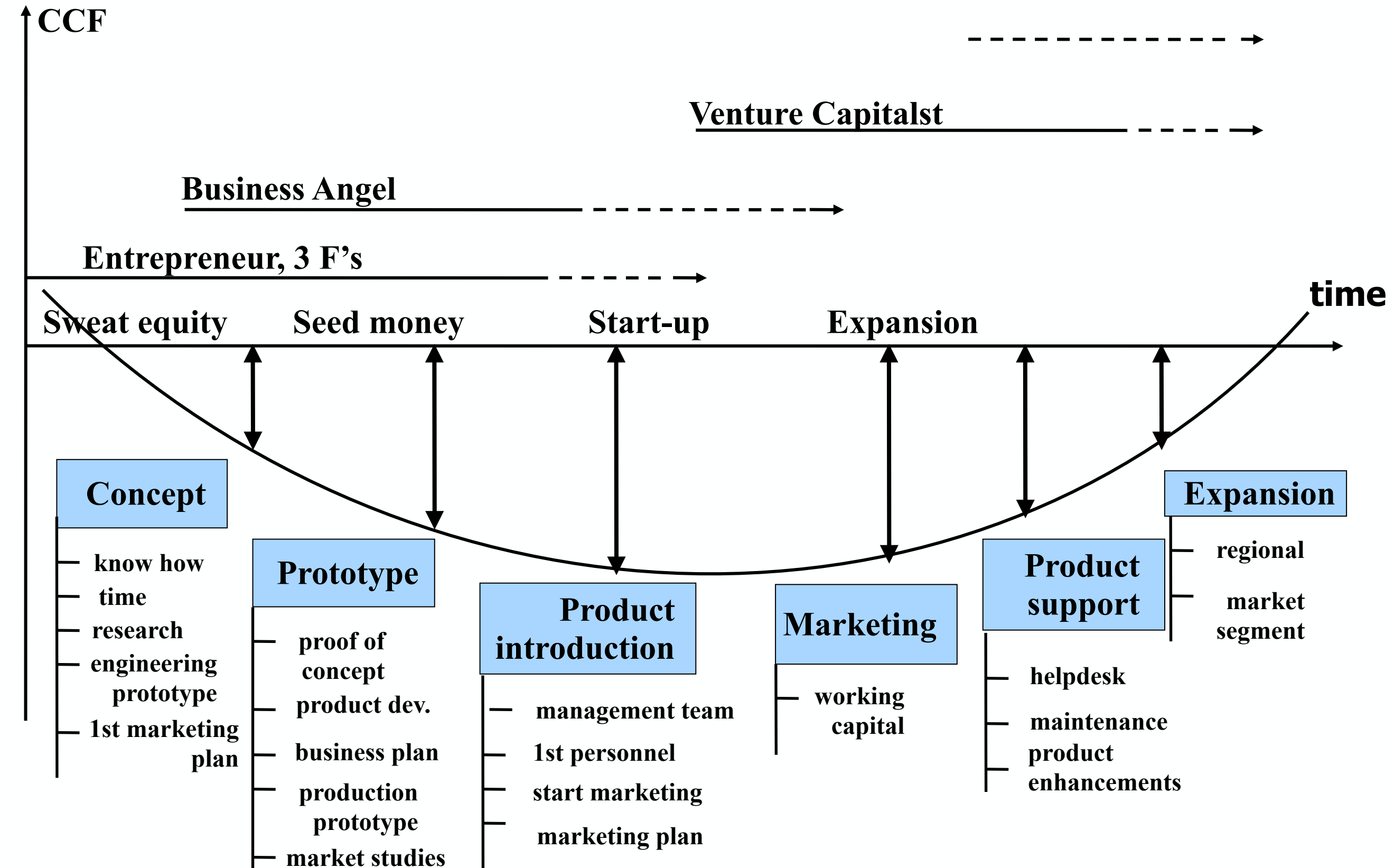


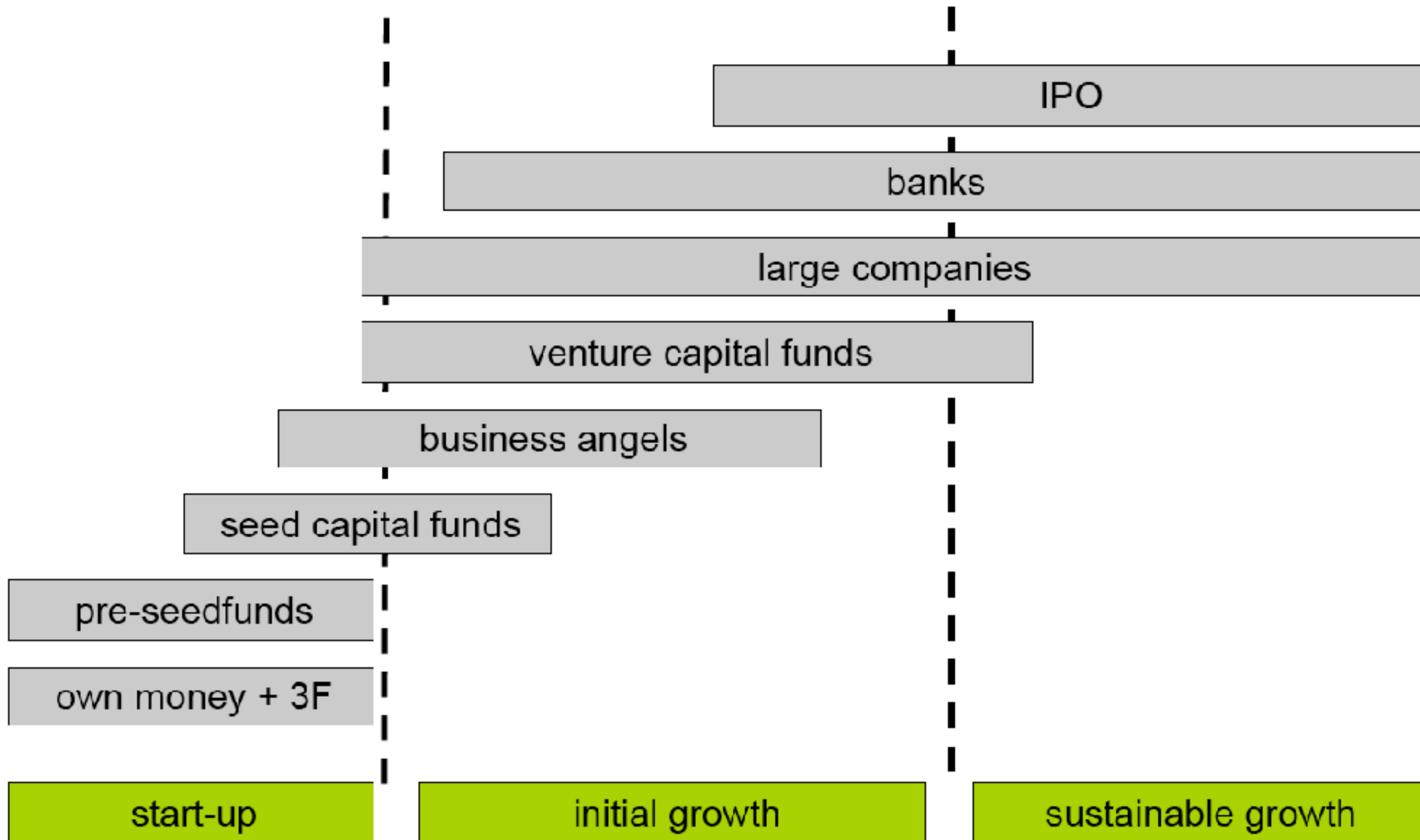
Finance III Part 2: Funding startups

Marc Goldchstein

funding growth

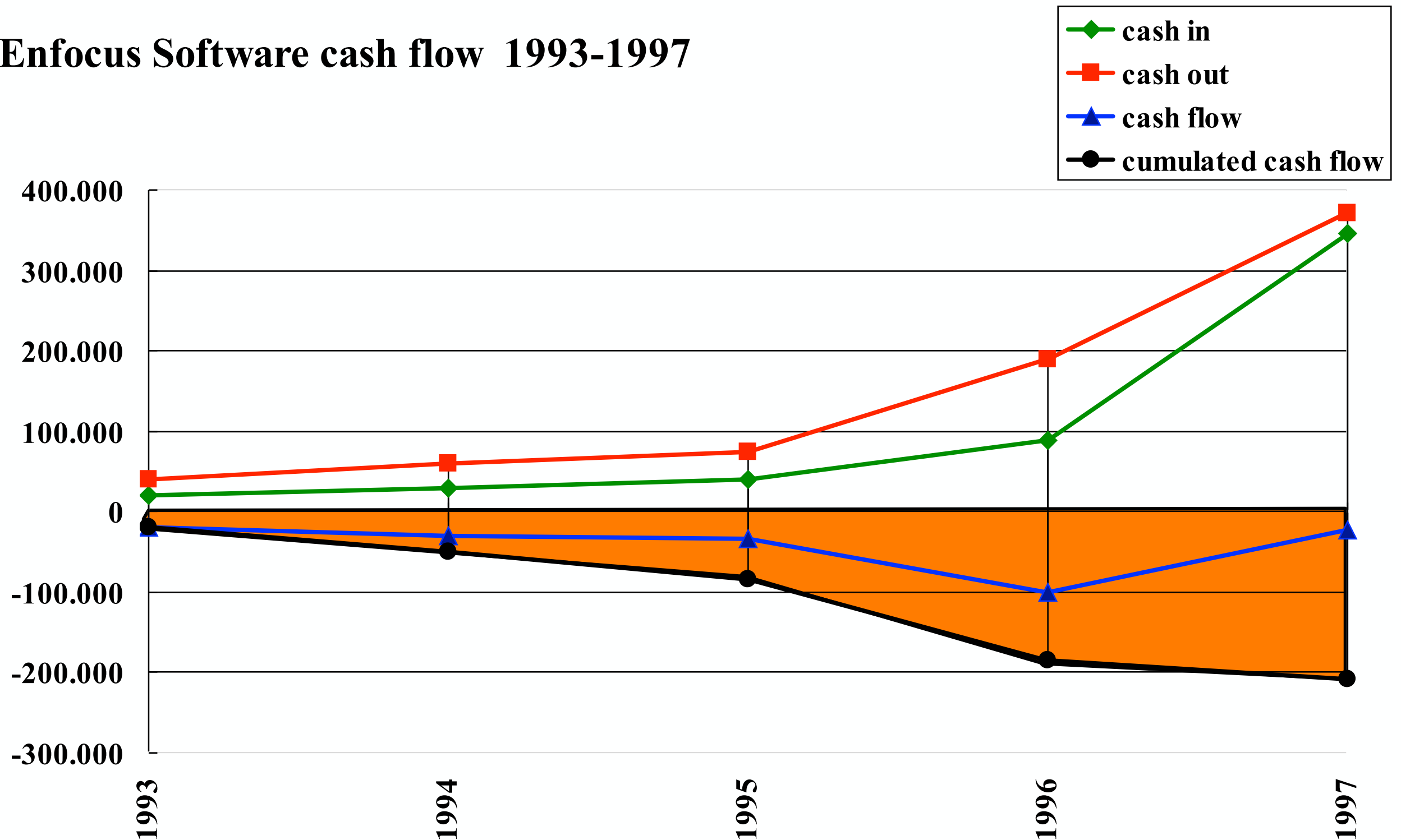


funding growth



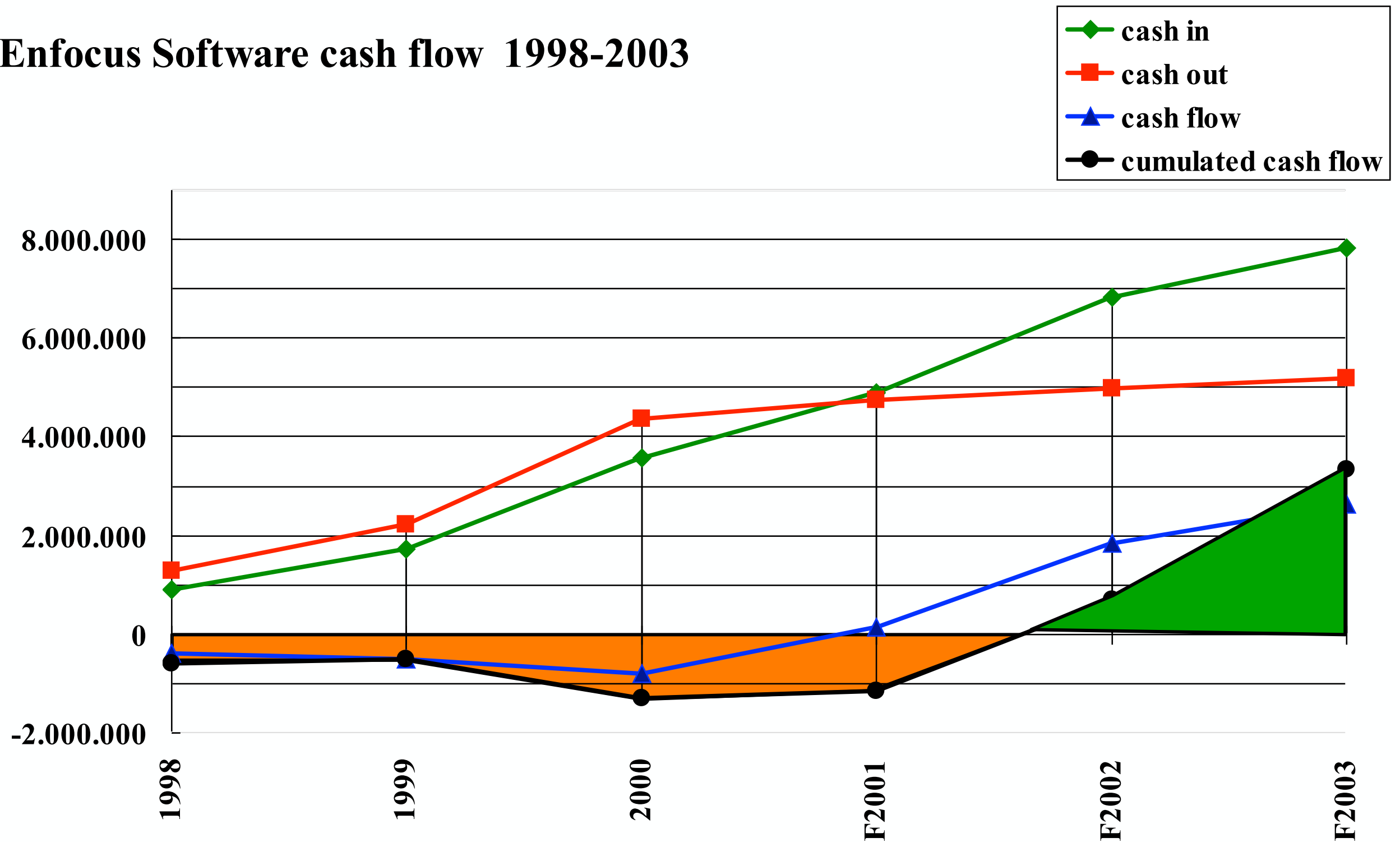
enfocus 1993-1997

Enfocus Software cash flow 1993-1997



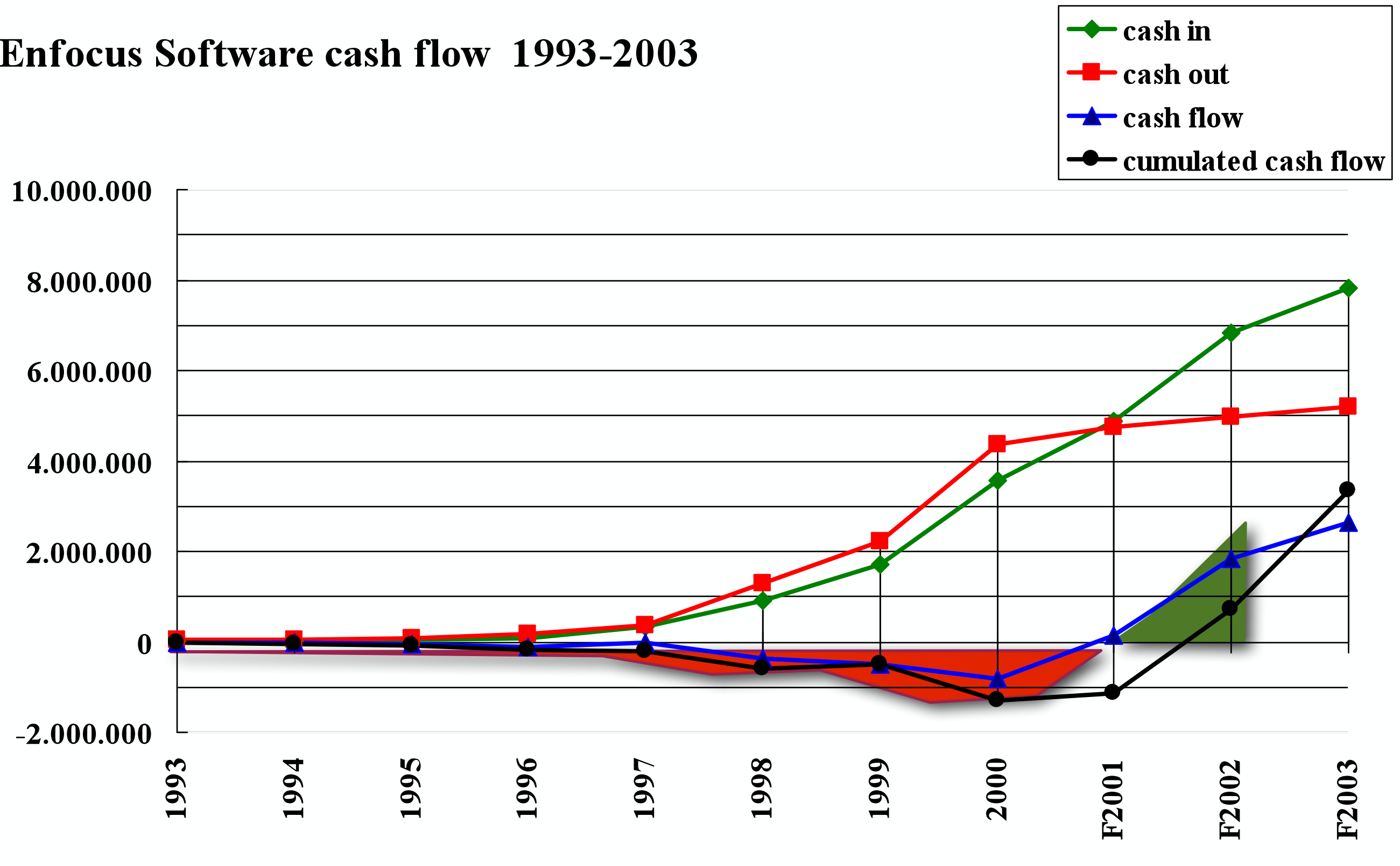
enfocus 1998-2003

Enfocus Software cash flow 1998-2003



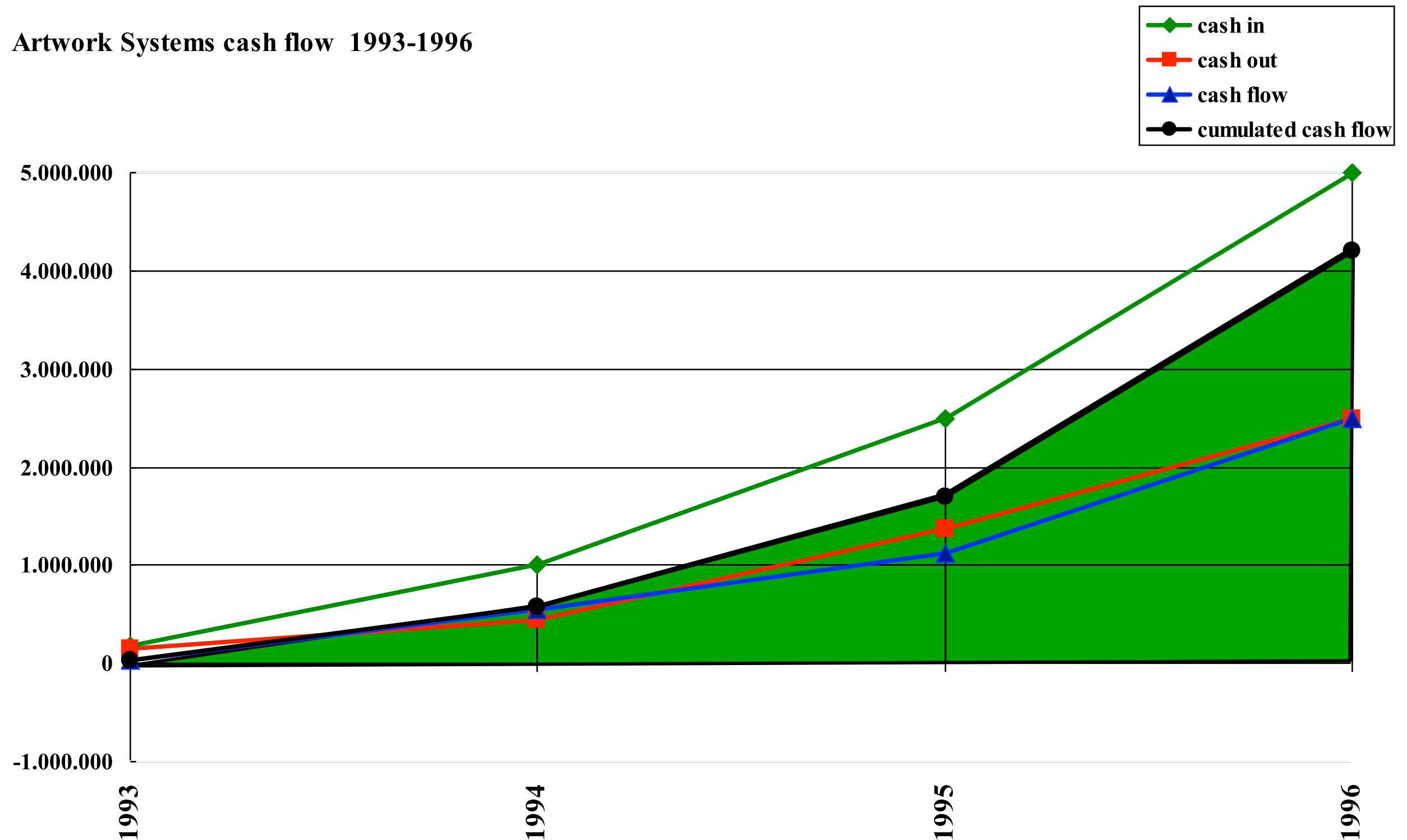
Enfocus 1993-2003

Enfocus Software cash flow 1993-2003

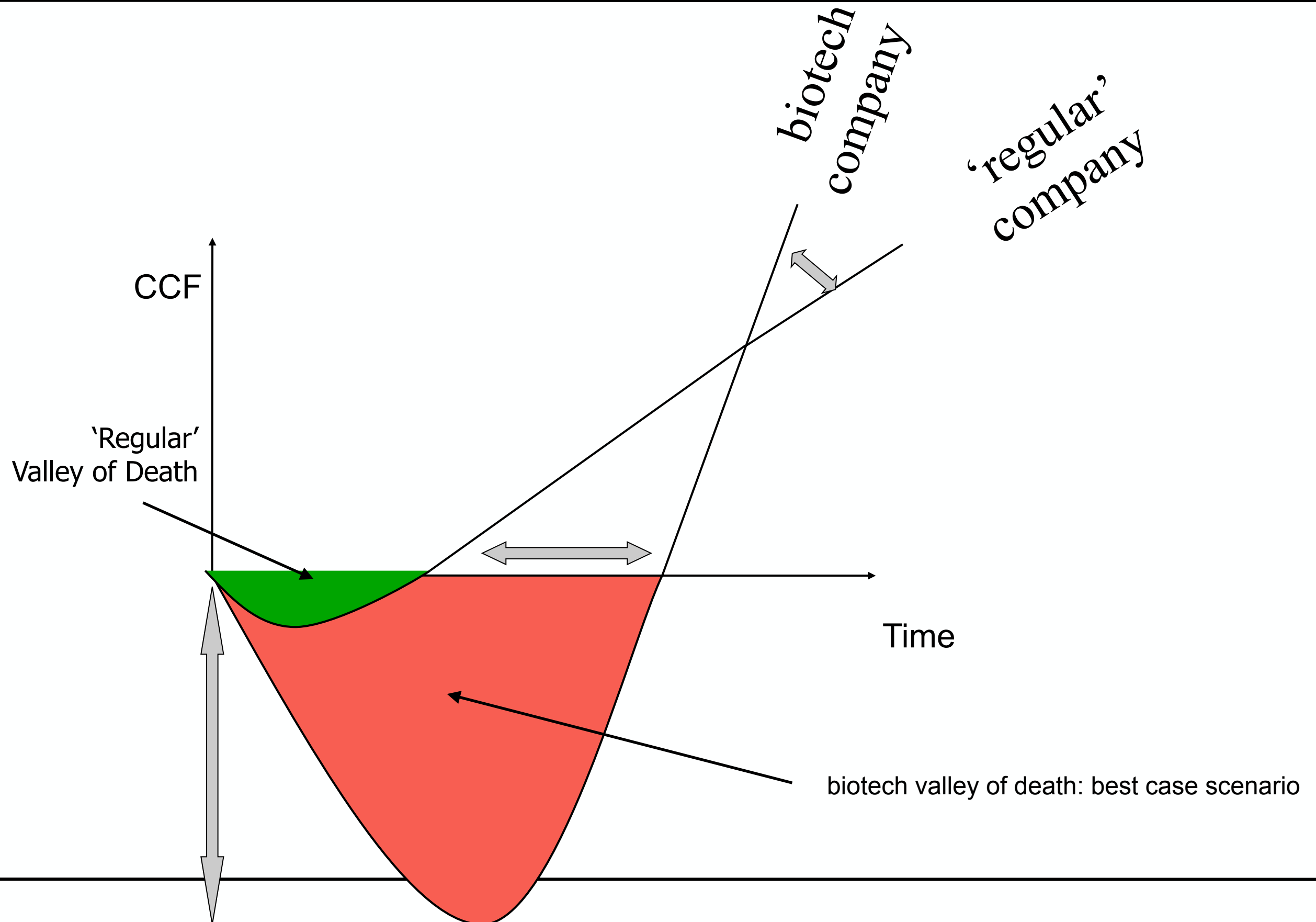


artwork systems 1993-1996

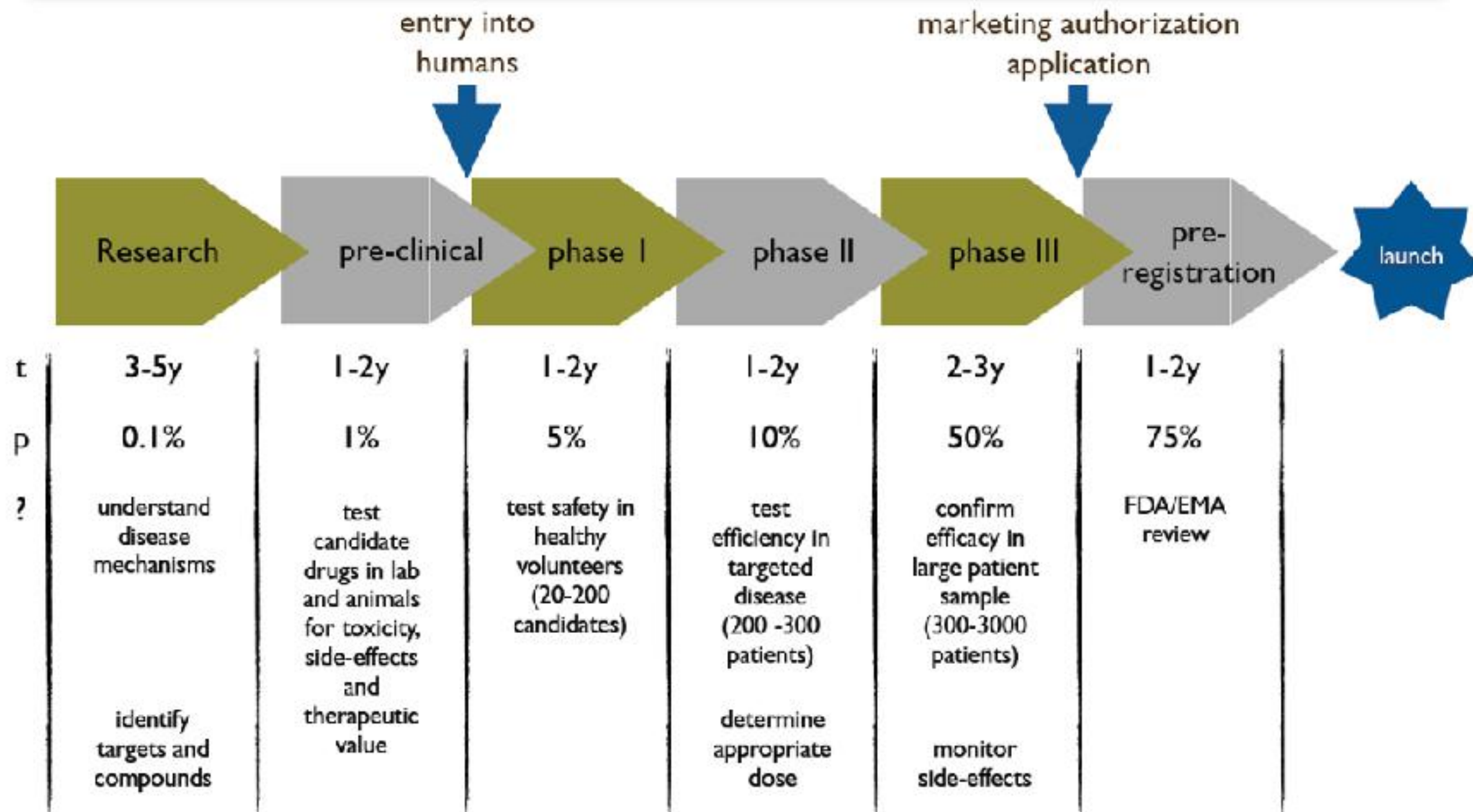
Artwork Systems cash flow 1993-1996



biotech and finance



the workflow of red biotechnology



capital needs of biotech firms

	seed round (\$ millions)	1st round (\$ millions)	2nd round (\$ millions)	3rd round (\$ millions)	4th round / mezzanine (\$ millions)	IPO (\$ millions)
range	2.5 – 7	1.4 – 17	4.5 – 13.6	8.6 – 17	5 – 37	10 – 65.7
average	5	7.5	8.6	13.4	18.5	29.3
total raised (average)					53 prior to IPO	82 through IPO

Conclusions

- Many companies require capital to fund their startup
- Size of the needs depends on many factors
 - Often related to the 'business model' of your project: Service company? Technology developer? Investment goods supplier? Component supplier? Economies of scale?
 - What enabling technology? What end-user industry? Pace of change in industry?
