



ALTERNATIVE FINANCING FOR START-UPS

Final Thesis



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1. TITLE, SUMMARY AND KEY WORDS

Català

Títol: Finançament alternatiu per les empreses emergent

Resum: Aquest treball consisteix en l'estudi d'una situació proposada prèviament on es planteja si és possible que empreses emergents d'Eindhoven (ciutat d'Holanda) puguin rebre ajudes dels inversors americans (de les regions de Kentucky i Ohio). Per arribar a una conclusió d'aquesta situació s'ha realitzat diferents enquestes als inversors i programes que ajuden a aquestes empreses amb la finalitat de veure per una part quins són els propòsits dels americans i com perceben aquesta opció d'inversió, i per l'altra part s'ha estudiat quines són les preocupacions de les empreses juntament amb les necessitats més comuns. També s'ha fet un estudi de les lleis, riscos i del tipus de finançament que hi ha a Eindhoven.

Paraules clau: Finançament alternatiu, Inversors americans, Eindhoven.

Español

Título: Financiamiento alterno para las empresas emergentes

Resumen: Este trabajo consiste en el estudio de una situación propuesta previamente donde se plantea si sería posible que empresas emergentes de Eindhoven (ciudad de Holanda) reciban ayudas de inversores americanos (de las regiones de Kentucky y Ohio). Para llegar a una conclusión de esta situación se han realizado diferentes encuestas a los inversores y a programas que ayudan a estas nuevas empresas con el fin de ver por una parte cuáles son los propósitos de los inversores y cómo perciben esta opción de inversión, y por otra parte se ha estudiado cuáles son las preocupaciones de las empresas junto con las necesidades más comunes. También se ha realizado un estudio de las leyes, riesgos y del tipo de financiamientos que hay en Eindhoven.

Palabras clave: Financiamiento alterno, Inversores americanos, Eindhoven.

English

Title: Alternative financing for start-ups

Summary: The objective of this project, which consists on the case study where it is suggested whether it is feasible or not that start-ups from Eindhoven (city of the Netherlands) receive financing from American investors (from Kentucky and Ohio). In order to have a clear conclusion, different surveys have been made to the investors and programmes as HighTech XL to find out what are the investor's objectives and how they conceive this investment option, and on the other hand, find out what are the most common worries along with the needs of the companies. A study of laws, risks and financial type at Eindhoven, has been carried out as well.

Keywords: Alternative financing, American investors, Eindhoven.

2. PRESENTATION

Sometimes life is not as easy and simple as we think when we are in our comfort zone. In order to grow personally and professionally, we should think outside the box, as well as to do something different from what we have been used to if we expect different results. For that reason, I have lived abroad for 7 months and I have seen how foreigners manage to live far from their homes and reach their dreams. Living that experience inspired me and made me think about so many different situations that one day I might see myself in.

Last year I applied for an Erasmus+ program with my home University (Universitat Rovira i Virgili; URV). My first option would have been the United Kingdom, which would have been my comfort zone since I spent there so many summers studying English. So, I already know some people there and their culture. After some time playing with the idea of refusing my spot in Eindhoven, my parents encouraged me to try it, at least one month and then, if it would feel like it was not my place, I could come back to Spain. Some months later, I was in Eindhoven, The Netherlands, that new situation did not excite me that much since I was not in my comfort zone, somewhere in Europe, in a country that I have never been, so I did not know how their culture would be or how to behave to do not offend anyone. After one week I already felt at home, I met so many people from everywhere in the world (I loved knowing new cultures and realizing that no matter where we come from, we all have the same issues, worries and ways to have fun).

During my stay in Eindhoven I lived so many different experiences such as seeing a group of friends to create a new gadget because their University was asking them to, the problem was that some of them did not speak good English either Dutch, but he managed to make it. Also, a friend of mine there, who was Finnish but finished her degree in Eindhoven 2 years ago (so she was already a Dutch citizen), was setting up a start-up. By this time, she was handling with the work at her shop; what means that all the legal and financing parts went well. That situation made me think of how easy or difficult would be to run your own company abroad. Would it be easier than in Spain? Would I receive more money because I am a foreigner? Would I be equally treated? Would it be any funds especially for foreigners? How would the taxes work for foreigners? What about the laws; if I am a foreigner setting up a start-up, would it be a Spanish or a Dutch company?

When I came back from the Netherlands, after working there as well in the Quality department of John Deere and getting more questions in the same path as the ones I mentioned before, I decided to get their answers. At the same time, in September, I was

asked to start thinking about the subject of my thesis, so I thought that if my coach Xiaoni Li would accept it, it would be so nice to work those questions in my thesis.

In the end, my subject was accepted, what meant that I could study the current situation of alternative financing, which is important for any business who has just started its business activity as well as for start-ups. These businesses are characterized for not having too much money to start their activity, so they have to choose which kind of funding will they use. This project, then, will be useful for those companies because there will be clear information about the different sources they may find and how they would manage it in order to luckily obtain the finance.

3. INTRODUCTION

This thesis is about a suggested case in which a Dutch start-up gets alternative financing from American investors. The scenario would be after some research, which it shows below, that there are lots of investors interested in investing abroad and the Netherlands is a country with lots of registered patents, which means that it has a strong innovative culture that could lead to creating new start-ups. This is the reason why this project is important; to research if it would be feasible to connect the investors who are willing to invest abroad with the new start-ups appearing in the Netherlands.

American investors have been chosen after comparing data about which countries receive more money from investors abroad, or also called foreign investors. This would lead us to the Central Intelligence Agency of the United States website (CIA)¹ where it has been found the country where the USA residents (who resulted being the society which invests the most compared to other countries) invest more in the Netherlands than in other countries or even in the USA. The country has received \$6.579.000.000.000 until December the 31st, 2017. The top five countries which received money from American investors in 2017 are The Netherlands, United States, Germany, United Kingdom, and Hong Kong.

¹ (Stock of direct foreign investment - abroad, s.f.)

RANK	COUNTRY	STOCK OF DIRECT FOREIGN INVESTMENT - ABROAD	DATE OF INFORMATION
1	<u>NETHERLANDS</u>	\$6,579,000,000,000	31 December 2017 est.
2	<u>UNITED STATES</u>	\$5,711,000,000,000	31 December 2017 est.
3	<u>GERMANY</u>	\$2,298,000,000,000	31 December 2017 est.
4	<u>UNITED KINGDOM</u>	\$2,110,000,000,000	31 December 2017 est.
5	<u>HONG KONG</u>	\$2,036,000,000,000	31 December 2017 est.
6	<u>SWITZERLAND</u>	\$1,701,000,000,000	31 December 2017 est.
7	<u>IRELAND</u>	\$1,560,000,000,000	31 December 2017 est.
8	<u>JAPAN</u>	\$1,547,000,000,000	31 December 2017 est.
9	<u>FRANCE</u>	\$1,429,000,000,000	31 December 2017 est.
10	<u>CHINA</u>	\$1,383,000,000,000	31 December 2017 est.
11	<u>CANADA</u>	\$1,371,000,000,000	31 December 2017 est.
12	<u>BELGIUM</u>	\$1,159,000,000,000	31 December 2017 est.
13	<u>SINGAPORE</u>	\$841,400,000,000	31 December 2017 est.
14	<u>SPAIN</u>	\$776,800,000,000	31 December 2017 est.
15	<u>ITALY</u>	\$671,800,000,000	31 December 2017 est.

Image 1²

Next, another reason why American investors have been chosen to be studied in that project is the one stated in the article from Credit Suisse³ where it is explained the following: on one hand there are the individualist investors who are "ego traders" which means that they seek quick gains, an example of them could be the USA. On the other hand, there are the patient and the impatient investors. Regarding the patient investors and following what the article states, they are value traders and they are more willing to wait for the right moment to invest than the individualist investors, so they gain more money; a good example of those are Nordic countries and Germany. Finally, we have the impatient investors, for example, Africans; they are characterized by how risk-averse they are since they would prefer having \$340 now rather than \$380 the following month. That fact could be a result of their low wealth and the high inflation rate they are dealing with. So, after seeing which the differences between the American investors and other countries' investors are, the Americans were chosen due to their culture of investment seekers, their wealth (which lets them invest) and their desire for quick gains.

² Image 1: Data collected from the Central Intelligence Agency of The United States website

³ (Enskog, 2015)

Further, the theoretical framework together with the most important start-ups' concepts that should be known, the characteristics of alternative financing, and the ways start-ups get financed, will be presented in the fourth part of this project. There will be also an introduction to the city of Eindhoven and the Netherlands in the fifth section "Background study of Eindhoven", mostly focused on the patents, business, Universities, industries and the help that these new companies may find in the city. Moreover, there will be a study of the financial part next to the risk and laws research, having as a goal to learn if the American investors will have to pay any extra money to the Dutch government, how would be their rights regarding the start-up (would it still be a Dutch company or would it be American since the money they used for running the business is from the USA, what would happen in case of bankruptcy, how the Chamber of commerce gets involved, and further issues investors may find).

Afterwards, there will be a small study of the Midwest cities from the USA, see the Midwest cities study; section number six. Since the USA is too big to be studied all in one thesis, it has been decided to choose only one region out of four, which are the following ones:

- The Northern United States, which is composed by the states of Virginia, West Virginia, Pennsylvania, Delaware, New Jersey, New York, Connecticut, Massachusetts, New Hampshire, Vermont, Rhode Island, and Maine.
- Southwestern United States composed by the states of Nevada, Utah, Arizona, and New Mexico.
- Western United States composed by the states of Alaska, California, Colorado, Hawaii, Idaho, Montana, Oregon, Washington, and Wyoming.
- The Midwestern United States composed by the states of North Dakota, South Dakota, Minnesota, Wisconsin, Michigan, Iowa, Nebraska, Illinois, Indiana, Ohio, Kentucky, Missouri, and Kansas.

