

eurofund quarterly

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BeInSync, Eurofund Portfolio Company, Acquired by Phoenix Technologies

Phoenix Technologies (Nasdaq: PTEC), an industry leader in core systems firmware, announced that it has signed an agreement to acquire Israel-based BeInSync Ltd.

BeInSync, founded in 2004, provides an all-in-one solution for users to back-up, synchronize, share and access their data online. "The integration of breakthrough synchronization technology from BeInSync will allow Phoenix and its customers to help end-users alleviate concerns about the loss of important files and to give them complete mobile freedom to access their data from any Internet-connected computer," said Woody Hobbs, President and CEO of Phoenix Technologies. "Given our past experience in synchronization solutions, it was fairly easy for us to identify the best possible existing technology out there that would fit in with our corporate vision and product strategy."

Joining forces with Phoenix Technologies will enable BeInSync to enhance its technologies and services. "We are very excited to be a part of Phoenix Technologies, the global leader in core systems firmware for PCs," said Tal Barnoach, founder and Chairman of BeInSync. "With this acquisition, Phoenix is extending its leadership in the PC industry. Once again, it is including in its portfolio products that set the standard for providing best-in-class solutions to PC OEMs and their customers."

Acquisitions Have Become More Complex

Israeli start-ups have been a nexus of innovation and activity for over a decade. We have witnessed many successes as well as inevitably, some failures.

When venture capital was in its infancy in Israel, one of the most critical selling points of a fund to its investors and to start-ups alike was the "right" connections between the fund's partners and large multinational technology companies abroad. Connections with and exposure to such market-leading companies were viewed as essential for start-ups' success. Back then, Israeli start-ups viewed large technology companies as their leading potential acquirers. Medium-sized players were regarded as possible joint venture candidates or customers.

In subsequent years, the number and type of companies seeking to acquire Israeli start-ups has significantly expanded and the nature of acquisitions has changed. Today, many mid-sized players seek to acquire Israeli start-ups: Some make multiple acquisitions, with an acquisition every year or two comprising a key part of their growth and R&D strategy. This extended universe of buyers is a welcome development although it does make identification of potential acquirers more of a challenge. Another development of note is that the due diligence process has become much more extensive. Typically, two or three acquisition targets are assessed for each one that is executed. Far more potential deals are researched than actually take place.

Eurofund is extremely pleased with Phoenix Technologies' acquisition of BeInSync. We have been working with BeInSync for over three years, helping the company define and test its product, making appropriate introductions, and helping it build relationships that have contributed to its success. Phoenix Technologies clearly appreciates the capabilities and accomplishments of BeInSync's employees and is committed to leveraging BeInSync's services and technologies. We are confident that the combination will be very successful.

Yours sincerely,

Aharon Beth-Halachmi

israel investment news

2007 was a Great Year for VC's and High Tech

2007 was a stellar fund-raising year for Israeli VCs and companies. In 2007, 462 Israeli high-tech companies raised \$1.76 billion from investors. 39% of that amount, \$678 million, was invested by Israeli venture capital funds. "Particularly noteworthy were the semiconductor and the Internet sectors," said Efrat Zakai, Director of Research at IVC. "Semiconductors garnered 19% of total investments in 2007 and 31% in the fourth quarter... The Internet sector, with \$257 million raised, has markedly increased its share of investment, which reached 15% in 2007. This compares with figures ranging from 2% to 5% in the last 5 years."

Israeli VCs invested \$50 million in foreign companies in 2007, compared with \$60 million in 2006 and \$95 million in 2005.

Microsoft Acquires Two Israeli Companies

Microsoft announced an agreement

to acquire YaData, a developer of solutions for market micro-segment discovery and management. Microsoft plans to incorporate the YaData team in its Israel R&D center in Herzliya and will deploy YaData's solutions through its Advertiser and Publisher Solutions group. YaData's technology will enable Microsoft to provide advertisers with richer targeting capabilities that empower them to connect with their audiences in more efficient and engaging ways. The resulting relevant and focused ads are tailored to specific customer needs and yield improved advertiser ROI.

