

ELI KATZ
CONFIDENTIAL REVIEW



Intelligent Risk

Eli Katz
December 2005
Confidential Review
PRIVATE & CONFIDENTIAL

ELI KATZ
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Executive Summary

- Eli Katz ("Mr Katz") is a successful businessman with a reputation as an entrepreneurial and unconventional manager.
- Although sometimes seen as unorthodox he is quite widely respected in Israeli press and business circles.
- We found nothing to Mr Katz's detriment in our press and internet searches or personal inquiries.
- Apart from repeat traffic offences, we found no evidence to suggest that Mr Katz has had any trouble with the Israeli authorities.
- Mr Katz is a part of the Israeli Defence Force (IDF) military to commerce, or "swords to ploughshares", success story of the 1990's.
- Mr Katz is not formally educated though he is now an occasional lecturer at management programmes in Israel.
- Mr Katz has been an entrepreneur since an early age, with several, apparently minor, failed businesses.
- Mr Katz reportedly lives a "new money" lifestyle, having apparently spent several million dollars on his wedding.
- Mr Katz is often quoted in the press and speaks passionately about his business.
- Interviews with former business associates, including one who left the business under apparently controversial circumstances, did not identify anything negative or derogatory about Mr Katz, and in fact the general tone of interviews was complimentary as to Mr Katz's style and business acumen.
- Senior Israeli intelligence sources described Mr Naftali Naftali as "very reliable" and he was well-known to them from his days in the IDF.
- The claims by Gad Zeevi are naturally a cause for concern. Our research indicates that Zeevi is a controversial and aggressive businessman. He has however been caught up in several recent scandals and his credibility has been heavily undermined. Additionally, his financial position is believed to be precarious.
- We did not come across anything during the course of our inquiries which we believe requires further investigation or is a cause for immediate serious concern.

1 Procedures Performed

The following procedures were performed during the course of the assignment:

- Confirmation of personal details of the principal;
- Understanding of the history of the business and background of the principal;
- Extensive court searches were conducted, in appropriate jurisdictions for actions involving both the company and its principals;
- Interviews with industry sources and other people that we identified who are familiar with the principal;
- Extensive searches of international, national and regional press data bases, along with extensive internet searches; and
- Other inquiries that were deemed necessary in the circumstances.

2 Personal details for Eli Katz ("Mr Katz")

- Mr Katz was born on 1 June 1970 in the Russian town of Lvov. He immigrated to Israel in 1975 with his parents. This was during the first wave of Russian immigration from the Soviet Union to Israel in the 1970's.
- Mr Katz's family moved to the absorption centre in Upper Nazareth. Mr Katz's father is a Mouth and Jaw Surlconic. A year later they moved to Rishon Lezion where they live today.
- Mr Katz currently lives in Tel Aviv and his Israeli ID Number is 16924037.

Home Address
44 Ben Yehuda Tel Aviv
Israel

- Mr Katz was married for two years to Ms Dafna Makov. They divorced recently, though our sources indicate that they are still living together.

3 Company Information

Background

In 1994 Mr Katz gained hi-tech multi-media experience while serving in the Israeli Defence Force ("IDF"). On the basis of his experience he established Iconic-Interactive Media Group Ltd ("Iconic-Interactive") with Ronni Naftali ("Mr Naftali"), 20 years his senior, and two other partners from the IDF.

Iconic-Interactive is an Israeli company, registration number xxxxxxxxx. The name of the company was changed to The Iconic Group ("Iconic"), Israeli registered company number xxxxxxxxxxx. The Iconic Group is a provider of next-generation telecom solutions over wireless and IP systems networks.

- Iconic Group company address

Iconic House
1 Iconic Square Industrial Area,
Tel Aviv
Israel

Company Overview

For the purpose completeness, we present below a brief outline of the key divisions of the Iconic Group.

