

FI4INN

EQUITY and
QUASI-EQUITYFunderbeam Crowdfunding
Quasi-Equity Scheme

DETAILS

COUNTRY: Croatia

REGIONAL COVERAGE: Nationwide (and beyond)

IMPLEMENTATION PERIOD: 04/2016 - Ongoing

LINK: <https://www.funderbeam.com/companies>GOALS, RECIPIENTS,
BENEFICIARIES

Funderbeam, as a financial platform, has multiple objectives to serve its users and stakeholders. While the specific objectives might evolve over time, some common goals and intentions behind platforms like Funderbeam typically include:

1. *Democratizing Investment:* by providing a platform that allows a wide range of investors to access start-up investments, Funderbeam seeks to democratize the investment process, breaking the traditional barriers where only venture capitalists or angel investors had access.
2. *Providing Liquidity:* one of the standout features of Funderbeam is its secondary market, which allows for the trading of investments. This brings liquidity to traditionally illiquid start-up investments.
3. *Transparency and Security:* by using a blockchain technology, Funderbeam aims to offer a transparent and secure method of recording and verifying investments.
4. *Supporting Start-ups:* by offering an alternative fundraising method, Funderbeam supports start-ups in accessing capital that might be out of reach through traditional venture capitals or bank loans.
5. *Data-Driven Insights:* Funderbeam not only wants to be a platform for investment but also a source of intelligence and data for investors and start-ups alike. Their data services aim to offer insights that can guide investment decisions.
6. *Global Access:* by serving a global audience, Funderbeam's objective is to bridge the gap between start-ups and investors across borders, allowing for international growth and diversification.

7. *Educating the Market*: through educational content and resources, Funderbeam aims to inform both novice and experienced investors about the start-ups landscape, risks, opportunities, and best practices.

8. *Compliance and Trust*: operating within the regulatory boundaries ensures that the platform is trustworthy and reliable. It is essential for Funderbeam to maintain compliance to build and retain the trust of its users.

9. *Fostering Innovation*: by supporting start-ups, Funderbeam indirectly contributes to the ecosystem of innovation, helping bringing new ideas, products and services to the market.

All the funding comes through institutional and private investors who have registered themselves on the platform. The platform itself is able to support companies from the following countries:

- UK (Nominee)
- Estonia (Nominee & Loan note)
- Denmark (Nominee)
- Iceland (Nominee)
- Finland (Loan note, Registry Direct)
- Norway (Loan note)
- Austria (Nominee)
- Ireland (Nominee)
- Croatia (Loan note)
- Singapore (Nominee)
- Lithuania (Loan note)
- USA (Delaware) (Nominee & Loan note)

However, in practice we see that due to availability of local support, vast majority of supported companies originate from Baltic States, Croatia and Singapore.

ELIGIBLE PROJECTS / EXPENSES

Funderbeam primarily targets start-ups and growth-stage companies seeking for funding. The platform is designed to support these businesses by providing them with access to a global network of investors. Specifically, the target organizations/beneficiaries can be characterized as:

1. *Start-ups*: early-stage companies having a product/service idea and seeking for initial rounds of funding to develop or scale their operations.
2. *Growth-Stage Companies*: businesses that have passed the initial start-up phase and are looking for additional capital to expand, enter new markets, or further develop their products/services.
3. *Innovative Companies*: Funderbeam often caters to companies that are breaking new ground in their respective fields or industries, offering innovative solutions or business models.
4. *Global-Minded Companies*: since Funderbeam has a global investors' base, companies that have international ambitions or operations often find the platform appealing.

In Croatia, the scheme is particularly successful since it is supported by the Zagreb Stock Exchange and also Funderbeam runs a support office in Zagreb which helps a lot in supporting local companies to prepare themselves for the fundraising on the platform.