In this thesis will be further studied the cities of Cincinnati and Columbus (Ohio) and Louisville (Kentucky) since the American investors who answered the surveys (which were prepared for this project together with the coach Xiaoni Li. They will be explained and analyzed in the methodology section; the seventh part) work in these areas. In this collection of information, it will be discussed which are the 5 biggest employers of each city, what do they do as a business activity and what do the investors from these cities look for. This last information will be collected by sending a questionnaire to 24 investors from there, so the thesis will contain primary source data

4. THEORETICAL FRAMEWORK

i. Start-ups

Following the article was written by Henkel and Gruber⁴, a start-up is a new firm with a lack of exchange relationships with any type of stakeholders such as banks, governmental agencies, customers and distributors. This type of businesses normally do not have a clear structure yet and they have to work on it as fast as possible to get good relationships with investors. These new organizational companies are challenging new venture management, what leads to higher failure rates of new firms compared to older ones.

Some important characteristics form start-ups will be explained briefly below to clarify what exactly these small firms are:

- **The limited number of employees** which makes the small firms employ people with the qualities needed for the company activities. The qualities researched in people during this stage will be more generalist rather than specialists, as the labor to be done will not warrant a high degree of specialization in the organization.
- **Lack of financial resources**, which limits their ability to withstand unfavorable business conditions and makes them more vulnerable when facing inefficiencies. Additionally, the new ventures might not be able to shift its organization to a more favorable strategic position. What is more, start-ups are known as well for having a small market representative as well as little market power; so, they are in an unfavorable situation when they have to negotiate.
- **Market entry barriers**, it is clear the fact that small companies are less likely to get into a market already existing since they have less market power and representation than other firms as stated. Thus, the existence of market barriers leads to fewer entries into a market and gives more advantage to those companies which are already in it, having higher market share and profitability.

⁴ (Gruber & Henkel, July 2004)

ii. Alternative financing

For start-ups is important to get the money they need for running the business. Sometimes they do not have the money necessary capital to start the business activity, so they have to look for it in different ways. These can be classified in 3 big groups; money coming from investors, money coming from people who surround the entrepreneurs (such as family and friends), and money coming from entities.

First, it will be defined the most known ways to get money from entities, explaining which ones have interests that must be paid, who is giving the money, etc. After that, there will be some brief definitions of who are the investors and their main characteristics as who are the ones who are more willing to take high risks, what do they care more about when it comes to giving the money, who are active or who are passive investors, etc.

- **Subsidy:** as stated in the Netherlands' Government official website⁵, a subsidy is money given to an individual, business or institution so they can benefit from it; the subsidy is usually given by the government to let these companies grow quickly.
- **Grant:** it can take a variety of forms, but broadly talking, it is an arrangement for the provisions of financial assistance by the Commonwealth. For example, as stated in Mr. Lewi's article found⁶, "*a grant may be a one-off or ad hoc grant arrangement, or it may form part of a broader grant program and/or competitive assessment process*". This money has no interests and comes from any type of investors group.
- **Bank loan⁷:** is the most common form of loan capital for a business. It provides either medium or long-term finance. As stated in the report⁸ used as a source, "*banks monitor the financial health of the firms that they lend to*". The way it works is following what the bank sets. For example, the bank will always set a fixed period over which the loan is provided, the rate of interest and payback with its accorded cash flows.

⁵(the Netherlands, s.f.)

⁶ (David Lewis, Mar 2013)

⁷ (Riley, 2009)

⁸ (Lemer, 1998) // (report) What drives venture capital fundraising?

Raising investment is a top priority for start-ups. Before every start-up asks around for an investment, they need to know with whom they can arrange a partnership with. At first, it is important that the start-up gets a clear overview of what they expect from the investor and what they can give in return. Most of the time this will be more than only equity. The start-up also needs to arrange the type of contract. Therefore, below there is a list with a brief explanation of the most-known type of investors.

- **Venture capitalist**⁹ are investors willing to take high-risk investments and potentially high-risk rewarded. They normally are active investors and monitors the progress of the firm they are interested in, they also monitor strategy and investment decisions as well as taking the active role of suggesting the company. Venture capitalists often retain control rights which allow them to act in the company's activity if needed. These investors also provide the start-up with some lawyers, investment bankers and access to consultants. Some examples of business that needed Venture Capitalist help are Apple Computer, Cisco Systems, and Microsoft.

The first Venture Capital firm was American Research and Development (ARD), which was founded in 1946 by MIT President Karl Compton, Harvard Business School Professor F. Doriot, and local business leaders. They started by making small high-risk investments into some emerging firms based on technology developed for World War II.

- **Business Angels**¹⁰ (BAs) are independent investors whose capital is provided to new business development, so BA can increase the likelihood of both attracting subsequent Venture Capital and achieving long-term success. They invest their money once they have seen the business plan and other demonstrations that show that the money provided will be used for its mission.

Following the “Business Angel Decision Making” thesis¹¹, can be said that BA before giving the money away, they study the entrepreneur’s behaviors to assess the performance and relationship risk, so they can reject the ones in which risk level exceeds the risk level that they are willing to take.

⁹ (Gompers & Lerner, 1998)

¹⁰ (Debitoor, s.f.)

¹¹ (Maxwell, 2011)

On one hand it can be found in the book mentioned before that once the research is done, there are some situations that would make BAs reject opportunities; *“opportunities that fail to reach aspiration levels for investment return or investment risk, however, contrary to normative assumptions, we find BAs do not trade off investment risk for investment return”*. Adding to that, Business Angels are more likely to reject a business plan from those entrepreneurs whose behaviors show a low level of capabilities, experiences or trails. On the other hand, BAs will not reject the opportunity from those entrepreneur's trust behaviors to notify their assessment of the risk relationship.

- **The joint venture** is known as an association of two or more natural or juridical people to carry on as co-owners of a business enterprise for profit. In England, they are known as a special partnership and is governed by the same rules as an ordinary partnership. Following what is mentioned in the Cornell Law Review¹², there is a set of principles that they must have, so they can be considered as Joint Venture: there must be an agreement, the joint interest (in the skill, money or services contributed), the sharing of profits and losses, the control (referring, for example, to the logic, which must be supported by history to sustain a view), the fiduciary relationship (where is stated that a person cannot take advantage from others by the knowledge gained as their agent) and the right to an accounting, unless the account is stated or simple.
- **Personal Investors**¹³ are people who invest their own money in a new company or business idea even though they are not professional investors or work for a financial institution. The research in the article¹⁴, suggests that Personal Investors, also called Private investors, are the most common source of seed and start-up financing. Even if it is found that they are harder to find than the venture capital funds, apparently it is easier to close an agreement with Personal investors and the financing is less expensive than venture capital funds.

¹² (Taubman, 1956)

¹³ (Financial Times, s.f.)

¹⁴ (Freear, Sohl, & Jr., 1995)

- **Institutional investors** are entities which manage money to purchase growing pools of assets such as securities, real properties, and other investment assets or originate loans. As stated in the Miguel A. Ferreira and Pedro P. Matos article¹⁵, *“institutional investors manage over US\$ 9 trillion of equity assets in developed markets”*, which means these investors represent an important part of these countries' other wealth and retirement savings.

iii. How start-ups are financed?

a. Funding ways

Although it has been explained the most common ways of alternative financing for start-ups, there are some other ways to get the money for start-ups which need to run the business. These other options to get financing will be stated and analyzed below. The data has been collected from Willoughby's article¹⁶.

Supporting the information with some data, most common finance source is the total revenue that start-ups may obtain (36.8% of start-ups that have been studied in the article use it). After that, we have the finance from founders' personal funds and the grants (with a 17.5% and 13.4% of usage each one). Next, there is finance from Private investors or also called Business Angels or Angels investors (10.7%). Going to the percentages below 10%, we have the finance way coming from capital from parent firm, private debts, private equity (where can be found institutional investors or collaborations) and a 3% of the start-ups studied used the finance from other sources.

b. Sectors receiving more investments

Regarding the sectors which receive more investments, an analysis¹⁷ has been found which says that the top five start-ups sectors in Europe who receive more money from investors (business angels, venture capitalists, and private equity investors) from 1999 until 2004.

The first sector which is becoming more significant is the Fintech since some daily actions are changing exponentially such as the way banks operate due to how fast start-ups are improving and innovating with technology. The expected growth in the market was high. In the report can be seen a graphic showing which was the expected global fintech finance; it

¹⁵ (Ferreira & Matos, April 2006)

¹⁶ (Willoughby, 2007)

¹⁷ (Novoa, s.f.)

was more than the double from 2013 (which had \$3billion) until 2018 (which apparently will reach \$6 to \$8 billion).

Following the previous sector, there is the Cleantech sector, which refers to bioproducts, renewable energies, smart grid, energy storage, waste management, and many others. Next, we have the software (338 investment in Europe have been closed from 1999 and 2004), hardware and mobile sectors.

5. BACKGROUND STUDY OF EINDHOVEN

i. Why Eindhoven?

Eindhoven is a mid-sized city in the Southern region of the Netherlands. The city has a surface of 88,84 km² and is the fourth largest city of the Netherlands. It has 230.000 inhabitants, and 30% have a foreign background which makes Eindhoven a multicultural city. There are many companies founded in Eindhoven, like ASML, Philips, and DAF trucks. Furthermore, there can be found a lot of education in Eindhoven e.g. the TU/e, Fontys University of applied sciences and the Design academy based here. This is also the reason why Eindhoven has many students and facilities where you can enjoy your leisure, shopping opportunities, socializing at bars, and join the sports facilities.

