VALUATION
AS OF
31.12.2008

CopperGate Communications Ltd.

May 2009

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Tel Aviv 66184
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May 2009

Dear Sir/Madam,

Pursuant to your request, BDO Ziv Haft Consulting & Management Ltd. (hereinafter: "**BDO**") has prepared an analysis with respect to the fair value of the common equity of CopperGate Communication, Ltd., (hereinafter: "**CopperGate**" or "**the Company**") as of December 2008 (hereinafter: "**Valuation Date**") for purposes of financial statement preparation under generally accepted accounting principles. This letter is intended to provide you with an overview of the purpose and scope of our analysis and our conclusions.

PURPOSE AND SCOPE

The objective of this engagement is to estimate the per-share fair value of the common equity of the Company, on a closely-held, minority basis, as of the Valuation Date. The purpose of this engagement is to assist CopperGate's management (hereinafter: "**Management**") with its financial reporting with respect to the grant of certain stock options. Accordingly, this valuation opinion should not be used for any other purpose or distributed to third parties without the expressed knowledge and written consent of the appraiser. This report can be published along with the financial statements of Tamir Fishman Venture capital II Ltd.

Fair value is defined as:

The amount at which an asset (liability) could be bought (incurred) or sold (settled) in a current transaction between willing parties, that is, other than in a forced or liquidation sale.

LIMITING CONDITIONS

1. In accordance with recognized professional ethics, the professional fee for this service is not contingent upon our conclusion of value, and neither BDO nor any of its employees have a present or intended material financial interest in the subject enterprise valued.
2. The opinion of value expressed herein is valid only for the stated purpose as of the date of the valuation.
3. Financial statements and other related information provided by the Company or its representatives in the course of this investigation have been accepted, without further verification, as fully and correctly reflecting the enterprise's business conditions and operating results for the respective periods, except as specifically noted herein.

4. Public information and industry and statistical information have been obtained from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information, and have accepted the information without further verification.
5. We do not provide assurance on the achievability of the results forecasted by the Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of management.
6. The conclusions of value are based on the assumption that the current level of management expertise and effectiveness would continue to be maintained and that the character and integrity of the enterprise through any sale, reorganization, exchange, or diminution of the owners' participation would not be materially or significantly changed.
7. This report and the conclusions arrived at herein are for the exclusive use of our client for the sole and specific purposes as noted herein. Furthermore, the report and conclusions are not intended by the author, and should not be construed by the reader, to be investment advice in any manner whatsoever. The conclusions reached herein represent the considered opinion of BDO, based on information furnished to them by the Company and other sources.
8. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of any valuation specialist(s), or the firm with which such valuation specialists are connected, or any reference to any of their professional designations) should be disseminated to the public through advertising media, public relations, news media, sales media, mail, direct transmittal, or any other public means of communication, without the prior written consent and approval of BDO.
9. Future services regarding the subject matter of this report, including, but not limited to, testimony or attendance in court, shall not be required of BDO, unless previous arrangements have been made in writing.
10. BDO is not an environmental consultant or auditor, and it takes no responsibility for any actual or potential environmental liabilities. Any person entitled to rely on this report wishing to know whether such liabilities exist, or their scope, and the effect on the value of the property is encouraged to obtain a professional environmental assessment. BDO does not conduct or provide environmental assessments and has not performed one for the subject property.
11. BDO has not determined independently whether the Company is subject to any present or future liability relating to environmental matters (including but not limited

to CERCLA/Superfund liability), nor the scope of any such liabilities. BDO's valuation takes no such liabilities into account except as they have been reported expressly to BDO by the Company, or by an environmental consultant working for the Company, and then only to the extent that the liability was reported to us in an actual or estimated dollar amount. Such matters are noted in the report. To the extent such information has been reported to us, BDO has relied on it without verification and offers no warranty or representation as to its accuracy or completeness.

12. BDO has not made a specific compliance survey or analysis of the subject property to determine whether it is subject to or in compliance with the Americans with Disabilities Act of 1990 (ADA) and this valuation does not consider the effect, if any, of noncompliance.

SUMMARY OF FINDINGS

Based upon the analysis described in the accompanying report, it is our opinion that the fair value of the common equity of the Company, as of the Valuation Date, is reasonably estimated in the amount of $ 3.788 per share.

During the course of our valuation analyses, we were provided with pro forma and forecast financial and operational data regarding the Company. Without independent verification, we have relied upon these data as accurately reflecting the results of the operations and financial position of the Company. As valuation consultants, we have not audited these data and express no opinion or other form of assurance regarding their accuracy or fairness of presentation.

We are unrelated to the Company and have no current or expected interest in the Company or its assets. The results of our analysis were in no way influenced by the fee paid for our services.

We are pleased to provide this valuation service to the Company. Should you have any questions concerning our analysis or report, please contact us at: +972-3-6386894.
Respectfully submitted,

BDO Ziv Haft
Consulting & Management Ltd.

Table of content

1. Company Overview

The following sections provide an overview of the Company's history, products and services, facilities, management team, capital structure, and financial position.

1.1. Corporate Overview

CopperGate Communications Ltd. is a system-on-chip company that develops markets and sells chipsets for the home networking and MDU access markets.

The Company's patented CopperStream™ technology provides system-on-chip (SoC) products to the multimedia-oriented home networking and MDU access markets. CopperGate's products support the simultaneous provision of multiple channels, such as video, audio, voice and data services, and enable this reliable networking and the distribution of multimedia entertainment content with high data rates and stringent Quality of Service (QoS) requirements over existing coax and telephone wires, which are using also in residential and SOHO (Small office Home office) environments, and are enabling the deployment of IPTV services by major service providers.

CopperGate Communications is a privately held company. The Company was incorporated in August 1999, and commenced its operations at the beginning of 2000 by a team experienced in the communications, broadband and chip design industries. CopperGate's headquarters and R&D center are located in Tel Aviv, Israel, with a North American marketing and support office in Newark, California. The Company has a branch office in Taiwan and representatives in Japan and China.

1.2. Technology

CopperGate's CopperStream™ technology exploits the capacity of telephony and coax wiring by delivering data rates of up to 320 Mbps to multiple network nodes. The technology includes a robust Quadrature Amplitude Modulation (QAM) scheme, which achieves high data rates on a variety of wiring topologies, overcomes various impairments and coexists with other services on the same wires, such as POTS, dial-up modems, ISDN, ADSL, VDSL and broadcast TV. It also features a highly efficient synchronous Media Access Control (MAC) protocol layer that enables a useable net throughput of above 200Mbps. The technology is capable of guaranteeing the required Quality of Service (QoS) for multiple

simultaneous streams, essential in entertainment and multimedia applications and services such as distribution of multiple HDTV streams, distribution of multiple IPTV streams, digital audio and toll-quality voice streams within the home. Also part of the CopperStream™ technology are a Convergence Layer that supports bridging to external broadband networks and protocols such as xDSL, DOCSIS, IEEE 802.16, IEEE1394, and a suite of management and diagnostic functions.

1.3. Products

The CopperStream Chipset Family

The CopperStream™ chipset family offers a complete solution for a variety of home networking and MDU access applications. Based on the ITU G.9954 and the HomePNA V3.1 standards, CopperStream™ chipsets implement an integrated MAC and PHY engine and provide a scalable solution from standalone network adapters to feature-rich network controllers. Bundled with a complete software package, the chipsets allow implementation of network nodes with or without an external micro-controller.

