2016 US – Israel Summer Fellowship placed in IVN

UC San Diego, Rady school of management
Eric(Xinyuan) Han
August 10, 2016
Areas of Portfolio
(Tandem fund & Yozma fund)

<table>
<thead>
<tr>
<th>Year</th>
<th>Employment/Training</th>
<th>Economic Development</th>
<th>Education</th>
<th>NGO Infrastructure</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>62%</td>
<td>10%</td>
<td>19%</td>
<td>9%</td>
</tr>
<tr>
<td>2014</td>
<td>64%</td>
<td>9%</td>
<td>18%</td>
<td>9%</td>
</tr>
<tr>
<td>2015</td>
<td>66%</td>
<td>8%</td>
<td>18%</td>
<td>8%</td>
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My Assignment at IVN

New Social Venture Fund focusing on Assistive Technology (AT) for disabled people

Main questions:

• a. What are the capital needs of assistive technology companies?

Ecosystem of AT

• b. What financial tools are available to help these companies?

Possible solutions

• c. What models are being used elsewhere and what can we learn from these models?
Assistive Tech Trend in Israel

- 3 new Social Tech accelerators in the past year
- 50% of ventures that approach Impact1st are Assistive Tech
- Increase in initiatives in the field
- Chief Scientist: “usually 15 initiatives for grants per year but now there are 15 initiatives per quarter”
- Increase in awareness (Israel’s Equal Rights for Persons with Disabilities Law of 1998)

Chief Scientist: “usually 15 initiatives for grants per year but now there are 15 initiatives per quarter”
Ecosystem of AT

Pre-seed Funding from 3F, Angels, Donation-based Crowdfunding, Competitions

Valley of Death

Prototype

Accelerators and incubators

Chief Scientist

Seed fund, VC Equity-based Crowdfunding

OurCrowd
Social Tech Fund: The Gaps

- Financing gap – especially at the seed stage - matching fund to the Chief Scientist
- Mentoring gap – on an ongoing basis and not as part of a short term hub/accelerator
- Marketing & business development gap Local & Global
The Entrepreneurs Seeking Investors & Mentors

Profile

• Seasoned entrepreneurs
• Personal experience with the market need
• Willing to invest 50% profit in the social goal
• Finance their business with:
  – Personal funds
  – Chief Scientist Fund
  – Angels that are also personally connected to the cause

Needs

• Financial resources needed until break even
  $500k- $1.5m
• When asked about challenges, all mentioned financial and 50% marketing
• Most of the are using Chief Scientist grants, but finding it hard to find matching funds
• Not enough help from current incubators and accelerators
Eye Control case study:
Offers ALS portable eye-tracking communication system

• Current Status
  – Patent pending
  – Working prototype
  – Due Diligence by IVN

• Capital structure
  – $43,396 USD total funds raised by Indiegogo
  – $250,000 by 3Fs and private angel
  – $140,000 by Chief Scientist
  – $132,000 by Competition
  – Benefited by 8200 accelerator

• Needs
  – $1.5M Series A
Milbat case study:

- Milbat is an Israeli non-profit AT accelerator
- High-tech + Low-tech
- Milbat’s volunteer team (300 experts in the areas of technology and design) develops the required device for the person or group.

- Capital Structure for Milbat
  - 35% from contract with government and hospital
  - 35% from Chief Scientists
  - 30% from Grants

- IVN offered loan to Milbat NIS 200,000 in 2011

- Needs from Milbat
  - funding is 1,000,000$ per year for 5 years
  - Business partner
Milbat case study:
Technological Innovation for Disabled Program

• Started in 2012
• Significant ventures are NGO’s (more familiar with the field)
  - Companies: 2 years, 65% matching
  - NGO’s: unlimited, 85% matching
• Built for economic prosperity rather than impact
• AT is OCS’s smallest part
• Annual budget of 6M NIS
• In 2014, each ventures got 450,000 – 500,000 NIS
• Ventures must target disabilities that are 5% or less of the population (blind, deaf, etc.)
• 60 – 90 days from submission to get notified
• Skeptical about the fund because they started the program assuming no one would invest in Assistive Tech ventures

# of acceptance/total # of application:
2012: 10/13
2013: 8/10
2014: 8/15
2015: 10/20

Ex: Sesame, Voiceltt, EyeControl
Possible solutions
- Existing 3 impact funds business model in the world
- One service

Private Investors Fund interventions

Fund
One service

Non-for-profit + Social Impact

Impact of reducing reoffending

Savings created for MOJ paid back to the fund IRR 12%

Government (Ministry of Justice)

measured

some commit no further offences

some reoffend

prison

offenders released into community
Possible solutions
- Existing 3 impact funds business model in the world
- Yozma Social Fund

$14 M. for social businesses tackling unemployment
Possible solutions
- Existing 3 impact funds business model in the world
- Rockefeller foundation model

Private Investors
Fund interventions

Capital

Fund
Paid back to the fund
IRR 10%

Government or Foundation
(Rockefeller-Yunus social fund)

Loan
Prime + 2.5%

For-profit Social Business

If achieved social goals

Private Investors
Fund interventions

Government or Foundation
(Rockefeller-Yunus social fund)

Loan
Prime + 2.5%
Possible solutions
- Existing 3 impact funds business model in the world