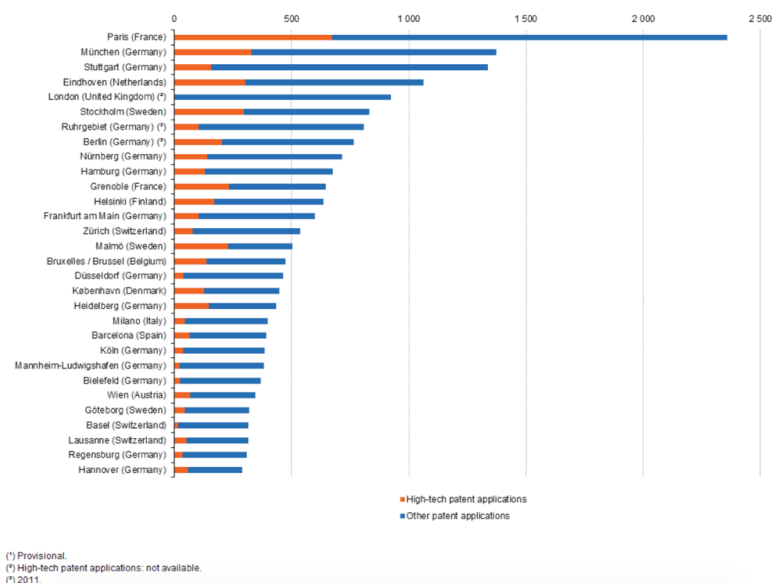


Image 2¹⁸

According to the European Patent Office, Eindhoven as a city (2.680 patents) in 2015, was the clear winner over bigger cities such as Amsterdam (384 patents) or Rotterdam (223 patents)¹⁹. Taking the patents recording as an indicator for innovation and following the

¹⁸ Image 2: Data collected from Eurostat (online data codes: met_pat_eptot and met_pat_eptec)

¹⁹ (Munten, 2016)

information that TU/e website²⁰ provides, in 2018, 7.043 patent applications out of 310.784 in the EPO were Dutch. As it is shown in the graph below, those numbers bring The Netherlands to the fourth place in Europe and the seventh in the World in patents registration. Must be said that more than half of those companies came from Brabant region (where Eindhoven is located; Eindhoven is also the city which has most patents requisitions created in The Netherlands).

It is a city that is constantly developing itself in the areas of innovation, creativity, technology, design, and knowledge. When you look at innovation, you will be directly led to the light bulbs which is known as the biggest innovation in history. Eindhoven is called the city of lights ever since Philips has grounded its roots. Next to that Eindhoven produced 22,6²¹ patents for every 10.000 residents in 2013, this made Eindhoven be the most inventive city of the world. Today, it is also the heart of the Brainport²² region, a region that develops innovative and high-quality technology. Within Brainport companies, the government and education institutes work together on disruptive innovations and develop solutions with a genuine impact for very complex problems. It is a unique technology ecosystem that consists of OEM's²³, SME's²⁴, suppliers, contract manufacturers, knowledge institutes that cooperate closely that have access to physical and fiscal facilities for cost-efficient development. This is the reason why Brainport companies are more competitive, they enter the market faster with lower costs due to the big network and opportunity to get support and knowledge from your partners in Brainport. Examples of these partners are the TU/e, the high-tech campus, and separation of Philips.

Numerous entrepreneurs settle their start-up company in Eindhoven, due to the great opportunity of cooperation that Brainport offers. Additionally, Brainport offers various public and private initiatives to stimulate the growth of a start-up company with housing, acceleration programs, and finance programs. The entrepreneurs easily create a network with useful people for their business, they are taught in how to cope with all the business aspects, and how to talk to an investor.

²⁰ (TU/e, March 2018)

²¹(Hermans, July 2013)

²² (Brainport Eindhoven, s.f.)

²³ OEM's: companies related to computer and IT producers

²⁴ SME's: small and medium-sized enterprises which employ fewer than 250 people, have a turnover lower than 50million€ and have an annual balance sheet lower than 43million€.

Lastly, Eindhoven supports some of the facilities for the start-ups to create dynamics, work opportunities, and growth in the start-ups. These specific reasons gave Eindhoven a spot in the list for best new global cities for start-ups by Fortune.

There are also start-ups that participate in the accelerator program High Tech XL. In this program, the start-up gets ready for investors within a few months. Twenty start-ups can participate in this program, while 2.000 start-ups apply for it. During this program, High Tech XL supports them in the following steps:

- market-ready; validate your business
- customer-ready; sell your vision
- Manufacture-ready; scale your technology
- Investor-ready; get funding
- XI day-ready; launch your business
- Continued support; driving for success

As it is known, the most important step for a start-up to get ready for investment is to prepare a business case. Every business should have a clear and detailed business plan that answers the difficult questions, like what is the problem that this company will solve. Investors want to know every detail about how you are going to generate money. Furthermore, it is very important for start-ups to be aware of and identify the interests of the investors and their business identity.

ii. What are the most common start-ups and what should they consider?

In Eindhoven there are so many industries to start a business in, that is the reason why the High-Tech XL program team was asked what are the most common industries in which the start-ups focus on. These industries are:

- Medical / Health Tech
- Autonomous/semi-autonomous vehicles
- Green Technology // Cleantech
- Robotics
- Semiconductor, precision technologies
- Photonics
- High Tech Equipment, (e.g. RFQ linear particle accelerators for detection)
- IoT – sensors

The most common accords start-ups in Eindhoven have is the Co-founders agreement. This one includes references about the percentage of participation of each one of the parties in the company, responsibilities of each and the time and commitment expected from each one of the founders. Also, the equity each founder will bring into the enterprise is included. If the start-up is going to work with an investor the most common agreement in Eindhoven is the Investment one: Term Sheet (non-binding contract). This is one of the most important documents an entrepreneur will face. Investors are always trying to get the best of the agreement. The agreement includes conversion rights and the conversion ratio of the preferred shares.

In the surveys that have been done, appeared that some of the investors would not care about being an active investor, what means that they would like to keep participating in the company activity, not just giving the money. If they have a “hands-on” investor that will try to get the control in the company to make sure they will not lose their investment, this can lead to conflicts which, in the end, are not good for the start-up. For this reason, they need to conduct research on the investor by looking at previous investments. This way they can see what type of investor they are talking about and if it is suitable for the start-up. Conducting research like this will prevent unnecessary conflicts in the future.

When setting up a start-up company it is important to have the right employees. Start-ups are generally looking for people who believe in the meaning and purpose of the start-up and are willing to make the start-up grow further. They are also aiming for people with strong work experience, they believe that these people will have a good influence on their company because they already know a lot and can bring more potential ideas.

To attract the best employee the start-up should know who his/her ideal candidate is and why. Most start-ups make use of the internet and post a vacancy with the requirements that the employee will need. Then, when they get contacted, someone from the team will be tracking these data to select the right candidate for the start-up.

iii. How does the start-up in Eindhoven get funding?

As it has been stated before, in The Netherlands there are five ways to obtain funding for your company. In some cases, the start-ups get an investment from private equity investors, but this is not common in the Netherlands. Dutch people have always been risk-averse compared to other countries so investing in another company is not common out there. The culture does not stimulate taking the risk of not getting the money invested

back. Dutch people rather win nothing than have the possibility to lose. This is also the main reason why there are not a lot of investors in the Netherlands and I am playing with the idea of working with American investors.

In spite of their culture, there are some financing programs in Eindhoven that are available to help the start-ups to grow. Below, it will be further studied one of the most important programs; High Tech XL. When a company is participating in the accelerator program of High Tech XL, the procedure is different. By contacting the High Tech XL Team (Ms. Betsy), it was learned how they find the investors for companies in that accelerator program. They answered the questionnaire saying that it is a networking thing and the start-up Delta website²⁵, which is ran by Dealroom. This gave them the opportunity to create a database of 500 investors, both investor companies and private equity investors. Unfortunately, only 100-200 of them are active investors that attend the High-Tech XL events. The start-ups that are participating in the High-Tech XL program receive investments as little as 50.000 euro and as much as 10 million euro. When it comes to the other part of approaching investors, the networking, we have been informed that they can be approached by some investors or the High-Tech XL, also joining some investor groups like BAN Netherlands. Furthermore, it was formed in the questionnaire what kind of investors they have worked with; all kinds of investors, such as Business Angels, Venture capitalists, Personal investors, Cooperators with associations, etc. The average amount of money invested is just over 500.000€, but the mean is 150.000€.

iv. Financing

a. Is there any grant from the Dutch embassy in case the start-ups want to go to America?

Grant money is a non-repayable fund that can be used for a specific project. These are often given by a government department or a corporation. In the Netherlands, there are lots of methods to get money from the government, so it has been researched several websites to find suitable grants. Most of the grants, subsidies or rulings are for companies that concerns products or services that improve the environment, agriculture, health or is in cooperation developing countries. Below there is a list²⁶ of the grant programs that the Dutch Government provides.

²⁵ (Delta, s.f.)

²⁶ (Netherlands Enterprise Agency, s.f.)

According to the company Ondernemersplein, there are 24 subsidies for the Netherlands and 18 for doing business with foreign countries. Some examples below:

1. **Develop2Build (D2B):** it is a Government-to-Government program. It offers governments in 37 developing countries and emerging markets direct assistance in setting up infrastructural projects with a positive impact on people, the environment and society.
2. **Development related infrastructure investment vehicle (DRIVE):** DRIVE facilitates investments in infrastructure projects that contribute towards a good business climate and entrepreneurship in the areas: water, climate, food security, and sexual and reproductive health and rights.
3. **Residence permit for foreign start-ups:** Ambitious entrepreneurs can apply for a temporary residence permit in the Netherlands. This residence permit scheme for start-ups allows the application one full year to launch an innovative business.
4. **Dutch good growth Fund (DGGF):** The Dutch Good Growth Fund (DGGF) strives to fulfill an important role in the financing of (local) small and medium-sized businesses in developing countries.
5. **WBSO (R&D tax credit):** Using the WBSO (Wet Bevordering Speur- & Ontwikkelingswerk/Act for the Stimulation of Research & Development), companies can lower the wage costs for R&D and other R&D costs and expenditures, such as prototypes or research equipment. You can deduct the tax benefit in your tax return to the Netherlands Tax and Customs Administration.
6. **Subsidy scheme for demonstration projects, feasibility studies and investment preparation studies (DHI):** The DHI scheme supports Dutch enterprises (including enterprises in the overseas parts of the Kingdom of the Netherlands) that want to invest in or execute a project in emerging markets and in developing countries.
7. **Dutch trade and investment (DTIF):** The Dutch Trade and Investment Fund (DTIF) offers loans, guarantees and export financing, helping you to take the next step towards achieving your international ambitions in investing and exporting.
8. **Starters International Business (SIB):** With its Starters International Business (SIB) program, the Dutch Ministry of Foreign Affairs helps entrepreneurs move into foreign markets.