Iconic is divided into several divisions:

- **Iconic Mobile Ltd** is formerly known as InfoCell, and manufactures high quality 2.5 and 3G custom mobile phone handsets.
- **MultiMob** is a joint venture between Phillips Electronics and Iconic Transcoding. MultiMob provides media adaptation and enhancement for all mobile multimedia.
- **Whale Interactive Ltd** is a provider of Interactive Television.
- **Iconic Systems** is a provider of services supporting the process of creating, managing and delivering mobile rich media services.
- **Shunni Inc**, formerly known trading as Iconic Defence, provides visual security solutions to companies and governments using video over IP and wireless networks.

Noteworthy Findings

- Iconic has been active on the London Stock Exchange since 1996, and to date has launched three offerings.
- Whale Interactive, Israeli registered company number xxxxxx, is also traded on the London Stock Exchange, and recently executed a number of large transactions in India, Ireland and Taiwan.
- MultiMob, Israeli registered company number xxxxxx, which is also traded on the London Stock Exchange, recently raised \$22 million on the London Stock Exchange, was founded on the basis of a merger between two Iconic Transcoding and Phillips. The Iconic Group hold the major stake of 70% in this venture.
- Iconic Defence merged with the Canadian company Girit to form Shunni Defence. Israeli sources reveal that Shunni Defence have gained a number of contracts issued by the Israeli security establishment.
- Our research has revealed that Iconic Systems operates in OEM partnership with Orsom and Beinsync.
- Iconic Mobile has recently (as of January 2005) appointed Roger Sinclair ("Mr Sinclair") as the new CEO. Mr Sinclair is was one of the senior directors of the British cellular company 02, and was the CEO of Genie, CEO of 02 Online, Director of UK Products and President of 02 Asia Pacific.

Iconic Mobile (UK) Ltd
London House
42 Brook Street London W1K 5DB
Tel: +44 (0) 207 958 9084

The above address is in the heart of Mayfair in London, and is directly opposite the prestigious London hotel, Claridges. Research suggests that these offices are serviced offices, and not solely used by Iconic Mobile.

- The failure of the first cellular phone that Iconic created in conjunction with the Israeli phone company Partner led to a number of job losses at Iconic.
- In 2004 Iconic began cooperating with Innostream, a cellular phone manufacturing plant in Korea, and in February 2005 announced, at the GSM conference in France, that through the Korean manufacturer the company intends to launch six new cellular phone models.
- At the end of the year 2004, Iconic reported of \$45.5 Million income and reduced its losses in 50% to \$23 Million after 4 years of not being active and with no income.

4 Legal

US

We conducted searches of Federal, Bankruptcy Civil and Appellate Courts in the US and found one record of a case involving Mr Katz as follows:

- Court: U.S. District Court, Southern District of Florida (Ft Lauderdale)
Type: Civil, Notice of Removal
Case docket number: 97-CV-6694
Filed: Filed: 9 June 1997
Status: Closed
Case name: Street et al vs ICONIC Interactive Group Defendants: ICONIC Interactive, Ronni Naftali, Eli Katz Motion: Denied Removal Notice, Dismissed, Case closed
- We found no records of any cases naming Iconic, as either a plaintiff or defendant, in any of the courts searched.
- We found that "an unlimited fixed lien on monetary deposits has been placed on the Iconic account at the New York branch of Bank Hapoalim". We expect that this is in the ordinary course of business.

Israel

- Discreet inquiries with confidential sources in Israel confirmed that Mr Katz has not been in any trouble with the Israeli authorities.
- Sources in Israel have found that there are indications of traffic-related offences, and stated that Mr Katz is classed as a "habitual traffic offender".
- We conducted searches of Israel civil courts and found two cases involving Mr Katz and Iconic as follows:
- Since 2001 a trial has been underway between Mr Katz (Iconic), and Gad Zeevi the current owner of Malam. Malam had been a partner and one of the first investors in Iconic before it went public. Malam alleges that Iconic developed new products without Malam's knowledge and that Iconic had moved to new, luxurious offices, and based on this Malam should be entitled to half of the equity in Iconic.

Iconic has filed a countersuit against Gad Zeevi, claiming that the latter had "torpedoed" business opportunities and had filed a "baseless suit". These legal proceedings have not yet concluded. Iconic's suit against Zeevi is for NIS 10 million. Gad Zeevi is an active businessman in Israel and is reportedly in financial difficulties. We note that some of his businesses are in receivership.