Any type of cost is eligible and there are no special restrictions on beneficiaries

SUPPORT

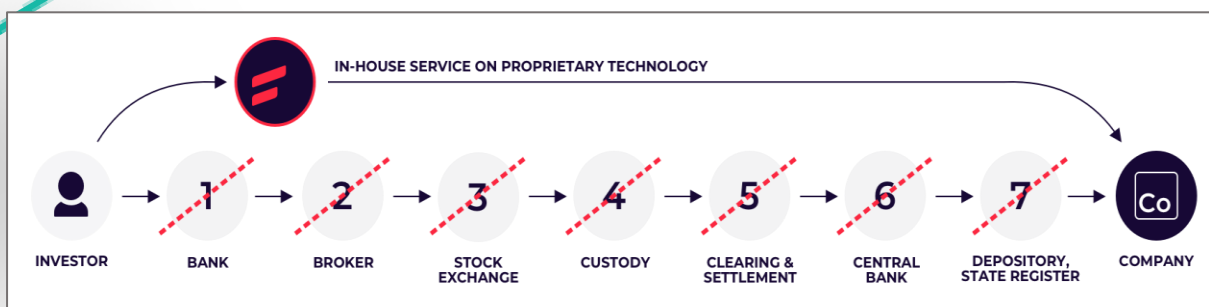
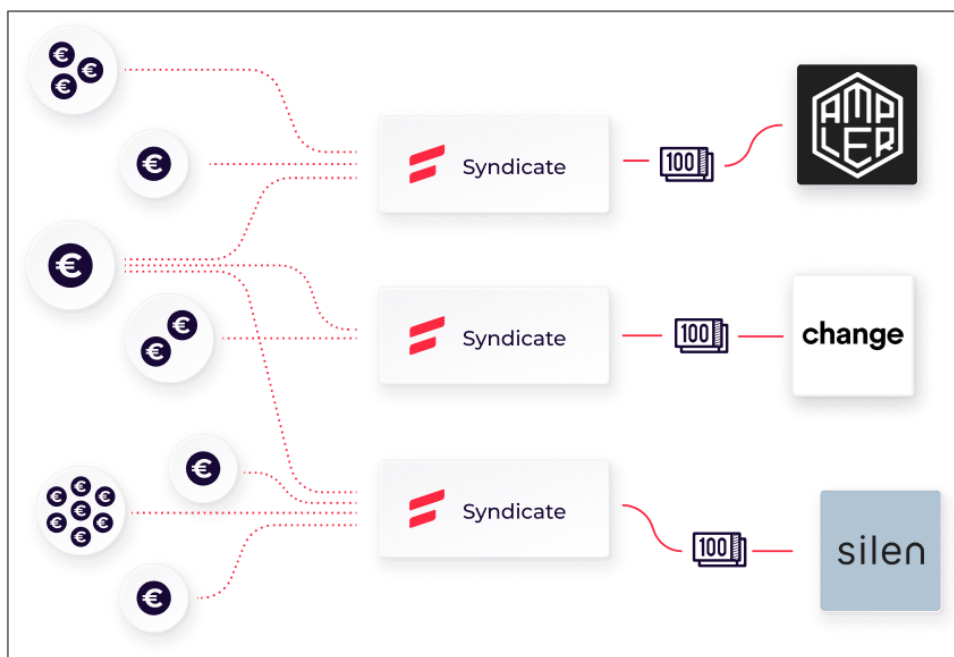
The guarantee is provided free of commission on the eligible operations for an amount up to 70% of the investment operation and for a total guaranteed amount up to Euro 1 million. The guarantee will cover the amount of the loss which is equal to the difference between the purchase price and the selling price of the shares. If the conditions for exercising the put option are not met and therefore a selling price is not available, an estimated fair value will be used to estimate the amount of the loss.

The investment operation must be completed, with all the amounts being paid to the beneficiary, within 24 months from the approval of the guaranteed eligibility. The guarantee is offered for the entire time horizon of the investment operation, provided that it does not exceed 7 years.

In case of need to ask for the execution of the guarantee, the venture capitalists have to fill a request to the Managing Committee of the Revolving Fund for Economic Initiatives. A preliminary amount equal to 50% of the guarantee is paid to the investor. The final payment is operated after the conclusion of the winding-up operations.

Reimbursement of the entire amount of the investment operation in the form of equity is operated in case of:

