



Start Up Financing, Now?

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■ Scope

- Introduction
- Venture Capital Investment v. Venture Lending
- Impact of the Global Recession on Investment Strategies
- Indicators on Entrepreneurs' Expectations for Business Opportunities
- Conclusion

Venture Lending

- Company can extend its runway
- No dilution of the shareholdings (other than options that the lender may request)
- Venture lending can give companies the extra time and resources needed to reach major product or customer milestones
- Usually available only to early-stage companies following a VC Round, but can also be done in later stages and as working capital

■ Venture Capital Investment

- Investment in the company from VC funds in exchange for equity
- Typically subject to various conditions and covenants, e.g.: liquidation preference, veto rights, bring along, no sale, right of first refusal, co sale, etc.

■ Venture Lending v. Venture Capital Investment

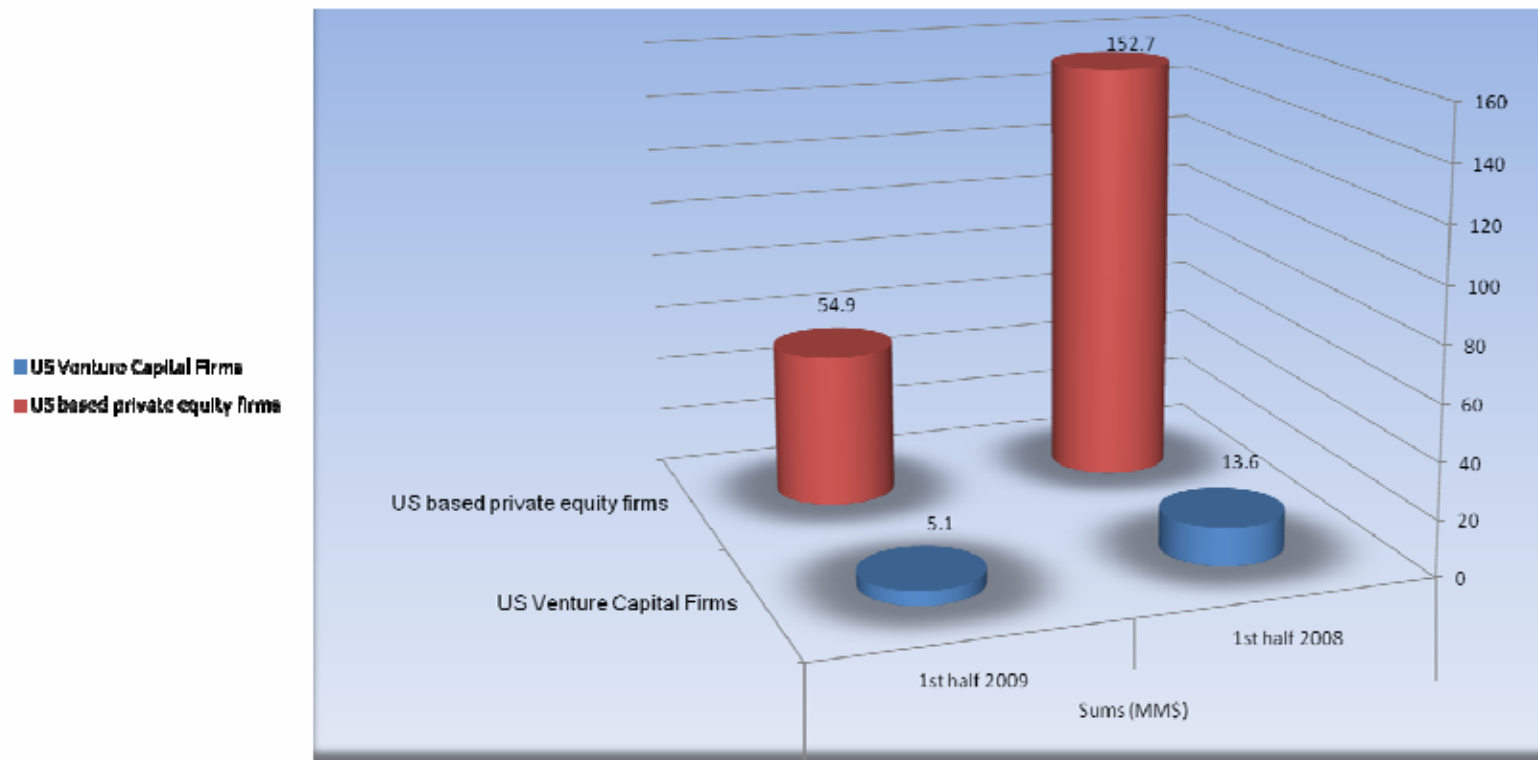
■ Advantages of Venture Lending

- No dilution
- Usually, no need to fix company valuation

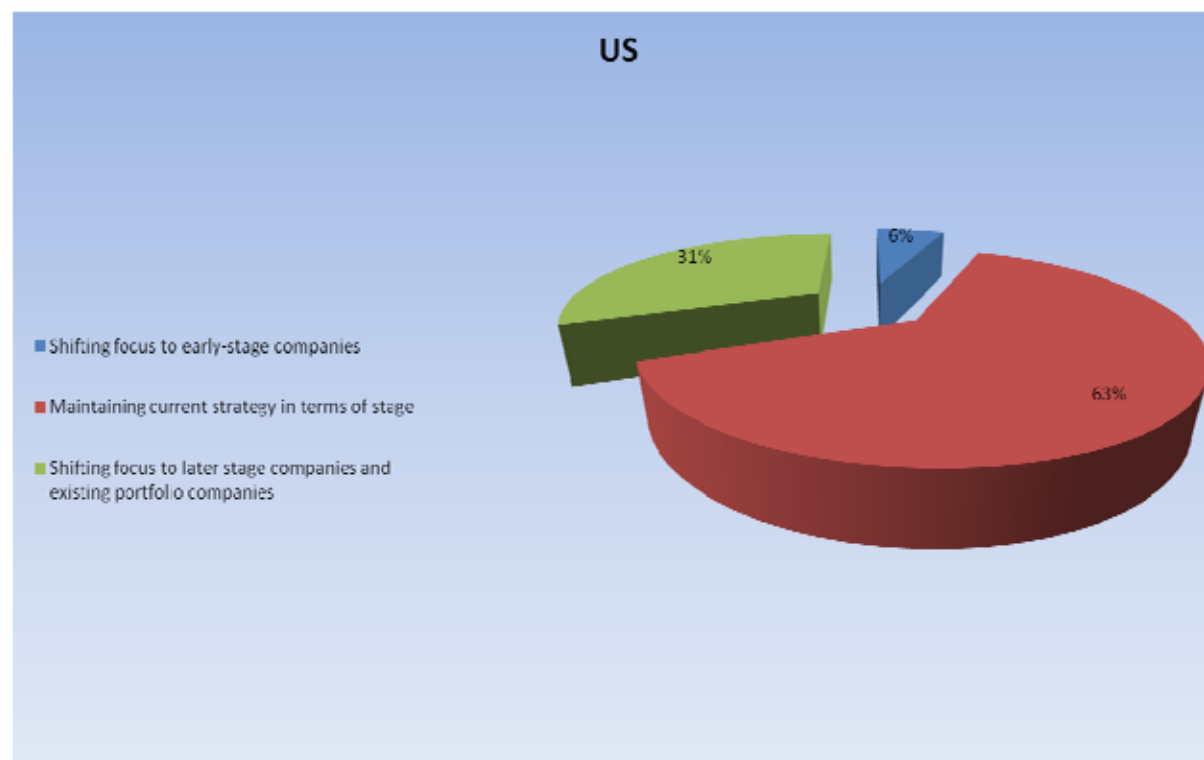
■ Advantages of Venture Capital Investment

- Available from the early stages of the company
- No repayment is required
- Strategic partners (networking, experience, knowledge)

