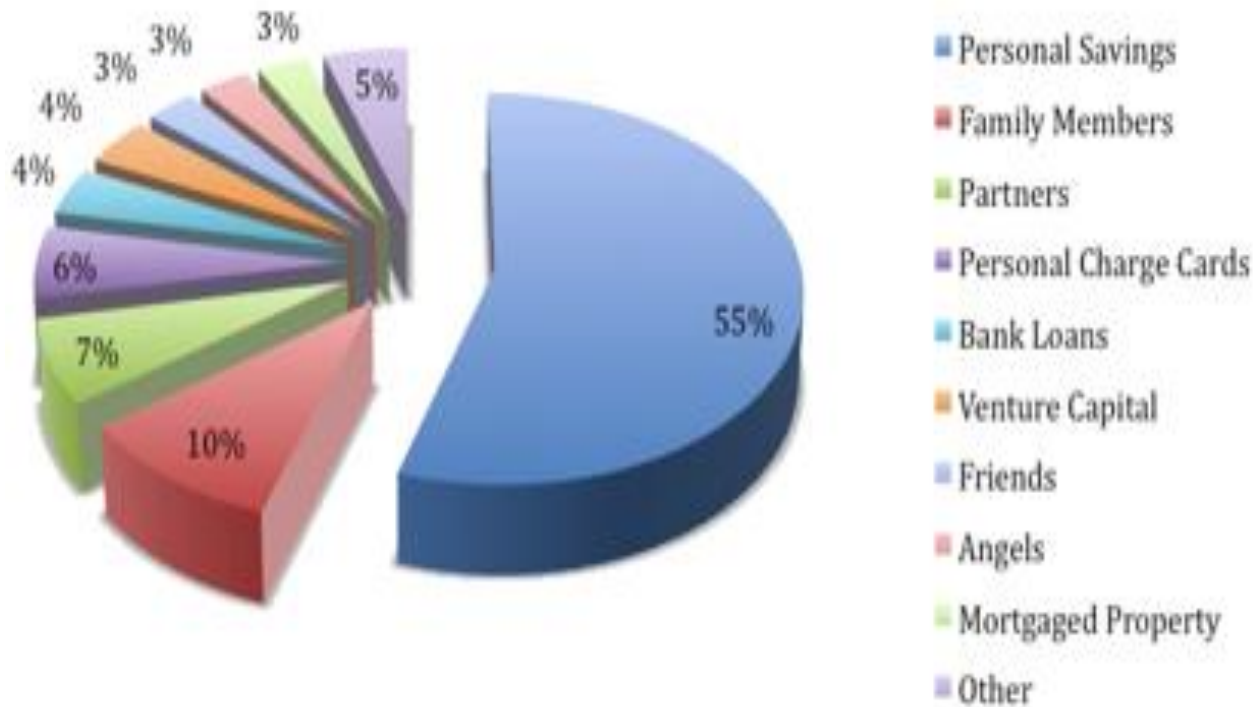


Sources of Financial Capital

Where does startup money come from?



Source: pivotal-services.com

Bootstrap (Self-funding) Financing

Advantages

- Owned by founders
- Easy ownership terms
- Controlled by founders
- Lower pressure
- Little time spent on fundraising

Bootstrap (Self-funding) Financing

Disadvantages

- May constrain growth due to limited capital
- Lack of funding commitment for future
- Loss of advice and social capital from professional investors

DIGITAL CAPITAL LUMAscape

Crowd Funding

KICKSTARTER
indiegogo
RocketHub
Upstart
ROCK THE POST
EquityNet
growVC
EarlyShares
SEEDUPS

Super Angel / Incubator

Combinator
SV Angel
dogpatch LABS
CommonAngels
500startups
socialleverage
FOUNDER COLLECTIVE
band
w media ventures
FOUNDER INSTITUTE
gnr/assembly
bafworks
techstars
LAUNCHPAD
Innovation Works
TECH COAST
ANGELS
ROSE Tech Ventures
LERER
VENTURES
ideablab
FIRSTSTEPS