- There are several potential sources for this funding
 - Your own resources
 - 3F's: friends, family and fools
 - banks
 - partners
 - customers and suppliers
 - venture capital and business angels
 - Stock exchange (IPO)
 - + crowdfunding
- Each have their properties, pro's and con's

2.1 Sources of funds: an overview

Cash flow positive

- = your operation funds itself -> generates profits
- -> No additional funds needed for day-to-day operations
 - May still require new capital for investments
- It is the ultimate objective of all enterprises to be profitable
 - You can't be a promising star forever!
- Very few companies managed to be cash flow positive from very early stage on
 - exception: Artwork Systems
- Don't underestimate the amount of money that is tied in an organization
 - Stock (voorraad), unpaid customer invoices, monthly salaries...
 - = working capital needed to prefinance the operation

Supplier and customer credit

- Payment conditions have a substantial impact on funding needs of a company
 - if suppliers and employees have to be paid before a company receives money from their customers the company must finance this upfront
- Customers that pay upfront generate money upfront!
- Long payment terms by suppliers generate a lot of room!
- Customers that don't pay their invoices create big problems for a company

- Banks are limited by law in the risks they take
- They therefore always look for collateral (onderpand), which they can sell in case of failure of project
- This limits their use for high tech startups, where assets are intangible, or don't have resell value
 - software
- This is why Health City could access banks and Enfocus not
- Government can intervene by being the guarantor for loans to startups (waarborgregeling, via PMV)

- Governments may support certain activities by providing funding
 - Research funds
 - Public(ly supported) Venture Capital Funds
 - Public-private collaboration
 - Ad-hoc subsidies
 - For patents,...
- Always check subsidies

Partners, alliances

- In some case strategic alliances are major source of funds
 - Ablynx: drug companies
 - Sportopolis: breweries
- Many alliances are based on simple logic:
 - Capital-rich established partner invests in startup, in exchange of substantial long-time revenue streams
 - sales of drugs, beer
- Alliances can have vastly different 'formats'
 - Investor
 - Customer
 - Supplier
 - Paying for exclusive access

Risk capital

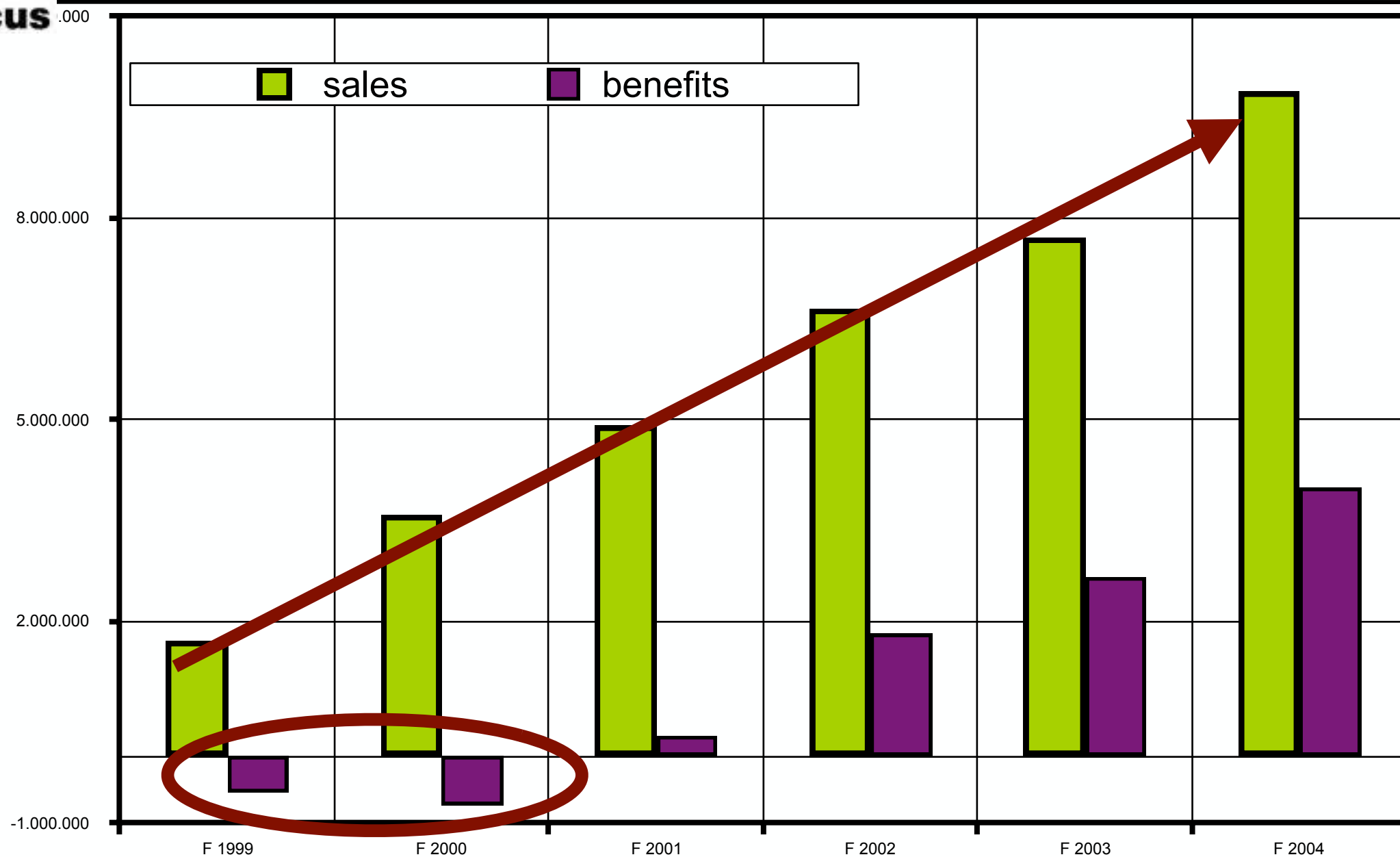
Informal risk capital

- Own resources and time
 - Each entrepreneur invests his own time and often money
 - Belgium: 90% of startups use own capital of entrepreneur; often pays himself small or no wage in startup period
- Friends, family and fools
 - can be source of funds
 - be aware of disadvantages:
 - risking personal relationships
 - inexperience of investors

Venture Capital



what it's all about...