- We are awaiting further information on Malam.

- In June and December 2004 lawsuits were filed by Mark Luzatto, demanding that he be issued a declaratory order based on the premise that the ringtones (a patent enabling a cellular phone to record, store and retrieve tones in order to turn them into telephone ring tones) are a worldwide patent registered in his name. We note that the petitioner had sued Ericsson Worldwide, with whom it had reached a settlement, and at this time was also suing Siemens, Iconic, Nokia and Eurocom for patent violation,

UK

We found one UK company of which Mr Katz is a director, or which contains the name "Iconic" as follows:

Iconic Mobile (UK) Limited (Formerly Iconic Systems Limited) Company number: xxxxxxxx
Registered Address:
C/O Levy Cohen and Company, Chartered Accountants
37 Broadhurst Gardens Limited
NW6 3QT

We performed county court searches dating back to its incorporation in 2001, and found no record of any judgements registered against this company,

5 Profile of Mr Katz

In this section we present a review of the personal and biographical details of Mr Katz.

Biographical Details

- According to press searches and internet biographies, Mr Katz was born on 1 June 1970 in the Russian town of Lvov. He immigrated to Israel in 1975 with his parents during the first wave of Russian immigration. Mr Katz's family moved to the absorption centre in Upper Nazareth. Mr Katz's father is a "Mouth and Jaw Surlconic"
- Mr Katz has a history of entrepreneurship in a range of different industries,
- A press article in the Jerusalem Post on the 23 April 2004 states that in Mr Katz's early years, he "dreamed of becoming a Mafia boss". When He was 13 he opened his first company with his grandmother, as under Israeli law he was too young to have a company on his own, This company "sold and traded commodities", Mr Katz's other early ventures included; "importing marble from the Urals and a company which imported tombstones from Hungary",
- Press articles and inquiries with confidential sources show that Mr Katz served in the IDF as the "Head of Technical Development in the Training Development Center [sic]" and was responsible for the production of "seven full-scale multimedia-based military simulators".

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- Sources confirmed that Mr Katz started Iconic-Interactive in 1994 providing solutions under the name "Iconic". The origins of this company were typical of a tech start-up: four people in a Tel Aviv apartment working hard not sleeping, and putting "their all" into a company that was eventually floated on the London Stock-Exchange.
- Press reports claim that Mr Katz spent \$5 million on his wedding, and the event was the talk of Israel.
- A Haaretz interview with Mr Katz published on 29 September 1998 provides an insight into the personal life of Mr Katz. He reportedly sleeps on average two hours a night and has little time for anything other than his business. He claims that his five years in Russia made him "unacceptable of compromise", and has helped him become an achiever.
- An insight into his character has been gained by press articles and conversations with sources. He was a "workaholic" until he collapsed in 1998 and took it "a little easier for a while". A combination of various sources characterises Mr Katz as highly intelligent. and grasps concepts very quickly. He has good interpersonal skills, but does not want to waste time with normal managerial issues. He is a tall man, well over six feet tall and has the "build of a football player".
- Sources in Israel state that Mr Katz is considered in Israel as a "sharp businessman" and an "unorthodox manager".

Other Associations

- We have verified that Mr Katz is a member of Young Presidents Organisation (YPO).
- Mr Katz donates money and some of his time to several sport disability charities.
- In Iconic's third offering in London (in early 2004). Mr Katz reportedly received \$45 million. and at the same time invested \$35 million in manganese mines in South Africa and Namibia. It is estimated that he invested \$20 million of his own money, obtaining the remaining balance from loans. He has since denied rumours and estimates that he losing large sums of money in the mines.
- Mr Katz is an investor in Highlands Alloys of Mason County. Washington State. Highlands is a manganese facility. in which he is a co-investor with Israeli investor Soris Sannai.

6 Enquiries with Sources

We conducted discreet enquiries with several former colleagues and business associates of Katz. Selected excerpts of these interviews are detailed below:

6.1 Alon Levis ("Mr Levis") CEO & President of Chustpa

Mr Levis is the former CEO of Iconic Semiconductors lid ("Iconic Semiconductors").