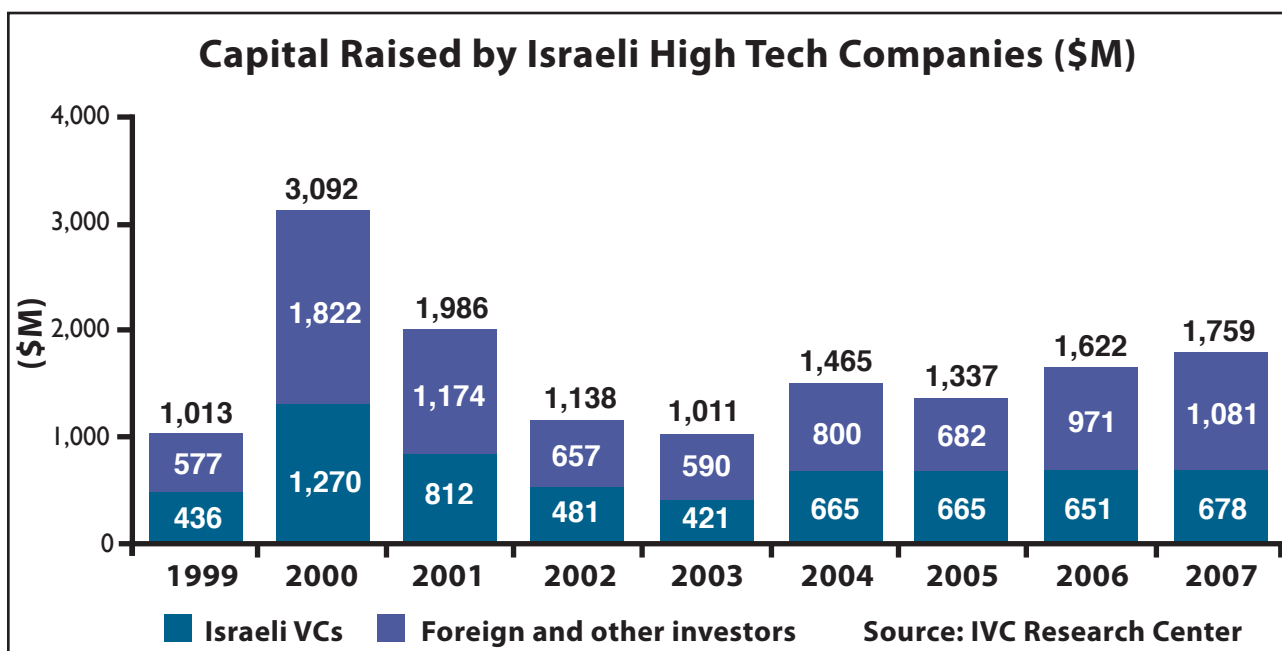
In addition, Microsoft announced plans to acquire Kidaro, a leading provider of desktop virtualization solutions for enterprises. Kidaro supports desktop infrastructure optimization by providing management capabilities for Virtual PCs, enabling IT professionals to streamline deployments and easing application compatibility issues. "The acquisition of Kidaro is an important component of our virtualization strategy, and it delivers a powerful new tool to help

enterprise customers optimize their desktops," said Shanen Boettcher, General Manager of Windows product management at Microsoft.

N-Trig Raises \$41 Million

N-Trig's DuoSense multitouch technology combines pen and zero-pressure touch for computers into a single device. DuoSense enables mobile computers to recognize multiple simultaneous touch points, so more than one finger can be used at once to manipulate images on a computer screen.

N-Trig launched its product last September and signed a contract with Dell Inc. (Nasdaq: DELL) covering integration of its technology in new Dell mobile computers. The company has sold tens of thousands of units to Dell to date, and revenue from the contract is estimated at tens of millions of dollars annually. N-Trig's technology featured prominently when President George W. Bush presented his 2009 budget to Congress on a Dell computer with DuoSense.



portfolio company spotlight



Company name: ColorChip

Brief description:

ColorChip is a supplier of Fiber to the Home and FTTH optical transceivers for the broadband access network and Datacom

Established: 2001

Headquarters: Caesarea, Israel

Additional offices: Oakland, California

Key executives:

CEO, Moshe Price; CFO, Shai Belzer; CTO, David Brooks; VP Sales, World Wide, Jaime Reloj

Website: www.color-chip.com

ColorChip's Fiber to the Home (FTTH) and FTTH optical components and transceivers for broadband access networks enable service providers to deliver Triple Play services--voice, video and data--over passive optical networks. The company's product line has steadily expanded to meet market developments and its technology is designed to continue to meet future demands for integrating functionality and miniaturization for on-board applications. ColorChip was started by Dr. Shimon Eckhouse, a serial entrepreneur who founded Syneron (NASDAQ: ELOS) and other successful, innovative companies.

Telecom and Datacom market demand for optical components is growing and ColorChip is well positioned to meet it. Market analysts anticipate very strong growth within these markets driven by carrier efforts to secure additional revenues from customers for service providers. The company's main areas of focus, FTTH

and Datacom applications are expected to experience the highest growth within the optical communications market. The total available market for FTTH transceivers is anticipated to reach about \$1 billion by 2011, with a total addressable Datacom market that is expected to exceed \$1.1 billion. Some leading industry research firms estimate that ColorChip's total addressable market will exceed \$2 billion by 2011.

FTTH projects such as Verizon's Fiber Optic Services FiOS Internet, which was awarded first place in PC World's annual "Best and Worst ISPs Survey" in 2007, can be supported by ColorChip technology. Verizon is the first major U.S. Telecom company to build an all-digital, fiber-optic fiber-to-the-premises (FTTP) network for residential customers.

ColorChip is currently positioning itself as the leading manufacturer of Planar Lightwave Circuit (PLC) based optical transceivers. The company's approach has been to develop key technology building blocks that allow integrated functionality on its proprietary PLC technology, for low cost optical components that do not compromise on performance. ColorChip has invested in developing product features and modules that can be manufactured at very high volumes in a cost effective manner.