CopperGate provides a complete development kit for the most common applications, in order to significantly shorten time-to-market for its customers and to demonstrate the capabilities of its products. The development kit comprises four main elements:

- Data Sheets and Application Notes
- Performance Evaluation Boards
- Reference Design Database
- Software Development Kit (SDK)

CG3010 System-on-Chip Solution

The CG3010 chipset is a system-on-chip solution for high-speed home networking over existing coax and/or telephone wires. Implementing the ITU G.9954 standard and the HomePNA 3.1 standard, and based on CopperGate's CopperStream™ technology, the chipset boosts transmission of video, audio, voice and data over legacy wires at rates of up to 128 Mbps. The chipset is capable of guaranteeing the required Quality of Service (QoS) for multiple simultaneous streams of multimedia data.

Target applications for CopperGate chipsets include: residential gateways (RGs), set-top boxes (STBs), network peripherals, home entertainment equipment, and MDU access systems.

The CG3010 chipset was designed with a large variety of interfaces to allow glue-less integration into network adapters, set-top-boxes, residential gateways or other embedded applications. The chipset supports both Master and End Point applications and allows the designer to choose the optimal interface for specific system requirements.

The CG3010 chipset is scalable, supporting simple devices without requiring external memory, as well as complex systems where it can share resources with an external host.

Management/Diagnostic support is provided using host-based diagnostics application software that communicates with the CG3010 firmware over the standard host interface bus.

The CG3010 chipset comprises the CG3011 MAC + PHY digital engine and the CG3012 analog front end.

CG3110H Home Networking System-on-Chip Solution

The CG3110H chipset is a system-on-chip solution for high-speed home networking over existing coax and/or telephone wires. Based on the ITU G.9954 standard and the HomePNA 3.1 standard, the CG3110H integrates the features of the industry proven CG3010 chipset with an Ethernet MAC while increasing the maximum data rate up to 160 Mbps. Integrated in the chipset, Dynamic Bandwidth Allocation (DBA™) provides efficient utilization of network resources as well as guaranteed QoS for multiple simultaneous streams of real-time video (HD and SD), audio and voice in presence of best effort data transfers. The CG3110H is optimized for low-cost, high-performance networking solutions in set-top boxes, PVRs, broadband and media gateways, Ethernet bridges, VoIP adapters.

Management/Diagnostic support is provided using host-based diagnostics application software that communicates with the CG3110H firmware over the standard host interface bus.

The CG3110H comprises of the CG3111 MAC + PHY digital engine and the CG3112 analog front end.

CG3110M System-on-Chip Solution

The CG3110M chipset is a system-on-chip solution for providing Triple-Play (video, voice, data) services to individual apartments in Multi-Dwelling Units (MDU). The CG3110M chipset can easily be integrated into Optical Network Terminal (ONT) and DSL gateway equipment as well as enable the design of low cost Ethernet bridge endpoint devices for installation in the individual apartments. This allows the WAN access network's bandwidth to be shared among the building's apartment units.

The CG3110M is optimized for low-cost, easy to install MDU systems. CG3110M based solution coexists with standard cable TV broadcast services already delivered over those same wires.

CG3110M solution is based on the widely-deployed HomePNA 3.1 (ITU G.9954) industry standard and delivers enhanced physical layer transmission for robust operation over the challenging noisy infrastructure typically found in older apartment buildings. It brings the benefits of CopperGate's field-proved Home Networking IPTV solution to the MDU Access application including high data rates, multi-band operation, advanced synchronous MAC and best of breed QoS. The solution adds many new MDU-specific features, such as advanced point-to-multipoint MAC operation, support of large numbers of End-Points per Master device, client to client privacy, remote configuration of clients according to their Service Level Agreement, users' admission control, remote management and diagnostics and more, making it very attractive to service providers worldwide.

The CG3110M comprises of the CG3111 MAC + PHY digital engine and the CG3112 analog front end.

1.4. Facilities

CopperGate's headquarters and R&D center are located in Tel Aviv, Israel, with North American offices, in Newark and San Diego CA, engaging in marketing, support and small R&D. The Company has a branch office in Taiwan and representatives in: Japan, China and Korea.

1.5. Financial Analysis

Following is the Company's audited balance sheet as of December 31, 2005-2007, and first draft balance sheet as of December 31, 2008 (As percentages of total assets):

	Year ended December 31,	Year ended December 31,	Year ended December 31,	Year ended December 31,
	2005	2006	2007	2008
	Audited	Audited	Audited	Draft
		As percentages of total assets		
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	75.9%	26.6%	21.3%	60.1%
Short term bank deposits	0.0%	21.9%	9.2%	7.4%
Trade receivable	4.0%	25.4%	37.4%	12.0%
Accounts receivable	6.7%	4.0%	3.1%	2.0%
Inventory	4.0%	10.6%	22.8%	8.5%
Total current assets	**90.7%**	**88.5%**	**93.8%**	**89.9%**
Long term lease deposits	0.0%	0.0%	0.2%	0.2%
Deferred income taxes	0.0%	0.0%	0.1%	2.3%
Severance Pay Fund	0.0%	0.0%	2.9%	2.5%
Total long term assets	**6.5%**	**6.6%**	**3.2%**	**4.9%**
PROPERTY AND EQUIPMENT, NET	2.7%	3.0%	2.6%	4.1%
OTHER ASSETS, NET	0.0%	1.9%	0.3%	1.1%
Total assets	**100.0%**	**100.0%**	**100.0%**	**100.0%**
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Trade payables	6.7%	8.2%	17.6%	6.6%
Employees and payroll related accural	5.9%	6.6%	5.1%	7.1%
Accrued royalties	0.0%	0.0%	3.6%	3.1%
Accrued expenses	0.9%	2.2%	1.5%	2.2%
Bank Loan	0.0%	0.0%	0.0%	8.1%
Total current liabilities	**13.5%**	**17.0%**	**27.9%**	**27.1%**
LONG TERM LIABILITIES:				
ACCURUD SEVERANCE PAY	6.6%	6.4%	3.1%	2.9%
Loan	0.0%	0.0%	9.9%	0.0%
SHAREHOLDERS' EQUITY:				
Ordinary shares	0.0%	0.0%	0.0%	0.0%
Preferred shares	0.6%	0.4%	0.1%	0.1%
Additional paid in capital	369.8%	238.6%	86.1%	70.9%
Receivable on account of shares	-77.3%	0.0%	0.0%	0.0%
Retained earnings (accumulated deficit)	-213.3%	-162.4%	-27.2%	-0.9%
Total shareholder's equity	**79.8%**	**76.6%**	**59.1%**	**70.1%**
Total liabilities and shareholders' equity	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Following is a calculation of several financial ratios for the years 2007-2008:

	2007	2008
Liquidity ratios		
Current ratio	3.36	3.33
Quick ratio	2.55	3.01
Cash ratio	1.09	2.49
Assets turnover ratios		
Receivables turnover	3.37	13.58
Average collection period	108	27
Inventory turnover		6.90
Inventory period		53
Profitability ratios		
Return on asset	30.2%	19.7%
Return on equity	51.2%	28.1%

2. Industry Overview

2.1. General[1]

The home networking market is rapidly evolving from a data-centric broadband sharing market to one that is the central platform for media distribution. The incorporation of networking technology, media server and client capabilities and seamless connectivity into a wide variety of devices is creating a vast and dynamic market for equipment, silicon, software, content and service providers.