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<thead>
<tr>
<th></th>
<th>IRR</th>
<th>Risk</th>
<th>Payer</th>
<th>Investment</th>
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<tbody>
<tr>
<td>One service</td>
<td>12%</td>
<td>High</td>
<td>Government</td>
<td>Non-for-profit</td>
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<tr>
<td>Yozma Social Bonds</td>
<td>4%</td>
<td>Low</td>
<td>Social Business + Government + Philanthropy</td>
<td>Social Business</td>
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<td>Rockefeller-Yunus</td>
<td>14%</td>
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<td>social fund</td>
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</table>
Possible solutions
- 1. Using One Service model to corporate with Government or insurance company

Private Investors
Fund interventions

Fund
IVN
Israel Venture Network

Non-for-profit + Social Impact
Impact of Promoting AT

Savings created for Gov. and Insurance companies paid back to the fund IRR 12%

Insurance

Government

Savings created for Gov. and Insurance companies paid back to the fund IRR 12%

Possible solutions
- 1. Using One Service model to corporate with Government or insurance company

Insurance

Possible solutions
- 1. Using One Service model to corporate with Government or insurance company

Private Investors
Fund interventions

Fund
IVN
Israel Venture Network

Non-for-profit + Social Impact
Impact of Promoting AT

Savings created for Gov. and Insurance companies paid back to the fund IRR 12%
Possible solutions
- 2. Using Yozma model to corporate with crowdfunding

Tax Credit

Gov. incentives to corporate

First loss

Yozma Funds

Philanthropy

Investors

Capital

Capital

Crowdfunding

For-profit Social Business
Possible solutions
- 2. Using Yozma model to corporate with crowdfunding

<table>
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<tr>
<th>Israel Related</th>
<th>Non-Equity Based</th>
<th>Non-Israel Related</th>
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<td>Equity Based</td>
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<td>OurCrowd</td>
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<td>Exit Valley</td>
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<td>g2</td>
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<td></td>
<td>eloan</td>
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<td>SeedIL Investment Club</td>
<td>crowdmii</td>
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Possible solutions
- 1. Using Yozma model to corporate with crowdfunding
- Exitvalley

- Equity based crowdfunding
  - Bridging Fund
  - An extension of a friends and family round, limited to 35 offers to nonaccredited/retail investors
  - Also limitation for the total amount money
  - Around $150,000
  - No data for investors
Possible solutions
- 1. Using Yozma model to corporate with crowdfunding
   - Exitvalley

• Co-invest
  – Around $300,000 per Venture for seed fund (25% ownership)
  – Lower the entrance of retail investors due to the 35 people rule

• Accelerator
  – Limited partner for a new accelerator
  – Around $150,000 per Venture for pre-seed fund (15%-25% ownership)
Possible solutions
- 1. Using Yozma model to corporate with crowdfunding
- Crowdmii & Jewcer

- Non-equity based, Israel related
  - Focusing on impact
  - Investors - **communities** and **organizations** who are **connected to Israel** promote Israeli innovation, they hope to **engage** their audience
  - mostly **Jewish** and **Christian**, especially Christian Zionists
  - Unique crowdfunding platform is tailored specifically for initiatives that benefit the Jewish people

- Pro-active campaigns

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Startup Engagement

Campaign Ambassadors
**communities and organizations** are on board, in advance

Campaign on crowdfunding platform
Possible solutions
- 1. Using Yozma model to corporate with crowdfunding
- Crowdmii & Jewcer

- Startup Engagement
- Campaign Ambassadors communities and organizations are on board, in advance
- Campaign on crowdfunding platform
Possible solutions
- 1. Using Yozma model to corporate with crowdfunding
- Crowdmii & Jewcer
Possible solutions

- 1. Using Yozma model to corporate with crowdfunding
- OurCrowd

• VC using Crowdfunding platform (Angels association)
  – After financial check, total 12,000 accredit investors around the world (especially in America), 3,500 are active investors.
  – More than 70% of portfolio companies are based in Israel
  – 50-person due diligence team, OurCrowd puts in about 5 to 15 percent of the funding for every deal
  – take board seats and have rights like pre-emptive or anti-dilution rights
  – Series A ($1.5M) & Seed fund (OurCrowd First, $0.5M)
  – Successful stories for AT

– Social responsibility - Tmura
Possible solutions
- 1. Using Yozma model to corporate with crowdfunding
- Ourcrowd

• Co-investment
  – Previous experience with GE Venture and UOB

• Limited Partner of the new fund
  – Seed fund like OurCrowd First
Possible solutions  
- 1. Using Yozma model to corporate with crowdfunding

<table>
<thead>
<tr>
<th>Crowdfunding</th>
<th>Type</th>
<th>Investors</th>
<th>Regulation</th>
<th>Social impact</th>
<th>Co-investment model</th>
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</thead>
<tbody>
<tr>
<td>ExitValley</td>
<td>Equity-based</td>
<td>Retail Investors</td>
<td>No more than 35 people can invest the same venture</td>
<td>Low</td>
<td>Co-invest Accelerator</td>
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<tr>
<td>crowdmi</td>
<td>Non-equity Donation</td>
<td>Retail Investors + accredit investors (Communitie s and organizations)</td>
<td>None</td>
<td>High</td>
<td>Partner for Communities Co-invest before pro-active campaign</td>
</tr>
<tr>
<td>Jewcer</td>
<td>Equity-based</td>
<td>accredit investors</td>
<td>Follow Accredit investor rule</td>
<td>Medium</td>
<td>Co-investment Limited Partner of the new fund</td>
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<tr>
<td>OurCrowd</td>
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Thank You