Investing in High-Tech Israeli Military Companies

With over US$600 million in venture capital, this Israeli company says it “strives to be the strategic investor of choice for Israeli high tech start-up companies.”

The Investors

Most of the corporations that have chosen VVC as the conduit to channel their investments into Israeli-based or -linked high-tech industries are from Asia, and particularly Japan. The Canada Pension Plan holds a total of about $288 million worth of shares in several VVC investors, or their partners and affiliates. (See table: “CPP Shares in VVC’s Top Investors, 2011,” p.51.)

The Founder and his Team

Yoram Oron, the founder and Managing Partner of VVC, is intimately tied to several high-tech, Israeli war industries. In 1984, he cofounded Reshef Technologies, which is appropriately named for the Canaanite god of war and plague. Reshef says it develops “next-generation innovative fuzes for guided missiles, mortars, tanks, artillery and rockets” and is “trusted and qualified supplier to the Israel Defense Ministry...and armed forces across the globe.”

In 1989, Oron co-founded Geotek Communications, managed its Military Division and was its Vice President. Between 1992 and 1996, he was President and CEO of Reshef’s parent company, Ayr Industries, and is still on its board of directors. Besides owning 90% of Reshef, Ayr owns 100% of Amcoram which makes electronics and optical systems for military subs and armoured fighting vehicles.

VVC’s management team has several partners linked to Israel’s military-industrial complex. Oron’s daughter, Yifat Oron, became a Managing Partner at VVC in 2002. Before that she worked for the Israeli Ministry of Defense in its Directorate of R&D as Assistant to the Director of Economics, Budget and Control Department.

VVC has had at least two ventures of Elbit Electronics, a wholly-owned subsidiary of Elbit, which is Israel’s largest war industry. (See pp.28-29.)

- Moti Ben-Arie, who managed interdisciplinary R&D projects at Elbit, and was “an electronic engineer with the Israeli Navy,” is now a Managing Partner at VVC.

The Canada Pension Plan has put $288 million into firms that invest in Israeli high-tech military companies through the good offices of Vertex Venture Capital.

The Investments

Many of the high-tech Israeli firms in which VVC has invested are suppliers of military and/or intelligence products and services. Here are a few examples:

Actimize

Although most of this Israeli firm’s customers are financial institutions, some “security agencies” also use its technology. Founded in Israel by army veterans, the company says its products are “relevant to homeland security” because they can “identify suspected terrorists by searching a graphical database such as photos taken by surveillance cameras.” Actimize was purchased in 2007 by an Israeli mass surveillance company, called NICE Systems, which sells its wares to military, police and intelligence agencies. (See table, “CPP Investments,” p.53.)

ASOCS

This Israeli firm says it “has a record of successfully supporting...projects and product ideas” for military use. George Gilder, an ASOCS investor, says the firm “has pioneered software-defined radio as a battlefield baseband technology for the RF [radio frequency] jungles of electronic warfare and jamming radar.” When he invested a million dollars in ASOCS, Gilad Garon, the firm’s co-founder/CEO described the “investment and endorsement by George Gilder as one of the most significant milestones in ASOCS history.”

ASOCS, very close association with Gilder, is worth exploring. Gilder, who chairs the ASOCS Advisory Board, is a techno-utopian, Republican activist, who crafted himself as “America’s number-one anti-feminist” in the 1970s. Modelling himself after Milton Friedman and Ayn Rand, this former speech writer for Richard Nixon championed the “moral case” for big business, and received the White House Award for Entrepreneurial Excellence from President Reagan.

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Olamir Semiconductor

Olamir is an Israeli company that develops laser-based cleaning technologies used in manufacturing semiconductor wafers. Olamir’s early investors included In-Q-Tel, an investment company that the CIA openly admits having set up in order to fund technologies deemed beneficial to US intelligence agencies. Another early investor was Texas Instruments. (See table, “CPP Investments,” p.53.)

Named after an Israeli soldier who was killed during the 1984 war with Lebanon, Olamir was launched in 1992 by three corporations that shared a keen interest in producing semiconductors for high-tech weapons systems:

Fairchild Corp.: This US military aerospace industry is perhaps best known for creating and manufacturing the A-10 “Warthog.” This US attack warplane was designed around the GAU-8 “Avenger” cannon – the heaviest rotary cannon ever mounted on an aircraft.

The Teuz Fund: This company, owned by Fairchild and formed in Israel in 1992, included such figures as
- Retired US General Harold Johnson. As a Commanding General of the US Air Force in the late 1960s, Johnson presided over the escalation of the Vietnam War. He was also Fairchild’s Senior Vice President.
- Moshe Arens, Israel’s former Minister of Defense, Minister of Foreign Affairs, Ambassador to the US was also a Vice President of Israel Aircraft Industries. (See “State-owned Israeli War Industries,” pp.48-49.)
- Giora S. Meyuhas the Director of the First International Bank, formerly Israel’s Economic Minister to North America, Director at Israel’s National Electric Company, and the Israeli Discount Bank.
- Dr. Zvi Meir an. Advisor to Israel’s Defense Minister and Vice President was awarded two Israeli Defense Prizes for developing major weapon systems for Israel’s military.

Rafael: This company is Israel’s third largest weapons industry. As such it requires a steady supply of high-quality semiconductors. (See “State-owned Israeli War Industries,” pp.48-49.) Olamir was acquired in 2001 by Applied Materials Inc., a US company with manufacturing facilities in Israel. It produces “flexible, rechargeable, solid-state, thin-film lithium micro-batteries” for military, aerospace and other markets.

PowerDsine

Founded in Israel in 1995, PowerD- sine’s products integrate the transfer of “both power and data over a single network cable” and thus eliminate the need to connect computer hardware to electrical outlets. PowerDsine says its customers include military, “homeland security” and other government agencies,
and that its “Power over Ethernet” products are “deployed in the security monitoring and surveillance arena.”

The company notes that its “main targets” include US “federal agencies active in…IP [Internet Protocol] surveillance markets” and highlights its “ability to offer continuous operation” of “network video cameras” as a “major attraction” to “surveillance camera users” in government.

When PowerDsine was acquired for US$245 million by a US military-related company called Microsemi in 2006, Israel’s Globes business paper interviewed both companies’ top executives. James Peterson, Microsemi’s CEO, was excited by the “opportunities for integration between our power supply management components and existing military technologies in Israel.” To this, PowerDsine’s operations manager, Igal Rotem, “concur[s] eagerly” saying: “There are companies in both the fields PowerDsine operates in – analog components and chips for the defense and aviation industries – which can contribute to our activity.”

Rotem, a PowerDsine co-founder and its former CEO, has special insights into the military applications of his company’s products because he “served as a Major in an elite R&D center within Israeli Defense Forces Intelligence Corps” (1981-1992). PowerDsine’s other co-founder, Ilan Atias, was also “in the IDF Intelligence Corps,” and “[i]n 1990, he received the Israel Defense Award from the President of the State of Israel.” Also, PowerDsine’s Vice President of R&D, David Pincu, “served in the technology unit of the IDF Intelligence Corps as senior project manager for large communications systems” (1981-1986).

PowerDsine cofounders Rotem and Atias are now the top executives of Microsemi’s Analog Mixed Signal Group. Microsemi is no stranger to serving the world’s largest weapons industries. As the firm proudly explains, its main market – comprising 35% of its sales in 2011 – is the “Defence & Security” sector. Microsemi’s top customers in this sector are six of the world’s top ten war contractors: BAE Systems (#2), Northrop Grumman (#3), Boeing (#4), General Dynamics (#5), Raytheon (#6) and L3 Communications (#9).

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