Venture Debt

Silicon Valley Bank
Hercules
ORIX
PINNACLE VENTURES
Digital Partners
VENCORE CAPITAL
WTI
TRIPLEPOINT CAPITAL
AGILITY CAPITAL
EASTWARD
VSS
wellington FINANCIAL
LIGHTHOUSE CAPITAL PARTNERS

Growth Equity

TA Associates
SUMMIT PARTNERS
General Atlantic
GREAT HILL PARTNERS
SPECTRUM EQUITY INVESTORS
TCV
FTV
Goldman Sachs
Investor
HALYARD CAPITAL
ICG
H.I.G.
SILVERLAKE
JMI
ABS Capital
3i
zeinick media
TRIDENT CAPITAL
N.E.P.
STALEY CAPITAL
CROSSLINK CAPITAL
GGV CAPITAL
FOGCITY CAPITAL
Alta Communications
W.W.C.
Norwest Equity Partners
DST
bridgescale
SYMMETRIC CAPITAL
TPG
Constellation
AVISTA
ADAMS STREET PARTNERS
T.Z.P.
NORTH BRIDGE
BERTRAM CAPITAL

Private Equity / Buyout

KKR
Apollo Investment Corporation
Bain Capital
PRIVATE EQUITY
THE CARLYLE GROUP
GTCR
WARBURG PINCUS
PROVIDENCE EQUITY
HELLMAN & FRIEDMAN
CERBERUS
LINDSAY GOLDBERG
TPG
INVESTCORP
TECHNOLOGY PARTNERS
LEE
EQUITY PARTNERS
Apax
CLAYTON DUBILLIER & RICE
GENSTAR
NEW MOUNTAIN CAPITAL LLC
WESTON PRESIDIO

Venture Capital

Stage Agnostic

KP CB
SEQUOIA CAPITAL
greylockpartners.
BESSEMER VENTURE PARTNERS
BENCHMARK CAPITAL
union square ventures
BV
Battery Ventures
ANDREESSEN HOROWITZ
Redpoint VENTURES
ACCEL PARTNERS
INSIGHT VENTURE PARTNERS
NEA

West Coast

East Coast

Later Stage
Earlier Stage

khosla ventures
iw
SUTTER HILL VENTURES
mavron
Austin Ventures
Westwood
BEV CAPITAL
STARVest
GLOBESPAN CAPITAL PARTNERS
matrix
M.C.
VANTAGEPOINT
SCALE
DFJ
shelter capital partners
TENAYA
I.V.P.
INSTITUTIONAL VENTURE PARTNERS
FUSE
VALHALLA PARTNERS
rho
POLARIS
VOLITION
GREENSPRING ASSOCIATES
Azure
DAG
TRINITY
MADRONA
MISSION
MERITAGE
NEW WORLD VENTURES
OAK
Index
Bain Capital Ventures
NORTH BRIDGE
MERITECH
STORM
SIERRA VENTURES
El Dorado VENTURES
DRAPER RICHARDS
CMEA
M.K.
Foundation
NVP
IA VENTURES
MENLO VENTURES
EMERGENCE
MORSETHALER
ACKERLEY PARTNERS, LLC
BULLPEN CAPITAL
OVP
relay ventures
HIGHLAND CAPITAL PARTNERS
NOVAK BIDDLE
SOUTHERN CAPITAL PARTNERS
SAFEGUARD
prism
ACCEL
CLARITY PARTNERS, LP
SABAN
THOMA BRA
quadangle
ACCEL
KKR
Spire Capital
AVALON VENTURES
LIGHTSPEED VENTURE PARTNERS
Voyager
MOHR DAVIDOW
OATV
Ignition
Leapfrog
HURMER WINCLAD VENTURES
EPIC
USVP
CANAN PARTNERS
ALLEGIS CAPITAL
COURT SQUARE VENTURES
VENROCK
VILLAGE VENTURES
CORIOLIS
GENACAST
kodiak
van den ende & delmers
geminii
Israel funds
Carmel
piPango
FOCUS VENTURES
BAY PARTNERS
FOUNDERS FUND
USVP
CANAN PARTNERS
ALLEGIS CAPITAL
COURT SQUARE VENTURES
VENROCK
VILLAGE VENTURES
CORIOLIS
GENACAST
kodiak
van den ende & delmers
geminii
Israel funds
Carmel
piPango
ALTO'S VENTURES
SHASTA
CLEARSTONE
baseline
RUSTIC CANYON
FOUNDRY GROUP
GROTECH VENTURES
freestyle
First Round CAPITAL
Revel Partners
406 Ventures
NAUTICAL CAPITAL
piPango
FELICIS VENTURES
ONSET VENTURES
GRP
CrunchFund
true ventures
GREY CROFT
BOLD START
FLYBRIDGE
CUE BALL
Hudson Ventures
Tribune Strategic Investments
HEARST interactive media
STEAMBOAT VENTURES
Google ventures
IDG Ventures
CISCO Capital
intel Capital
Time Warner
AOL
SAP VENTURES
COMCAST VENTURES
HIGH LINE
symphony
BDMI
American Express
SK
telecom ventures