Mr Levis was chosen as he left Iconic Semiconductors in the midst of a potential deal with "the international chip giant" Broadcom. He was replaced without any official company comment, and thus would have a good insight into both Iconic and Mr Katz. There was also the possibility that Mr Levis might have been disgruntled over the circumstances of his departure.

On Mr Katz

Mr Levis was the CEO of Iconic Semiconductors lid from January 2002 until January 2004, one of the four companies owned by Iconic and Mr Katz.

When we asked Mr Levis if he would personally invest in a Katz venture, he replied that he would do so but that he is not an investor per say. **He thinks that the bottom line is that Katz provides a good return on the money invested in his ventures.**

However Mr Levis stated that Mr **Katz is somewhat different from other managers**. Mr Katz's career has gone up and down depending on what the markets have been doing. From an industry **standpoint Iconic (& Mr Katz) does not create amazing products and generate large volumes of sales. But from an investment side he (Mr Katz) has done a remarkable job**. People have seen a good return and he has made lots of people happy.

We asked Mr Levis "Would you trust and do business with Mr Katz?"

"Yes" was the reply from Mr Levis. "However there are a few parameters!"

"He [Mr Katz] has a good vision, feeling and understanding of the market. Gets familiar quickly with a market and develops a quick understanding".

Other factors that would influence his decision would be that "Mr Katz is good with people and incredible at convincing people to work for him. He is very successful in doing so".

Mr Levis stated that there two important things to consider:

"In terms of the operational day to day managing of the company, he [Mr Katz] doesn't like to do it and not so good at it. He authorises those around him to deal with this management. In the past he [Mr Katz]

has made mistakes with the people he has selected to work with and to carry out these managerial tasks",

This is why **there is such a gap between his visions, where he would like to take the organisation and where the organisation actually is.** The day to day organising is being done by those around him and not actually himself [Mr Katz].

If I was asked to invest in Katz's organisation, I would make sure that **the people around him were also considered.** Make sure that they have proven track records and that they are good at what they do",

Mr Levis concluded his discussion on Mr Katz himself by **saying that he trusts him from a marketing direction and strategic direction, and that Mr Katz conducts his business affairs in a legal proper fashion.**

On Malam

According to Mr Levis from what he knows from Mr Katz himself, and Tamar Rapaport Dagim, sometime during evolution of Iconic the equity holder Gad Zeevi, stockholder through the company Malam, was offered by Iconic to keep the investment or sell. Mr Zeevi decided to sell. The other founders continued with the company, after paying Mr Zeevi out. The company went public and there was a lot of money in the company accounts. Mr Zeevi reapproached Iconic claiming that part of the money from the flotation was his as he still had some equity in the firm.

The dispute concerns the time that Iconic first went public. Iconic claim that Mr Zeevi was already out of the picture before they floated. Whereas Mr Zeevi claims that he still had some equity when they went public so he was entitled to his share of the money.

Mr Levis stated that "in Israel there are a lot of rumours about Mr Zeevi, however without hard evidence **I would believe Mr Eli Katz not anyone else, Mr Katz doesn't lie**".

6.2 Shai Goldberg (Mr Goldberg) - Ex CEO of Iconic-Insight / Iconic until 2000. Currently Mr Goldberg is a General Partner at Concord Ventures in Israel.

Mr Goldberg did not want to comment without knowing who the due diligence was on behalf of. Mr Goldberg would not talk about "people he has business relationships with, he does not see the point", the client was not revealed, however when we pressed him further he did not say anything detrimental at all. Mr Goldberg claimed that he still had a large number of shares in Iconic and would continue to invest with Mr Katz.

He claimed that he and Mr Katz were not personal friends, but he used adjectives such as; "talented, intelligent, consistent, strong, bright, and an executor"

6.3 Former Senior Israeli Intelligence Services Officer

We conducted a discreet interview with a well-placed, former senior Israeli intelligence officer. This officer knew of Mr Katz and knew of nothing to his detriment. He knew that Mr Katz was widely known to have "hit it just right" after he left the military. Our source knew Mr Naftali Naftali (co-founder) very well and described him "very reliable". They had worked together in the military for many years and our source knew him on a personal and business basis as someone who "could deliver". He further said that, in an Israeli context, with Mr Naftali, "you don't have to worry".