According to ABI research, the overall core home networking hardware market is expected to grow to $10 billion by 2011, while the total value of networked entertainment, data, storage and communications devices for consumers will grow to over $85 billion by 2011.

Broadband digital services for the home are very competitive with both the quality and quantity of services increasing dramatically over the last couple of years. The cable industry is offering a triple play package consisting of television/ on-demand video, high-speed data and voice. Through fiber optics, the telephone companies are able to match and sometimes exceed in quality, the triple play package being offered by the cable companies and at a more competitive price. Electric utility companies, through power-lines, are beginning to deploy high-speed data services. Satellite companies are limited to television and video on-demand. The addition of wireless (cellular) phone services is turning the triple play into a quadruple package.

This competition is favorable to the consumers. A mature home multimedia networking will demand much higher performance with serious cost reductions threw higher bandwidth.
Still, despite the advance in broadband to the home, networking within the home is still a little behind for the average consumer. An emerging phase in home networks is a multimedia network that blends in consumer electronics (CE) devices. According to In-Stat market report, about two-thirds of those with home networks in the US still only use them to share Internet access and have no other devices connected to their networks, not even PC peripherals. However this research shows that there is considerable consumer desire for using digital content stored on PCs elsewhere in the home. In another research they found

[1] Based on Management.

that growth for home networks with at least one PC and at least one networked CE device will approach 100% over the years 2007-2009.

In the next few years, the connectivity in the home is forecasts to change. Applications such as home networking broadband, whole-home DVR, video-on-demand, voice over IP, and other broadband data services such as messaging, gaming, and peer-to-peer services are all factors in future connectivity. Early networking technologies were designed to provide simple data networking for broadband Internet and file sharing on a "best effort" basis. Whole-home entertainment networking requires a robust and intelligent network that can connect a diverse set of platforms such as multiple IP STBs, home/residential gateways, PCs, media servers, whole home DVR STB, and other digital home devices. According to Parks and Associates in the next few years there will be see a significant growth in the number of US connected entertainment households, which estimates to reach to 30M by 2010.

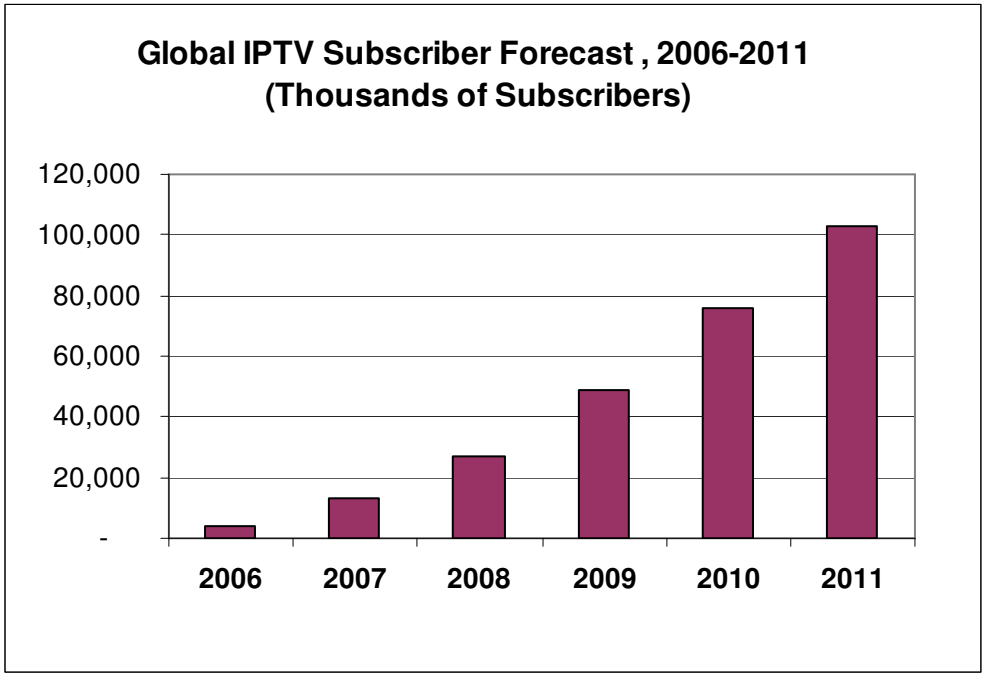
US Connected Entertainment Households (MM)					
	2006	2007E	2008E	2009E	2010E
# of households	4	9	15	22	30

Source: Parks and Associates

The following table shows the Global IPTV Subscriber Forecast by Geographic Region, 2006-2011 (Thousands of Subscribers).

	2006	2007	2008	2009	2010	2011
Americas	355	1,952	4,519	7,979	11,514	15,505
China	196	1,787	3,512	7,877	13,106	19,521
Japan	178	437	2,491	5,316	9,383	11,157
Other Asia	1,187	2,108	3,392	4,985	7,929	9,935
Asia	1,561	4,332	9,395	18,178	30,418	40,613
Europe	1,982	6,728	13,391	22,638	33,887	46,890
Total	**3,898**	**13,012**	**27,305**	**48,795**	**75,819**	**103,008**

Source: iSuppli Corp. April 2007

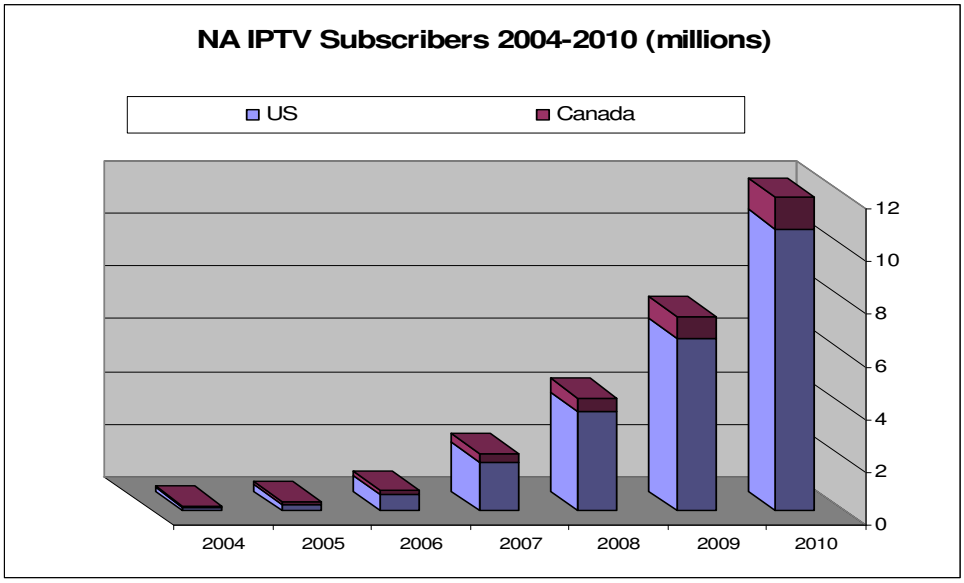


This forecast shows that the market for IPTV services and equipment will be a strong one with strong opportunities in Europe, Asia, and North America, and the growth is expected to be continued. In addition, the opportunity in the Rest of the World is becoming significant.