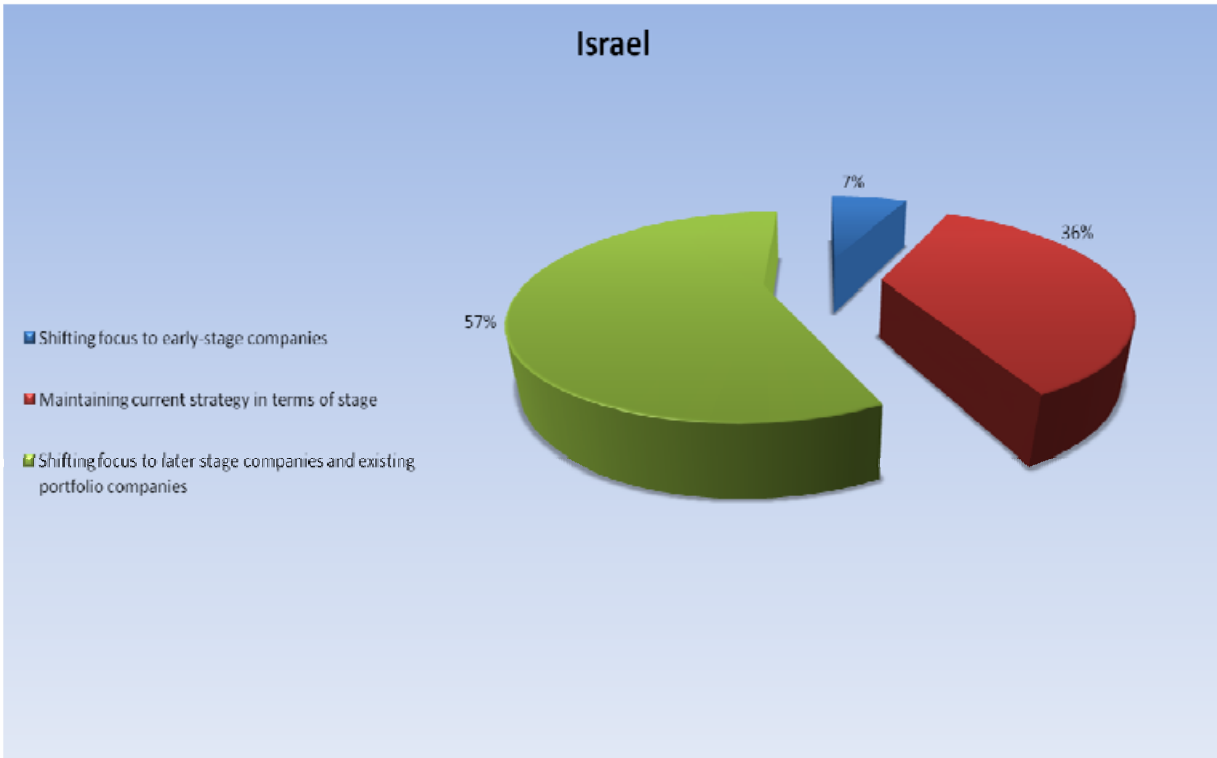
First Half Fund Raising by Funds in US 2008/9 (Private Equity Analyst)



