



OurCrowd founder

Jonathan Medved
talks about
million-dollar
investments,
success at
any age
and the need
to integrate
women more
into tech

Crowdfunding: A game-changer for innovators and investors

OURCROWD CEO Jonathan Medved.

• FELICE FRIEDSON/THE MEDIA LINE
Photos courtesy OURCROWD

Funding sites opened new channels for innovators, bringing the quest for seed capital global. The next level, crowdfunding, provides a return for those willing to back an idea that captures the imagination.

OurCrowd has raised \$100 million for 57 companies, and those who invested will share a piece of the pie. Its founder and CEO, Jonathan Medved, spoke with The Media Line's Felice Friedson.

Jonathan, tell me about OurCrowd.

OurCrowd is the world's largest equity crowdfunding platform. Crowdfunding has now become a very important way to gather together people on the Internet to back projects. Most are aware of companies like Kickstarter and Indie Gogo, which raise millions of dollars for projects of all kinds: a new record, a new game, a new gadget. What we are doing is letting people back projects by actually becoming equity-holders in the company.

Recently, there was a company called Oculus Rift which was bought by Facebook for \$2 billion. The company got started with \$2m. of money from Kickstarter, but the people who gave them that money felt a little weird because the founders got rich while they got a T-shirt. What we are doing is providing equity crowdfunding so the people who are backing our projects are actually owning a piece of the company as it goes forward.

You just closed one of the largest funds ever in crowdfunding. And you talk about this as a global thing, because you started in Israel.

We are headquartered in Jerusalem and we back primarily Israeli companies. So far, since we established OurCrowd, we've funded 57 different companies. We recently announced that we crossed \$60m. in funding, and now we've invested \$100m. That's actually a lot of money for individual companies. Twenty of them have actually raised more than \$1m. each on OurCrowd; of the 57 companies, most of them are here in Israel.

What we are trying to do is build a global platform that links investors all over the world; our investors come from 60 different countries from the Persian Gulf to the US to China to Australia. People go online and say, "You know, I really like that cool new idea! I'd like to back it as a company, not just give it money as a donation but essentially get a piece of the upside."

We're also allowing the platform to raise money for cool start-ups that are not in Israel. We're looking at companies in China and Europe, and we're interested in creating a worldwide community of investors and entrepreneurs who are using the Internet to solve a critical part of innovation finance. Until now, people could fund their company through venture capital funds that traditionally got their funding from banks, insurance companies and pension funds. What we're doing is democratizing this process; the individual investor can now get in on the next Facebook, WhatsApp or Google, God willing. For as little as \$10,000, you can go on OurCrowd and pick one of our companies that is currently raising money, and invest with us.

It means we are putting our capital into every deal. It wouldn't be right if we were offering this to investors around the world without committing our own capital first.

Is there a ratio?

Roughly 5 percent of the deal is being taken by the OurCrowd partners, and the other 95% goes out to the crowd – and today, most of our deals are \$1m.-plus. We're raising significant amounts, but they usually



JONATHAN MEDVED with Jerusalem Mayor Nir Barkat at the OurCrowd Global Investor Summit in Jerusalem in December.

come from a large number of investors who put in \$10,000 and up. The investors have to be "accredited" – the criteria depend on the country and the qualification. In America, for example, investors must have a net worth of \$1m. outside of their primary residence, or \$200,000 of annual income.

How many people are coming to OurCrowd, and how do you vet potential investment-worthy companies?

We have 5,000 investors now. Even though on the Web that sounds like a drop in the bucket, we believe it isn't.

Companies approach us and we then begin due diligence the way that a normal venture capital fund would look at a company. We call their customers; we meet with management; we call in experts; we look at their IP. Only then, if we are interested, will we start to negotiate a deal – typically providing funding in return for a third of equity. After all is agreed, we commit our own capital and put it up on the Web.

There's no guarantee that people will respond, but so far the companies that have been put up on OurCrowd have all raised money.

Examples?

