the Internet platform, and make it more attractive than ever for developers and surfers worldwide. Google believes in Israeli innovation and creativity, and we’ll continue to strive for collaborations with local companies and start-ups in the future.”



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