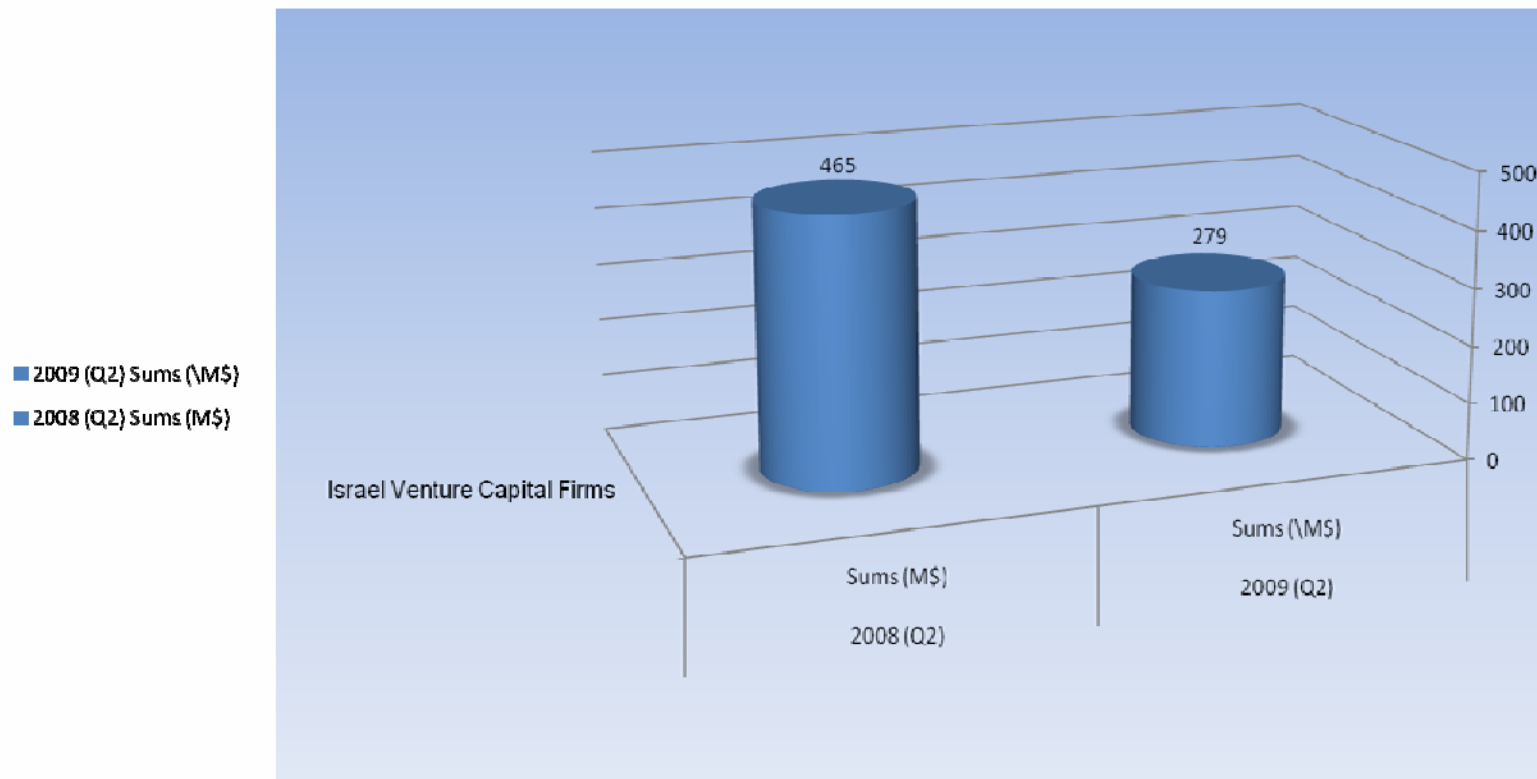
■ Changes in VC Investment Strategy in the US (Deloitte)



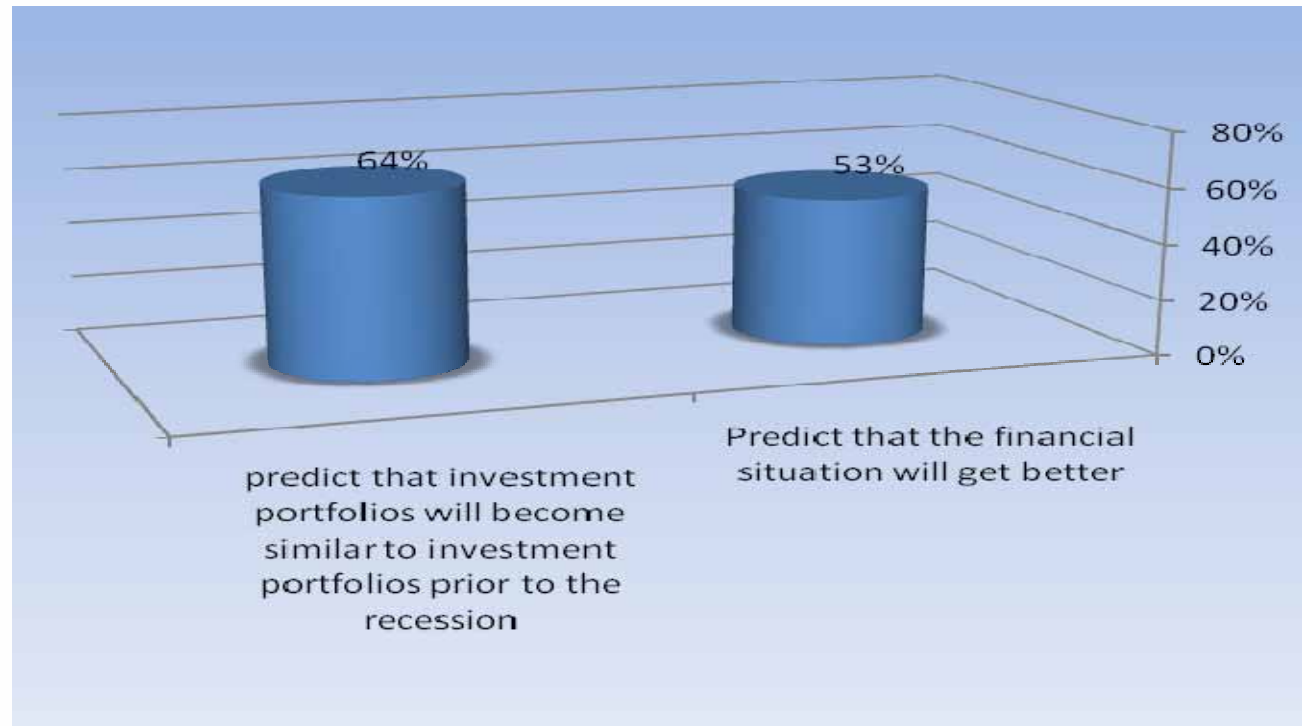
Changes in VC Investment Strategy in Israel (Deloitte)