According to Gartner ("Forecast Analysis: IPTV Subscribers and Service Revenue, Worldwide, 2004-2010", October 2006) the market for IPTV services is still in its infancy and it is expected that this market will see significant growth during the coming years. Early IPTV deployments show that consumers are willing to accept this technology. Many of the world's largest carriers are rolling out IPTV services.

In the North American IPTV Market, according to Gartner, within 2-3 years Telcos will have significant number of IPTV subscribers. The following graph is based on Gartner's report "IPTV subscribers forecast, North America", from October 2006. According to this report the number of IPTV subscribers will be close to 12 million in 2010. Assuming an average of 4 network nodes the potential number of network nodes for IPTV in 2010 is 48 million nodes.

The following graph projects the number of IPTV subscribers in North America on the years 2004-2010: (Source: Gartner, October 2006)



In this large market of Telcos there are demands in the IPTV services for products that will deliver broadband services to homes, and will distribute broadband content (video) and operate fast return channels for interactive services throughout the homes using existing wires such as phone and coax wires.

This technology can be and plan to be used also by Satellite and Cable service providers throughout Distribution Architecture based on a centralized media server that will stream video to all other TVs. This architecture requires high bandwidth and very reliable home network.

These trends in the industry are leading service providers and OEMs to find ways to bridge all devices inside the home and across devices. According to iSupply, the number of network enabled devices will increase from 320M in 2007 to more than 750M by 2011. Therefore, service providers are looking for ways to enable the distribution of their content throughout the home. DVR is one of means to distribute video. The following table shows the significant growth in the next few years in installation of DVR in US households forecasted by LCM Research.

Annual Cumulative DVR STB in US Households (MM)					
	2006	2007E	2008E	2009E	2010E
# of DVR	5	13	27	41	52

Source: LCM Research

To address these requirements, the service providers are exploring home networking and access technologies that include Ethernet, HomePNA, Homeplug AV, Wi-Fi, and UWB. For the technology to succeed one needs to bring together high bandwidth, full QoS HD video, cost-effective deployment, customer ease of use, coexistence with other services and devices, and security. The technologies mention currently has some limitations in meeting all the requirements necessary to effectively deliver multiple streams of HD video and other multimedia content into and throughout the home.

The following table shows the Silicon Revenues forecast in the home networking silicon total available market (TAM), which estimated to increase from $1B in 2007 to more than $3B in 2011.

Home Networking Silicon TAM ($B)						
	2006	**2007E**	**2008E**	**2009E**	**2010E**	**2011E**
Silicon Revenues	0.8	1	1.5	2.2	2.7	3

Source: LCM Research and Parks and Associates

The target markets for this technology are countries that have coax or phone infrastructure inside the subscribers' homes.

The main market for multimedia home networking applications is the North American market. This market has the required infrastructure and it is also very demanding in terms of bandwidth.

The main market for MDU (Multi Dwelling Unit) applications will be Asia (Japan, China, Taiwan, and Korea). In those countries Fiber-to-the-Premises MDU is available and the coax in the building can be used for video and data distribution. Other smaller MDU markets that will use the technology include hotels in Europe.

Currently, 85% to 90% of the HomePNA market is in North America, and that ratio is not likely to change much in the next couple of years.

To sum up, the table bellow projects the potential market of the HomePNA chips[2]:

	Note	2007	2008	2009	2010
Annual Telco IP STBs (M)	1	5.6	8.4	12.3	17.9
Annual Satellite IP STBs (M)	2	0.2	0.5	2.5	5

Notes:

1. The projected number of Telco IP STBs is taken from Gartner's report "Forecast IPTV subs NA", from October 2006.
2. The projected number of Satellite IP STBs is taken from In-Stat report "Triple Play in NA", from October 2006.
3. The projected number of Cable IP STBs is taken from In-Stat report "Triple Play in NA", from October 2006.

[2] Source: *The following information was received from Management*

2.2. Competition

Competitive Landscape

The home networking market varies in the IP technology that is being used in order to enable the network, as detailed in the following table:

	HomePlug AV	*802.11n*	*MoCA*	*HPNA V3*
Medium	Powerline	Wireless	Coax	Phoneline + Coax
Max. Physical Speed	192 Mbps	310 Mbps	270 Mbps	320 Mbps
Estimated User Throughput	<60 Mbps	<100 Mbps	150 Mbps	>200 Mbps
Coverage / Reach	Interference limited	Interference limited	<600 ft	>2000 ft (phone) >4000 ft (coax)
Consistent Throughput	No	No	Yes	Yes
Guaranteed QoS	Yes	No	No	Yes
Standard	SIG	IEEE 802.11n	SIG	ITU G.9954

The table shows that the MoCA is the only existing technology that presents a significant competition to the HPNA V3, the technology that is being used by Coppergate Communication Ltd.

MoCA - Multimedia over Coax Alliance - allows broadband home network by using existing coax wiring. The technology underlying MoCA enables the distribution of HDTV and DVD-quality digital data throughout the home, with the speed of 270 Mbps. The parallel company to Coppergate Communication is Entropic Communication, which provides chipsets and associated software that uses the existing coax lines.

Competitive Companies[3]

VENDOR	PRODUCT TYPE(S)	PRODUCT(S)	NETWORK MEDIA	TECHNOLOGY STANDARD
Airgo Networks	Wireless chipsets	AGN300	Wireless	802.11X
Alcatel	Home	2wire	Coax,	HPNAv3,

[3] Based on Heavy Reading Vol 4. No. 6, May 2006.

	Gateways via 2wire partnership		phoneline, wireless	MoCA, 802.11X
Amino Communications	IP STBs/DVRs	AminNET 103, 110, 120, 124, 500; working on next-gen AminNET 130, 530 due 2006	Coax, phoneline	HPNAv3, proprietary (Coaxsys)
Cisco (Linksys)	Numerous wireless routers/gateways; KISS media players and DVRs	Too Numerous to list; still mainly consumer-focused	Primarily wireless, but agnostic when it comes to other wireline options	802.11x, MoCA (mainly for MSOs), HPNAv3 (mainly for telcos), investigating HomePlug AV
Cisco (Scientific-Atlanta)	IP STBs/DVRs, home gateways	IPN 330 HD, IPN 430 MC, IPN 603 MCG	Coax, (MSO/telco), phoneline (telco MTU); investigating powerline, next-gen WiFi	MoCA, HPNAv3
DS2	Powerline chipsets	DS9xxx series chipsets; DS9001 target in-home IPTV networking	Powerline	Proprietary aligned with UPA, Opera
Enton	Multi-channel IP STB/gateway	Hydra IP video gateway	Coax	Standard coax; investigating HPNAv3 and MoCA, with

