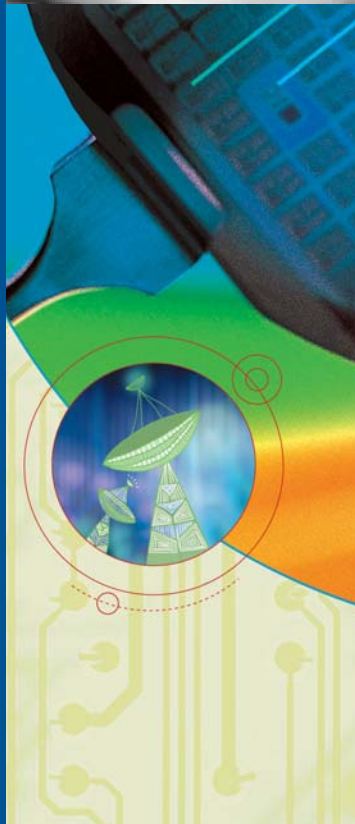


BIRD Foundation Annual Report 2005



Our Mission

To stimulate, promote and support industrial R&D of mutual benefit to Israel and the U.S.

Dear Friends and Colleagues,

2005, the last of my nine rewarding years at BIRD, has been another successful year. BIRD has earned a solid reputation both in Israel and the United States, as well as in many other countries. During 2005 BIRD has continued to expand its recognition by excelling in its two major roles as:



1. Pioneer and trailblazer for new markets and technologies that are high risk yet with high commercial potential. These areas are in need of investment yet are often not sufficiently exposed to either government support or to the venture capital community.
2. Catalyst for the creation of long-term cooperation between Israeli companies and US global leaders, by promoting joint advanced technology projects and providing exposure for innovative Israeli technologies.

Since its inception in 1977, BIRD has been involved in communications, software development, semiconductors, microelectronics, life sciences, homeland security, nanotechnology and more. BIRD has gained a leading position in life sciences (biotechnology, biomedical engineering, medical imaging and other areas), with more than 30% of its portfolio currently in this sector. BIRD has always been heavily involved in communications; this area has always represented 30% of our portfolio. Specialized segments such as optical communications have also received particular support from BIRD, and we have gained a leading role in them. BIRD has carved a significant niche in homeland security, organizing seminars and hosting guests from abroad. As of now, we have approved eight projects for the development of applications and technologies for the homeland security sector. BIRD continues to search for projects in new areas such as nanotechnology, stem cells and tissue culture, alternative energy and many other areas

of interest. BIRD is here to support and share the risk with Israeli and American companies, looking for innovative projects of high potential.

In 2005 we reached a milestone by attracting nine leading global companies to participate in projects with Israeli technology companies: Texas Instruments, Johnson & Johnson, Nortel, Motorola, Gore, Delta & Pine, Ciba, Molex, and Spansion. These projects, primarily in communications, micro-electronics and life sciences, are part of BIRD's focused activity with "major accounts".

Major accounts are companies like General Electric, Agilent, Amgen, Bayer pharmaceuticals and others, like the 9 global companies approved in 2005. Our intention is to introduce these industry giants to Israeli hi-technology companies and increase their potential involvement with them via BIRD-supported projects.

As I bid my farewell, I leave BIRD in good hands, with a bright future and much to achieve. My best wishes to Eitan and the entire BIRD team, as well as BIRD clients both in Israel and in the United States, for continued success and growth.

Sincerely,

A handwritten signature in black ink, appearing to read 'Dov Hershberg'.

Dov Hershberg

Greetings,

Since coming on board as Executive Director on January 1, 2006, I have met a variety of companies and individuals that have benefited from BIRD's support in the past, or are still benefiting from it today.



It is impossible not to be impressed by the feedback I get from managers and entrepreneurs from well established companies and from much smaller, relatively new companies, both in Israel and in the US. There are a myriad of success stories across the spectrum, which is certainly very rewarding to all those that have taken part in making it happen. As a newcomer to BIRD, I can only say that I am very proud to become part of this endeavor.