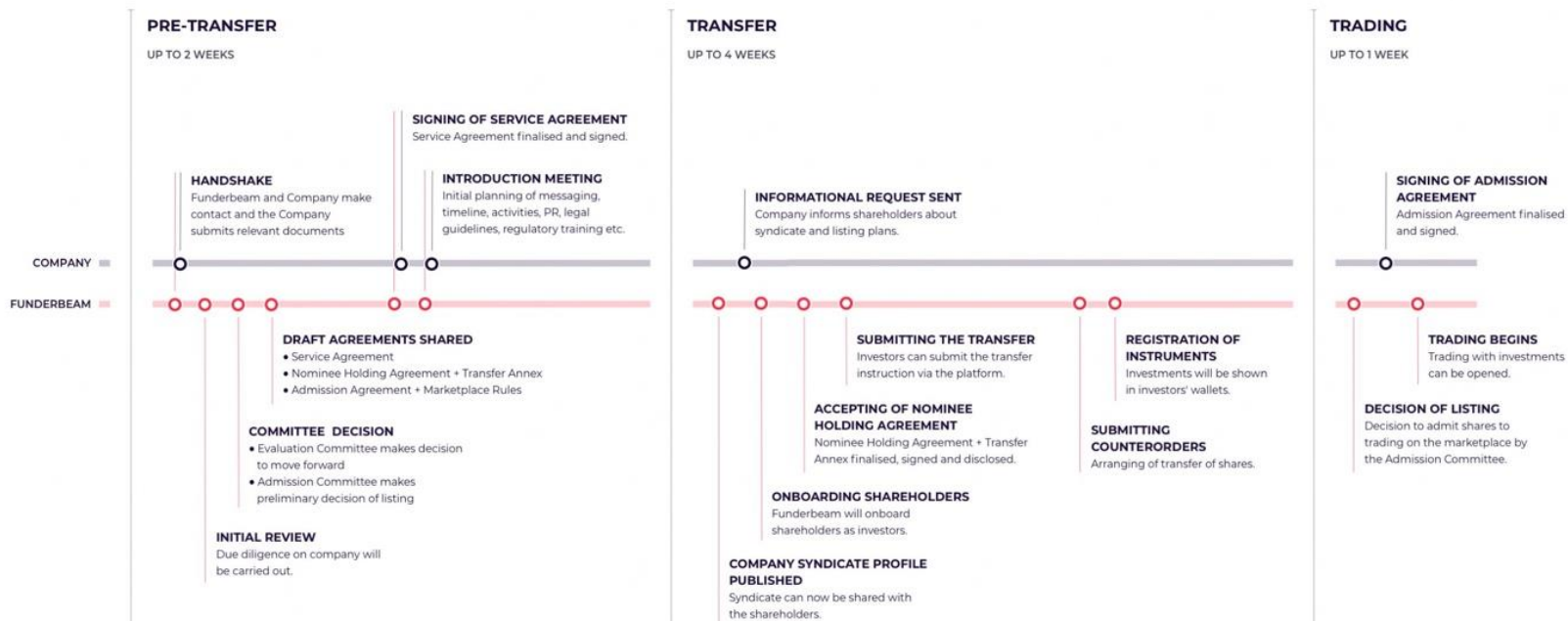
- Sale of the shares for the final beneficiary.
- Deadline of the last term for exercising the put option.
- Reduction of the share capital to zero for covering accrued losses.