Strategic

Hedge Fund / Alternative

LEGG MASON
ANGLO GORDON & CO.
OCH-ZIFF
Capital Group
T. Rowe Price
FORTRESS
MARATHON
TIGER ASIA
PAR CAPITAL MANAGEMENT
Maverick Capital
TUDOR
MSD Capital



lumapartners.com

© LUMA Partners LLC 2012

Crowd Funding

KICKSTARTER

indiegogo

RocketHub

Upstart
Data

ROCK
THE POST

EquityNet

growvc

EarlyShares

SEED UPS

Super Angel / Incubator



Combinator



gnr assembly



CommonAngels



SV Angel



**dogpatch
LABS**

500startups



betaworks



socialleverage
Invest. Syndicate. Grow.

LAUNCHPAD
VC GROUP



Innovation Works

**FOUNDER
COLLECTIVE**



**TECH COAST
ANGELS**

**New York
ANGELS**

**band
OF ANGELS**



LERER

**ROSE
Tech Ventures**



w media ventures

VENTURES

**FOUNDER
INSTITUTE**

idealab

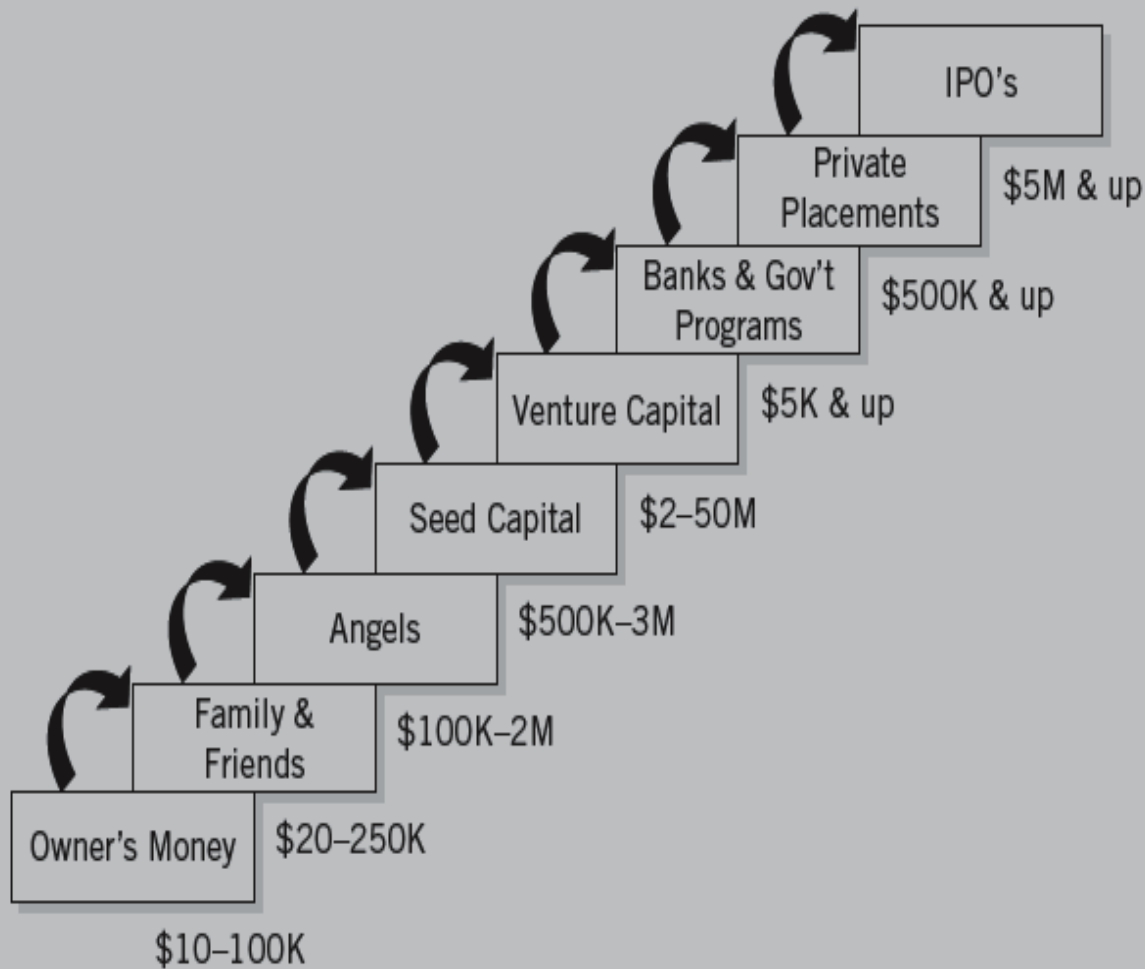
FIRSTSTEPS

The right type of money your business needs depends on these questions

- How much money you need?
- What will the money will be used for?
- At what stage is your business in?
- What is your capacity to repay the money?

Financing Continuum

The following diagram depicts the typical financing for startup companies.



What will the money be used for?

- Banks (lenders) like deals with *hard assets*
 - Secures loan with collateral
- Investors are the usual option when the money will be used to pay for the day-to-day operating expenses of the business or in the case of more risky activities such as new development and launch

At what stage is your business?

- Earlier stage businesses including start-ups have to rely upon more *personal funds, competitions, and grants*
- Next are monies obtained through private investors (angels) then VCs, since they involve more risk than most banks want to assume
- Later stage businesses that are in the growth phase are more bankable depending on what the money will be used for

Debt Versus Equity