9. **Proof-of-concept funding:** Proof-of-concept funding has been established to help businesses and ensure that an idea develops from the planning phase into the start-up phase. It is for both innovative start-ups and existing SMEs (small to medium-sized enterprises).

10. **Innovation credit:** The Ministry of Economic Affairs and Climate Policy gives SMEs financial support for risky innovation projects, filling a gap in the capital market.

Fortunately, there are some programmes that may adapt to the problem raised in the thesis such as the Innovation credit, Dutch good growth fund or the Residence permit for foreign start-ups; which would perfectly fit in the situation once raised here. There are also fifteen more programmes or subsidies, but they are not that relevant or related to the main subject.

b. Foundations that give money, private communities, organizational grants

By researching through the website [bannederland](#) or Business Angels Netwerken Nederland²⁷, to know a bit more about the topic. Some organizations affiliated with this website which offer investments for start-ups are mentioned below.

- High tech campus Eindhoven
- ING
- BANC
- ABN-Ambro
- Capital Mills
- Informal Capital Network
- Business Angels Connect
- InvestorMatch
- Meesters van de Toekomst
- Angel Funding Germany
- Collin Crowdfunding N.V.
- Finc
- Matchinvest Nederland
- NLInvesteerd
- De Investeerders Club
- High Tech XL



²⁷ (Business Angels Netwerken Nederland, s.f.)

- Vectrix-NextStage
- Money Meets Ideas
- BiD Network
- Geldvoorelkaar



To give a better explanation, BANC is taken as a little broader example. BANC is an organization called ChemieLink they help other entrepreneurs in the chemical sector that wish to innovate. Besides technical development, they also have budgets to make these developments possible. Chemielink offers entrepreneurs and Business Angels the opportunities to develop a successful business. Their investment size starts with 150.000€ till 2.000.000€.

Another example would be NLIInvesteerd²⁸, which is an organization for investors that support the entrepreneurship. In their website they offer investors any type of start-ups with all type of important information (entrepreneur description, how is the company, the credit risk, the NLI score of the start-up and the corresponding return). Depending on the risk, the interest rate varies from a 6% -13% loan. In the private financial part, there will always be involved some other financial sources such as the local governments, banks and other providers of capital in financing. In the case of share participation, cumulative preference dividend is paid out.

c. Chamber of commerce

Whenever investment relations result in new companies, e.g. joint ventures or as new directors, supervisory directors or any shareholders, this should be reported to the register of the Chamber of Commerce. When there are more shareholders, this will be recorded by a notarial deed. This register is kept by the company itself. Lately, there has been in the Dutch news that the government is thinking about a law adaptation, which states that the Chamber of Commerce keeps a central shareholders register. This law is considered in the battle against money laundering and terrorist financing. Other appointments or contracts that follow from an investment are not reported to the Chamber of Commerce. Financial transactions, distributions to shareholders and investments are guided by accountants and the tax authorities of the concerned countries. Afterwards, the annual return is reported to the Chamber of Commerce. These are public and can be requested.

²⁸ (Nlinvesteert, s.f.)

Some important government organizations to guide foreign investments are;

- Holland trade and invest
- Invest-NL
- Nederland's Investerings Agentschap²⁹

The central government contact point for foreign subsidies for entrepreneurs is the *Rijksdienst voor Ondernemend Nederland (RVO)* (Netherlands Enterprise Agency). Next, to grant programmes the Dutch government also has 110 subsidies and financing regulations. The Dutch government has subsidies for activities and projects that have advantages for society and public interest.

Next, it was found the Dutch Chamber of Commerce in the US and a networking organization that is based on business between the Netherlands and the United States. The Netherlands Chamber and the Netherlands American Business Council (NABC). These organizations could be an interesting partner when setting up the investment with the American investor.

v. Risk and laws

a. Requirements needed for the investors and the start-ups

As far as the Netherlands' government³⁰ states, there is no special requirements for investors to be able to invest in the start-ups. Foreign investors can invest via the same regulation and have the same requirements as Dutch investors. Even though, the start-ups have some requirements to accomplish such as having a good and well-structured project plan, so investors can decide with facts if they want to invest in the company or not. What is more, if the start-ups have a good project plan, they might receive some investments from the Netherlands government, since it wants to provide early-stage finance to the start-ups, in order to strengthen the international position of them and growing business, to develop the NLevator initiative, etc.

For start-ups to obtain the investment from the government, they not only need to have a good project plan, but they also should do some steps to get it (which will be explained further in the financing part) such as:

²⁹ (Agentschap, s.f.)

³⁰ (Rijksoverheid, s.f.)

1. To have sufficient money to live in the Netherlands
2. Having an innovative product or service
3. A step-by-step plan to develop the idea into a business
4. The registration with the Dutch Chamber of Commerce (KVK)

One of the principles of the European Union is free trade and attracting foreign investors. However, the dispute about the safety and benefits of such openness has been brought to the public opinion. Certain European organizations are alarming that it allows foreign investors to take over companies, as in many cases their capital is bigger. Nevertheless, The Netherlands remains an open and investor-friendly environment with a lot of potential benefits, stable politics and high development in many sectors. Therefore, the regulations are not strict. Indeed, the Netherlands is the biggest recipient of foreign direct investment in the world and the largest recipient of investment from the USA in history. The Netherlands has no formal foreign investment screening mechanisms and no foreign ownership quotas, except unlikely situations when national safety is questionable. There are no restrictions on the conversion or repatriation of capital and earnings or other types of fees.

b. If the start-up already has subsidies, can it receive further investments?

After researching several websites, it was not possible to find any clear answer to that question. Thinking broadly, if a start-up could get a subsidy and find an American investment it would be rather an advantage than a disadvantage. After researching through so many different Dutch law websites, economics websites and the Eindhoven town hall websites could be concluded that currently there is no regulation about having a foreign investment apart from a subsidy.

Information from the Netherlands Enterprise Agency³¹ was also found; normally the extra investment will depend on the nature of the business. Normally, there is no situation where the investment would be illegal or inconvenient to receive. It also depends on the subsidies already given to the start-up because the investors want to make sure they will take advantage of their money and rule the business. Although there might be a situation where there will be some requirements for the issue, for example, if the subsidy you are asking for is higher than the investment you already asked or the other way around (always keeping in mind that the nature of the business matters).

³¹ (Agency, s.f.)

c. What happens in case of bankruptcy?

The settlement of bankruptcy is different in every country. In fact, different regulations apply to every country when there is a bankruptcy. Normally when the company goes bankrupt, the investor will lose his money. Only if the investor has more than 50% of the shares, which means he is an owner, he could be held accountable for the other costs.

If the start-up is a Limited liability company, what means the company where its owners are responsible for the debt only to the extent of money they self-invested, they can just litigate with the Dutch court. In case of bankruptcy, the investor is left empty-handed. Some creditors/investors have special interests or can claim a special legal arrangement in case of bankruptcy. If a Limited has all activities in the Netherlands, the Dutch court can take a bankruptcy petition and declare bankruptcy. The court then appoints a Dutch trustee. That is not in the Bankruptcy Act but in the European Insolvency Regulation. If a legal entity has activities in several countries, then the court has jurisdiction over the place from which the company manages its interests, e.g. where the head office is ("Center of main interests"). Shareholders, including investors, are responsible only for the stock, therefore they cannot be held responsible for the company's debt nor bankruptcy. Additionally, the Netherlands is listed on the 12th spot in The World Bank's Doing Business Report in resolving insolvency.

d. Profit and taxes

In the Netherlands, there are some different taxes that companies should pay from their benefits to the *Belastingdienst* (Dutch tax office), which collect taxes through a variety of streams. The following taxes will not be applied to the investors because they are applied to workers from the Netherlands, but they should take them into account because it might make their benefits be lower. Some known taxes that must be paid are:

- **Corporate tax:** that tax consists in the tax payable in the Netherlands on the profits earned by companies. Normally that tax is 25% on the company's worldwide benefits. However, there are some cases where the items are exempt from tax and certain costs non-deductible such as the capital gains and dividends derived from qualifying subsidiaries (which is called participation exemption), and the income attributable to a foreign business enterprise (also known as permanent establishment).

- **Income tax:** that is the tax that you pay from your income. You normally should declare your income tax through your annual tax (it can be done online or with some help from the Dutch tax advisor). For the investors, such tax is not that important because they will not be working in the Netherlands but investing instead. In addition, for the start-ups, the income tax is 30% for investments³².
- **Payroll tax**³³: are the taxes and other contributions that are held back from an employee's salary by the company every month. So, it can be said that it is made up of tax on the employees' salaries and national insurance contributions. It is important to keep that tax in mind when the salaries and employees' contract are discussed.
- **Annual income tax return**³⁴: it is a tax that you will be informed if you need to do it or not. It is necessary to balance out your *prepaid* tax with other financial aspects such as your partner's income, the mortgage, additional income, savings or investments and finally the tax deductions (for example the studies or healthcare costs).

6. MIDWEST CITIES STUDY

Since the United States of America is too big to be studied in only one thesis, what could have resulted having too general conclusions, only will be studied three important cities; Cincinnati, Columbus, Louisville. Studying each city, the five biggest employers in the Midwest cities will be shown to see where the main interests lie.

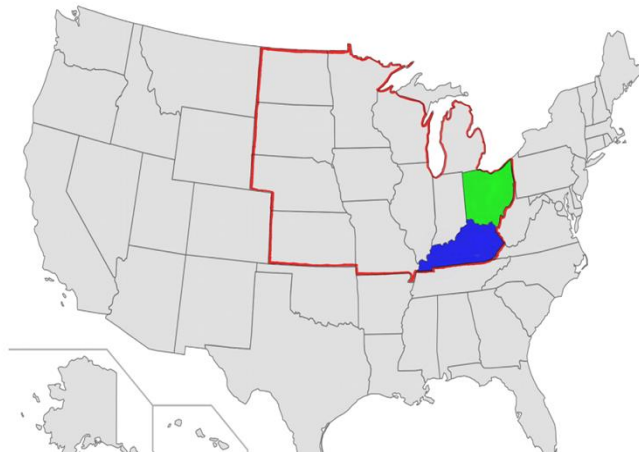


Image 3³⁵

³² (Expatica, 2019)

³³ (Belastingdienst, Belastingdienst, s.f.)