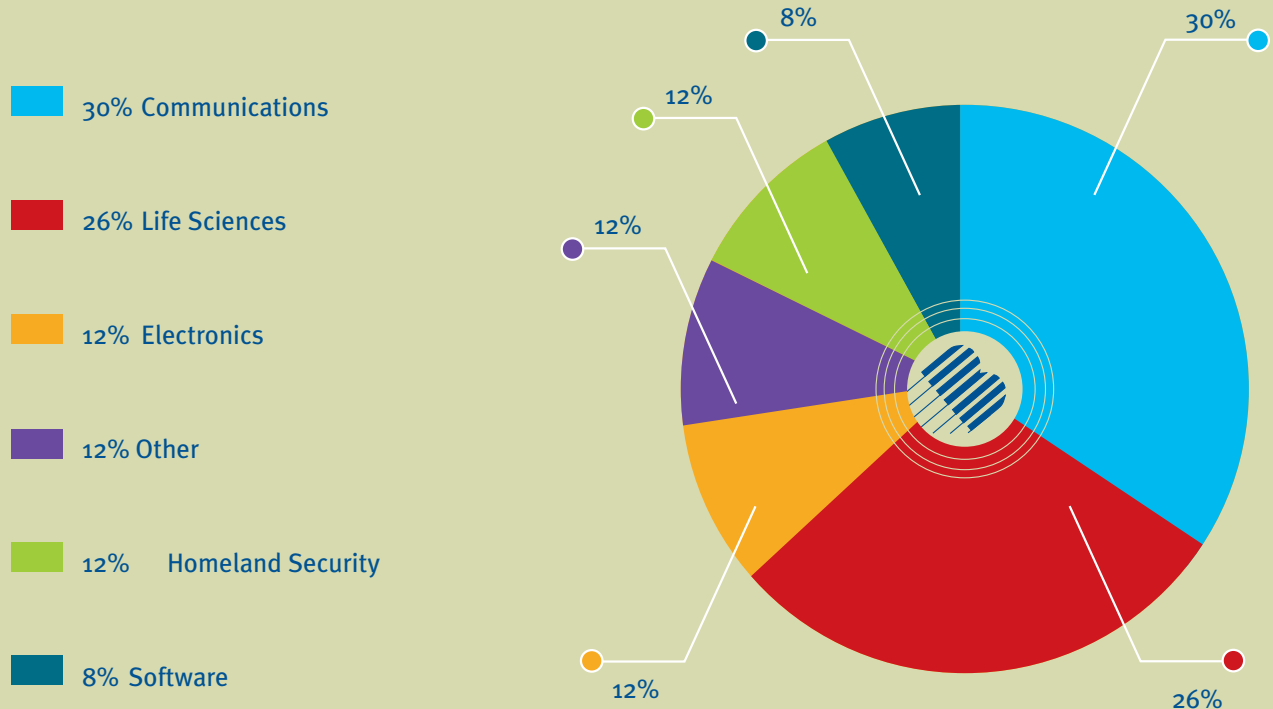
I want to take this opportunity to personally thank Dov for his leadership and contribution during nine outstanding years of service at BIRD.

Eitan Yudilevich, Ph.D.

Executive Director

A handwritten signature in black ink, appearing to read 'Eitan Yudilevich'.