- Debt Financing
 - Secured financing of a new venture that involves a payback of the funds plus a fee (interest for the use of the money).
- Equity Financing
 - Involves the sale (exchange) of some of the ownership interest in the venture in return for an unsecured investment in the firm.

Debt Financing Pros and Cons

- Advantages
 - No share of ownership required
 - More borrowing allows for potentially greater return on equity
 - During periods of low interest rates, the opportunity cost is justified since the cost of borrowing is low

Debt Financing Pros and Cons

- Disadvantages
 - Regular (monthly) interest payments are required.
 - Continual cash-flow problems can be intensified because of payback responsibility.
 - Heavy use of debt can inhibit growth and development.

Starting & Managing

Loans & Grants

Contracting

Learning Center

Local Assistance

SBA Direct

[SBA.gov](#) » [Loans & Grants](#) » [Small Business Loans](#) » [SBA Loan Programs](#) » [Microloan Program](#)

Loans & Grants

▼ Small Business Loans

What SBA Offers to Help
Small Businesses Grow

▼ SBA Loan Programs

▶ General Small
Business Loans: 7(a)

Microloan Program

▶ Real Estate &
Equipment Loans:
CDC/504

▶ Disaster Loans

▶ How to Prepare Your
Loan Application

Find Small Business
Loans

▶ Grants

▶ Other Financial Assistance



Microloan Program

The Microloan program provides loans up to \$50,000 to help small businesses and certain not-for-profit childcare centers start up and expand. The average microloan is about \$13,000.

The U.S. Small Business Administration provides funds to specially designated intermediary lenders, which are nonprofit community-based organizations with experience in lending as well as management and technical assistance. These intermediaries administer the Microloan program for eligible borrowers.

