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Allowing society to share in high-tech and venture capital successes

By Guy Griml

Are Israeli venture capital funds really cut off from local reality? Most of them are situated in Herzliya Pituah or other established high-tech zones and are often thought of as far removed from Israeli society. There are some who even say that funds operating social involvement projects do so only for purposes of public relations and advertising. Yadin Kaufman and Baruch Lipner, the driving force behind Tmura, a philanthropic fund whose partners include several Israeli VC funds, would strongly disagree with such claims.

"Maybe there are some VC funds that contribute to Tmura due to social pressures," says Lipner, "but even if this is the case, it's okay. What's important is the results, which are the donations. The VC industry must not be cut off from what is going on in Israel, but the industry's reputation of aloofness is unjustified. The response to Tmura's model proves how false that reputation is."

Tmura is currently celebrating five years since its founding and salutes the more than 100 Israeli start-up companies that have contributed to it. The fund's model is quite simple: Tmura approaches start-ups backed by VC funds and asks for a donation of one thousandth of the company's shares. In practice, the VC funds are also contributing, indirectly, as they forego a portion of their shares in the start-up. If a start-up is ultimately sold or issues shares on the stock market, the shares that were transferred to Tmura are cashed in and the funds are allocated toward various social projects, mainly in education (or in keeping with the start-ups' wishes).

Over the past five years Tmura has benefited from 11 exits that netted the fund \$1.8 million for various social projects. Among Tmura's beneficiaries are the Yaacov Herzog Center for Jewish Studies, Yuvalim, College for All, Summit Institute, Kadima - Youth Club Network, the Association of Rape Crisis Centers and Latet - Israeli Humanitarian Aid organization.

Kaufman, a veteran venture capitalist and one of the managing partners of Veritas Venture Partners, first envisioned the Tmura Fund in the late 1990s, but it was not until February 2002 that the fund was officially launched, with Lipner as its active manager.

"I saw many success stories in our fund and in others," Kaufman

explains, "but I did not see any social involvement on the part of venture capital and high-tech communities. I felt it would be proper to find a way to enable Israeli society to share in these high-tech and venture capital successes." The model for Tmura was adopted from that of a similar fund in the United States.

Is \$1.8 million too little? Kaufman does not think so.

"Every company can donate whatever it wants. We would like every contribution to Tmura to have substantial potential," says Kaufman. "We usually ask for half a percent of a company's shares if it is a seed-stage start-up. If the company fails, it doesn't cost us anything. If the company succeeds, then half a percent is not a sum that will cost the shareholders too much, but the money is of significant importance to the community."

Tmura's model also allows the fund to avoid direct competition with other needy organizations and associations that approach successful start-ups. Asking a start-up for a donation of shares when it is just starting out is also easier on the company, since after an exit the consent of more shareholders is required.

"We can speak to companies at a stage when no one else is phoning them for assistance. Young companies initially have no money to donate, but this model allows them to contribute to the community anyway," explains Lipner.

"Philanthropy is a hot topic in the U.S. these days," continues Kaufman. "All the biggest publicly traded companies are talking about it, as are the clients and the suppliers. Everyone wants to know who is giving for which causes."

Are high-tech and venture capital willing to pitch in for society and the community?

"I believe that after the [high-tech] bubble burst, more people realized that shares and options are not the only important thing, and that they can be less valuable. There is a greater understanding that money is not everything. People are maturing and realizing that they have to look around. We, as a leading industry, have a responsibility to lead. If I look at the situation today compared to five or six years ago, I see that the high-tech and venture capital culture is changing. Fewer people are thinking about money.

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