Distribution of approved projects in 2005, by industry



Activity Summary - 2005

Direct Sales

2005	\$120 million
Cumulative	\$4.3 billion

Approved Projects

Full-scale projects (2005)	24 projects
Cumulative	547 projects

Repayments

2005	\$3 million
Cumulative (from 322 projects)	\$80 million

Mini projects (2005)	2 projects
Cumulative	169 projects

Grant Payments

2005	\$9 million
Cumulative	\$234 million

Total projects (2005)	26 projects
Cumulative	716 projects

we

- **discover**

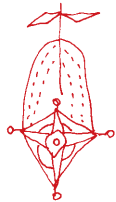
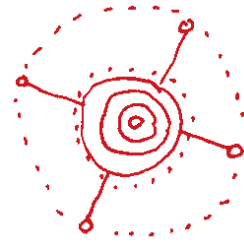
potential winning companies

- **foster**

innovation through US- Israeli partnerships

- **support**

cutting edge technologies



List of Approved Projects in 2005

Communications



Ultra-wide-band wireless USB connectivity for digital cameras; Integration of a secure operating environment system with embedded switches for blade-server applications; Integration of a reconfigurable optical add/drop module with a variable gain optical fiber amplifier; A wireless low-cost broadband point-to-point transceiver for last-mile connectivity or local-area networks extension; Safety and power control device to prevent potential damage to fiber-optic lines; Satellite-based 2 way broadband communication system for transportation vehicles while in motion; Full broadband mobile communication network employing a hybrid WiMAX and satellite infrastructure; Intelligent, policy-based switching between communications networks based on different technologies;

BridgeWave Communications, Inc. (CA)	Ceragon Networks Ltd.
Capella Photonics, Inc. (CA)	Red-C Optical Networks Ltd.
iDirect Technologies, Inc. (VA)	RaySat Israel Ltd.
Mobile Satellite Ventures, LP (VA)	WiNetworks Ltd.
Molex, Inc. (IL)	KiloLambda Technologies Ltd.
Nortel U.S., Inc. (CA)	BladeFusion Technologies Ltd.
Telcordia Technologies, Inc. (NJ)	Unipier Ltd.
Texas Instruments, Inc. (TX)	Wisair Ltd.

Electronics



Generic skin sensor to replace electro-mechanical buttons & switches in consumer electronic products; Embedded data security features for flash memory chips; 3D ultra-high density storage media for optical mass digital data storage disks;

Arkema, Inc. (PA)	Mempile Ltd.
eSilicon, Inc. (CA)	Nexense, Inc.
Spansion, Inc. (CA)	Discretix Technologies Ltd.



Life Sciences



Discovery and development of markers for the diagnosis of several cancers and of congestive heart failure; Development of transgenic cotton seeds with improved resistance to environmental changes; Ambulatory collection and analysis of physiological data for diagnosis of sleep disorder; Guidance system for minimally invasive surgical procedures using real-time 3D ultrasound; An improved ophthalmic lens processing and inspection device; Hand-held device for screening children for scoliosis; Magnetically actuated intra-medullary nail for limb elongation and other orthopedic procedures;

Delta & Pine Land Co. (MS)	Evogene Ltd.
Gerber Scientific Intl., Inc. (CT)	Visionix Ltd.
Ortho-Clinical Diagnostics, Inc. (NJ)	Compugen Ltd.
Orthofix, Inc. (TX)	Orthogon Technologies 2003 Ltd.
School Health Corp. (IL)	OrthoScan Ltd.
Sunrise Medical, Inc. (CO)	SLP Ltd.
W.L. Gore & Associates, Inc. (CO)	Biomedicom Ltd.

Software



System for the identification and tracking of authorized and unauthorized usage of images in the public Internet; Continuous business performance improvement decision system for supply chain management applications;

Digimarc Corp. (OR)	PicScout Ltd.
ILOG, Inc. (CA)	Ogentech Ltd.

Homeland Security



Monitoring & detection of trace hazardous bio-chemicals in indoor environment; Low-cost laser illuminator for night-vision cameras in perimeter security applications; Automated detection system for explosive devices in hand baggage.

Lasertel, Inc. (AZ)	Elbit Systems Ltd.
Sceptor Industries, Inc. (MO)	Green Vision Systems Ltd.
Sceptor Industries, Inc. (MO)	Laser Detect Systems Ltd.