³⁴ (Belastingdienst, s.f.)

³⁵ Image 3: Midwest regions represented on the map.

ii. Why investors from the USA?

In the thesis has been posed American investors work with the Dutch start-ups because of their well-known culture in the sector and their ability to spend. As it is written in the T&D article³⁶, investors are looking for start-ups to invest in so they researched the new companies in California's Silicon Valley, New York, and Chicago, but... why not Europe?

As it is said in the article from Credit Suisse³⁷, Americans and Africans have similar risk aversion to investments even though the economic conditions are so different. *"In the individualistic countries such as the US, there are more "ego-traders" seeking gains what leads to a higher market momentum"*.

Another good example of how cultures affect investment decisions is shown in a New Yorker newspaper's article that talks about how different Americans are compared to Chinese people when it comes to investing. The study was about doing a one-question survey where people were told that they were given some fictional money, afterward were asked the following question: *"The value of the stock has obviously appreciated, but does that make it an attractive investment?"* The results were that American investors would invest a 67'2% of the money they were given to that company due to the appreciating results. On the other hand, Chinese investors would only invest 42% of the fictional money in that company because they think that as the company has high results, somehow, they must depreciate.

So, after reading these two examples, we can be concluded that looking for American investors can be a good idea due to their culture and their disposition to take risks.

iii. Cincinnati (OH)

In Cincinnati, they are mostly interested in making the regional economy stronger by driving capital and talent into innovative technology-based companies in Southwest Ohio. The main industries that have investments are the ones related to technology and medical devices. Several companies who are familiar with the angel investors are Cincinnati Business Courier, Deceuninck North America LLC, TSC Apparel.

³⁶ (University, 2018)

³⁷ (Enskog, 2015)

a. Who are the biggest employers?

To talk about the 5 largest employers in Cincinnati, the information found is from the Blue Ash report³⁸, where can be found the major employers and the regions where Blue Ash has foreign-owned firms around the world.

When it comes to the biggest employers in Cincinnati, one of the biggest company is The Kroger Company, with over 449.000 employees. 94% of the company sales are food stores. They operate in 2.782 grocery retail stores in 35 states, in many formats like supermarkets or price-impact warehouses and multi-department stores. The remaining 6% are convenience (782 stores in 19 states), jewelry (274 stores) and manufactures (38 facilities). Moreover, the company has 2.268 pharmacies. Kroger's commitment is very simple; "Zero hunger, zero waste"³⁹.

Another big employer is a public research university: University of Cincinnati. According to a college ranking U.S. News & World Report, the school is placed among the top tier of the best national universities. The University of Cincinnati has around 44.000 students who actively give an impact to the society by several volunteering programs in local medical clinics and service learning, and an economic impact of \$4 billion.

Cincinnati Children's Hospital Medical Center is a pediatric hospital in the US, a nonprofit academic medical center created in 1883 is. The hospital had in 2017 over 600 beds, around 1,3 million patients (including 589 international ones). Furthermore, every year, over 600 residents are trained there, as the hospital offers highly ranked research-based education and training programs (the largest pediatric research facility in the USA)⁴⁰.

The 4th biggest employer of Cincinnati region is a company called The Procter & Gamble Company. P&G consist of many individual brands focused on different customers, mostly connected with household chemistry and self-care. Most of the brands are well known around the world, for example, Oral B, Tampax, Pampers, Head&Shoulders, etc⁴¹.

Finally, we cannot talk about employers in Cincinnati without mentioning Tri Health, Inc. TriHealth consists of two Cincinnati's health organizations; Bethesda and Good Samaritan Hospital which delivers several programs such as educational, preventive, clinical and social, including physician practice management, fitness centers and fitness center

³⁸ (Ash, 2018)

³⁹ (Kroger, s.f.)

⁴⁰ (Children's, 2018)

⁴¹ (P&G, 2018)

management, occupational health centers, as well as home X Health and hospice care. Their main vision is to focus on and improve the health status of their customers⁴².

b. What are the investors interested in?

As it is seen in the survey, they expect to have the investment back in 5 years and it is expected that the company that will receive the investment has a good team composition and a great management team, since it is a crucial fact when deciding where to invest. Being more precise, the well-known investor Justin Thompson said that in his last investments, he had a success rate of 5-10%. He would also expect to be an active investor, what means that he would not just give the money and wait for the company to give him benefits from his investment, but it means he would be next to the start-up, participating in its activities and helping it to get benefits.

Mr. Thompson is interested in Biotechnological industry, what matches with the information that has been found in the Angel List⁴³ website. Since that industry is related to technology, there could be a match between him and any Dutch start-up as well.

iv. Columbus (OH)

Introducing Columbus must be mentioned that its average resident age (32,3) is lower than the Ohio average age (39,3 years old). This city is quite various since it has 56,4% of Caucasic people, 28,5 Afro-American people, 5,8% of Latin people and other races with smaller percentages.

Having a look at the Home sales report⁴⁴, it can easily be seen that has increased in the latest years. The percent change of city population between 1990 and 2000 is positive 12,4%. All the data has been exported from the report.

a. Who are the biggest employers?

Following the report⁴⁵ found in “The Columbus region” website, the major employers can be identified. We will state them and explain what their business activities are.

⁴² (TriHealth, 2018)

⁴³ (List, s.f.)

⁴⁴ (City-Data)

⁴⁵ (Region)

The biggest employer in Columbus region is a company called JPMorgan Chase & Co., which is one of the oldest financial institutions in the US, active on over 100 markets. Moreover, JPMorgan⁴⁶ is also a leader in many sectors, including investment and commercial banking, financial services for both- individuals and small businesses and asset management. Their main goal is to become the best and the most respected bank in the whole world.

The second biggest employer, also connected with financials, is Nationwide. It's financial services and insurance company, active for over 80 years. The company puts its focus on people, calling them their biggest resource. They have strong values such as trust and respect for one another, honesty and integrity. They also have several partnerships with community organizations such as the Ohio State University and Nationwide Children's Hospital⁴⁷.

When it comes to another big employer of the region, it is one of the most well-known around the world companies from Ohio: Honda of America mFG⁴⁸, known for building high-quality safe cars. They also own four state-of-the-art plants in Ohio, contributing millions of dollars to the regional economy per year. The number of manufactured products exceeds 680.000 vehicles and more than a million engines per year, thanks to what Ohio is often established as a worldwide center for engineering excellence.

The 4th biggest employer is a fashion retail brand called L Brands⁴⁹. It's one company bringing together few smaller well-known brands such as Victoria's Secret, PINK, Bath & Body Works, La Senza and Henri Bendel. Their products are sold in more than 800 franchised locations and 3.000 company-owned stores.

Moreover, one of the biggest distributors of pharmaceuticals and medical supplies in the whole world has its company in Ohio. The company, Cardinal Health, operates also the largest network of radio pharmacies in the U.S. Furthermore, more than 75% of all hospitals in America get their medical products such as gloves and fluid management products from Cardinal health⁵⁰. As it can read on its website, ProcessMAP provides Cardinal Health with an EHS & Sustainability software management solution, internally known as Pulse, to support their enterprise initiatives.

⁴⁶ (J.P.Morgan, 2018)

⁴⁷ (Nationwide, 2018)

⁴⁸ (Honda, 2018)

⁴⁹ (LB, 2018)

⁵⁰ (Health, s.f.)

b. What are the investors interested in?

After thoroughly researching the industries with more investments and looking at several angel investors' lists such as the ones given on the website <https://angel.co/columbus/investors>, the results are similar to Cincinnati. The main investments are in Technology and business areas.

v. Louisville (KY)

The city is in Kentucky, and it is situated at elevation 143 meters above sea level. The population in Louisville⁵¹ was 616.261 in 2016, whose median age is 35.8 years old, being so close to the Kentucky median age (35.9 years old). The major people in the area is Caucasic (62%).

a. Who are the biggest employers?

Regarding the publicly traded companies in Louisville, following the Greater Louisville Inc. report⁵², where a report can be found, it is shown that Humana Inc. is one of the biggest ones competing in the health insurance market, Medicare and health & wellness sectors. It is related to plans for employer groups, government-sponsored programs, and individuals. Its total revenue is 54.38billion\$.

There is also Kindred Healthcare Inc.⁵³, this company operates in hospitals, nursery, and rehabilitation centers, as well as they contract rehabilitation centers. That company makes its clients see that they are not only patients or illnesses but people. They put the focus on the human part.

Yum Brands Inc.⁵⁴ has over 45.000 restaurants in more than 140 countries and territories. The company owns the businesses KFC, Pizza Hut and Taco Bell, which are global leaders of the chicken, pizza and Mexican-style food respectively. It had 60% of profits in 2017.

⁵¹ (City-data, s.f.)

⁵² (Louisville, 2018)

⁵³ (Care, s.f.)

⁵⁴ (Yum!, s.f.)

Going to another sector, more precisely the manufacturing sector there is the company Ford Motor company⁵⁵ (with 2 plants) which works with trucks, expeditions, navigators and escapes. Its employment is 12.600 people.

The second most important company in the sector is GE Appliance & Lighting⁵⁶ which works basically on large home appliances and lighting. They focus on making people's life easier at home by producing from self-cleaning ranges to ice and water dispensers, to speed cook ovens and refrigerators that make coffee.

b. What are the investors interested in?

Following the information from the investor's survey, what they expect from their investments is to have their money back between 4 and 5 years later. The most crucial factors for Tom Halbleib, Gill Holland and Dale Boden when it comes to investing in the start-ups are the company's management team, how innovative the start-up is and the business plan. Regarding the important information they consider, they consider the business idea, the team composition and the leadership key points to consider when deciding whether to invest in a company or not.

vi. What amount of money can the investors from the Midwest city offer?