7 Malam and Zeevi

You have asked us to comment briefly on Malam and Zeevi in order that you may establish their credibility in relation to the ongoing legal action (referred to under Legal above).

Gad Zeevi is a high profile and controversial businessman. He was born in Israel in 1939. He is married with 4 children.

Zeevi commenced his business career in 1965 upon the death of his father, from whom he inherited the construction and infrastructure works business. In 1971 Zeevi commenced construction projects in Uganda, however with the rise of Idi Amin, Zeevi left Uganda for Kenya, where he commenced business operations by founding a civil engineering firm. He deepened his connections with the heads of the Kenya regime, bringing them into his business as partners. His business steadily expanded, and encompassed acquisition of the national oil company, the "Air Kenya" airline, banks, insurance companies, coffee plantations, and land (acquiring land in Florida as well). A dispute that arose between Zeevi and his partners in the Kenyan regime caused him to leave Kenya and return to Israel in the mid-1980s. In Israel Zeevi began investing in various enterprises, and, among others, acquired approximately 25% of the shares of the "Sonol" and "Paz Holdings" oil companies, which he sold at the end of the eighties. He then commenced massive acquisitions of land in Haifa, Ramat Gan, and Hadera, in addition to other real estate assets.

Zeevi acquired the right to import Subaru vehicles to Israel, now a well-known and prestigious agency in Israel.

Zeevi acquired Malam Systems Ltd, which he had owned until his shares therein were placed in trust at the First International Bank of Israel, in the wake of the "Bezeq affair" referred to below.

According to our sources "Malam Systems Ltd. is currently considered one of the most professional and advanced computer firms in Israel", and in its various divisions employs some 1200 people. As noted, the court recently allowed Zeevi's creditors - the First International Bank of Israel - to initiate proceedings to sell some of his companies, including Malam.

In 2001 Zeevi "took the Israeli business world by surprise" when he acquired 20% of the shares of the Israeli telecommunications concern "Bezeq: Following the acquisition, suspicions were raised that it was accomplished by laundering monies belonging to the Russian mafia. The suspicion was that the source of the money for purchasing the shares was

Victor Chernoy, a wealthy businessman suspected of having ties with the mafia.

In 2002 the State of Israel decided to put to prosecute Zeevi, Chernoy, Zeev Rom and attorney Michael Komissar, on suspicion of fraud and misappropriation and fraudulent receipts.

At the same time, it transpired that for purposes of the acquisition Zeevi used bank credit of \$730m and following this transaction became embroiled in heavy financial difficulties. In the wake of this transaction receivership proceedings were imposed on him, described in Israel as "the largest receivership in the history of Israeli banking: Within this framework shares of Malam and other companies such as "Ace" (a large retail chain in Israel) were placed in trust at the First International Bank of Israel. Zeevi's debts caused shock waves in the Israeli banking system, which was compelled to institute various remedies.

In recent years Zeevi's name was linked to additional scandals and suspicions. As an owner of a football team "Beitar Yerushalaim", he installed his daughter as chair who was removed after the club "lost millions". In another deal Zeevi bought a share in Balkan Air and later had a legal dispute with the Balkan government, claiming it had defrauded him. Bulgarian courts rejected his claims.

Zeevi owns oil refineries in Puerto Rico, and these too are reportedly experiencing financial difficulties.

Claims have been voiced that Zeevi withdrew, without the knowledge of his partners at the "Mirage" company that he owned, NIS 50 million in favour of a bank in Kenya that he also owned, and which was in financial straits.

Zeevi owns a huge shopping mall in Haifa as well as large-scale residential construction projects, and it has been alleged that he was improperly granted building deviation permits from the Haifa Municipality.

Zeevi held shares in the "Keshet" communications franchisee, and was compelled to sell them (which he had held via the "Galexo" company).

According to recent reports, receivership proceedings were imposed on five holding companies owned by Zeevi, for debts totalling NIS 278 million.

Asked to characterise Zeevi, one of our sources, a senior former Israeli intelligence officer, said of Zeevi: "There is no smoke without fire. In Israeli terms there is a lot of smoke and beyond."