The company designs and manufactures the chips from chip-level fabrication to full packaging. The process of ion-exchange in glass for passive optical applications such as PLC optical splitters, Wavelength Division Multiplexing (WDMs) and other passive components is preferable to other PLC technologies due to its simple manufacturing process and high yields. In addition, the glass waveguides provides a much better match for fiber integration, with lower insertion loss and lower Polarization Dependent Loss (PDL).

ColorChip's SystemOnGlass™ (SOG™) chip is a unique technology that enhances manufacturing efficiency, has a small footprint and enables high product

performance. The company's fundamental ion-exchange in glass technology provides high performance PLC waveguides. The glass PLC platform allows the integration of laser diodes, photodiodes and other electronic components with fiber, enabling both very low cost and high performance. ColorChip products are standard-compliant with all PON protocols (EPON, BPON and GPON).

Recently, the company partnered with Molex® Incorporated (NASDAQ: MOLX and MOLXA) to develop next-generation pluggable PLC transceiver platforms for the FTTH and Datacom markets. These platforms provide the Telecom and Datacom markets with a reliable, low-cost multi-channel pluggable transceiver product line.

ColorChip focuses on providing unique solutions that meet evolving market demands. The company has recently introduced several new products, including a GPON Class A+ transceiver that provides low cost transceiving for GPON networks with a 10 kilometer reach requirement, targeted at the Asian market. The Meteor II GPON Class B Enhanced diplexer transceiver for the FTTH market provides high performance at low cost and a reach of 20 kilometers. In addition, the GEAPON (EPON) PX20 for the FTTH market offers a GEAPON application with a reach of 20 kilometers as well as remote monitoring and diagnostic features.

"We are very aware of market needs and are strongly committed to meeting them with outstanding, cost-effective solutions. From operators that want a GPON system with similar costs as GEAPON, to operators who need low-cost transceivers for GPON networks with a 10 kilometer reach requirement, our products provide solutions," explains Moshe Price, CEO of ColorChip. The company is ramping up its production lines and partnering with key contract manufacturers to answer the growing market needs and deliver high volume, high quality products.

portfolio news

• **Foxcom**, a division of OnePath Networks, Inc. announced that it is introducing a new suite of products: the SatLight/Platinum. Based on breakthrough RF to fiber technology, the suite is designed to meet today's increasing demands for higher performance and more RF control and monitoring. The Platinum family includes products for L-band, IE, 10MHz, 5MHz, and a host of accessories.

"Platinum was designed from the ground up, based on intensive feedback from our customers... This suite is our answer to their need for improved performance over conventional RF to fiber optic products. It's also been an opportunity to add several advanced features which will make life easier for everyone," says Ken Peterson, Director, Sales & Marketing, SatLight.

www.foxcom.com

• **MobileAccess** enjoyed equipment sales growth of nearly 50% in 2007. The company's success was driven by enterprise companies' realization of the increased importance of wireless applications and services coupled with MobileAccess's adaptable architecture. "MobileAccess' investment in key areas has advanced growth across vertical and geographic

markets, fueling our increased revenue and profitability in 2007," said Cathy Zatloukal, president and CEO of MobileAccess. "With industry-leading partners such as Sprint and GE Healthcare and a roster of customers that represents some of the world's most technologically advanced buildings, MobileAccess has established a solid foundation for rapid and sustained growth and innovation."

In 2007, MobileAccess expanded its operations and sales in EMEA, particularly in rapidly growing areas such as Eastern Europe and the United Arab Emirates. MobileAccess also continued to build on its momentum in key vertical markets such as healthcare and hospitality, deploying its Universal Wireless Network at some of the leading medical facilities in the US such as Hoag Memorial Hospital Presbyterian, George Washington University Hospital and the University of Pennsylvania Health System's three hospitals. The company also significantly increased its presence in the hospitality and gaming industry, where wireless has become a vital tool for enhancing the guest experience and streamlining operations. Reflecting that trend, Grande Lakes Orlando resort and Peppermill Hotel

Casino implemented MobileAccess throughout their respective properties in 2007, enabling over two million square feet of wireless coverage.

www.mobileaccess.com

• **Radwin** has introduced RADWIN 2000, its upcoming, high-capacity sub-6GHz radio system, which addresses the backhaul needs of networks in use today as well as networks of the future (3G, 4G, WiMax). RADWIN 2000 is the high-capacity addition to the company's portfolio, providing performance, capacity, range, and quality at the most competitive price in the market.

In the United States, deployment of new 3G and 4G networks will require carriers to more than double their backhaul capacity, according to industry estimates. "With migration to next-generation networks, carriers will see their backhaul expenses grow dramatically, while ARPU will not increase in the same proportions," says Ilan Moshe, President of Radwin USA. "RADWIN 2000 provides carriers with a cost-effective solution to accommodating capacity growth and offering carrier-class performance.

www.radwin.com

About Eurofund Eurofund is an early-stage venture capital firm focused on investments in Israeli and Israel-related high growth companies operating in the fields of telecommunications, information technology, the Internet and semiconductors. Eurofund works closely with portfolio companies to ensure long-term value creation through innovation and disciplined execution.