Before talking about numbers and facts, will be introduced what an investment consists of and the different types that may be found. Investments are carefully constructed and diversified to maximize return and minimize volatility. The investments pools are the growth, balance, wealth preservation, money market, and social responsibility. Below is explained what they consist of and what types can be found:

- Investment focused in growth
- The wealth perseverance investments

When it comes to the investment focused in growth, it works with diversified portfolios where there is 75% equity and 25% fixed income. The goal is to achieve a long-term growth over current income. For balanced investments, the portfolio has the same amount of stocks and bonds with 50% equity and 50% fixed income. The goal is to achieve the balance between growth and current income among the long term.

⁵⁵ (Ford, s.f.)

⁵⁶ (GE Appliances, s.f.)

The wealth perseverance investments consist in a portfolio of short and intermediate-term bonds (with 25% equity and 75% fixed income). They seek to preserve capital and provide current income. Referring to investments done in the money market, they normally have a portfolio of short-term and high-quality securities being 100% cash equivalents. Its goal is to provide immediate income from the grants made over the short term. When it comes to the social responsibility investments, it must be said that it is for funds with a focus on social and corporate responsibility.

All the investors who have been contacted already have had some experience with investing. Most of the investors contacted are interested in investing in Eindhoven, and they all seek new opportunities and are not afraid of risks. To measure the number of investments available for start-ups in this project, I decided to make a survey where I asked about the typical amount they invest in start-ups and how much are they willing to invest in Eindhoven. When it comes to the investments they are willing to make in Eindhoven, 2 out of 3 investors expect to spend between 10.000 and 50.000 euro. While the left one would invest 301.000\$ or more.

7. METHODOLOGY AND ANALYSES

i. Methodology

Besides the information collected from articles, books, reports, and websites, there is a part in this thesis that takes primary source information, so the contrast of ideas can be done. In that project, American investors have been contacted, due to their importance in this thesis, so they could fill in a survey where they were asked several professional questions prepared together with my coach Xiaoni Li to get information that later would be used to complete the information gaps and further doubts that may appear. Some Dutch programs that care about the start-ups and work hard to provide them with a good network to start working with will also be contacted and surveyed.

ii. The surveys

On one hand, there is the survey prepared for the American investors which consist of 17 questions where broadly talking it is asked for their background as investors and the type of investor they consider themselves, the money they invest and if they would be willing to invest abroad, being more specific in The Netherlands, Europe. On the other hand, there is the survey created for the High-Tech XL program, which consists of 11 questions where

Betsy Lindsey is asked about the program and how do the start-ups perceive several situations, or which are their worries.

The questionnaire prepared for the American investors (see appendix 1; page 42) has been sent to twenty-four investors who were in the Angel List website. The previous website is the one which contains more investors in their list and the one that always appears the first option in the Google researches, what made us think it is the most important one on its area. These investors have been approached via LinkedIn, mail or Facebook. The American investors that answered are Dale Boden, Tom Halbleib, Justin Thompson, and Gill Holland. These would make the rate of response raise to 20,83%. On the other hand, representing the program in Eindhoven, Betsy Lindsey has been contacted to answer the survey.

iii. Analysis and results

a. The Start-ups in Eindhoven and its risks and laws

Once the program High Tech XL has been surveyed, we can have an idea of how they work with start-ups in Eindhoven. First, they filter them by asking certain requirements such as being in a TRL7 level of tech development (which is a method of estimating technology maturity of Critical Technology of a program during the acquisition process). Another important point they consider before accepting a start-up in the High-Tech XL program is to have at least three team members or being willing to add team members. For last, they have to have a potential for high growth in the high-tech hardware and embedded software arena.

Further, when the start-up is in the program, it is provided networking and lists of investors (either personal or groups of investors like *BAN Netherlands*), which have been previously tested if they can be trusted or not before being referred. The type of investors that start-ups may find in the High-Tech XL program are Business Angels, Venture capitalists, Personal investors, and Cooperators with associations. Those can be foreigners since this program works with foreign companies, so they cannot be close-minded. The average money these investors are willing to invest is over 500.000€, but the mean is 150.000€.

Next to that, the start-ups that participate in the program are more focused on the industries of Health Tech / Medical industry, Autonomous / Semi-autonomous vehicles, Green Technology / Cleantech, Robotics industry, Semiconductor, precision technologies, Photonics industry (which includes optical communications, optical imaging, optical

detectors, optical computing, spectroscopy, quantum optics, and lasers), IoT / sensors, and High Tech equipment (for example RFQ linear particle accelerators for detection). Start-ups also have worries when they are emerging in the market such as how they will get funded, whether the product will be successful or not, or if they will be able to handle the program they are working with.

Regarding the Risks and Laws part, after all the information collection is easy to say the Dutch government has different types of ways to help the new businesses with different subsidies or grants. There are some different programs to help the start-ups setting up a useful network and good contacts while they are in the first stage of the company. What is more, talking about the taxes in the Netherlands, it is shown that there are no extra taxes for investing in the Netherlands, what makes Eindhoven more attractive than other countries.

b. The American investors

The empirical analysis of the surveys answered by the four investors Justin Thompson from Cincinnati (Ohio), Tom Halbleib, Gill Holland, and Dale Boden from Louisville (Kentucky), reflects that they are experienced in the area since they all have been investing for at least 10 years. What leads us to think they know exactly what they are looking for, the characteristics they want the start-up to have, and what to expect from the investments. Even though all of them have been investing for 10 years, not all of them are investing every year, for example, Tom Halbleib, whose last investment has been 2 years ago. The latest investments they did were in the Internet area and the education technology industry.

When it comes the part where they have to answer how do they see themselves as investors, 75% answered they consider themselves as Venture capitalists. Some of them have chosen multiple answers, so they would consider themselves Personal investors as well as a Venture capitalist or Business Angel; depending on the situation and the start-up they are interested in. Another characteristic of investors, in general, is the fact of being Active (meaning they are ongoing buying and selling; they also monitor their activity to exploit profitable conditions) or Passive investors (meaning they do not participate day-to-day on the start-up activities). The results from these questions were that 50% of them are active, 25% are passive and the other 25% said it would depend on the start-up; "*different*

companies have different needs", said Gill Holland. Both investors who answered they consider themselves as Venture capitalist assure they are Active investors as well.

In the survey, there was also a question referring to their investments. The American investors were asked about the amount of money they had invested in the past; 50% stated they had invested 301.000\$ or more, and the other 50% said they invested between 10.000\$ and 50.000\$, but not all of them usually invest in the different industries, their statements to justify their varied investments are the following: *"My investments in entrepreneurial enterprises tend to be opportunistic rather than strategic"*, *"I am not an expert in any industry except film and music and real estate and yes, I invest in those often, but that is part of my job!"*, *"Strategically opportunistic"*. On the other hand, Justin Thompson said he is always investing in the same industry because *"healthcare and information technology are the types of companies that get bought, get margin and can drive to liquidity"*. Most of the investors expect to have a return from his investment in 5 years or more and all of them think they have been successful in their investments. When it comes to the investments abroad, 75% would do so because they find opportunities may be everywhere; all this 75% would invest in Eindhoven, with some reasons as *"there are undercapitalized talent and companies"* and *"the answer depends on the business. There are some businesses I want to visit regularly, while others can be monitored remotely"*. One of the investors who answered said he would not be willing to invest abroad since he would not be able to follow up and participate on the start-up activities actively; he answered he considers himself as an active investor. Talking about the money they would invest abroad, in Eindhoven, for 2 of them it would be between 10.000\$ and 50.000\$, and for Justin Thompson, it would be 301.000\$ or more.

Regarding the start-ups' characteristics, what investors care the most when thinking whether to invest in a new company or not is the team composition, and business plan and idea. The type of start-ups they would invest the most abroad, apparently, they would be the ones who might be more successful (not caring the industry) or the ones which are focused on the BioTech sector. Particularly talking about Eindhoven, all of them coincide they do not know the laws from this city of the Netherlands but some of them answered *"we usually rely on attorneys about laws"*, even though they would appreciate any additional resources. Other investors said they would get the information when needed when they would find a company they would be interested in.

8. CONCLUSIONS

In this thesis, it has been studied a suggested situation where the start-ups from Eindhoven look for financing in the Dutch government and it has been studied if it would be feasible the new situation where American investors would be able to invest in the Dutch start-ups or not.

After getting all the information from different articles, books, and having primary sources information, we can conclude that the situation suggested is feasible due to the surveys' results where it was shown that 3 out of 4 American investors who answered the questionnaire would be willing to invest abroad, more precisely in the Netherlands. At the same time, in the High-Tech XL survey that has been made, the results showed the start-ups which work with them would be willing to accept investment from foreigners (referring foreigners as people who is not Dutch). These two facts support the conclusion aforementioned; the suggested situation is feasible. What is more, it can be said that from American investors' point of view, investing in the Netherlands is more attractive than investing somewhere else due to the ease of working with their profits and taxes policies.

Giving some recommendations to the start-ups which might be a bit confused at the beginning of their adventure as entrepreneurs.

- First, start-ups should review their business plan each time they are going to meet a new investor since it has been seen that not all of them are seeking the same and some others are so opened to new business or situations. New business should prepare their business plan presentation depending on what the investor they will meet up is looking for.
- Second, they should show their strengths and weaknesses. It is important to be transparent, so investors have a clearer idea of how the entrepreneurs of the company are and how they can work with the start-up. It is also important to show the investors that you are aware your weakest points, so you are willing to work on them either by modifying negative behaviors or finding a coach.
- Third, entrepreneurs should keep in mind how important are the relationships in business and the importance of trust built on relationships. Always try to avoid situations that may damage your business trust.

Regarding the American investors part, we could contact only a few of them and their answers were so open-minded and professional, showing clearly, they have strong backgrounds since they have been investing for 10 years or more. This is the reason why we would suggest studying a bit further about which are the reasons for their culture and passion for investing. Their risk-seeking-fame precedes them, and there must be some reasons for it. Adding to that, another suggestion would be a deeper study of which is the relation, if there is any, between the Venture capitalist investors and the fact they are active investors, so they keep participating on the company activity even after having invested the money.