- Enfocuss software 1998
- 1 million Euro in venture capital for 28% of company
- To fund expansions plans
- Shares sold for +/- double the amount one year later

Venture Capital

- Venture capital (VC) is financial capital provided to early-stage, high-potential, high risk, growth oriented companies.
- the companies usually (but not necessarily) have a novel technology or business model in high technology industries, such as biotechnology, IT, materials, etc.
- The venture capital fund receives equity (aandelen) in exchange for the monies invested in the company
- The typical venture capital investment occurs after the seed funding round as growth funding round (also referred to as Series A round)
- The VC generates a return by selling the shares it owns in an IPO (initial public offering, beursgang) or trade sale of the company.
- Venture capital is a subset of private equity. Therefore, all venture capital is private equity, but not all private equity is venture capital.
 - Based on Wikipedia
- Risk sharing investment money
- With limited investment time horizon
- Supplied by professional investors
- In growth oriented companies
- In form of shares of company

Not for everybody...

Tabel 7 Kapitaalbronnen: gemiddeld aandeel (volgens innovatieactiviteit)

	Alle starters	Niet-innovatieactief	Innovatieactief
Eigen middelen	73.1	71.7	74.1
Banklening op naam van de oprichter(s)	4.9	6.4	3.7
Familie	2.9	3.5	2.5
Vrienden	0.5	0.6	0.5
Business angel	0.1	0.0	0.2
Venture capital	0.9	0.5	1.2
Overheid	0.2	0.2	0.2
Banklening op naam van de vennootschap	15.3	13.2	16.3
Andere bronnen	2.1	3.0	1.7
Totaal	100	100	100

Bron: START bestand 2003 (N=565).

- START database

- Flemish enterprises (vennootschappen)
- between one and two years old
- employing 50 or less people
- representative population of 637 enterprises was selected and queried.

some statistics

impact of venture capital

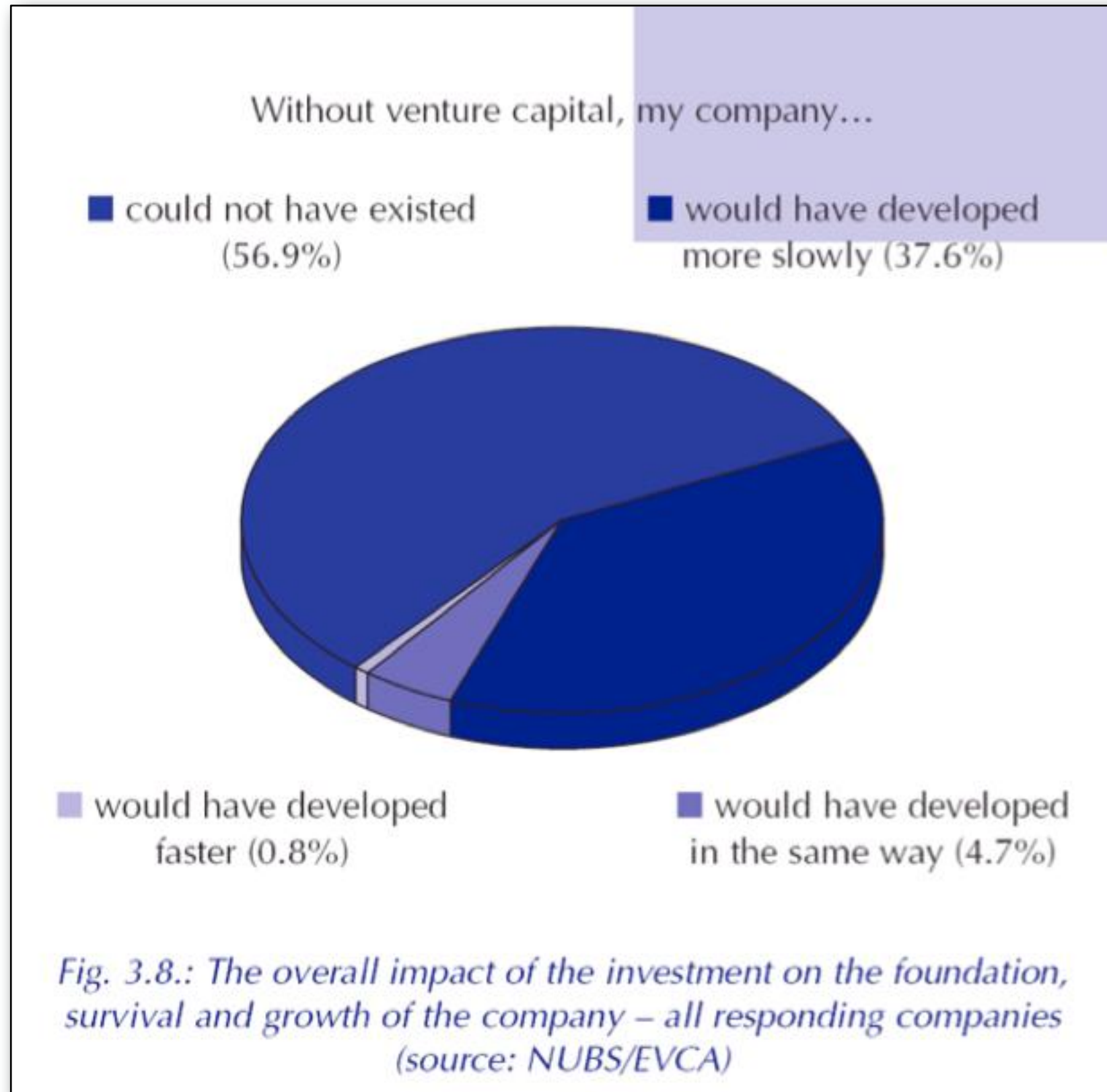
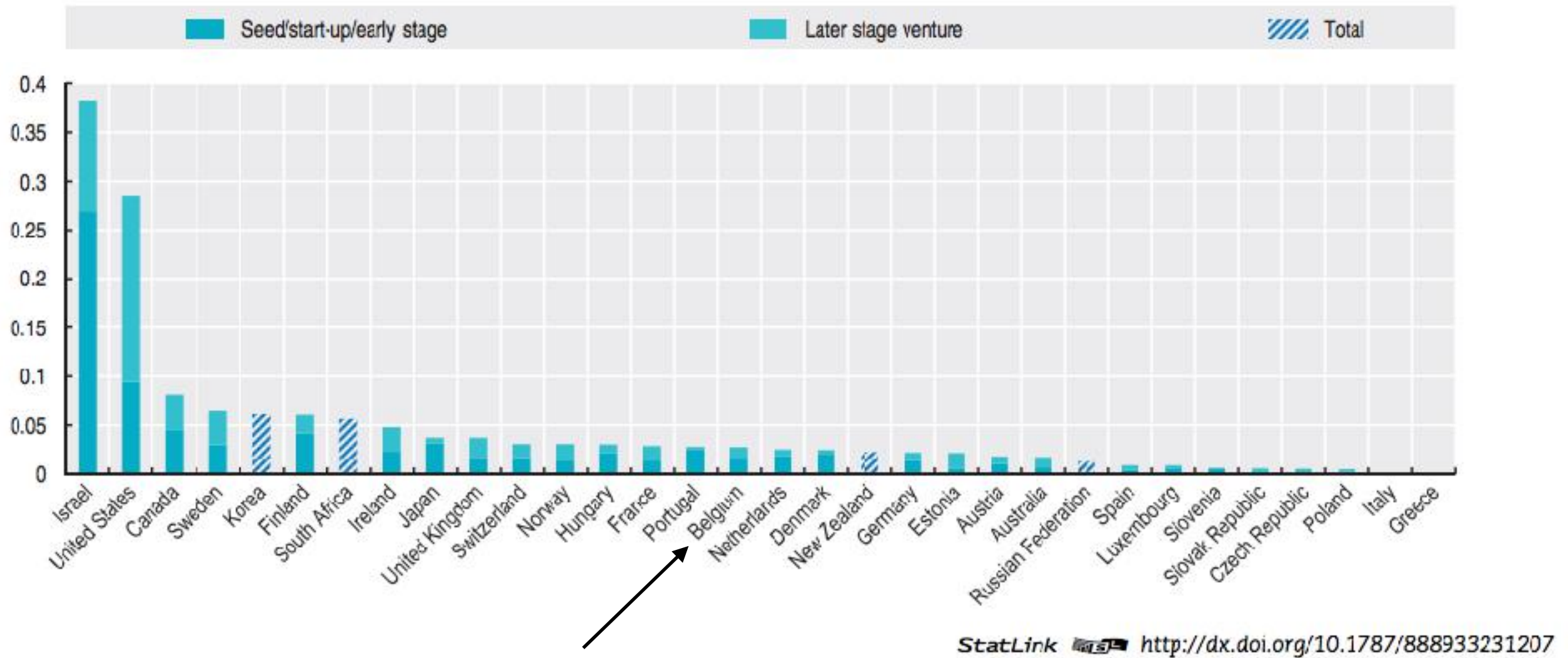


Figure 7.1. **Venture capital investments as a percentage of GDP**

Percentage, 2014 or latest available year



Relevance for US economy

Venture-Backed Jobs – 2010

11%

11.9 million venture-backed jobs =
11% of U.S. Private Sector Employment

107.3 million U.S.

Venture-Backed Revenue – 2010

10%

\$3.1 trillion in venture-backed revenue =
10% of Total U.S. Sales

\$30 trillion U.S. Total Sales

**Venture
Impact**

The Economic Importance of a
Venture Capital Backed Companies
to the U.S. Economy