				HPNAv3 a higher priority
Entropic Communications	Coax chipset	c. Link chipset (in-home and access-side variations); EN 1010, 2010, 3010, 3030	Coax	MoCA
Intellon	Powerline chipset	INT 5500 (85 Mbit/s, based on HomePlug 1.0, with extensions); INT 6000 (200 Mbit/s, based on HomePlug AV)	Powerline	HomePlug AV and earlier HomePlug standards
Microsoft	PC/IP STB software	None specific to home networking, although Windows Media Center & Microsoft TV IPTV Edition are related	Agnostic	Agnostic
Motorola	IP STBs/DVRs	QIP, VIP, and Kreatel-acquired IP STB product lines	Coax, phoneline	MoCA, HPNAv3
Netgear	Wireless routers,	RangeMax (enhanced	Wireless, powerline	Next-gen WiFi, proprietary

	powerline adapters	802.11b/g), RangeMax next (draft 802.11n), Powerline HD (200-Mbit/s powerline adapter)		powerline; investigating HomePlug AV
Netopia	Home gateways	2200, 3300 and MiAVo Series broad-band routers and home gateways	Coax, powerline, phoneline, wireless, POF	MoCA, HPNAv3, HomePlug AV, pre-802.11n/MIMO
Pace Micro Technology	IP STBs/DVRs	IP215, IP220	Agnostic	No integration or definitive direction; looking at MoCA, HPNAv3, HomePlug AV, and next-gen WiFi
Ruckus Wireless	WiFi multimedia home networking system	MF2900, MF2501	Wireless	Next-gen WiFi based on 802.11b/g standard
Siemens	IP STBs, home gateways	Gigaset IP STBs and Home gateways; Tango mgmt. software; partners with IP STB manufacturers	Coax, powerline, wireless	MoCA, proprietary powerline (Corinex/DS2), 802.11b/g and 802.11n WiFi

Telsey	IP STBs, home gateways	Numerous IP STBs and home gateways	Powerline, wireless	Proprietary powerline (DS2), next-gen WiFi
2Wire	Home gateways	1000, 2000, 3000, 4000 series; TR-069-based CMS	Coax, phoneline, wireless	HPNAv2, MoCA, 802.11x
Ubicom	Multimedia processor chipsets	StreamEngine 5000 CMP (communications and media Processor)	Primarily wireless	Targeting 802.11n/MIMO WiFi systems

3. Valuation Theory

The analysis we have performed estimates the fair value of a minority interest in the common equity of the Company as of the Valuation Date. In order to arrive at our estimates of value, we considered the three generally accepted approaches to valuation described in the following sections.

3.1. Approaches to Valuation

The generally accepted approaches to valuation are commonly referred to as the following:

1. Market approach;
2. Asset-based approach; and
3. Income approach.

Within each category, a variety of methodologies exist to assist in the estimation of fair value. The following sections contain a brief overview of the theoretical basis of each approach, as well as a discussion of the specific methodologies relevant to the analysis performed.

3.1.1. Market approach

The market approach references actual transactions in the equity of the enterprise being valued or transactions in similar enterprises that are traded in the public markets. Third-party transactions in the equity of an enterprise generally represent the best estimate of fair market value if they are done at arm's length. In using transactions from similar enterprises, there are two primary methods. The first, often referred to as the Guideline Transactions Method, involves determining valuation multiples from sales of enterprises with similar financial and operating characteristics and applying those multiples to the subject enterprise. The second, often referred to as the Guideline Public Company Method, involves identifying and selecting publicly traded enterprises with financial and operating characteristics similar to the enterprise being valued. Once publicly traded enterprises are identified, valuation multiples can be derived, adjusted for comparability, and then applied to the subject enterprise to estimate the value of its equity or invested capital.

3.1.2. Asset-based approach

A third approach to the valuation is the asset-based approach. The discrete valuation of an asset using an asset-based approach is based upon the concept of replacement as an indicator of value. A prudent investor would pay no more for an asset than the amount for which he or she could replace the asset new. The asset-based approach establishes value based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional obsolescence, if present and measurable. This approach generally provides the most reliable indication of the value of land improvements, special-purpose buildings, special structures, systems, and special machinery and equipment.

3.1.3. Income approach

The income approach is based on the premise that the value of a security or asset is the present value of the future earning capacity that is available for distribution to investors in the security or asset. A commonly used methodology under the income approach is a **discounted cash flow analysis**. A discounted cash flow analysis involves forecasting the appropriate cash flow stream over an appropriate period and then discounting it back to a present value at an appropriate discount rate. This discount rate should consider the time value of money, inflation, and the risk inherent in ownership of the asset or security interest being valued. Coppergate's valuation was performed under the Income Approach, using a discounted cash flow analysis, as follows:

Performing a discounted cash flow analysis requires the preparation and analysis of a reliable forecast of the expected future financial performance of the subject entity. Forecasting cash flow to all investors requires the projection of revenues, operating expenses, taxes, working capital requirements, and capital expenditures for a future period, usually three years or more.

Projected cash flow to all investors must then be discounted to a present value using a discount rate, which appropriately accounts for the market cost of capital, as well as the risk and nature of the subject cash flows. Finally, an assumption must be made regarding the sustainable long-term rate of earnings growth at the end of the projection period, and a terminal or residual value of the remaining cash flows must be estimated and discounted to a

present value. The sum of the present values of the projected cash flows and the terminal value equals the value of the enterprise.

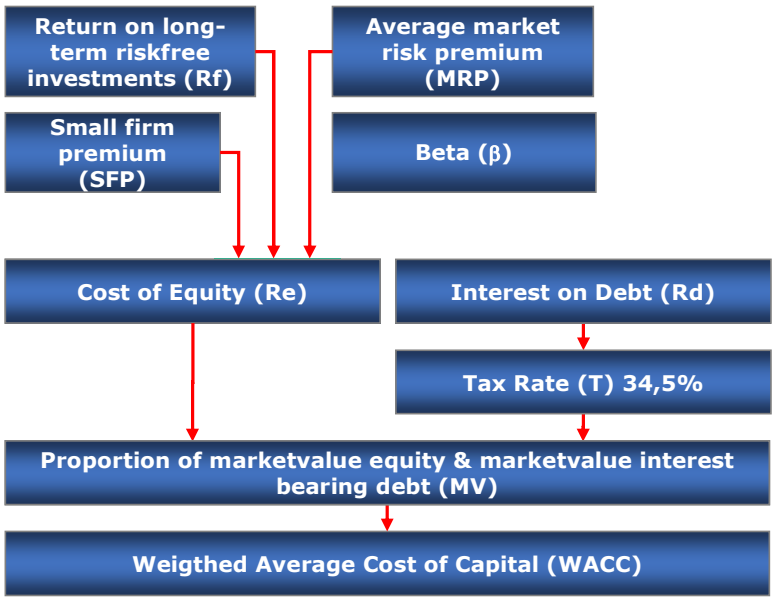
Determination of the appropriate discount rate

The discount rate or weighted average cost of capital (WACC), is the weighted average of the cost of equity and the cost of debt. The cost of equity is influenced by the minimum requested return on equity (Re), the cost of debt is equal to the interest rate applicable to debt financing of the Company being valuated. The WACC is used to calculate the net present value of the cash flows.

When calculating the cost of equity (Re) the following quantitative and qualitiative issues are taken into consideration:

- Degree of independence of management and key- decision makers;
- Marketability of the shares;
- Spread of activities;
- The market position of the entity;
- Barriers to entry into the market by new players;
- The risk free rate of return;
- The sector-beta.

Following is a graphical description of the process and parameters needed for determining the appropriate discount rate to be used in a DCF valuation under the income Approach:



The minimum return on equity (Re) is defined as follows:

Re = Rf + SFP + (MRP * β)

Where:

Rf = risk free rate of return. This usually equals the rate of return of a 20-year government bond. This rate also takes into account the political, country risk and the expected inflation rate, etc.;

MRP = market risk premium. This is the additional return requested on and above the risk free rate of return on risk-bearing investments;

SFP =small-firm premium. The SFP is the extra return requested by an investor to compensate for illiquidity, dependence of management, the entity's market position, barriers to entry the market as well as the degree of diversification of activities;

β = Beta. Beta is a measure of variability of return against the sector or industry average.