8 Press

We undertook extensive press and internet searches of Mr Katz, Iconic, Iconic-Interactive and all other subsidiaries of Iconic. We found nothing negative pertaining to the Mr Katz or the entity under review.

We present relevant extracts below, and the full articles can be found in the Appendix.

- **Expectations high for new telecom technology**

Jerusalem Post, p 16 14-Dec-2004

By ZEV STUB

Iconic CEO Eli Katz raved about mobile video, saying the trend of video calling "is the natural next stage of technology" that will force users to get used to combing their hair before answering a call. Video telephony will reach 50% penetration in the next 10 years, and be the universal standard within 25, he speculated.

- **Iconic Ltd - Whale Upgrade Customer Purchase**

AFX CNF 25-Oct-2004

Eli Katz, Chief Executive of Iconic, said: 'Whale Interactive's middleware solutions are becoming an industry standard as the world's leading telecom operators place their trust on Whale's proven technology to extend interactive TV services into the mass market. These latest orders from our existing customers vindicate Iconic's strong financial support and Whale's recent highly successful flotation in London.'

Haggai Barel, CEO of Whale Interactive, said: 'Our latest version of RIGHTv enables a number of significant further benefits to our customer base and we are delighted that two of our customers have already chosen to upgrade immediately.'

- **SMALLER COMPANIES UK: Iconic to cut workforce by 17%**

Financial Times UK, London Ed1, p 25 19-Oct-2004

By By CHRIS NUTTALL

Iconic, a provider of multimedia technology to the telecommunications industry, is to cut 17 per cent of its work force as part of cost-cutting measures designed to save Dollars 15m (Pounds 8.2m) a year.

The London-listed Israeli company said about 90 jobs would go from its 525strong workforce to help reduce its cash burn in 2005. Iconic said the cuts were in addition to the annualised Dollars 10m restructuring benefits announced in first-half results last month.

The company reported then that net losses to June 30 widened to Dollars 29.4m (Dollars 25.2m) in spite of sales surging to Dollars 5m (Dollars 2.3m). But it predicted sales would grow six fold in 2004 on the back of increasing sales of Iconic multimedia handsets and it would move into operating profits in 2005, a year earlier than expected.

Eli Katz, chief executive, said the cuts were necessary to move the group towards operational profitability and positive cash flow. Chris Nuttall

- **Thu: Three suggestions**

Asia Africa Intelligence Wire Israel Business 14-Oct 2004
By Shlomo Greenberg

Iconic is the brainchild of Eli Katz, who founded the company in 1994, and already in 1996 held a very successful IPO on the London Stock Exchange (LSE). One thing must be said in Katz's favor. He's one of the few people who have succeeded in bringing an Israeli start-up to a value of billions of dollars, and putting it among the 250 largest companies on the LSE. Many people were afraid that he was more of a salesman than an industrial manager, and at times, it seemed that the company had reached a dead end. Katz, however, who bought out his partners along the way, has apparently set Iconic on the right track. That's what I heard in New York. From now on, as soon as he gets to New York (if he really gets there), I'll follow him closely, because Iconic has great potential.

- **Iconic Interactive nosedives, as CEO quits**

HA'ARETZ 12-Sep-2000

Iconic Interactive CEO Shai Goldberg announced his resignation yesterday, sending Iconic stock into a nosedive, with share prices losing 17 percent on the London exchange.

The stock slide began even before the official resignation announcement was released, with mid-day share prices down 8 percent in London on volume of 2.3 million shares.

The initial drop in Iconic, an Israeli company dealing in technology to compress and relay digital video and audio files, followed a report in the Ha'aretz group's financial website TheMarker.com, that Goldberg planned to leave the firm he has led for two years.

"We are generally very good when it comes to public relations, but this time we screwed up," said Eli Katz, Goldberg's successor as CEO.