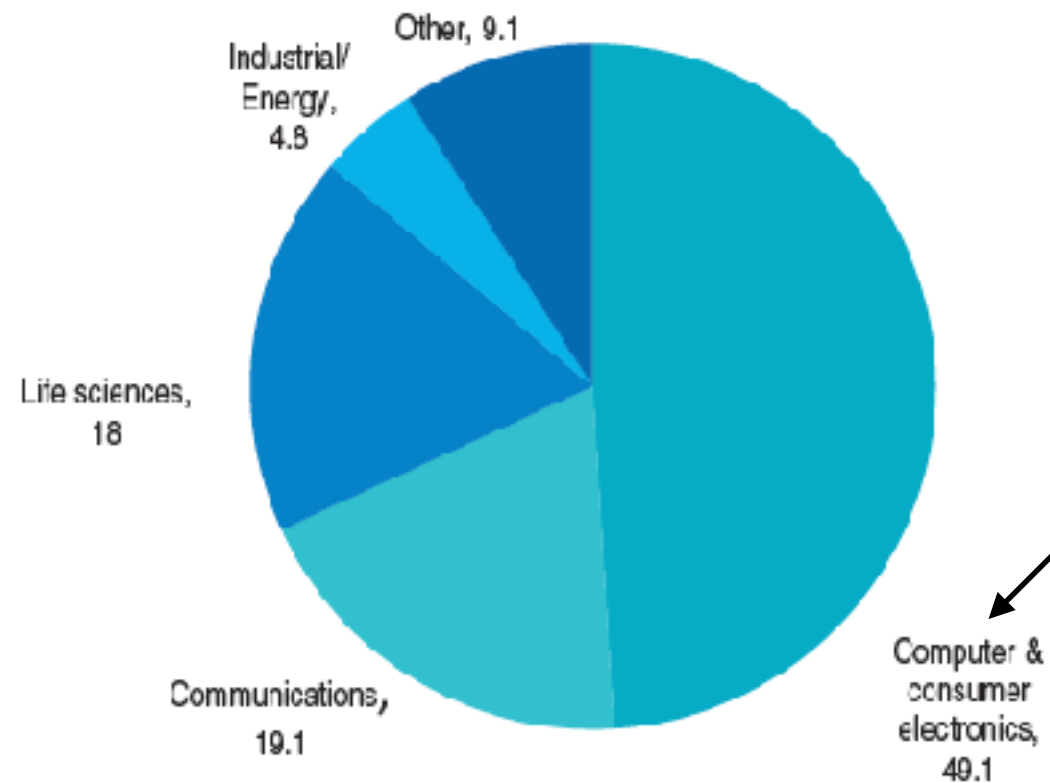
Companies Founded With Venture Capital



sectoral focus 2014

Figure 7.10. Venture capital investments by sector, United States

Percentage, 2014




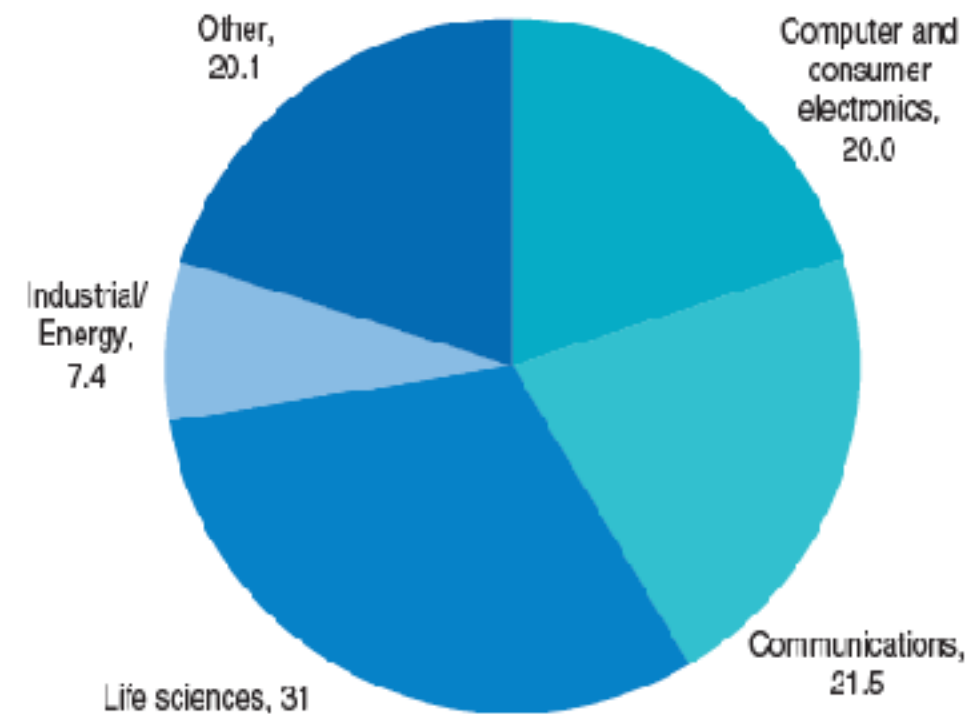

StatLink  <http://dx.doi.org/10.1787/888933231295>

Figure 7.11. Venture capital investments by sector, Europe

Percentage, 2014



StatLink  <http://dx.doi.org/10.1787/888933231309>

The Venture Capitalist

the financial logic of a VC

quality of investment	bad	alive	ok	good	super	total
amount invested	200	400	200	100	100	1000
Multiple after 5 years	0	x1	x5	x10	x20	
Cash from trade sale	0	400	1000	1000	2000	4400
Revenue	-200	0	800	900	1900	3400

- (Peter Camps)
- VC's look for companies that have the potential to score really big, to compensate for the total failures
 - sometimes it feels like VC's want to be lied to.
 - I've never over-promised, I've always presented what I believed was realistic – or even conservative.
 - but it's important to show the long-term upside potential,
 - so you end up with a two-pronged business plan

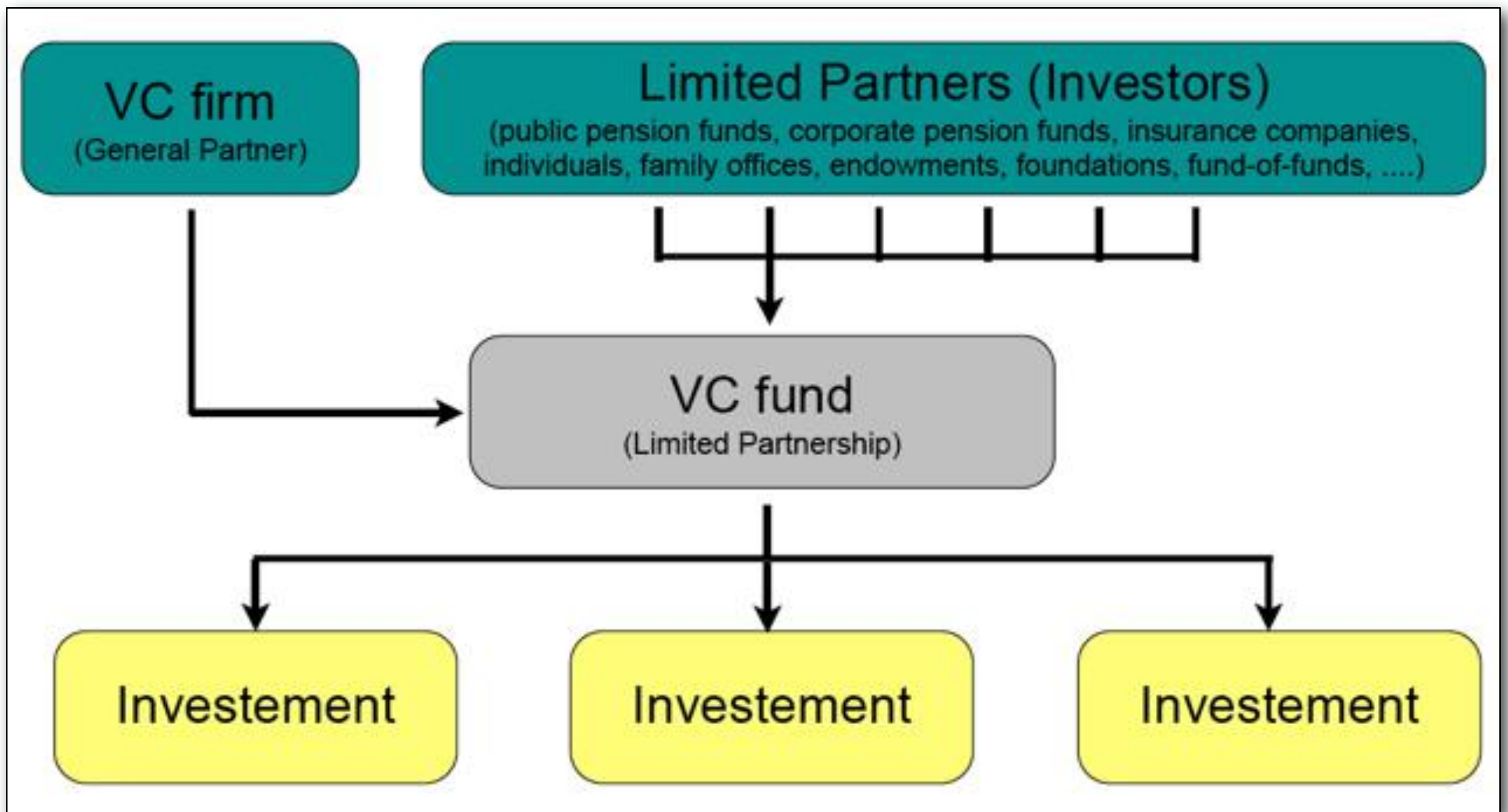
Different VC leagues

- ★ Friends, Family and Fools (3F's)
 - Pre-seed financing
 - Smal(ler) amounts, single investment
- ★ Business Angel (BA)
 - Seed/ start-up financing
 - Relatively small amounts, limited investments
 - Active monitoring and assistance
- ★ Venture Capitalist (VC)
 - Seed/ start-up/ expansion financing
 - Bigger amounts, larger portfolio of investments
 - Also 'hands on' financing, but due to portfolio size, less than BA
- ★ Private Equity (PE)
 - Turnaround financing, leveraged buyouts
 - Large scale projects (consolidation of industry players,...)
 - Very big amounts
 - Little hands-on, but mainly financial architects
 - Often commitment to firm limited in time (exit)
 - Examples: Health City
- + Crowdfunding: see later

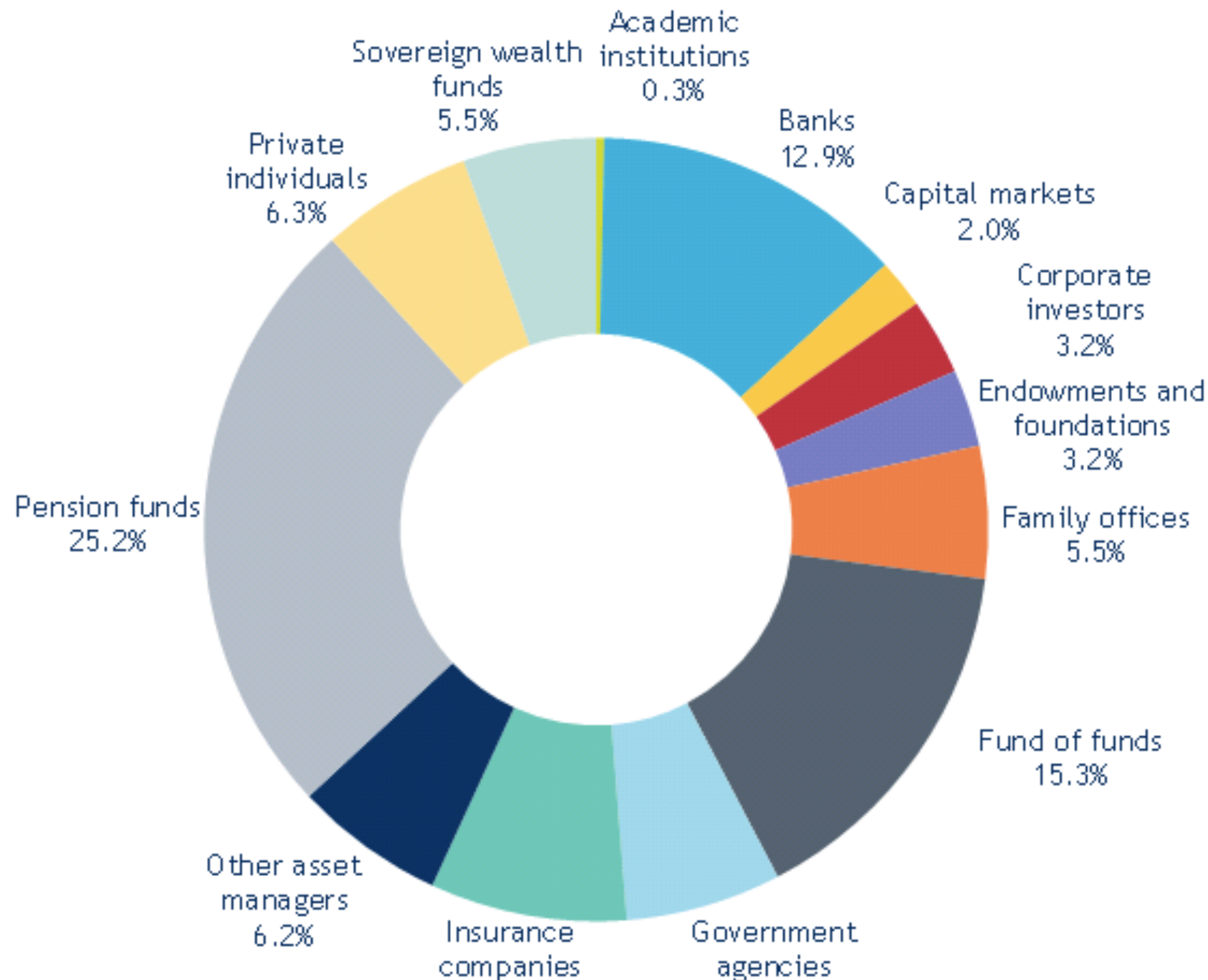
Business Angels

- Business angels are (ex-) entrepreneurs who invest in high potential startup companies
- Average investment between 25.000 and 250.000 euro
- Besides financial support they provide guidance of entrepreneur, using their own expertise
- Business Angels often have an extensive network of contacts and can give the companies a substantial credibility boosts towards customers, suppliers, banks...
- Many Countries have Business Angels Networks
- In Belgium
 - www.banvlaanderen.be
 - www.beangels.eu

The Venture Capitalist...




Sources of European VC funds



The largest US VC's...

Firm	Location	# of deals
New Enterprise Associates, Inc.	Timonium, MD	70
Kleiner Perkins Caufield & Byers	Menlo Park, CA	63
Polaris Venture Partners	Waltham, MA	58
Draper Fisher Jurvetson	Menlo Park, CA	54
First Round Capital	West Conshohocken, PA	51
Venrock Associates	Palo Alto, CA	50
U.S. Venture Partners	Menlo Park, CA	41
Sequoia Capital	Menlo Park, CA	38
Canaan Partners	Westport, CT	36
Highland Capital Partners LLC	Lexington, MA	34
Innovation Works, Inc.	Pittsburgh, PA	33
Versant Ventures	Menlo Park, CA	33
North Bridge Venture Partners	San Mateo, CA	32
Domain Associates LLC	Princeton, NJ	30
Duff Ackerman & Goodrich LLC	San Francisco, CA	30
Menlo Ventures	Menlo Park, CA	30
Accel Partners	Palo Alto, CA	29
Foundation Capital	Menlo Park, CA	29
InterWest Partners	Menlo Park, CA	28
ARCH Venture Partners	Chicago, IL	27
Benchmark Capital	Menlo Park, CA	27
Bessemer Venture Partners	Larchmont, NY	27
Intel Capital	Santa Clara, CA	27
Mohr Davidow Ventures	Menlo Park, CA	27
SV Life Sciences Advisers	Boston, MA	27
Advantage Capital Partners	New Orleans, LA	26
Flagship Ventures	Cambridge, MA	26
Oak Investment Partners	Westport, CT	26
True Ventures	Palo Alto, CA	26

Corporate Venture Capital: Intel Capital



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- [More portfolio exits](#) than any other venture capital firm since 2005.
- Ranked most active VC investor in [Cybersecurity](#), [Hardware](#), [Storage](#), [Internet of Things](#) and [Wearables](#).
- "An investment from Intel means admission to an elite club of companies." - [VentureBeat](#)



Private equity

- 'Big money'
- Funds a/o the consolidation of industries
 - Basic Fit: fitness centers
 - Hans Anders: opticians

Some terms

★ Funding stages

★ Pre-seed

- Mostly just an idea about the business concept
- No product yet
- Technological uncertainty

★ Seed

- Business concept is fine-tuned
- Proof of concept delivered
- Prototype might be delivered as well

★ Early stage/ start-up

- Proof of product
- Company starts up, makes first real marketing expenses

★ Growth/ expansion

- Proof of market
- Company expands and turns break-even

– Investment rounds

- VC's do not invest all the money required to get to profitability in one go
- Often the 'necessary' funds are provided to achieve certain milestones
- Round A, Round B...