In accordance with the above formula and assumptions we will determine the cost of equity (Re)

After the calculation of the cost of equity (Re) we can calculate the Weighted Average Cost of Capital (WACC). The Wacc is calculated using an iterative process, using the following formula:

$$WACC = \frac{(EV)}{(TV)} * Re + \frac{(DV)}{(TV)} * Rd * (1-T)$$

Where:

(EV) = market value of equity

(DV) = market value of debt

(TV) = (EV) + (DV)

Rd = Cost of debt

4. Valuation analysis: Discounted Cash Flow (DCF)

As aforementioned, Coppergate's valuation was performed using a DCF analysis. Following are the assumptions upon which our valuation model was built:

Revenues – We have used Management forecast for 2009 – 2011. We did not review the achievability of this forecast. We assumed gradual decrease in growth rates from 2012 and forth.

Cost Of Goods – The COGS are comprised of: the products COGS margin, assumed to gradually increase overtime; Royalty to the Israeli OCS (Office of the Chief Science) from relevant products sales at a rate 3.5-4.5%; Royalties to 3rd parties from sales of relevant products; other. Until 2011 we have used the Management forecast for 2009 – 2011. We did not review the achievability of this forecast. We assumed the total COGS will stabilize on 56% of Revenues in the terminal year.

R&D - The Company's R&D expenses are mainly comprised of Salary & Wages and other personnel related expenses. Until 2011 we have used the Management forecast for 2009 – 2011. We did not review the achievability of this forecast. According to Management, until 2011 the Company will significantly increase the R&D expenses due to development of new products. Afterward, during the forecasted period we assumed gradual decrease in the level of R&D/Revenue ratio. We assumed the R&D expenses would stabilize on 15% of Revenues in the terminal year.

S&M – The Company's S&M expenses are mainly comprised of Salary & Wages, other personnel related expenses and marketing expenses. Until 2011 we have used the Management forecast for 2009 – 2011. We did not review the achievability of this forecast. During the forecasted period we assumed gradual decrease levels of S&M/Revenue ratio. We assumed that S&M expenses would stabilized on 9% of Revenues in the terminal year.

G&A – The Company's G&A expenses are mainly comprised of Salary & Wages and other personnel related expenses. Until 2011 we have used the Management forecast for 2009 – 2011. We did not review the achievability of this forecast. We assumed the G&A expenses would stabilized on 2% of Revenues in the terminal year, as follows:

Taxes – The Company was granted a status of "Approved Enterprise". Therefore, it is entitled to a tax exemption for a period of two years and to reduced tax rate, of 10% to 25%,

for an additional period of five to eight years. Moreover, the Company had accumulated carry forward tax losses in the amount of $4,700K as of December 2007, which were setoff during 2008 due to the Company profit. However, as of the Valuation Date the Company does not pay taxes because of the two years tax exemption. According to the forecast presented in this study, the Company would begin to pay taxes in 2010. Based on the Company management and the Company's accountants we assumed an average of 17.17% tax rate, and 25% tax rate in the terminal year.

Cash Flow adjustments

Capital expenditures - We assumed capex level to be similar to depreciation level for each annual current activity in the forecast.

Depreciation was added back to the cash flow. The depreciation was calculated based on the Company's historical depreciation expenses. We did not review the achievability of this forecast. We assumed the depreciation to be 0.9% of the revenues.

Investment in working capital – was calculated for every year according to expected changes in revenues and COGS. The forecast was determined based on Management estimations regarding the credit terms and the inventory days. The working capital is based on average receivables and payables credit terms of 45, 45, respectively, and on gradual decrease in average inventory credit terms of 55 days in 2009 and of 45 days in 2010 and on.

Cost of Capital – the following table contains the parameters used in our estimation of the appropriate cost of capital for the Company.

WACC calculation			source
Risk free rate	Rf	3.05%	Federal Reserve releases
Market premium	Rm-Rf	6.43%	Damodaran
Industry Beta	*Beta*	2.11	Damodaran - Semiconductor Industry
Cost of Equity	Ke	24.1%	
Company Specific Premium		7.50%	2008 Ibbotson SBBI Valuation Yearbook
Company's Discount Rate		**24.1%**	

Long term growth – long term terminal growth rate was determined based upon long-term growth expectations of about 3.0% per year.

The following table summarizes the valuation performed according to the above assumptions:

DCF year 1-5 Value	37,729
Terminal Value	30,266
Total Enterprise Value	**67,995**
Excess Assets and Liabilities, net *	22,098
Company Value before marketability discount	90,093
Marketability Discount 15%	-13,514
Company Value (in $ K):	**76,579**

Excess Assets and Liabilities, net *	
Cash and cash equivalents	22,346
Short term bank deposits	2,752
Loan	-3,000
Excess Assets and Liabilities, net	**22,098**

Total company value is $ 76,579K.

Sensitivity analysis

Following is a sensitivity analysis performed to check the sensitivity of the valuation to the Discount rate and the long term growth rate. The results are in thousands of dollars (upper table) and as a percentage difference from the original valuation (lower table):

		Discount rate				
		22.1%	**23.1%**	**24.1%**	**25.1%**	**26.1%**
LT Growth	**1.0%**	79,758	76,901	74,295	71,910	69,718
	2.0%	81,167	78,137	75,386	72,876	70,577
	3.0%	82,722	79,497	76,579	73,929	71,511
	4.0%	84,449	80,998	77,892	75,082	72,528
	5.0%	86,378	82,665	79,341	76,349	73,642

		Discount rate				
		22.1%	**23.1%**	**24.1%**	**25.1%**	**26.1%**
LT Growth	**1.0%**	4.2%	0.4%	-3.0%	-6.1%	-9.0%
	2.0%	6.0%	2.0%	-1.6%	-4.8%	-7.8%
	3.0%	8.0%	3.8%	0.0%	-3.5%	-6.6%
	4.0%	10.3%	5.8%	1.7%	-2.0%	-5.3%
	5.0%	12.8%	7.9%	3.6%	-0.3%	-3.8%

5. Allocation of company's Value

5.1. General

The purpose of the following model is to allocate the fair value of the Company's ordinary share. To achieve this end the model uses the Black & Sholes pricing model. The fair value of the common equity of the Company was estimated using an option-pricing method.