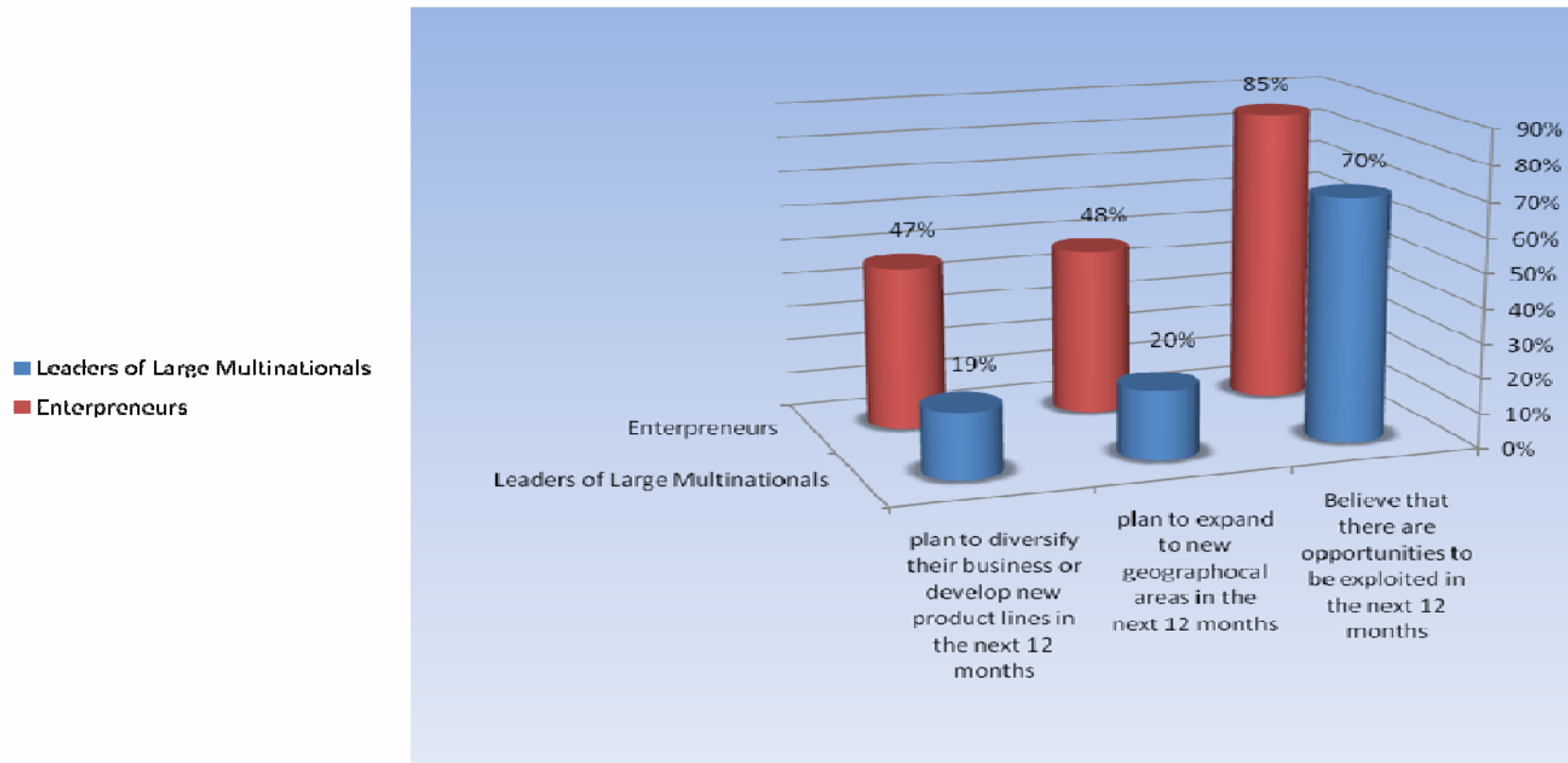
Second Quarter Fund Raising by Tech Companies in Israel 2008/9 (IVC)