• Lead investors and others

- Often one investor does the work: due diligence,...
- Often (a) new investor(s) join in the following rounds, and they become lead investor

★

what you need to understand about VC's

- Peter Camps
- VC's are also looking for ROI on their own time
 - in general, a VC spends a relatively fixed amount of time on each company they actually invest in
 - this means that, depending on the VC's internal structure, the VC needs each investment to be for a certain minimal amount
 - that's one reason why sometimes it seems easier to get \$2m than \$1m, provided you can come up with a meaningful way to spend 2m.

How VCs decide...

- Most VC's focus on a certain subset
 - such as
 - industry sector (biotech, IT, energy, materials...)
 - investment size
 - stage of investment (early stage capital, ..)
 - geographical focus
 - this functions as a filter for VC's
 - It enables them to provide 'smart money': allows them to leverage their expertise and networks within a certain domain
- Two schools of thought:
 - 'I invest in people first and foremost. Smart people will find great opportunities and I will never know the sectors or technologies as well as smart people.'
 - 'I don't care about people, I care about markets. I look for big painful problems that customers have. If management doesn't work out, I can always fix management.'

- Typical Venture Capitalist profiles
 - technology investors
 - focus on uniqueness and protection of product and technology, then on close personal contact with entrepreneur
 - investment manager has technical expertise, sometimes ex-entrepreneurs
 - often government funded, local focus
 - people investors
 - leadership, team, then financial
 - mainly private investors, both early stage and follow up investments
 - non technological as well as technological
 - financial investors
 - 30% of sample
 - financial return from BP is essential, then team
 - Often funds related to banks
- Other considerations
 - Fund duration
 - Portfolio balancing
 - Recent experiences
 - Personal preferences: distance,...

Central issue: dilution

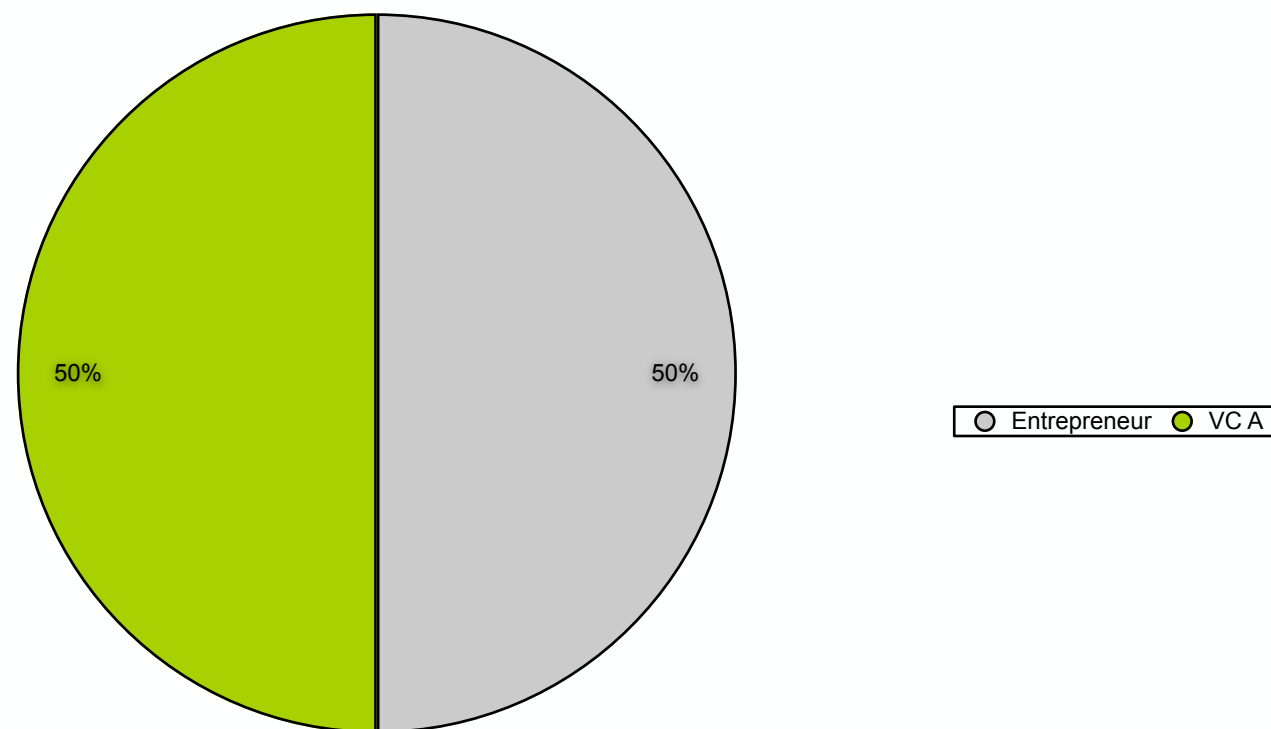
dilution

- ★ key term and possible pitfall
- ★ a reduction of the share of common stock that occurs through the issuance of additional shares

example

★ situation after first investment round:

- entrepreneur: 50% of shares
- VC A: 50% of shares for €3 million
- so, the company is valued at €6 million



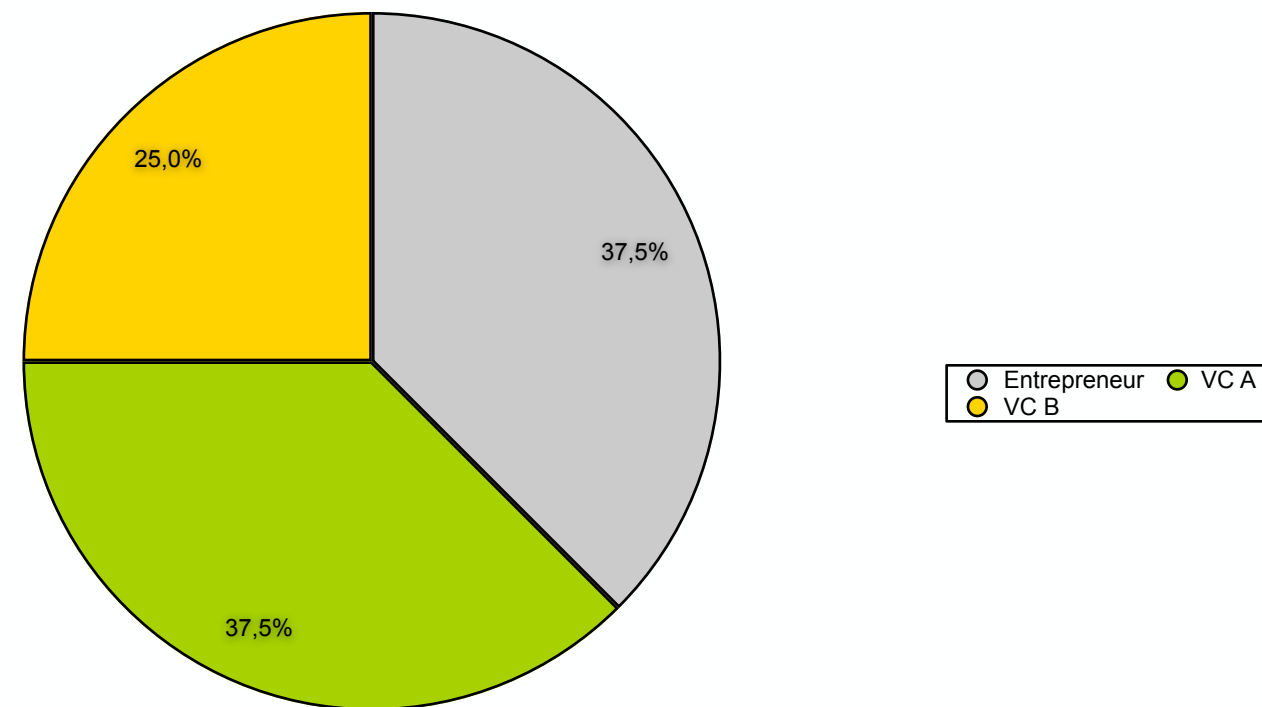
example

- ★ in the next financing round, an extra investor is attracted: he will invest €3 million in return for 25% of the shares (new issues). assume that investor “VC A” and the entrepreneur will not participate in this second financing round.
 - ★ what will happen?
-

example: dilution

★ new situation:

- the company is valued at €12 million
- if the dilution is shared equally by the entrepreneur and VC A, the new shareholder structure becomes:
 - ★ entrepreneur 37,5%
 - ★ VC A: 37,5%
 - ★ VC B: 25%

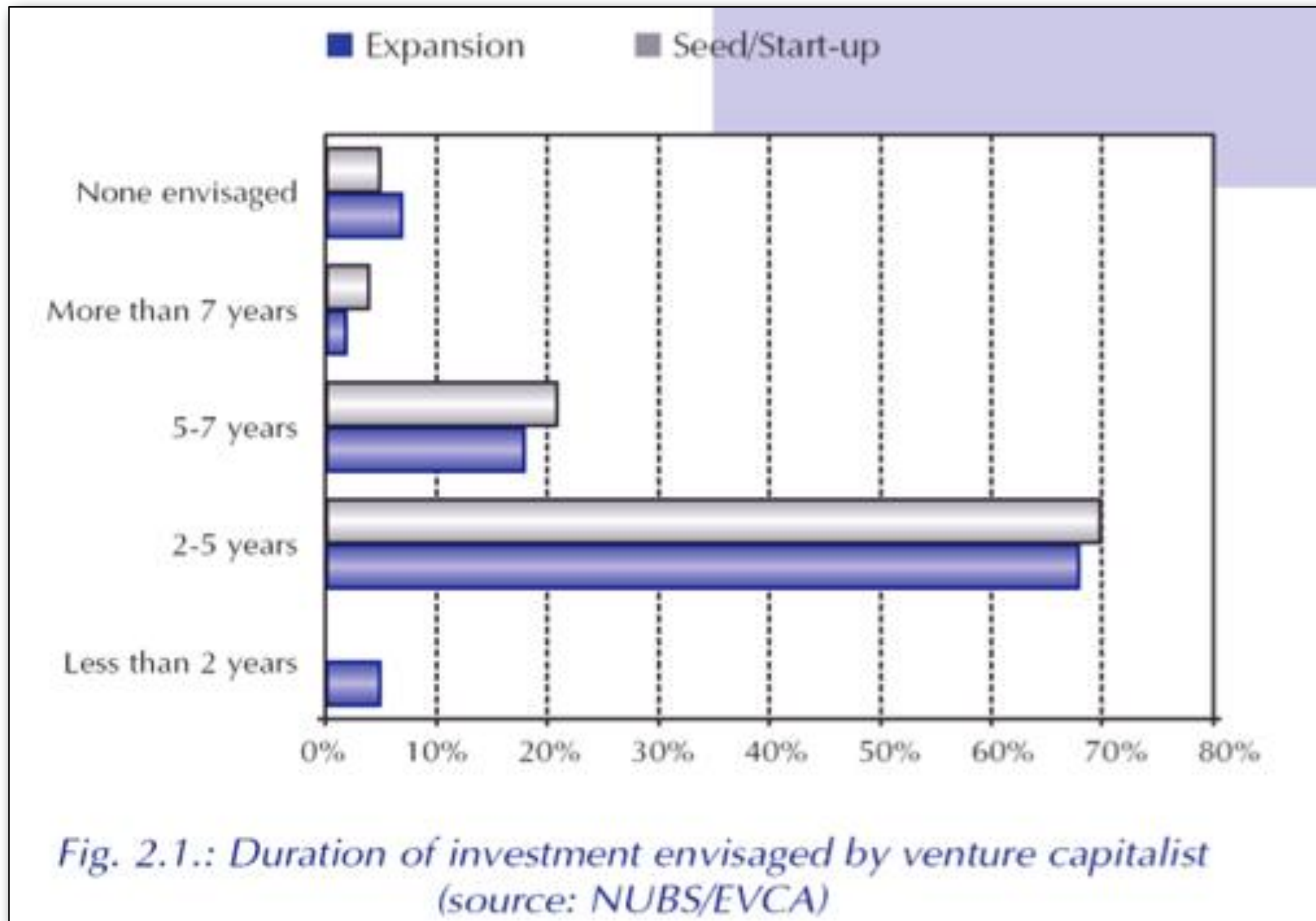


dilution

- ★ what can a VC or an entrepreneur do in order to prevent dilution?
 - put money on the table (follow-on financing)
 - negotiate when investing: clauses, share classes...
 - ...
-