Essentially, the rights of the common shareholders are equivalent to a call option on any value of the company above the respective preferred shareholders' liquidation preferences, with adjustment to account for the rights retained by the preferred shareholders related to their portion of any value above the values at which they would convert to common shares. Thus, the value of the common stock can be valued by estimating the value of its portion of each of these call option rights. Following is a description of the model used for allocating the value of the Company:

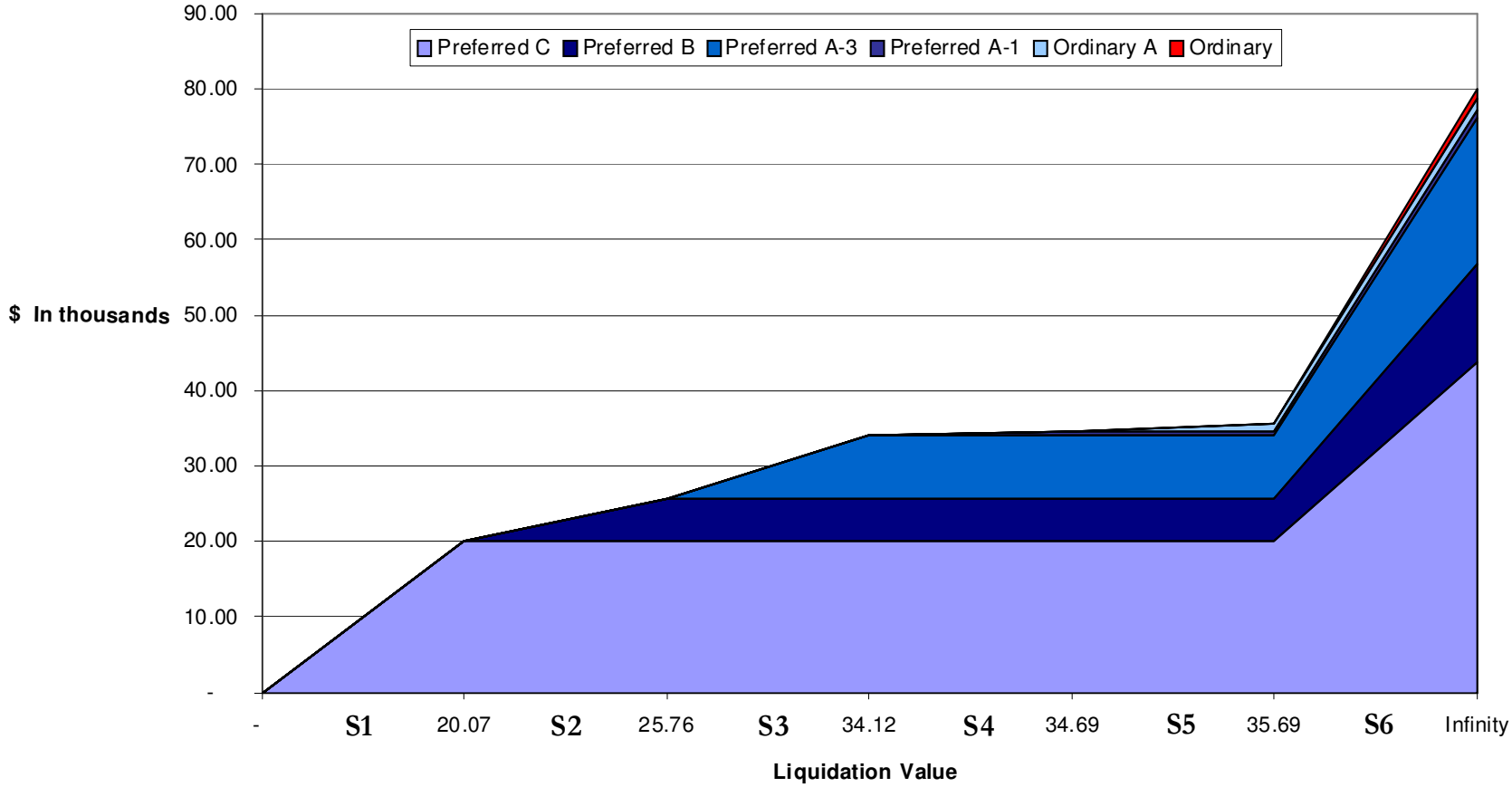
5.2. Step 1 - Segmentation

First we derived out of the liquidation preference the values of liquidation at which the distributions of proceeds between the different classes of shares changes. These points divide the pattern of distribution (the way proceeds from liquidation would be divided between the different classes at any liquidation value) into distinct segments. The following table describes the distribution pattern and segments derived from Coppergate's liquidation preferences (in $ US):

Segments	From	To
S1	-	20,074,090
S2	20,074,090	25,757,258
S3	25,757,258	34,117,828
S4	34,117,828	34,691,475
S5	34,691,475	35,691,475
S6	35,691,475	Infinity

The following chart describes the distribution of proceeds between the different classes of shares at any liquidation value ($ million):

Distribution of Liquidation Value



5.3. Step 2 – Segment valuation

After analyzing the segments we derived the value of each using the Black & Sholes pricing model. For example, the value of segment 6 was calculated as the value of a European call option to buy the Company for a price of $ 76,579,381. The parameters used were as follows:

Strike price of $ 35,691,475
Stock price is the fair value of the Company - $ 76,579,381
Maturity - Liquidation is expected to take place 1.50 years after the Valuation Date.
Volatility - Based on comparable firms and on Damodoran data regarding the semiconductor industry, the assumed volatility was decreased and set to 70%.
Risk free rate - Based on the yield rates of non-indexed linked U.S Federal Reserve treasury bonds for a term of 1.50 years, the annual risk free rate is 0.57%.

Segment 5 was calculated as the value of a European Call option with a strike value of $ 34,691,475 minus the value of Segment 6. All parameters except the strike price are the same as used in the calculation of Segment 6 value.
In the same way all other Segments values were calculated: Segment 4 as the value of an option with a strike price of $ 34,117,828 minus the values of Segments 5 & 6 and so forth until the values of all Segments were calculated.

5.4. Step 3 – Segments values distribution

After deriving the values of the different Segments we allocated these values to the different classes of shares (Preferred C, Preferred B, Preferred A-3, Preferred A-1 and Ordinary A shares). The allocation of value of each Segment was done using the following key, derived from the Liquidation Preferences, as follows:

Segments	From	To	Value	Preferred C	Preferred B	Preferred A-3	Preferred A-1	Ordinary A	Ordinary	Total
S1	-	20,074,090	19,127,217	100%	-	-	-	-	-	100%
S2	20,074,090	25,757,258	4,724,769	-	100%	-	-	-	-	100%
S3	25,757,258	34,117,828	6,225,509	-	-	100%	-	-	-	100%
S4	34,117,828	34,691,475	396,206	-	-	-	100%	-	-	100%
S5	34,691,475	35,691,475	681,483	-	-	-	-	100%	-	100%
				After conversion to Ordinary Shares						
S6	35,691,475	Infinity	45,424,196	54%	17%	25%	1%	1%	2%	100%
Total			76,579,381							

5.5. Step 4 – Value allocation

In the following table we present the value of each of the segments and its allocation between the different classes of shares (in $):

Segments	From	To	Value	Preferred C	Preferred B	Preferred A-3	Preferred A-1	Ordinary A	Ordinary	Total
S1	-	20,074,090	19,127,217	19,127,217	-	-	-	-	-	19,127,217
S2	20,074,090	25,757,258	4,724,769	-	4,724,769	-	-	-	-	4,724,769
S3	25,757,258	34,117,828	6,225,509	-	-	6,225,509	-	-	-	6,225,509
S4	34,117,828	34,691,475	396,206	-	-	-	396,206	-	-	396,206
S5	34,691,475	35,691,475	681,483	-	-	-	-	681,483	-	681,483
				After conversion to Ordinary Shares						
S6	35,691,475	Infinity	45,424,196	24,254,912	7,658,689	11,266,771	458,726	556,563	1,228,535	45,424,196
Total			76,579,381							

5.6. Step 5 – ordinary share Fair value

The next step is to value the ESOP outstanding and to derive the Company's Ordinary Share fair value. For this we used Black & Sholes formulas with exercise prices of the ESOP outstanding and a Dummy variable representing the price of the Common shares. The formulas differ in the maturity parameter used, the exercise prices of the options and their quantity.