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10. APPENDIX

i. American Investor's survey

Hello, as I explained you before in the mails, I am Sara Cabré from Spain and I am doing my thesis about alternative financing that a start-up might have. As you know, investors are an important source of financing. That is the reason why I decided to contact you, so I can have primary data about how investors think, act, what are your interests and what do you expect from your investments.

Thank you so much again for your time and information in advanced.

1. For how long have you been an investor?

- ☐ Less than a year
- ☐ 1 to 4 years
- ☐ 5 to 9 years
- ☐ 10 years or more

2. When was the last time you have invested in a start-up? What sector did you invest in?

- ☐ Less than a year
- ☐ 1 year
- ☐ 2 years
- ☐ 3 years
- ☐ 4 years or more

3. What kind of investor do you define yourself?

- ☐ Business angel
- ☐ Venture capitalist
- ☐ Personal investor
- ☐ Cooperator with an association
- ☐ Others: _____

4. What is the average money you have invested in the past?

- ☐ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☐ 301.000 dollars or more

5. Do you usually invest in the same industry sectors? Why? Which ones are them?

- ☐ Yes, because...
- ☐ Industries: _____
- ☐ No, because...

6. What do you rate as the most crucial information when researching a start-up?

Please indicate any other factors if options are not provided

- ☐ Team composition
- ☐ Current revenue
- ☐ Industry sector
- ☐ Business idea
- ☐ Growth potential
- ☐ Or _____

7. What is the timeframe for an expected return of your investment?

- ☐ 6 months – 1 year
- ☐ 1 year – 2 years
- ☐ 3 years – 4 years
- ☐ 5 years or more

8. Which are the most important factors for you to decide to invest a start-up?

Please indicate any other factors if options are not provided

- ☐ Innovation
- ☐ Market demand
- ☐ Risk
- ☐ Market barriers
- ☐ The company's management team
- ☐ Or _____

9. Do you think you have succeeded in investing in start-ups from your previous experience? Why?

- ☐ Yes, because...
- ☐ No, because...

10. What is the average succeed rate in your past investing experience?

Let's talk now about investing in Europe...

11. Would you like to invest cross border? Why?

- ☐ Yes, because...
- ☐ No, because...

12. Would you be interested in investing in start-ups from Eindhoven, The Netherlands? Why?

- ☐ Yes, because...
- ☐ No, because...

13. How much money are you willing to invest in an European start-up?

- ☐ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☐ 301.000 dollars or more

14. In what kind of start-ups would you like to invest there?

15. Do you know the laws about foreign investors in The Netherlands?

- ☐ Yes
- ☐ No

16. If the previous answer was “no”, how would you like to get that information? If the previous answer was “yes”, how did you get it?

17. Would you like to be an active investor or a passive investor?

- ☐ Active investor
- ☐ Passive investor

a. Justin Thompson (Cincinnati, Ohio)

Hello, as I explained you before in the mails, I am Sara Cabré from Spain and I am doing my thesis about alternative financing that a start-up might have. As you know, investors are an important source of financing. That is the reason why I decided to contact you, so I can have primary data about how investors think, act, what are your interests and what do you expect from your investments.

Thank you so much again for your time and information in advanced.

1. For how long have you been an investor?

- ☐ Less than a year
- ☐ 1 to 4 years
- ☐ 5 to 9 years
- ☒ **10 years or more**

2. When was the last time you have invested in a start-up? What sector did you invest in?

- ☒ **Less than a year (Internet of things)**
- ☐ 1 year
- ☐ 2 years
- ☐ 3 years
- ☐ 4 years or more

3. What kind of investor do you define yourself?

- ☐ Business angel
- ☒ **Venture capitalist**
- ☐ Personal investor
- ☐ Cooperator with an association
- ☐ Others: _____

4. What is the average money you have invested in the past?

- ☐ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☒ **301.000 dollars or more**

5. Do you usually invest in the same industry sectors? Why? Which ones are them?

- ☒ **Yes, because... Healthcare, information technology. Usually do so because these are the types of companies that get bought, have margin, and can drive to liquidity.**
- ☐ Industries: _____
- ☐ No, because...

6. What do you rate as the most crucial information when researching a start-up?

Please indicate any other factors if options are not provided

- ☐ **Team composition**
- ☐ Current revenue
- ☐ Industry sector
- ☐ Business idea
- ☐ Growth potential
- ☐ Or _____

7. What is the timeframe for an expected return of your investment?

- ☐ 6 months – 1 year
- ☐ 1 year – 2 years
- ☐ 3 years – 4 years
- ☐ **5 years or more**

8. Which are the most important factors for you to decide to invest a start-up?

Please indicate any other factors if options are not provided

- ☐ Innovation
- ☐ Market demand
- ☐ Risk
- ☐ Market barriers
- ☐ **The company's management team**
- ☐ Or _____

9. Do you think you have succeeded in investing in start-ups from your previous experience? Why?

- ☐ **Yes, because... Had enough diversification to manage the risk of failure**
- ☐ No, because...

10. What is the average succeed rate in your past investing experience?

5-10%.

Let's talk now about investing in Europe...

11. Would you like to invest cross border? Why?

- ☐ **Yes, because... Good opportunities everywhere**
- ☐ No, because...

12. Would you be interested in investing in start-ups from Eindhoven, The Netherlands? Why?

- ☐ **Yes, because... likely good undercapitalized talent and companies.**
- ☐ No, because...

13. How much money are you willing to invest in an European start-up?

- ☐ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☒ 301.000 dollars or more

14. In what kind of start-ups would you like to invest there?

Looking for biotech assets and companies.

15. Do you know the laws about foreign investors in The Netherlands?

- ☐ Yes
- ☒ No

16. If the previous answer was “no”, how would you like to get that information? If the previous answer was “yes”, how did you get it?

We usually rely on attorneys about laws. Any additional resources would be helpful.

17. Would you like to be an active investor or a passive investor?

- ☒ Active investor
- ☐ Passive investor

b. Tom Halbleib (Louisville, Kentucky)

Hello, as I explained you before in the mails, I am Sara Cabré from Spain and I am doing my thesis about alternative financing that a start-up might have. As you know, investors are an important source of financing. That is the reason why I decided to contact you, so I can have primary data about how investors think, act, what are your interests and what do you expect from your investments.

Thank you so much again for your time and information in advanced.

1. For how long have you been an investor?

- ☐ Less than a year
- ☐ 1 to 4 years
- ☐ 5 to 9 years
- ☒ 10 years or more

2. When was the last time you have invested in a start-up? What sector did you invest in?

- ☐ Less than a year
- ☐ 1 year
- ☒ 2 years *Internet media portal*
- ☐ 3 years
- ☐ 4 years or more

3. What kind of investor do you define yourself?

- ☐ Business angel
- ☐ Venture capitalist
- ☒ Personal investor
- ☐ Cooperator with an association
- ☐ Others: _____

4. What is the average money you have invested in the past?

- ☒ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☒ 301.000 dollars or more

But the range has been from \$5000 to \$500,000 in entrepreneurial (as opposed to exclusively start up) ventures.

5. Do you usually invest in the same industry sectors? Why? Which ones are them?

- ☐ Yes, because...
- ☐ Industries: _____
- ☒ No, because... *my investments ~~are~~ in entrepreneurial enterprises tend to be opportunistic rather than strategic.*

6. What do you rate as the most crucial information when researching a start-up?

Please indicate any other factors if options are not provided

- ☐ Team composition
- ☐ Current revenue
- ☐ Industry sector
- ☐ Business idea
- ☐ Growth potential

☒ Or *The answer depends upon the business plan of the start up.*

7. What is the timeframe for an expected return of your investment?

- ☐ 6 months – 1 year
- ☐ 1 year – 2 years
- ☒ 3 years – 4 years
- ☐ 5 years or more

8. Which are the most important factors for you to decide to invest a start-up?

Please indicate any other factors if options are not provided

- ☐ Innovation
- ☐ Market demand
- ☐ Risk
- ☐ Market barriers
- ☐ The company's management team

☒ Or *The answer depends upon the business plan of the start up.*

9. Do you think you have succeeded in investing in start-ups from your previous experience? Why?

- ☒ Yes, because...
- ☐ No, because...

I generally invest in businesses run by long term acquaintances in whom I have confidence. I also have experience through my law practice.

10. What is the average succeed rate in your past investing experience?

Favorable enough that I continue to invest.

Let's talk now about investing in Europe...

11. Would you like to invest cross border? Why?

- ☐ Yes, because...
- ☐ No, because...

☒ *The answer depends on the business. Some*

12. Would you be interested in investing in start-ups from Eindhoven, The Netherlands? Why?

- ☒ Yes, because...
- ☐ No, because...

Terry & Cheryl Boyd can help me there.

businesses I want to visit regularly, while others I can monitor remotely.

13. How much money are you willing to invest in an European start-up?

- ☒ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☐ 301.000 dollars or more

14. In what kind of start-ups would you like to invest there?

Businesses that generate favorable ROI and cash flows.

15. Do you know the laws about foreign investors in The Netherlands?

- ☐ Yes
- ☒ No

16. If the previous answer was "no", how would you like to get that information? If the previous answer was "yes", how did you get it?

I can get that information if when needed.

17. Would you like to be an active investor or a passive investor?

- ☐ Active investor
- ☒ Passive investor

c. Gill Holland (Louisville, Kentucky)

Hello, as I explained you before in the mails, I am Sara Cabré from Spain and I am doing my thesis about alternative financing that a start-up might have. As you know, investors are an important source of financing. That is the reason why I decided to contact you, so I can have primary data about how investors think, act, what are your interests and what do you expect from your investments.

Thank you so much again for your time and information in advanced.