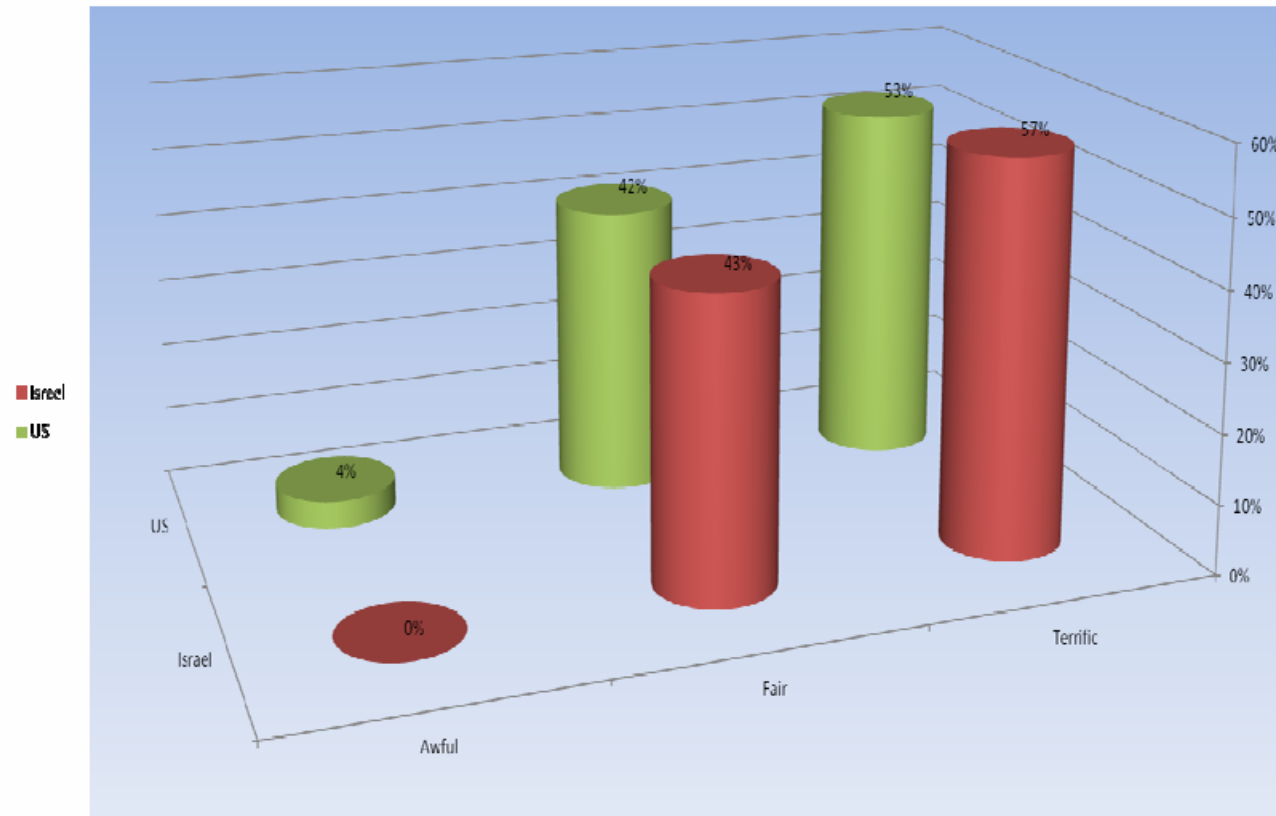
- VC Managers' Expectations- Deloitte's Quarterly Indicator (June 2009)



■ Entrepreneurs v. Leaders of Multinationals' Expectations- E&Y Survey



It's a ____ time to invest in promising entrepreneurial companies (Deloitte)



Conclusion

- Ray Ozzie: "*Periods of economic recession can be a gold mine for entrepreneurs*"
- Pessimistic Facts v. Optimistic Expectations

■ **THANK YOU!**