Other



Development of specialty inks and printing process for high-volume manufacture of RFID tags; Machine and eye readable printable time-temperature indicators for monitoring temperature-sensitive products; Synthetic fibers for primary & secondary reinforcement of concrete structures.

Ciba Specialty Chemicals Corp. (DE)	FreshPoint Quality Assurance Ltd.
Motorola, Inc. (IL)	Cima Nanotech Israel Ltd.
William Barnet & Son, LLC (SC)	Polyssive Ltd.



partnerships



- **facilitate**
company to company relationships
- **encourage**
shared development and marketing
- **share**
risk and success



life sciences • electronics • communications • homeland security • software



Financial Summary

	Income				Grant Payments	
	Endowment		Repayments		Year (M\$)	Cum. (M\$)
	Year (M\$)	Cum. (M\$)	Year (M\$)	Cum. (M\$)		
FY2000	9	152	6	64	8	184
FY2001	8	160	5	69	11	195
FY2002	7	167	3	72	10	205
FY2003	7	174	2	74	9	214
FY2004	7	181	3	77	11	225
FY2005	7	188	3	80	9	234

Income

BIRD's annual income is comprised of interest on the Endowment Fund and Repayments from companies who have participated in projects that were successful. This annual income is at a level that permits BIRD to meet all its financial obligations timeously.

Since its inception, BIRD has received interest of approximately \$188 million on the Endowment Fund and Repayments of approximately \$80 million from successful projects. Over this period Grant Payments to companies have reached approximately \$234 million.

Board of Governors

The Board of Governors meets semi-annually – in the U.S. in June/July and in Israel in November/December. Each government has three representatives on the Board, as well as advisors.

U.S. Governors

U.S. Department of State	Mr. George Dragnich Director Office of Science and Technology Cooperation
U.S. Department of Treasury	Mr. C. Marshall Mills Director Office of Middle East and South Asian Nations
U.S. Department of Commerce	Mr. Marc Stanley Director Advanced Technology Program, NIST

Israeli Governors

Israel Ministry of Finance	Dr. Yossi Bachar Director General
Israel Ministry of Industry, Trade and Labor	Mr. Ra’anan Dinur Director General
Israel Ministry of Industry, Trade and Labor	Dr. Eli Opper Chief Scientist

Advisors to the Board during 2005 were

Dr. Jordan Baruch
Mr. Martin Gerstel
Mr. Dan Tolkowsky

Board members and others who have acted on behalf of the Board during 2005

Israel Ministry of Industry, Trade and Labor	Mr. Josef Dancona
U.S. Department of Treasury	Ms. Catherine Downard
Israel Ministry of Finance	Mr. Yossi Gordon
U.S. Department of Commerce	Ms. Magdalena Navarro



Tel-Aviv • Santa Clara • Atlanta • Chicago • Cleveland • Houston



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tel
fax
web site

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972-3-649-8341
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Programs Director	Uri Attir
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Chief Business Officer	Yuval Weiss, Ph.D.
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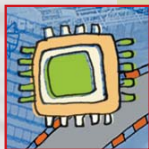
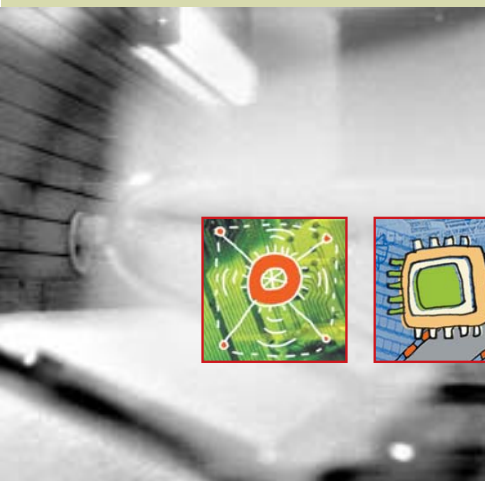
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