Eligibility Requirements

Each intermediary lender has its own lending and credit requirements. Generally, intermediaries require some type of collateral as well as the personal guarantee of the business owner.

Use of Microloan Proceeds

SBA Direct:

Find what matters most *to you...*

Find information on:

(Select your topics)

- ☐ Starting a business
- ☐ Getting a loan
- ☐ Government contracts
- ☐ Disaster assistance

GET RESULTS ▶

Get Local Assistance Right in Your Area

Counseling, mentoring, and training from an SBA District Office, SCORE Chapter, Small Biz Development Center or Women's Biz Center in your area.

FIND RESOURCES ▶

Recent Blogs About Loans & Grants:

[How to Choose a Business
Name That Helps You - Not
Hurts You](#)

Equity Financing

- Money invested in the venture with no legal obligation (in the U.S.) for entrepreneurs to repay the principal amount or pay interest on it.
- Instead, ownership (equity) in the companies is sold to investors.

Browse Campaigns / All Categories

[Popular Now](#)
[Final Countdown](#)
[New This Week](#)
[Most Funded](#)
[Team Roundup](#)
[All Categories](#) ▶

creative

- [Art](#)
- [Comic](#)
- [Dance](#)
- [Design](#)
- [Fashion](#)
- [Film](#)
- [Gaming](#)
- [Music](#)
- [Photography](#)
- [Theater](#)
- [Transmedia](#)
- [Video / Web](#)
- [Writing](#)

cause

- [Animals](#)
- [Community](#)
- [Education](#)
- [Environment](#)
- [Health](#)
- [Politics](#)
- [Religion](#)



SMALL BUSINESS

Kite Patch

by [Grey Frandsen](#)

📍 [Riverside, , United States](#)

Reserve or share the Kite™ Patch - a breakthrough mosquito-fighting technology designed to block mosquitoes' ability to track humans and spread disease.

\$196,296 USD 262%



36 days left **3888** funders



TECHNOLOGY

CulCharge: Smallest USB charge and data cable for iPhone and Android

by [Cul Charge](#)

📍 [Bratislava, Slovakia](#)

Charge your smartphone everywhere you go. So small you can have it on your keys, in your wallet, in your pocket or wherever

\$58,538 USD 390%



17 days left **2470** funders



TECHNOLOGY

KREYOS: The ONLY Smartwatch With Voice & Gesture Control

by [The Kreyos Team](#)

📍 [San Francisco, California](#)

Mobilize Your Life with the Kreyos Meteor! Works with iPhone, Android and Windows Phone 8

\$886,126 USD 886%



15 days left **7632** funders

Pebble: E-Paper Watch for iPhone and Android

by Pebble Technology

[Home](#)[Updates](#) 42[Backers](#) 68,929[Comments](#) 15,357[Palo Alto, CA](#)[Product Design](#)

Funded! This project successfully raised its funding goal on May 18, 2012.



68,929

backers

\$10,266,845

pledged of \$100,000 goal

0

seconds to go

Funding period

Apr 11, 2012 - May 18, 2012



Project by

**Pebble
Technology**
Palo Alto, CA



The new way to invest in real estate

Get exclusive access to select offerings. Manage your portfolio online.



Local Residents

"Fundrise is a way for me to get involved in commercial real estate. I've leased but never owned property because it was too expensive."

GINA SCHAEFER
Fundrise Investor



Real Estate Professionals

"I believe Fundrise is the future of real estate development and investment, enabling more people to participate in the building of wealth."