Financial expectations of VC's

Duration of VC investment



The financial logic of a VC

- The Limited Partners expect a 3x (or 20% IRR) on the fund
- Example (high level):
 - 100 mln VC Fund needs to deliver 300 mln!
 - 20% costs over 12-15 year life time (fund costs, Mngt fees etc)
 - 80 mln available of investing
 - 20 mln failures
 - 60 mln must lead to 300 mln!: an average of 5X!
 - 6 years of 30+% YoY growth....
 - (so, a 10 mln post money valuation, must turn into a 50 mln valuation. How many B2B software companies in 2017 were acquired for a value > 50 mln?)



valuation

INTERNATIONAL PRIVATE EQUITY AND VENTURE CAPITAL VALUATION GUIDELINES

These guidelines have been developed by the Association Française des Investisseurs en Capital (AFIC), the British Venture Capital Association (BVCA) and the European Private Equity and Venture Capital Association (EVPVCA) with the valuable input and endorsement of the following associations:

AIFI, Italy - APCRI, Portugal - APEA, Arab countries - ASCRI, Spain - ATIC, Tunisia - AVCA, Africa
AVCAL, Australia - AVCO, Austria - BVA, Belgium - BVK, Germany - CVCA, Canada - CVCA, Czech Republic
DVCV, Denmark - EVCA, Finland - HKVCA, Hong Kong - HVCA, Hungary - IIPA - IVCA, Ireland - LVCA, Latvia
NVCA, Norway - NVP, The Netherlands - PPEA, Poland - Réseau Capital, Quebec - RVCA, Russia
SAVCA, South Africa - SECA, Switzerland - SLOVCA, Slovakia

(Endorsement as of 1st of November 2005)

METHODOLOGY

Price of Recent Investment

Earnings multiple

Net assets

Discounted cash flows or earnings
(of Underlying Business)

Discounted cash flows (from the Investment)

Industry valuation benchmarks



BVCA investing in enterprise

valuation: why?

- ★ business valuation: to determine the fair market value of an owner's interest in a business
 - ★ reasons for business valuation
 - external
 - ☐ investors need to find out whether or not they should participate in a company
 - ☐ entrepreneurs need to know what share they are willing to sell in exchange for the additional money
 - internal
 - ☐ capital allocation
 - ☐ investment decisions
 - ☐ M&A
 - ☐ during licence negotiations
 - By definition uncertain value:
 - High risk, long time horizon, market conditions...
- Valuation calculations
 - return expected by VC
 - expected profits of company in # years
 - validity of prediction
 - value of the company, based on its profits, on P/E ratio
 - Market value
 - Much depends on
 - situation of market and economy
 - negotiation position
 - “there is no gold standard when it comes to valuation: it is and will remain a subjective task.
Consequently, a company can have as many values as there are people doing the valuation.” (Frei & Leleux, 2004)

valuation techniques

- ★ discounted cash flow valuation (DCF)
 - NPV
 - IRR
 - Risk Adjusted NPV
- ★ relative valuation/comparables
- ★ real option valuation
- ★ added value
- ★ -> see Advanced Starter Seminars

Due diligence

Due Diligence

- In the course of the process an in-depth study of your project will be performed
- Due diligence is the process by which confidential legal and financial information is exchanged, reviewed and appraised by the parties to a merger or substantial asset transfer.
- The essence is an effort to make everyone as aware as can be of any liabilities the other party may bring to the transaction.
- The desire is to create a "no surprises" situation.
- The potential investor generally uses in-house resources or hires a consulting firm

term sheets

Term sheet

- Document in which the conditions under which the VC invests in the company is defined
- Is translated in final contract between actors: shareholder agreement, side letters

-
- VC's pay >1M Euro for 27% of shares

Investment Amount

BF 42.000,000 (US\$ 1.200,000) equally split by the Investors upon closing. This amount corresponds with 3,000 voting shares. The shareholding after the proposed transaction is detailed in annex 1

Use of Proceeds

SH

The Company will not use the invested amounts for the payment of any obligation or debt existing prior to the signing of this term sheet in excess of BF 500,000 and provided it is not paid to the founder. An exception is made for the long-term debt towards the IWT (see detail in annex 2). Proceeds not used to pay such pre-existing obligations, to the extent permitted by the preceding sentence, will be used for working capital purposes.

Valuation of the Company

Prior to the investment the company will be valued at BF 110,600,000 (US\$ 3,160,000) .

2

Security Offered

ST

A separate class of shares equivalent to ordinary Shares of the Company with full voting rights, the same dividend and the rights to nominate three Directors.

At closing, all existing and new shares will be registered in the shareholder register of the Company ("aandelen op naam").

Stock Option Plan

SH / ST?

For future use, to be decided on by the Board of Directors, an additional 500 shares will be created for a employee stock option plan.

What does this mean?

Liquidation Rights

§ 14

In the event of liquidation, sale, merger, consolidation or winding up of the Company during the next two years, the Investors will be entitled to receive, prior to distribution on the basis of shareholding positions, an amount pro rata the investment amount. The maximum amount will be equal to the purchase price of their shares increased pro rata temporis with a yearly interest of 20 %

After the full payment to the Investors, the assets and funds available for distribution shall be distributed first to the other shareholders until such holders have received a distribution of the same amount per share as the amount per share received by the Investors, and, second, pro rata the normal shareholding.

What does this mean?

Liquidation Rights

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In the event of liquidation, sale, merger, consolidation or winding up of the Company during the next two years, the Investors will be entitled to receive, prior to distribution on the basis of shareholding positions, an amount pro rata the investment amount. The maximum amount will be equal to the purchase price of their shares increased pro rata temporis with a yearly interest of 20 %

After the full payment to the Investors, the assets and funds available for distribution shall be distributed first to the other shareholders until such holders have received a distribution of the same amount per share as the amount per share received by the Investors, and, second, pro rata the normal shareholding.

- In case of sale of company VCs are the first to receive their money back, increased by 20% per year
- Then other shareholders 'catch up'
- Additional monies are distributed pro-rata

And this?

Bring Along

SH

Prior to IPO, in the event that all of the Investors accept an offer to sell all of their shares to a third party at a price of at least three times as defined in the price per share of this round, and such sale is conditioned upon the sale of a majority of the shares of the Company to such third party, all other shareholders shall be required to sell their shares in such transaction, on the same terms and conditions. In case the other shareholders do not agree to sell, they shall be required to purchase the shares, of the Investors and of the shareholders that are willing to sell at a price equal to the price offered by the third party purchaser.

And this?

Bring Along

SH

Prior to IPO, in the event that all of the Investors accept an offer to sell all of their shares to a third party at a price of at least three times as defined in the price per share of this round, and such sale is conditioned upon the sale of a majority of the shares of the Company to such third party, all other shareholders shall be required to sell their shares in such transaction, on the same terms and conditions. In case the other shareholders do not agree to sell, they shall be required to purchase the shares, of the Investors and of the shareholders that are willing to sell at a price equal to the price offered by the third party purchaser.

- If the VCs find a buyer for their shares at a price at least 3 times the price they paid, then all other shareholders must sell their shares at the same conditions
- If not they must buy over the VCs share at the established price

after you get the funding

- Peter Camps
- be prepared for a different mode of operation
 - the control rules and a formal board of directors require quite some time preparing for and running meetings
 - updating business plans, preparing investment requests, building argumentation pro/con potential business strategies, etc
- this is not all bad, since it forces you into a professional, structured mode of operation.
 - but it does take time and effort
 - it can be very frustrating to explain your business to someone who doesn't understand your business...
- watch for “political” reasons behind certain standpoints
 - vc's invested in your company for their own reasons
 - their risk assessment may differ from yours
 - attempt to get these issues out on the table, rather than lurking in the corner as a hidden agenda.

2.3 Exits

- Because:
 - VC's invest in a company for a limited time
 - They want their money back after that period
- VC's exit by selling their shares to someone else...
 - Generally the whole company is sold to another company
 - Sometimes the company goes to the stock exchange and they sell their shares
- Working with VCs implies accepting the fact that you will probably sell your company...
- ...They will check whether you fully acknowledge this
- The attitude may be different with industrial investors and some private equity funds

IPO: initial public offering

- description: sell the shares of the company to the public to be traded on a stock exchange
- advantages:
 - conversion to cash for investors
 - majority shareholders usually maintain control
 - high potential return
- disadvantages:
 - company must have tremendous growth potential to for an IPO
 - costly process
 - uncertain outcome
 - major shareholders may be limited as to how much, when, and how they can sell stock
- example: Ablynx 85 million fresh cash in company

Trade sale

- Business bought outright by another existing company
- Advantages:
 - Investors and entrepreneurs receive cash (or stock)
 - Often purchased by strategic partner with important complementary assets
 - Management contract can be negotiated
- Disadvantages:
 - Fit must be appropriate
 - Potential management changes
 - Corporate identity may disappear

Crowdfunding

What is crowdfunding?

- **Crowdfunding is the financing of a project by a group of individuals** (collectively, 'the crowd') **instead of professional 'accredited' entities** or individuals such as banks, venture capitalists or business angels.
 - Devashis Mitra, Professor of Finance and Entrepreneurship, University of New Brunswick, Canada
- Michael Sullivan is credited with coining the term crowdfunding in 2006
- Since the late 1990s, CF has been emerging and developing within the Internet community, mainly in the creative industries.
- Hundreds of CF platforms have emerged to act as facilitators for crowdfunding.


Crowdfunding models/formats

Crowdfunding models


- source: CROWDFUNDING INDUSTRY REPORT Market Trends, Composition and Crowdfunding Platforms
- Massolution defines **four types** of crowdfunding platforms
 - **donation**-based crowdfunding
 - **reward**-based crowdfunding
 - **lending**-based crowdfunding
 - **equity**-based crowdfunding
- **Crowdfunding for financial return** (equity-based and lending-based crowdfunding) **is most effective for digital goods** such as applications or computer games, music, film or literature. It also raises the largest sums of money per campaign. More than 80% of the campaigns in this category raise above \$25,000.
- **Donation-based and reward-based crowdfunding for cause-based campaigns** that appeal to funders' personal beliefs and passions perform best. These campaigns are much smaller, with two-thirds of them generating less than \$5,000.


A crowdfunding example

An example on Indiegogo




A new kind of device for your keychain. One that is Powerful, Smart and Connected.







Battery
A small powerful battery to charge your phone on the go for up to 2 hours.



Cable
Use it as a USB cable to charge your phone from any USB port or sync it to a computer.



Locator
Connects through bluetooth with your phone to help you locate your lost keys or find your phone.



Memory
Store photos, music, videos and files. Choose from 8, 16 or 32 GB of flash memory.

Black
—OR—
White



Lightning  —OR— Micro USB 

 iPhone 5  Android  Windows

Flash memory	\$69	\$79	\$89
	8 GB	16 GB	32 GB

Add \$10 for international shipping

GOkey color preference to be asked at end of the campaign

Select a perk

\$59 USD

Featured

8g GOkey Special #4

SAVE \$10 OFF the \$69 retail price.

Contributors on this level can receive up to 6 discounts via our Influencer Thank You Program and get your GOkey for FREE!

*Add \$10 for international shipping

Estimated delivery: **January 2015**

1173 claimed

\$10 USD

INTERNATIONAL SHIPPING

Did you forget to add shipping to international orders?

No problem, please add your shipping here to save \$5. Any orders after the campaign will be charged \$15 for international shipping.

Estimated delivery: **January 2015**

1041 claimed

\$69 USD

16g GOkey Special #4

SAVE \$10 OFF the \$79 retail price.

Contributors on this level can receive up to 7 discounts via our Influencer Thank You Program and get your GOkey for FREE!