ReWalk, a robotics company which makes an exoskeleton that allows paraplegics to walk again. Cite Diagnostics revolutionizes the way that malaria testing is done. Verigate, which brings smartphone technology to big irrigation projects, where you can essentially use a little app to reduce your water usage by 20%-30%.

Tell me about a company that is not based in Israel.

We have a company called Lucid Technology out of Portland, Oregon. They harness the water power that is in a municipal water district to create clean, free energy just from the water that is flowing in your city's pipes. It's a remarkable company. BoatBound in California allows people who buy a boat and spend an average of 17 days a year on it to now let others share the joy.

Years ago, we didn't envision a world where three-year-olds use computers and understand technology. Given the abundance of techno-whizzes, how do you sift through what's out there and identify the right projects and the people behind them?

First of all, we have a real preference for investing behind people who have "been there and done that." Luckily, in Israel, we have so many successful entrepreneurs. Over the last decade, there have been over 1,000 Israeli companies that have gone public on the publicly listed exchanges or have been acquired in an M&A transaction. There are about 5,000 successful entrepreneurs.

So in my business, going behind those people is really a no-brainer. While there is no guarantee that their second, third or fourth outing is going to be as successful as their first, your odds are much better. So if you look at our site, almost half of the people have already been involved with successful tech start-ups.

This begs the question, "Isn't it harder for the young guy who hasn't had that success to break through?"

Yes and no. So we have another company called Nextpeer, where CEO and founder Shai Magzimoff is the whopping age of 23. It's got 120 million users. It makes the leading platform for multi-player games so the kids can play with each other on their cellphones the way they would on their Xbox.

Many of the great companies are built by first-timers like [Microsoft's] Bill Gates, [Apple's] Steve Jobs, [Oracle's] Larry Ellison and [Facebook's] Mark Zuckerberg. If you look at first-timers, they sometimes have the ability to really hit the ball out of the park.

What's wrong with this picture? They're all men.

It's a huge issue in our community. Right now, less than 7% of venture capital partners are women. If you look at the CEOs of these companies, it runs in the 10% range. We are aggressively hunting women who are CEOs of their companies, and they are >>



INVESTORS ATTENDING the Jerusalem OurCrowd Summit in December listen to Medved speak.

very hard to find. Any woman reading this who has a cool tech start-up, just send me an email with the subject "Hunting women"; I hope my spam filter doesn't delete it.

The reality is that it's a huge issue. Today for example in Israel, about 85% of the degrees given in engineering, physics and math go to men.

Is it true that women aren't as tech-savvy as men?

No, that's not true. They are just not as inclined to go into that career. I have a daughter, Nina, who is 20. She is smart as a whip in math, science and technology – but she wants to be an educator. Now, is that some kind of genetic predisposition? As tech-friendly parents, we encouraged her to study bioengineering and do all of this stuff. But if you look at her friends, no matter what they took in school, most of them aren't headed in the tech direction.

In Israel, many of the young women go to the army and they go to technology. But the problem is when they get out of the tech unit in the army, they go back to non-tech jobs. This really is a huge waste of resources.

We are living in the Middle East. Have any Arab countries approached you?

We have Arab investors approaching us all the time, who come in over the Web; we also have Arab investors investing with us. We are delighted to have them on our platform. I believe this is really the way that our peoples are going to live together: by essentially solving real human problems together that improve life, extend life, save lives but also make money. Israel is really good at this, and Arab investors are increasingly really smart about where they are deploying their money. So that makes a perfect match.

The more interesting part of this is trying to make our platform or platforms like our own available to Arab entrepreneurs, because there's a growing understanding and acceptance of technology in the Arab world – like the Arab Spring, which was fed by Facebook and Twitter. Many Arabs are interested in creating exciting new start-ups on their own, but a big problem is that they don't have access to the Arab investors – who, traditionally, are pretty risk-averse. They are investing in big funds and money managers and they are not taking these early-stage risks with start-ups, so crowdfunding platforms like ours would fill a real gap in the Arab world.