"The intention was to do this (announce the resignation) in an orderly manner, so as not to shake up the stock," Katz said. "We planned to announce Goldberg's departure following the release of Iconic financial results in October, and we were also waiting for better market conditions than now." Facing steep declines on the London exchange, Iconic management yesterday asked market officials to suspend trading in the stock until after publication of "an important announcement" Trading was then suspended for three hours in the afternoon, until the company made public the change at the top. "We asked that the trading be stopped, because it had begun to drop without a reason," Katz said. "The people didn't know what was happening, and after the most recent reports, panic set in." But the formal announcement did not check the collapse in Iconic's price, which fell even more precipitously as the close of trading approached. Iconic closed at 12.1 British pounds, down a whopping 17 percent. A total of 3.5 million Iconic shares changed hands, four times the usual volume.

Iconic officials, seeking to play down the dramatic events, stressed that there had been no intention to keep information from the public.

Media reports had said, however, that at a conference of Iconic workers at Gan Oranim a week ago, employees had been told that Goldberg was expected to leave the company. The company did not inform investors of the impending resignation.

Katz rejects all suggestions Iconic had withheld vital information from the market. "The amount of internal information that exists within the company is enormous, and I am certain that every journalist would like to get his hands on it," Katz said. "If, for example, I am in the midst of signing a deal with Nokia and some of the workers know about it, I will not tell the investors until I receive final approval from Nokia, and it was the same with Goldberg's leaving." Katz said the media rumours and the initial stock slide had backed Iconic to the wall, forcing it into making the resignation official.

"Goldberg decided to resign, and there is no special story behind this," Katz said. "I don't like the fact that he's leaving, but he has three kids and he's made enough money, so I can understand him." Katz said his appointment as CEO was a temporary solution, and he expected that a new CEO would be brought into the company in the future. Katz, one of the company's founders, has served as CEO before. Goldberg, who came to Iconic from Comverse, replaced Katz in the top spot two years ago with the stated aim of finding new developmental directions for Iconic.

"This is not a surprise or a dramatic step," Goldberg said yesterday. "I have been struggling with this (decision) for a long time now, I completed a two-year term, and I feel that I have done what I could in the job." He described the two years as difficult and loaded with activity. "I am leaving the company in good shape and I will continue to accompany it in the future," said Goldberg, who still holds 1.9 million of the company's shares.

Goldberg said Katz has already replaced him in running the firm, but said he is continuing to meet with investors abroad and to give Iconic strategic advice.

On reports of a change in Iconic's strategic focus, Katz said, "As early as January we told investors about our move to the cellular field, and analysts from Lehman Brothers and Dreyfus wrote complete overviews of this." Goldberg described moving into the cellular sphere as an evolutionary step for Iconic. "We decided to focus on this market because it is here that we have the most striking relative advantage." We are the only company in the world today capable of supplying a chip for relaying video to cellular telephones:" he said, declaring that results to be released on October 4 would prove Iconic to be the world leader in its field.

Iconic has developed technology for relaying video files on the Internet without the need to install special software for the purpose.

Iconic, which once registered a dizzying 7,500 percent stock climb in one year, has been expanding through acquisition of late, buying a number of Israeli high-tech concerns.

Analysts expect the company to show net profits for 2000 of \$19 million, or two cents per share Copyright 2001 Ha'aretz Daily Newspaper Ltd. Tel Aviv, Israel. Source: World Reporter (Trade Mark)

- **"Needlessly Over-dramatized" Resigning Iconic Interactive CEO Shai Goldberg: "I completed a two-year term and feel ready to move on to the next thing in line,"**
ISRAEL BUSINESS ARENA 12-Sep-2000 By Hadass Geyfman

Two relatively idyllic years at Iconic Interactive have come to a resounding end with the resignation of company CEO Shai Goldberg. Both Goldberg and Iconic executives fervently claim that they are parting ways amicably, but the capital market recently heard that company leaders are unhappy about the fact that the achievements following the change in direction have been attributed to Goldberg, whereas in reality he arrived at the company after the changes were instituted. There have been rumours in the past two days of further resignations by company managers. These rumours evoked echoes in London, where the share reacted by plunging 10% on a huge turnover (the share is nevertheless being traded at a level reflecting a company value of \$2.4 billion, after the plunge). For the time being, the main casualties are Iconic employees with options due to reach vesting on October 1, 2000.