*Add \$10 for international shipping

Estimated delivery: **January 2015**

556 claimed

\$79 USD

32g GOkey Special #4

SAVE \$10 OFF the \$89 retail price.

Contributors on this level can receive up to 7 discounts via our Influencer Thank You Program and get your GOkey for FREE!

*Add \$10 for international shipping

Estimated delivery: **January 2015**

\$4,000 USD

100 GOkey's Laser Engraved

Engrave your message, add a logo and make a fine personal or business gift.

Get 100 8gig customized GOkey's. Add an additional \$500 for 16gig or an additional \$1000 for 32gig.

*Add \$20 for International shipping

Estimated delivery: **January 2015**

8 out of **9** claimed

\$11,000 USD

300 GOkey's Laser Engraved

Engrave your message, add a logo and make a fine personal or business gift.

Get 300 8gig customized GOkey's. Add an additional \$1500 for 16gig or an additional \$3000 for 32gig.

*Add \$20 for International shipping

Estimated delivery: **January 2015**

2 out of **3** claimed

\$40,000 GOAL

\$1,111,697 USD

RAISED OF \$40,000 GOAL



2,779%

This campaign raised \$1,029,604 by its July 03, 2014 deadline, and is continuing to accept contributions.

∞ Forever Funding pilot program 

Stretch goals



UNLOCKED

\$500,000

GPS Location

App to track the last GPS location of your keys



UNLOCKED

\$650,000

USB 3.0

Five times faster transfer speed for GOkey's USB



UNLOCKED

\$800,000

Phone Remote

Remote for camera, music, keynote, incoming calls



UNLOCKED

\$1,000,000

File Manager App

Open, copy & paste files from GOkey to your phone



what struck you?

- Funding goal: \$40.000 ><\$1.111.697 effectively funded
 - this won't happen with VCs...
- non-dilutive funding...
 - all equity remains in hands of entrepreneurs!
- It is a typical Business-to-Consumer product
 - will the Crowd fund a B2B product?
- No due diligence
 - we know nothing about the team, their backgrounds, the underlying technologies, the Cost of Goods Sold, the channels, the IP position, competition, the key challenges...
- The product isn't ready yet!
 - "expected to ship by January"
- Inexperienced investors
 - the product is delayed substantially, and the crowdfunders want their money back...

the disadvantages of crowdfunding...

- GOkey: Due to unforeseen circumstances beyond our control expected delivery is Q3 (2015). Thank you for your patience
 - April 5 2015 at 4:28am
- Alex Gabrielian: So we will get our orders sometime July- September ? Almost a year later ?? Can you guys at least be honest and tell us what these "unforeseen circumstances" were and how you plan on compensating us who have been waiting this long ? Not saying you guys ripped us off but the delay makes it look bad...
- GOkey: Alex, we do not know what is around the corner. Its impossible to determine the future. Issues with manufacturing, tooling etc has set us back. We have decided to listen to our backers and increase the battery capacity at no extra charge. We do understand the frustration but we are a small team working around the clock to bring you a premium product. There is still nothing out there on the market that has all of the functionality of GOkey. Thank you for your patience.
- Govinda Govi: At this rate, anyone who supported the project will feel neglected.... It was promised beginning of 2015.... Please update on when are going to get it...
- Damien Rowe: I placed mine last summer and was told tough luck when I asked about a refund. It's getting close to a year. Such a disappointment.

the disadvantages of crowdfunding...

- Raphael Salgado:

- Prove me wrong, but I bet
 - - it will take 4+ days before a curated update is posted,
 - - it will have an unwarranted positive spin,
 - - it will contain previously repeated details,
 - - it will contain another low-resolution, wide-angle, unrevealing photo,
 - - it will contain another stylized concept video,
 - - it will still be vague or void of useful details,
 - - it will still promote more preordering, and/or
 - - it won't address certain issues or direct questions from concerned backers.

- Cube peep:

- We're the suckers that dumped 1.2 million on Doros, expecting this crowdfunded project to be "different" from other recent high dollar scams. All we've done is pay for Doros to travel and hang out in China.
- There's a number of nearly identical products coming to market right now, and you sitting on the sidelines telling backers that 'this is just how crowdfunding works' is a bit overplayed. I tend to agree that '15 turns in to Q2, and then Q3, and eventually '16.

conclusion...

- 13.698 fools invested
- And now they're angry...

Hi everybody,

November 2016...

We are resolving the issues with wifi and we are moving on.

We had to change the wifi chip and redesign the antenna.

The new chip consumes less energy and boots twice as fast.

And the new antenna design performs well and is stable.

The GOkey project has dragged longer than any of us could have ever imagined.

Please accept our sincere apologies.

Being late, we ought to at least deliver a device that works reliably and that is what we are striving for.

Our goal now is to ship GOkeys in time for Christmas holidays

All the best

GOkey team



Doros K



posted by Doros K
Apr 15, 2017 • 8:26AM

Apr 15, 2017

Dear Backers:

I sincerely regret to inform you that GoKey lacks the funds to complete the delivery of a viable product. We ran into technical difficulties that we could not resolve. There are no funds left to cover claims of suppliers and others or to offer refunds. I have been exploring all avenues to raise additional funds so that we could complete and deliver the product, but we have been unsuccessful.

I honestly fought with all I had to do good at the end. Tried so hard to raise a round or form a partnership to deliver. And there have been times where a deal was looking 100% certain. But the age of the product, the liability and the negative cloud hanging over it always prevailed.

I am left with no alternative but to completely cease and shut down all operations and activities and consider filling for bankruptcy.

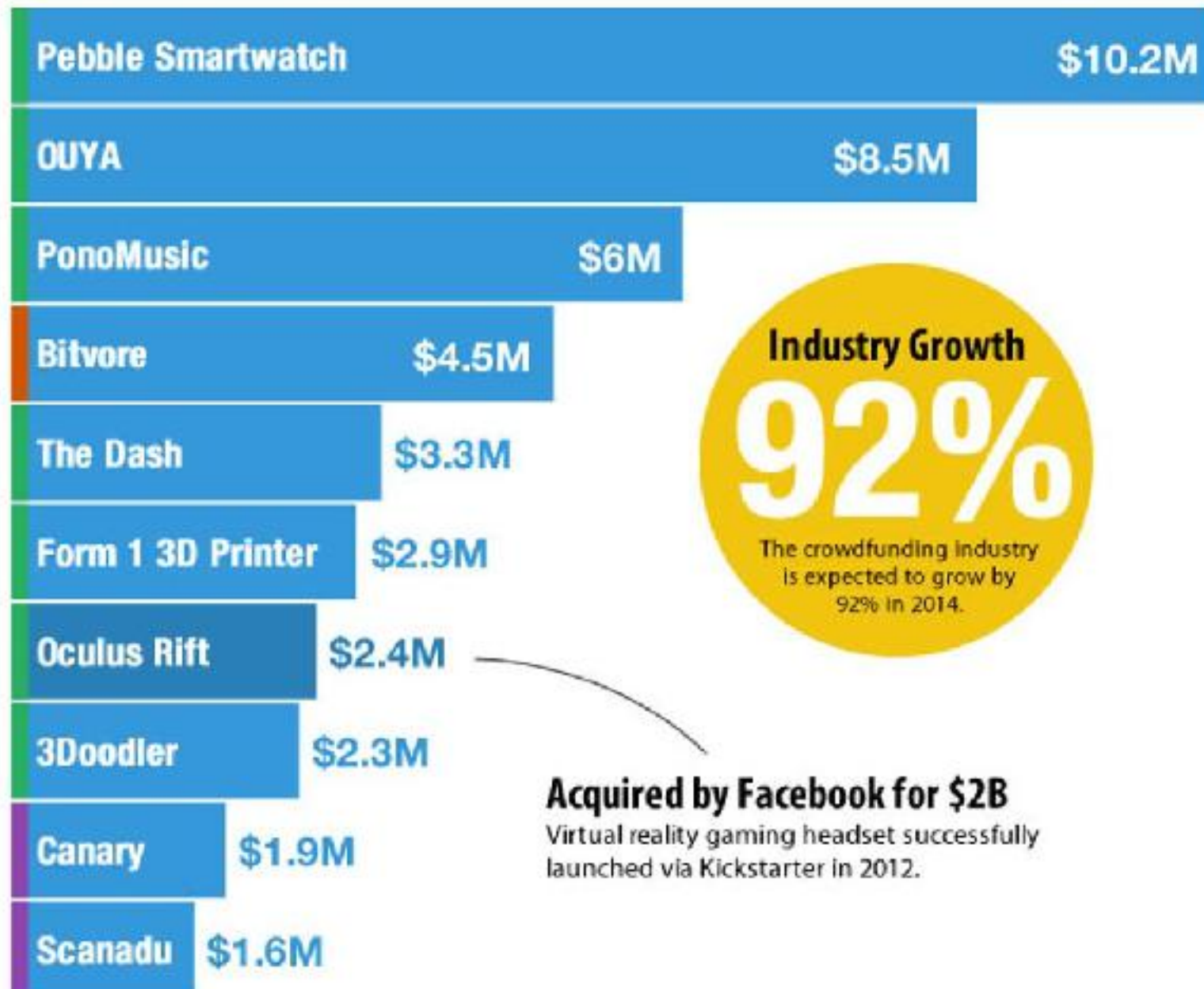
I feel terribly shameful for letting you down.

I am sorry,

Doros

Top 10 Crowdfunded Businesses

The definitive list of the top business crowdfunding campaigns to date. The companies below found success on Kickstarter, Fundable, and IndieGoGo.



Key: ■ Kickstarter ■ Fundable ■ IndieGoGo

FUNDABLE

References:

Funding amounts: Kickstarter, Fundable, IndieGoGo.
 Forbes: "Facebook Plays The Long Game With \$2 Billion Bet On Oculus Rift"
 TechRepublic: "When trends collide: 10 of the hottest crowdfunded wearables"

Crowdfunding platforms

Crowdfunding websites participating to crowdsourcing.org industry report May 2012

- Crowdsourcing.org's Directory of Crowdfunding Sites contained 452 active crowdfunding platforms at the time the survey was conducted



 LendingClub

 KIVA

 KICKSTARTER

 FundRazr

 growvc

 INDIEGOGO

 buzzentrepreneur

 PIFWORLD
Because focus is our better world

 RocketHub

 Funding Circle

 FINDER THUNDER

 indulj.be

 WEBclusive

 kachingle

 GiveForward

 Pozible

 PPI

 quero
NA CAPA

 RALLY

 razoo

 iPledg
INNOVATION PARTNER

 wegetthere

 fund'R
venture

 FundedByMe

 WeDid
This

 pledge 210.

 massivemov

 geldvoorelkaar.nl

 MicroVentures

 SELLABAND

voordekunst

wazoku

InvestorsAlly

TechMoola

The Growth Group

THE CROWDANGEL

starteed

springboard

movere.me

MEGATOTAL

Fundee

babeldoor.com

A AUSTRALIAN
SMALL SCALE
OFFERINGS BOARD

SCHOLAR MATCH

touscoprod

SOCIOS INVERSORES.ES

SYMBID

SoMoLend

sponsume.com

startnext

myAzima.org

ZimpleMoney

Innovestment

GoGetFunding

FundaGeek

twask

lendwithcare.org

ulule

we fund

vision bakery

MOBCASTER



charity  factors



The Early Stage
Marketplace

verkami



Funding4
Learning



ku
bo

AFRICA
UNSIGNED
.COM



BOOMERANG



CAUZOOM



WI  SEED



40Billion.com®

THEBLOGTV



civicsponsor





some Indiegogo examples

ANIMALS



Help build animal shelter

We need YOUR help to finish building animal shelter for 94 dogs & cats in time for cold winter

\$14,929 USD



213%

26 days left

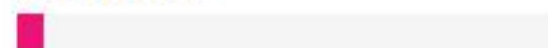
ANIMALS



Saving Tisiphone, please help!

3 days ago, while on a walk, Tisiphone ate food contaminated with rat poison. She needs your help!

\$445 USD



9%

30 days left

MUSIC



Two Cow Garage- Van Boosters

Help us repair our van!

\$7,580 USD



101%

29 days left

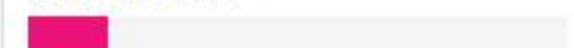
MUSIC



Rebecca Binnendyk's Debut Album

Join me in the adventure of creating my first studio album!

\$1,570 CAD



20%

31 days left

and also...

Name	Funding model	Focus	Country	Notes
Myfreeimplants	AoN	Cosmetic surgery	US	Focused on breast augmentations. International
Offbeatr	AoN	Pornography	US	Projects must first get enough votes from users before they are open for funding