1. For how long have you been an investor?

- ☐ Less than a year
- ☐ 1 to 4 years
- ☐ 5 to 9 years
- ☒ 10 years or more

2. When was the last time you have invested in a start-up? What sector did you invest in?

- ☒ Less than a year; education technology
- ☐ 1 year
- ☐ 2 years
- ☐ 3 years
- ☐ 4 years or more

3. What kind of investor do you define yourself?

- ☒ Business angel
- ☒ Venture capitalist
- ☒ Personal investor
- ☐ Cooperator with an association
- ☐ Others: _____

4. What is the average money you have invested in the past?

- ☒ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☐ 301.000 dollars or more

5. Do you usually invest in the same industry sectors? Why? Which ones are them?

- ☐ Yes, because...
- ☐ Industries: _____
- ☒ No, because... I am not specific to any one industry because I am not an expert in any industry except film and music and real estate and yes, I invest in those often, but that is part of my job! So it is usually about a general understanding of the problem the NewCo is trying to solve.

6. What do you rate as the most crucial information when researching a start-up?

Please indicate any other factors if options are not provided

- Team composition
- Current revenue; not important to me, I can do pre-revenue
- Industry sector
- Business idea
- Growth potential; gotta have growth if you want to succeed and profit!
- Or _____

7. What is the timeframe for an expected return of your investment?

- 6 months – 1 year
- 1 year – 2 years
- 3 years – 4 years
- 5 years or more

8. Which are the most important factors for you to decide to invest a start-up?

Please indicate any other factors if options are not provided

- Innovation
- Market demand – lots of times market doesn't know it wants or needs the product
- Risk – I am risk tolerant
- Market barriers
- The company's management team
- Or _____

9. Do you think you have succeeded in investing in start-ups from your previous experience? Why?

- Yes, because... I have picked enough companies that didn't succeed!
- No, because...

10. What is the average succeed rate in your past investing experience?

I usually say it is 1 out of 5 that will pay you back enough to cover what you lost in the other 4!

it's talk now about investing in Europe...

11. Would you like to invest cross border? Why?

- Yes, because... opportunity is everywhere... I have done cross border film and music is all thus far/
- No, because... hard to meet with the folks and keep finger on the pulse

12. Would you be interested in investing in start-ups from Eindhoven, The Netherlands? Why?

- Yes, because... Holland is similar to USA

13. How much money are you willing to invest in an European start-up?

- ☒ 10.000 – 50.000 dollars; same as in the US
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☐ 301.000 dollars or more

14. In what kind of start-ups would you like to invest there?

We are diverse

15. Do you know the laws about foreign investors in The Netherlands?

- ☐ Yes
- ☒ No

16. If the previous answer was “no”, how would you like to get that information? If the previous answer was “yes”, how did you get it?

If I see a company I like, then yes, I would need it

17. Would you like to be an active investor or a passive investor?

- ☐ Active investor
- ☐ Passive investor

Different companies have different needs, I am both depending...

d. Dale Boden (Louisville, Kentucky)

Hello, as I explained you before in the mails, I am Sara Cabré from Spain and I am doing my thesis about alternative financing that a start-up might have. As you know, investors are an important source of financing. That is the reason why I decided to contact you, so I can have primary data about how investors think, act, what are your interests and what do you expect from your investments.

Thank you so much again for your time and information in advanced.

1. For how long have you been an investor?

- ☐ Less than a year
- ☐ 1 to 4 years
- ☐ 5 to 9 years
- ☒ 10 years or more

2. When was the last time you have invested in a start-up? What sector did you invest in?

- ☒ Less than a year
- ☐ 1 year
- ☐ 2 years
- ☐ 3 years
- ☐ 4 years or more

3. What kind of investor do you define yourself?

- ☐ Business angel
- ☒ Venture capitalist
- ☐ Personal investor
- ☐ Cooperator with an association
- ☐ Others: AND PRIVATE EQUITY INVESTOR

4. What is the average money you have invested in the past?

- ☐ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☒ 301.000 dollars or more

5. Do you usually invest in the same industry sectors? Why? Which ones are them?

- ☐ Yes, because...
- ☐ Industries: _____
- ☒ No, because... INDUSTRY AGNOSTIC. STRATEGICALLY OPPORTUNISTIC.

6. What do you rate as the most crucial information when researching a start-up?

Please indicate any other factors if options are not provided

- ☒ Team composition
- ☐ Current revenue
- ☐ Industry sector
- ☐ Business idea
- ☐ Growth potential
- ☐ Or LEADERSHIP

7. What is the timeframe for an expected return of your investment?

- ☐ 6 months – 1 year
- ☐ 1 year – 2 years
- ☐ 3 years – 4 years
- ☒ 5 years or more

8. Which are the most important factors for you to decide to invest a start-up?

Please indicate any other factors if options are not provided

- ☐ Innovation
- ☐ Market demand
- ☐ Risk
- ☐ Market barriers
- ☒ The company's management team
- ☐ Or _____

9. Do you think you have succeeded in investing in start-ups from your previous experience? Why?

- ☒ Yes, because... *I have been doing it for 20+ years, profitably*
- ☐ No, because...

10. What is the average succeed rate in your past investing experience?

DON'T MEASURE IN TERMS OF AVERAGES. Measure in terms of RETURN ON INVESTMENT.

Let's talk now about investing in Europe...

11. Would you like to invest cross border? Why?

- ☐ Yes, because...
- ☒ No, because... *I am AN ACTIVE investor. Too far to go to be active. HAVE DONE this before.*

12. Would you be interested in investing in start-ups from Eindhoven, The Netherlands? Why?

- ☐ Yes, because...
- ☒ No, because... *NOT PRACTICAL if you want to be AN ACTIVE investor.*

13. How much money are you willing to invest in an European start-up?

- ☐ 10.000 – 50.000 dollars
- ☐ 51.000 – 75.000 dollars
- ☐ 76.000 – 100.000 dollars
- ☐ 101.000 – 300.000 dollars
- ☐ 301.000 dollars or more

NONE

14. In what kind of start-ups would you like to invest there?

successful ones

15. Do you know the laws about foreign investors in The Netherlands?

- ☐ Yes
- ☒ No

16. If the previous answer was "no", how would you like to get that information? If the previous answer was "yes", how did you get it?

17. Would you like to be an active investor or a passive investor?

- ☒ Active investor
- ☐ Passive investor

ii. High Tech XL program survey

Hello, as I explained you before in the mails, I am Sara Cabré from Spain and I am doing my thesis about alternative financing that a start-up might have. When I lived in Eindhoven during my Erasmus I heard a lot about your High Tech XL program, so I decided to search information about it and contact you so I could have primary source information for my thesis.

Thank you so much again for your time and information in advanced.

- 1. How can a start-up enter to your High Tech XL program?**
- 2. What are the requirements a start-up should accomplish in order to enter in your program?**
- 3. How do you find investors for the companies joining your program?**
- 4. What type of investors are cooperating with you? (business angel, Venture capitalist, Personal investor, etc.)**
 - ☐ Business angel
 - ☐ Venture capitalist
 - ☐ Personal investor
 - ☐ Cooperator with an association
 - ☐ Others: _____
- 5. Do you work with foreign investors? Why?**
 - ☐ Yes, because...
 - ☐ No, because...
- 6. Is there any kind of filter when choosing the investors to work with? If yes, which one is it?**
 - ☐ Yes
 - ☐ Filter: _____
 - ☐ No
- 7. How large are the investments the start-ups working with you receive are like?**
 - ☐ 10.000 – 50.000 dollars
 - ☐ 51.000 – 75.000 dollars
 - ☐ 76.000 – 100.000 dollars
 - ☐ 101.000 – 300.000 dollars
 - ☐ 301.000 dollars or more

- 8. What are the most common industries start-ups focus on?**
- 9. What are the main worries (in short or long run) the start-ups have when they start working with you?**
- 10. Are the start-ups willing to receive investments from the USA?**
- 11. When do you stop working with the start-ups, if so? What characteristics do they have when they start working by their own?**

a. High Tech XL – Betsy Lindsey

Hello, as I explained you before in the mails, I am Sara Cabré from Spain and I am doing my thesis about alternative financing that a start-up might have. When I lived in Eindhoven during my Erasmus I heard a lot about your High Tech XL program, so I decided to search information about it and contact you so I could have primary source information for my thesis.

Thank you so much again for your time and information in advanced.

1. How can a start-up enter to your High Tech XL program?

Apply on F6s or be recruited to join through our university and incubator network.

2. What are the requirements a start-up should accomplish in order to enter in your program?

Generally, the company must be in a TRL7 level of tech development, have at least three team members or open to adding team members, and have a potential for high growth in the high tech hardware and embedded software arena.

3. How do you find investors for the companies joining your program?

Lots and lots of networking. Investors approach us. We join investor groups like BAN Nederlands. Investors in our startups get referred to other startups, etc.

4. What type of investors are cooperating with you? (business angel, Venture capitalist, Personal investor, etc.)

- Business angel
- Venture capitalist
- Personal investor
- Cooperator with an association
- Others: _____

ALL

5. Do you work with foreign investors? Why?

- Yes, because we have foreign companies. Hightech Grunder funds from Germany attends an event of ours on December 10, etc.

6. Is there any kind of filter when choosing the investors to work with? If yes, which one is it?

- Yes – credibility. We do talk with them before referring.

7. What is the average value of investments that start-ups working with you achieve in general?

The average is just over 500,000, but the mean is 150,000.

8. What are the most common industries start-ups focus on? Please indicate any other factors if options are not provided

- Medical / Health Tech
- Autonomous / semi-autonomous vehicles
- Green Technology // Cleantech
- Robotics
- Semiconductor, precision technologies
- Photonics
- High Tech Equipment, (e.g. RFQ linear particle accelerators for detection)
- IoT – sensors

9. What are the main worries (in short or long run) the start-ups have when they start working with you?

Funding

Will there product be a fit for the market

Can they handle the program

10. Are the start-ups willing to receive investments from abroad, as the USA?

Yes.

11. When do you stop working with the start-ups, if so? What characteristics do they have when they start working on their own?

3 months after the program ends they finally leave the nest. We have a equity stake in most, so we still “work with them.” They need to find investment and be independent.