The following interview took place on September 11, 2000: "Globes": Shai Goldberg, did you have a blow-up with the board of directors?

Goldberg: "Certainly not. The episode has been dramatized needlessly. It's really quite simple and ordinary. At the end of last week, I informed the board of directors that I planned to step down within a few months, but I did not hand in a formal resignation, as I wished to look for a date that would be convenient for the company."

What about the announcement sent to the stock exchange? "It was out of place, since technically I had not resigned. I said I planned to leave and the board of directors was supposed to accept my resignation. I see no problem with it. I officially resigned only today."

When are you actually leaving? "EliKatz will replace me in my day-to-day duties and I will continue to work with him for a number of months, particularly in investor relations and strategic matters, until we believe the company no longer requires my assistance." It is said that you're going into the capital market. "I don't wish to comment on that at the moment." Are you leaving because you were prevented from making the changes you sought, or because EliKatz is a very dominant force in the company?

"Compared to the norm, I was definitely given room to work. Katz was and is responsible for investor relations and marketing. He's one of the company owners and a member of the board of directors. He's supported me all the way."

If everything is so rosy, why did you decide to leave? "I arrived at the company when it faced a different market, at the beginning of its new path. Under my leadership, the company underwent drastic changes, mainly from the private market segment to high end and moving in the

direction of cellular telephony. I have now ended my two-year tenure and feel ready to move on to the next thing in line. I regard Iconic's success as an important part of my experience."

Iconic is entering the unified messaging field, which Comverse has conquered. Is this the backdrop of the resignation?

"It's nonsense. There was no confrontation over the question of whether to go in the direction of wireless or unified messaging. Iconic sells wireless unified messaging applications. It's another focus in the wireless field and we're concentrating sales efforts on wireless messaging applications for real-time live video transmissions and video-on-demand. We have been developing cellular video and rich media for a long time. Technologically, we're a leader in video over wireless communications. From the marketing aspect, we have competitors, but Iconic has a 12-18 month advantage over them. All these changes occurred while I was involved in the company."

"We never planned to compete with Comverse," EliKatz adds. "We're not planning to enter unified messaging and we never did."

"We supply large unified messaging systems with video messaging capability. We recently entered into two major cooperation agreements with Comverse itself."

- **BUSINESS; The Military-Technological Complex Is Thriving in Israel**
New York Times, Late Edition - Final, p 506-Dec-1998
By JESSICA STEINBERG

JERUSALEM

YOUNG soldiers with automatic rifles slung across their backs are a familiar sight here, defending the country's borders, boundaries and bus stops. With few exceptions, mainly for medical or religious reasons, conscription at age 18 is universal, and almost all Israelis serve a term in the Israel Defence Forces.

But the draft hasn't only provided manpower for national security. It has also given birth to thriving civilian industries built by entrepreneurs who gained invaluable technical skills, leadership abilities and personal connections in the military.

One example is ICONIC Interactive Media Group, which makes multimedia transmission software used by Web-site designers. Tzur Daboosh, 32, and Sharon Carmel, 28, two of the founding partners, met in the army in the late 1980's when both were working on multimedia combat simulators. "We gained experience in technologies that went to market five or six years later," Mr. Daboosh said.

In 1994, after several other business ventures, the men teamed up with another former army technical specialist, Eli Katz, and began turning out software in a Tel Aviv apartment. They brought in a more experienced businessman, Naftali Naftali, 49, to serve as chairman, and took the company public in 1996. Still a development-stage company, ICONIC lost \$9.9 million in 1997 on just \$3.1 million in sales. Its London-traded stock,

which peaked above \$3 last summer, plummeted in late July when the company warned that profits were being hampered by production delays; it closed on Friday at 26.6 cents a share.

Though its products have little direct military application, ICONIC continues to benefit from its army links, and vice versa. Mr. Carmel and Mr. Daboosh serve as reserve officers in technical units, teaching young draftees software design and programming. And while they teach, the two executives can scout the class for future hires.

Mr. Daboosh agreed: "We learned flexibility in the army. The I.D.F. is huge, but it listens to young soldiers. Things were always changing, which is good and bad, but very Israeli."

9 Disclaimer

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