The Listing Process

Nominee structure

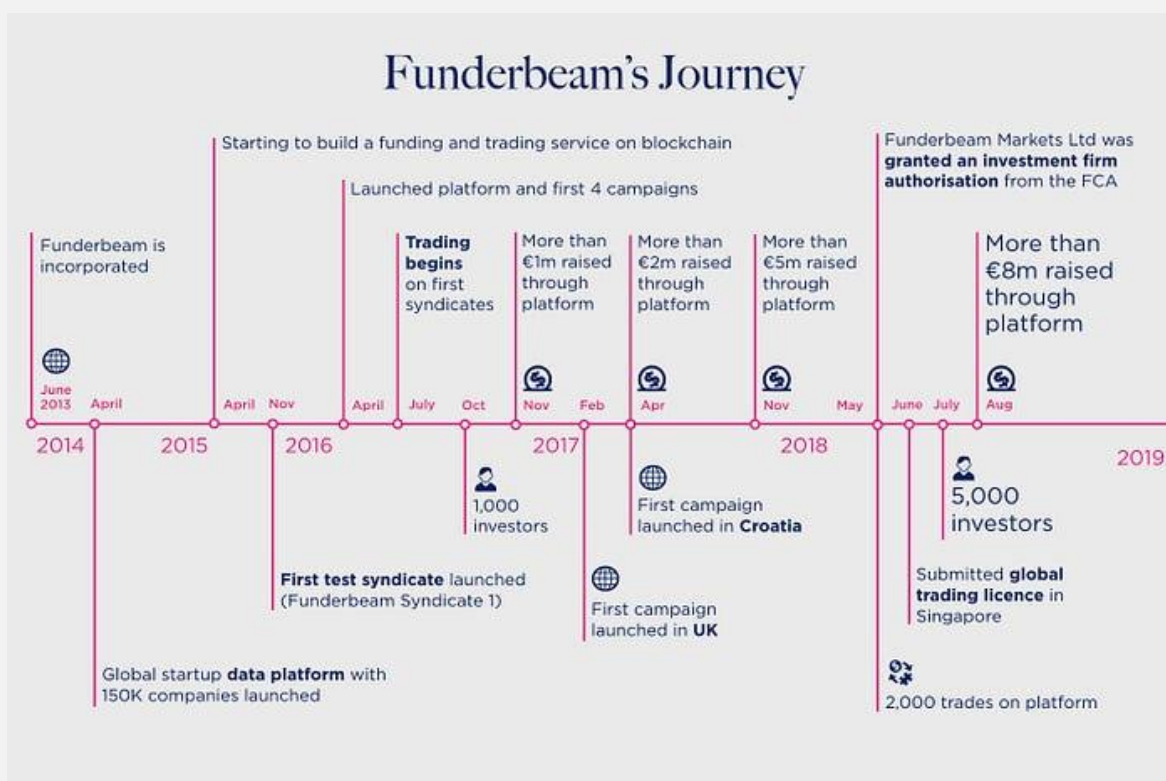


PROCEDURE

Funderbeam is a global funding and trading platform for private companies.

Established in mid-2013, it started out as a global data platform for start-up companies and then achieved its main goal to fund and trade private companies in 2016.

After Funderbeam has validated the product in pilot countries (Croatia and Estonia), tested the technology and received the necessary authorisation for operating across Europe from Estonian financial regulator, it is aiming to scale globally. Currently Funderbeam has an international team and investors from 113 countries.



The process of running a private investment round on Funderbeam consists of 4 main phases:

1. Applying for funding
2. Preparation and signing of agreements
3. Launching the investment offer
4. Closing

The following documents are needed for the application process:

➔ *Pitch deck / Project summary*

- Describing the problem, solution, market (TAM, SAM, SOM), traction (users, revenue, margins, growth), unit economics (CAC, LTV, churn), team, competition, capital (previous rounds, how will funds be deployed), risks and exit scenarios.
- Annual reports for 5 years (or from founding date of the company)

➔ *Deal terms*

- **Equity** – pre-money valuation, type of shares issued to investors.
- **Convertible note** – valuation cap, discount rate, interest rate, maturity date, effective date, trigger event(s).
- The minimum and maximum amount for funds raised target.
- Lead investor(s) and their ticket size (or strategic investor / VC and their ticket size). Lead carry fee.

➔ *Up-to-date cap table*

- Most up to date and fully diluted capitalisation table.

➔ *Historical financials*

- Income Statement (P/L) for the past 5 years or since the inception of the company if the company is newer.
- Balance Sheet for the past 5 years or since the inception of the company if the company is newer. Outstanding liabilities (loans, convertibles, warrants, options).

➔ *Required legal documents*

- **Articles of Association** - a document similar to the Founders' Agreement set out when you create your company.
- **Shareholders' Agreement** - a legal contract among a company's shareholders that describes how the company should be operated and outlines shareholders' rights and obligations.
- **List of Shareholders** - an alphabetical list of the names, addresses, and telephone numbers of the shareholders of the Company along with the number of shares held by each of them.
- **Incorporation and commercial registration details**

STATUS and RESULTS

This instrument represents a first attempt of the decentralised finance tailored to support the regional VC market and to meet the financing needs of companies in the early stage unable to get funds from other sources in under-developed financial markets such as Croatia.

There are no minimum or maximum limits in requests for funding, so they range between couple of hundreds of thousands of euros to several million euros.

REMARKS

Venture capital is largely accepted as a key contributor to the financing of RTDI-driven businesses. Venture capitalists are well-equipped to evaluate the risk-return potential of RTDI-driven businesses and may be actively involved in the operations of their investments.

The Croatian Venture Capital industry is in its very early stage of investment, so Funderbeam was among the first platforms that has offered structured approach to VC investors, at the same time offering local support through collaboration with Zagreb Stock Exchange and the presence of a local supporting office.

Funderbeam can operate worldwide, even if nowadays the vast majority of supported projects are in Croatia, Slovenia and Baltic countries.

CONTACTS

ORGANISATION: Funderbeam South-East Europe d.o.o.

PERSON: Damir BIČANIĆ

E-MAIL: damir.bicanic@funderbeam.com