Other parameters used are as follows:

Volatility – Based on comparable firms and on Damodaran data regarding the semiconductor industry, a volatility of 70% was set.

Risk free rate – ranges between 0.37% - 2.25% according to the US Federal Reserve Bank rates for the relevant time to expiration.

The derivation of the fair value of the common share was performed by iteratively solving the following equation:

Nord * Pord + Vop = Ordinary consideration

Where:

Nord = Number of Ordinary Share (as converted)

Pord = Price of Ordinary Share (Dummy variable to be solved)

Vop = Value of Options (number of options of each group * value of options from the B&S formulas)

Ordinary consideration = the value the ordinary shares (as converted) would get in case of liquidation (computed above as -

18,729,123 * Pord + $ 8,671,813 = $ 45,424,196).

Solving the equation we get the value of the company's ordinary shares:

Pord = 1.962 $.

5.7. IPO scenario method

We added an IPO scenario to account for a possible IPO in the near term. The common share price resulting from this scenario was weighted with the outcome of the option pricing model above (Management estimates IPO probability to be 15% and time to IPO to be 1.5 years, as of the Valuation Date). Following are the assumptions received from Management regarding the IPO scenario:

IPO SCENARIO	
IPO Value	375,000,000
Time to IPO (years)	1.50
WACC	24.1%
Company current FMV	271,123,851
No. of shares (fully diluted)	23,947,248

The outcome Common share value is: 11.322 $.

The weighted average of the Common Share price from the option model and IPO scenario is: **$ 3.366 .**

6. Allocation of company's Value (weighted-probability method)

In order to support our findings in chapters 6-7, we have decided to use also the weighted-probability method, as follows:

The fair value of the common equity of the Company was estimated using a weighted-probability analysis of the present value of the returns to shareholders under four possible future scenarios for the Company. Three of these scenarios assume a shareholder exit, either through Initial Public Offering (IPO), sale (e.g.: M&A), or dissolution. The fourth scenario assumes operations continue as a private company and no exit transaction occurs.

For each of the first three transaction scenarios, estimated future and present values for each of the share classes were calculated using assumptions including:

- The expected pre-money valuation (pre-IPO, pre-sale, or pre-dissolution);
- The expected probability distribution of values around the expected pre-money valuation, which provides the standard deviation of the population of expected values (assuming normal distribution);
- The expected probability distribution of dates around the expected date of the event, and standard deviation around that date;
- An appropriate risk-adjusted discount rate

Finally, the present values calculated for each share class under each scenario were probability weighted based on Management's estimate of the probabilities of occurrence of each of the scenarios. The resulting value indications represent the estimated fair values of each class of shares, on a per-share basis.

The discount rate that we used for the purpose of estimating the present value of the Company is similar to the discount rate we have used for the Company valuation according to the income approach (DCF) and was set to 24.1%.

Due to the changes at the economic environment and the market's deterioration Management updated its assumptions from previous studies.

6.1. IPO scenario in our analysis

Management view is that a public offering of the Company securities is a probable future event, assigning it a 15% probability at the current time. Based upon Management's representations regarding expected values and timing, we used the following assumptions in this scenario analysis:

- Expected IPO: from $250 M to $500 M.
- Expected time to IPO: from 1.00 to 2.00 years.

Under this scenario, the present value of the Company is $ 270.7 M, of that $ 0.0 M is the present value of the debt to its preferred shares stockholders (since QIPO is at $ 150 m) and $ 270.7 M is the present value of the Company's equity.

6.2. Sale/Merger Scenario Analysis

Management represented that a strategic sale or merger of the Company is a probable future event, assigning it a 25% probability at the current time. Based upon Management's representations regarding expected values and timing we used the following assumptions in this scenario analysis:

- Expected sale: from $ 150 M to $ 300 M.
- Expected time to sale/merger: from 1.00 to 2.00 years.

Under this scenario, the present value of the Company is $ 162.1 M, of that $ 25.7 M is the present value of the debt to its preferred shares stockholders and $ 136.4 M is the present value of the Company's equity.

6.3. Dissolution Scenario Analysis

Management represented that the failure and dissolution of the Company is an unlikely future event, assigning it a 5% probability at the current time. Based upon Management's representations regarding expected dissolution proceeds and timing, we used the following assumptions in this scenario analysis:

- Expected dissolution proceeds: from $15 m to $35 m.
- Expected time to dissolution: from 5.00 to 10.00 years.

Under this scenario, the present value of the Company is $ 4.9 M, of that $ 4.9 M is the present value of the debt to its preferred shares stockholders and $ 0.0 M is the present value of the Company's equity.

6.4. Private Company Scenario Analysis

Management represented that the continued, long-term operation of the Company as a private company has remained a possible future event, assigning it a 55% probability at the current time. Based upon Management's representations regarding the expected value if the Company remains private, we used the following assumptions in this scenario analysis:

- Expected private-company: of $ 76.6 M.
- Expected time to private-company: from 0.0 to 0.1 years.

Under this scenario, the present value of the Company is $ 75.7 M, of that $ 32.1 M is the present value of the debt to its preferred shares stockholders and $ 43.6 M is the present value of the Company's equity.

6.5. Common Equity Fair Value Indication

As discussed in the previous sections, the fair values of the preferred and common shares were estimated under various possible future scenarios, including IPO, strategic sale or merger, dissolution, and continued operation as a private company. In order to arrive at a final estimate of fair value for the common shares, we applied a probability weighting to each scenario. Management provided us with their expectations regarding the probability of each event as of Valuation Date, as follows:

Future scenarios estimated probabilities

- Initial public offering: 15%
- Strategic sale or merger: 25%
- Dissolution: 5%
- No exit – Private company: 55%

We reviewed the basis of these estimates with Management and analyzed them. Although we offer no opinion regarding these probability estimates, we have no reason to conclude that they are unreasonable.

Presented below is the calculation of the weighted values (in $M):

Scenario	Probability	Discounted Company Value ($m)	Discounted value of common shares ($m)	Discounted value of liquidation preference ($m)
IPO	15%	270.7	270.7	0.0
M&A	25%	162.4	136.6	25.8
Dissolution	5%	4.9	0.0	4.9
Private Company	55%	75.7	43.6	32.1
Weighted Value		**123.1**	**98.8**	**24.3**

After deriving the weighted value of the Company, we subtracted the value of the ESOP and divided the result by the number of shares. Using an iterative process we adjusted the value of the ESOP to the resulting share price. This process `yielded the Company Common share price under the weighted probability method: **$ 4.210**.

6.6. Conclusion

The fair value of the common equity of the Company was estimated using two methods: An option-pricing method and a probability-weighted method.

The result of the option-pricing method is that the fair value of the common equity of the Company, on a closely-held, minority basis, as of Valuation Date, is reasonably estimated in the amount of $ 3.366 per share.

The result of the weighted probability method is that the fair value of the common equity of the Company, on a closely-held, minority basis, as of Valuation Date, is reasonably estimated in the amount of $ 4.210 per share.

Next we assigned a weight to each of these two results and calculated a weighted average, as follows:

Method	common share value ($)	Weighted
Option-Pricing	3.366	50%
Weighted probability	4.210	50%
Weighted Average	**3.788**	

Based upon the analysis described in this report, it is our opinion that the fair value of the common equity of the Company, on a closely-held, minority basis, as of Valuation Date, is reasonably estimated in the amount of **$ 3.788** per share (the weighted average price of the two methods used).