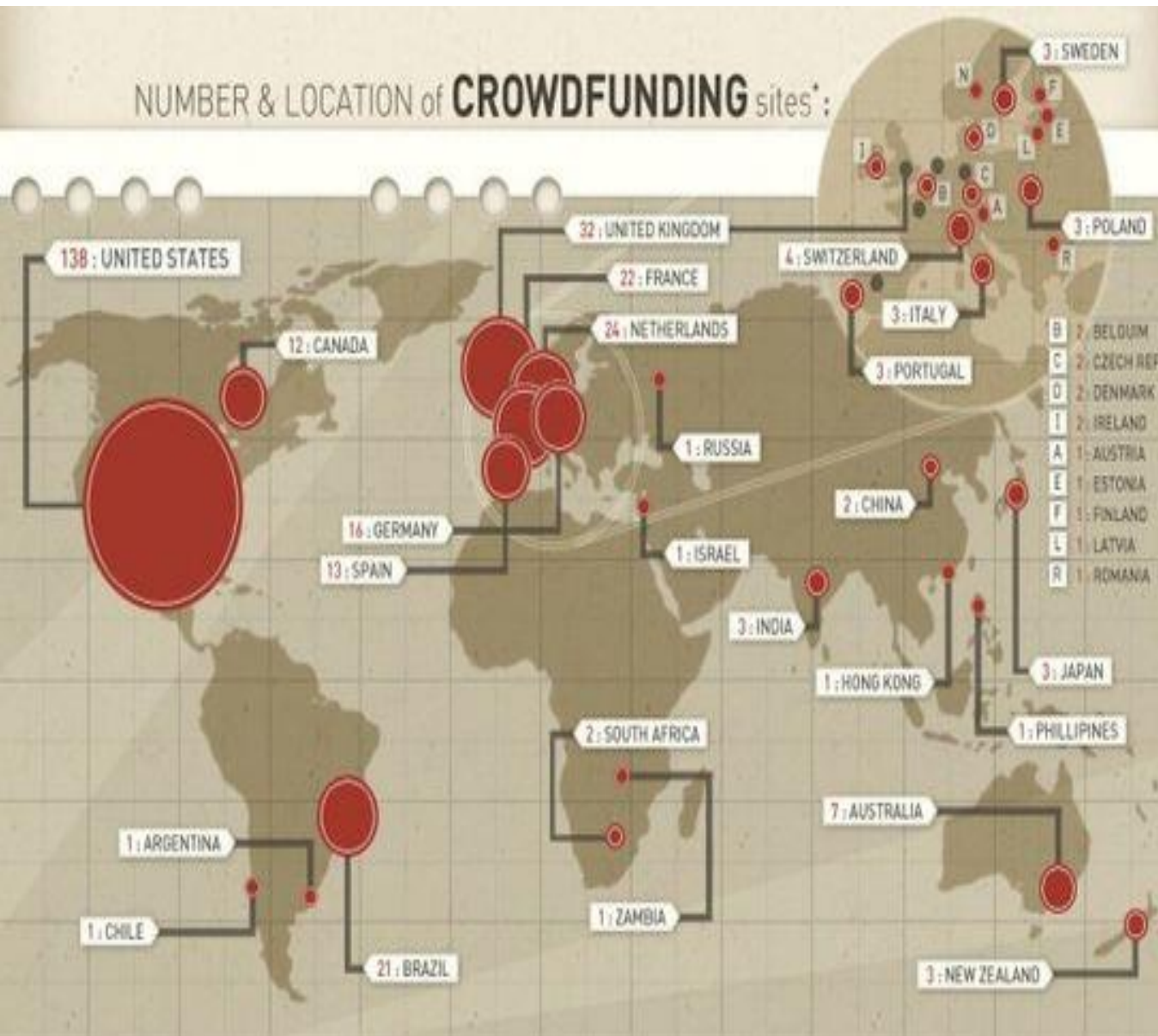
KEN BREWER
Fundrise Investor



Financial Investors

"Fundrise made it easy to invest in DC's growing real estate market in a new and exciting way that hasn't been available to most of us until now."

