

CULTURE

Israel's high tech sector shares its profits with people in need

By Susan de la Fuente July 18, 2007

The news last week that Israeli startups raised \$842 million in the first six months of 2007 - the highest level in five years - was music to Baruch Lipner's ears. That's because the executive director of Tmura, the Israeli public service venture fund, knows that some of that money is going to end up funding social projects and charities throughout the country.

During the five years since its inception, Tmura (meaning 'making an exchange') has shown that the denizens of glass-fronted office towers do care about weaker sectors of society.

The concept is simple, elegant and unique - high-tech start-ups make pledges to Tmura to help the causes of youth and education in Israel. Early-stage startups usually donate 0.5% of their equity, while more developed companies contribute 0.1-0.5%. If the company succeeds, Tmura sells its share allocation and donates the proceeds to approved charities.

According to Lipner, although the organization's immediate goal is to encourage Israeli philanthropy, its long-term aim is to generate a ripple effect of social improvement. So, far the results have been more like a tidal wave. In its first five years, Tmura has donated a total of nearly \$2 million to 18 non-profit organizations (NPOs).

A brief reminder about the visionary of this endeavor: former New Yorker Yadin Kaufmann was a pioneer in the Israeli venture capital (VC) community when he co-founded Veritas Venture Partners in 1990. Enthused by the work of the Entrepreneurs' Foundation - a non-profit organization (NPO) operating in Silicon Valley and other high tech centers in the USA - Kaufmann transferred the concept to Israel five years ago by setting up Tmura.

Lipner, who has a VC and high-tech background, shifted to the non-profit world as a result of "looking for something more on the idealistic side while remaining within the industry environment." Tmura was a perfect fit. Lipner's office space in the Azrieli Center is donated by the prominent law firm of Gross, Kleinhendler, Hodak, Halevy, Greenberg & Co. The generous sponsorship of VC firms and numerous pro-bono service providers in the high tech arena enables the company to run with a low overhead.

Tmura clearly benefits from a golden window of opportunity to recruit high tech companies that are just getting off the ground. Although startups sign a warrant transferring stock-options to Tmura, they have no cash outlay until they go public or are bought out. The present tally is that over one hundred start-ups have signed warrants, while 11 companies have made good on their commitments to Tmura following a liquidity event. Company number 12 is expected to "exit" shortly, Lipner told ISRAEL21c.

Representatives of some of the companies who have signed on with Tmura over the last five years expressed their satisfaction at investing in society without rocking their balance sheets.

KiloLambda Technologies - an optical nanotechnology company in the early stages of market development - was the first company to join Tmura in 2002. CEO Doron Nevo, explained that he received positive vibes when approached by Kaufmann. Proud that KiloLambda gave the first vote of confidence, Nevo has encouraged other companies to sign up.

Ori Hadomi, CEO of Mazor Surgical Technologies echoed Nevo's sentiments, telling ISRAEL21c that "joining Tmura was a nice, elegant way to contribute to society and not painful financially."

BiolineRx, a leading drug development company that came out on the Tel-Aviv stock exchange in February 2007, issued a warrant to Tmura in October 2006 only a few months before it went public. "We're firm believers that the business community should support charitable organizations, and that high tech should lead the way in giving back to the community," said, Yuri Shoshan, VP of finance and corporate development at the company.

Recently Tmura held a function in Herzliya to acquaint executives with NPOs it funds, with booths set up to present an array of projects. Proceeds from successful "exits" are allocated after consultation with company management. The latter may select from Tmura's list of NPOs or choose an organization themselves.

Whatever the recipient organization, it must meet the criteria of the organization's grants committee. Before approval, an organization is carefully vetted, its financial statements are scrutinized and there are periodic site visits. The dimension of accountability is also stressed. Tmura's grants to NPOs are made in two installments, with the second installment tied to a pre-defined milestone. In many cases NPOs are challenged to improve organizational structures and use donated funds to expand or set up new programs.

Lipner says their obligation to prepare a strategic plan for a particular project "makes them become more professional in their approach."

A desirable NPO feature is a model that can be replicated in different areas of the country. This way "the same overhead can support much more activity and the money can be used more efficiently." Lipner explains.

A good example, he says, is the Hapoel Tel Aviv Education and Social Project, a major scheme that successfully revamped its organizational infrastructure just in time to expand Galilee programming during the critical days of the Second Lebanon war. Today it reaches over 16,000 school age children.

The recipient organizations welcome contact with 'business brains' and are grateful for the mentoring, says Dr. Gili Zivan, executive director of the Yaacov Herzog Center for Jewish Studies (YHC).

"It was much more than financial support," she said. "Baruch explained that it was desirable for us to improve and expand our operation, which was a significant incentive for us to develop and implement a strategic evaluation program."

Tmura's funding is directed towards YHC's "Project Atid - Leaders of Tomorrow," a year-long leadership training program that promotes social welfare activity in high-potential youth. Tmura's intervention encouraged YHC to monitor its graduates systematically, so that the organization can better evaluate the success of the Atid program.

Dr. Shmuelik Weiss, director of College4All - a program that runs after-school enrichment programs to advance underprivileged children - said that Tmura's help had spurred didactic development and inspired them to upgrade and significantly improve their curriculum and teaching materials.

Undoubtedly, over the last five years Tmura has helped institutionalize the concept of corporate philanthropy in Israel. After viewing its work, the distinction between two key Hebrew terms - the *quid pro quo* of 'tmura' and 'truma' (a donation) - grows fuzzy. Via donations and involvement with Tmura, high tech startups are exchanging a portion or

share(s) of their profits for a vested interest in the welfare of Israeli society.

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