Does OurCrowd have any competition?

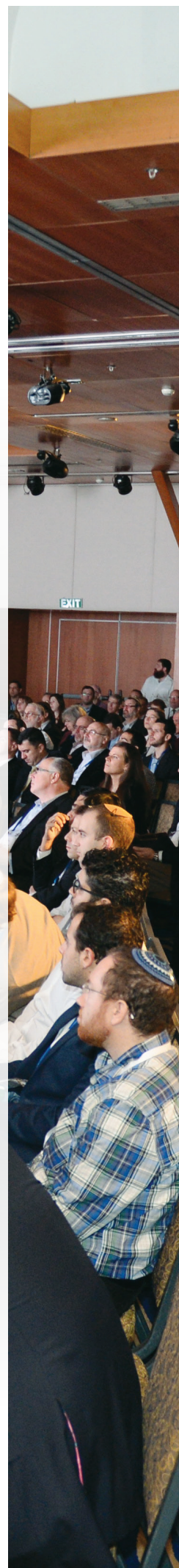
If we didn't, I'd be nervous. In the US, there are sites such as Angel List and Circle Up, and a company called FundersClub. Here in Israel, there are two cool little sites, iAngels and the Zion Blue Tech Fund. The more the merrier.

We are the only one to have raised \$60 million for their companies in such a short period of time. We're out ahead, but we believe that a rising tide raises all ships. This is not about beating the competition, this is about creating a new method of backing small, interesting companies and helping to bring new sources of funding into the innovation game.

Everyone comes to you with the word "projections." So what are your projections for OurCrowd in the next five to 10 years?

We hope that every year we double the size of our business. We're on track to double what we did last year, and we are hoping we can do that for the next couple of years. We'd like someday to invest hundreds of millions – if not billions – through OurCrowd.

The ambition is to change the rules to a certain degree in order to allow tens of thousands or hundreds of thousands of individual investors to get into this game





and essentially break it open and democratize it, so it doesn't get left to the well-connected guys in Silicon Valley who have the very biggest funds. And we want to provide funding to start-ups in China, in India, in the Arab world and Africa.

What's your return on the dollar?

That's hard to peg right now, but we hope to find very nice returns for our investors. Obviously, this is an incredibly risky asset class. We are investing in the future.

We are investing in small companies and you know that probably most of the companies won't make it, but if you're smart in the way you do your investments and you build a portfolio – and we urge everybody who comes to OurCrowd not to just make one single investment, that's foolish and wrong. What you need to do is make 10 or 20 investments and choose your size appropriately. That's why we're limiting it to accredited investors; we don't want someone to take their whole nest egg and put it on one company.

Is the last word your own?

We have a really good team that is doing an excellent job of deal selection. We're getting tremendous deal flow because people around the world are now hearing about OurCrowd. The actual deal quality will go up as we go forward.

What's your background? Where did you come from?

I grew up in California; I went to school in Berkeley. I moved to Israel in 1980. I've been very happy to raise my four kids and now four grandkids together with my wife, Jane, and built a whole bunch of different companies in the areas of fiber-optic communications and software.

I was a venture capital manager; I most recently had a software start-up called Vringo, which I took public in the States. About two years ago, I started thinking of this idea; I really wanted to stay involved in innovation and funding innovation, but I didn't want to do the "same old, same old." I felt this was the time where you could actually start to provide funding for individual companies but bring it to large numbers of people via the Internet, give them discretion, let them choose. Get them involved.

One of the cool things on our site is that when someone chooses a specific company and says, "You know, I like that malaria company, Cite Diagnostics." All of a sudden, they don't just give you \$10,000; they get active. They say, "My cousin is working on malaria at Johns Hopkins. Let me make an introduction."

We're focused not just on the crowdfunding, but on the crowd-building. ■

TheMedialine.org is an American nonprofit news agency covering the Middle East.



THE OURCROWD team at their offices in Jerusalem.