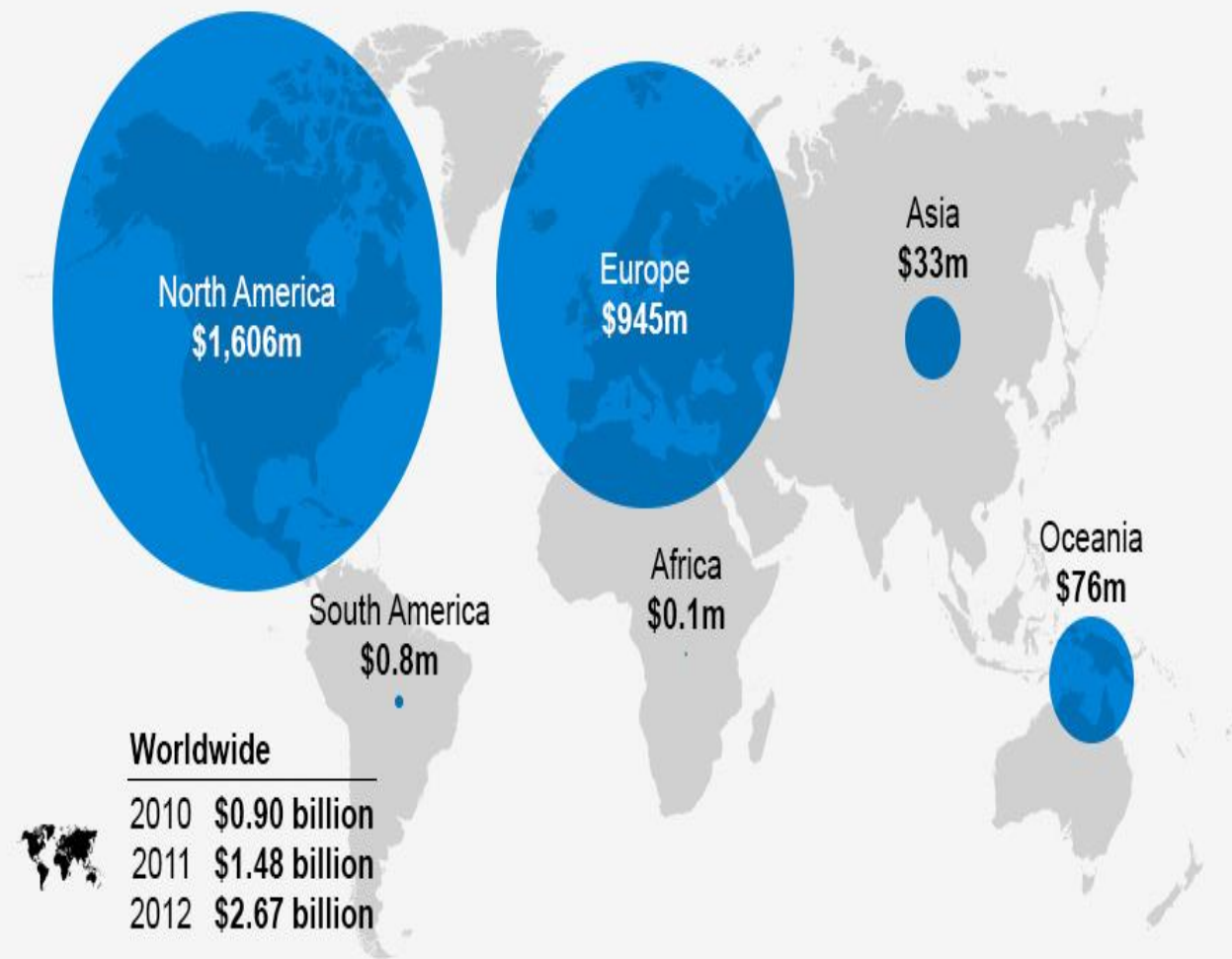
MICHAEL BROWNLIE
Fundrise Investor



Source: <http://crowfunduk.files.wordpress.com/2012/02/crowdfunding-sites.jpg>

Global Crowdfunding Volume Reaches \$2.7 Billion in 2012

Total funds raised through crowdfunding during 2012 (in million U.S. dollars)





NOW ACCEPTING ENTRIES!

Our flagship startup pitch competition returns to Plug and Play September 12.

[LEARN MORE](#)

PLUGANDPLAY EXPO
Silicon Valley in a Box®



Plug and Play Tech Center is a global accelerator that specializes in growing tech startups. Headquartered in Sunnyvale California, Plug and Play's network includes over 300 tech startups, 180 investors and a community of leading Universities and Corporate partners.



Summary

- The right type of money depends on the timing, purpose, and stage
- Many new funding models are emerging for entrepreneurs