HOW TO RAISE MONEY

THE ULTIMATE GUIDE TO CROWDFUNDING

Melinda Moore

Acknowledgments

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And finally, I want to thank my mom and dad, Sue and Jerry Moore who have always been supportive and have encouraged me to take the path less traveled. I love them more than words can express.

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Introduction

We live in extraordinary times.

A single idea has the power to change the world. 3D printing can create human organs. The Hyperloop will transport people at 700 miles per hour. A small medical device allows a deaf baby to hear for the first time.

Ideas are limitless and can advance human potential in exceptional ways.

Now, while it's always been true that a single idea can change the world, today we live in a world where fresh original thinking, including yours, is available to the world-wide marketplace of investors and supporters. I like to think of this as an age of idea abundance.

Of course all of this idea abundance is made possible by the democratization of technology and the connectedness of high speed Internet through smartphones and satellites.

The combination of these incredible advancements is thrusting us forward to solutions that deliver relief from suffering as we are able to give financial aid through text messaging, create renewable energy for our planet, and find the joy of staying connected or even finding love through digital forms of dating.

These are real-world problems being solved every day by sheer stubborn, awesome grittiness of people working together, which is made possible by the level playing field of technology.

Let me tell you, it's personal.

Advanced mammogram technology literally saved my life by detecting early stage breast cancer and helped me to avoid unnecessary treatments. I feel blessed and grateful to be alive and am inspired to help others navigate the financial road of possibilities by sharing my knowledge and experience.

I understand the fragility of life and believe in the power of manifestation, and turning passionate ideas into successful business ventures. As a female entrepreneur with two successful business exits (STV Communications and LovingEco) and as the former Chief Marketing Officer of the crowdfunding platform Crowdfunder, I can help you win. I know first hand how challenging it is to raise money through traditional channels. I want to help you bring your ideas to life.

But let's be real.

Yes, it is fun and easy to come up with ideas, but turning our ideas into actual businesses is where it gets tricky.

Hear that little voice? Well, it's not so little. It's our inner skeptic saying: *How can I make this happen? Someone can do this better*, *I am not smart enough*, *I don't have the time*, or *I'm overwhelmed*.

So let's tune this unwelcome, in-ear radio personality out and get to business.

By focusing on goals and an actionable plan we can tackle the challenge of enabling your project one bite-sized chunk at a time.

One of the greatest challenges in starting a business is raising money and it can present a huge distraction from executing your business plan.

I often say to entrepreneurs it takes 100% of your time to run a company, and another 100% of your time to successfully raise money to grow your business.

Why is this so challenging?

Well, as an entrepreneur your odds of getting early-stage VC money is about 1 in 2000, which means that you have a better chance of getting accepted into Harvard than being venture backed.

Now, let's talk about getting money from traditional banks, which is nearly impossible for an early stage startup because banks require business income tax returns for the previous two or three years, collateral value, and they look to minimize risk at all costs. And the truth is almost all startup ventures fall into a high investment risk profile.

But there is good news.

There has never been a better time to start a company and raise money.

Recent, hard won national policy changes enabled by the Jumpstart Our Business Startups Act (JOBS Act) can help you unlock capital through crowdfunding.

Crowdfunding is a powerful vehicle that is driving an unprecedented global wave of innovation.

So let’s jump right in with some basic primer points.

In this book, I am going to discuss two different types of crowdfunding. The first is “rewards-based” enabling you to raise money by pre-selling your product and the second is an “equity-based” method, which allows entrepreneurs to raise up to $50 million dollars from non-accredited investors.

This could be a major game changer. Industry commentators predict that $50 billion of available capital will be unlocked through equity crowdfunding by the year 2020.

That is just around the corner.

So which type of funding is best for you? Rewards or equity? Let’s get started.

Chapter 1

What Is Crowdfunding?

Crowdfunding allows large numbers of people to contribute relatively small amounts of money through the Internet to a given project, cause, or new business venture.

Crowdfunding is a powerful form of alternative finance that has emerged outside of the traditional financial system where the crowd acts as the funding source.

There are different types of crowdfunding methods, including lending, donations, rewards, and equity, but for the purposes of this book we will focus on both rewards and equity.

Why is crowdfunding so exciting right now for entrepreneurs?

Because the investor conversation has moved from Silicon Valley boardrooms and the country club to the world via crowdfunding platforms like Kickstarter and AngelList, it has democratized how people can get money.

Crowdfunding helps democratize access to capital and enables entrepreneurs to raise money to move their companies or projects forward.

How much money has gone into crowdfunding in total?

According to the Massolution crowdfunding report, the industry raised more than $34.4 billion in crowdfunding in 2015 alone and is expected to surpass venture capital funding in 2016.

Defining Different Forms of Crowdfunding

Rewards Crowdfunding

This is the original form of crowdfunding where backers get a reward in return for their investment, or entrepreneurs are able to pre-sell their product in order to have money for production costs.

For example, an entrepreneur is able to launch a new electric bike or digital watch company by pre-selling the bike or watch at a discount as a perk. This is called rewards-based crowdfunding.

Equity Crowdfunding

Equity is the newer form of crowdfunding thanks to the JOBS Act passing, which allows companies to raise up to $1 million per year over the Internet via Title III, and up to $50 million via Regulation A+ or Title IV (which will be described in more detail in the next chapter).

Investors that back equity-based crowdfunding deals become shareholders in the company and have actual ownership. This is a significant difference from rewards where you get perks or products not shares or ownership in a company.

Chapter 2

Crowdfunding History & Evolution

Understanding the history of crowdfunding will help illuminate where it is today, so let's learn a little bit about its origin.

While we may think that crowdfunding is relatively new, its history dates back to the early 1700s in Ireland where Jonathan Swift created the first loan fund that provided small loans to low-income families.

By the 1800s, more than 20% of all households throughout Ireland were utilizing microfinance.

Jonathan Swift is known as "the father of microcredit." The concept of raising money from the crowd or collective fundraising has now evolved into a big industry called crowdfunding or alternative finance.

It took a couple more hundred years before crowdfunding gained traction in the United States. The moment came when a musician named Brian Camelio launched the website called ArtistShare in 2003 where musicians sought donations from their fans to produce digital recordings. Their first crowdfunding project was Maria Schneider's jazz album *Concert in a Garden*, which raised about $130,000 and won a 2005 Grammy Award for Best Large Jazz Ensemble Album. Not a bad accolade for the first rewards-based campaign.

Thanks to the wild success of ArtistShare, more rewards-based platforms were launched, including Indiegogo in 2008 and Kickstarter in 2009, which both allow people to raise funds for an idea, a charity, or a startup business.

Both sites run on a rewards-based system where donors, investors, or customers help fund a project or product by donation and they receive a gift (rather than receiving an equity stake in the company which is called equity crowdfunding).

The business model for both Indiegogo and Kickstarter is one where the sites charge a fee of 5% of the funds collected.

To date, Kickstarter has raised over $2.3 billion for 104,043 of funded projects.

Indiegogo raised more than $800 million for over 175,000 campaigns in 2015 alone.

The big difference between these platforms is that Kickstarter is an "all-or-nothing" funding model where projects that are not fully funded walk away with nothing.

To date about 74% of campaigns on Kickstarter do not reach their goal.

Indiegogo offers a “keep-it-all” crowdfunding model which is more flexible for entrepreneurs. What this means is that you get to keep all the money you raise on Indiegogo even if you do not meet your campaign funding goals, so this can be an advantage over the Kickstarter model.

This begs the question: Why go with Kickstarter if only 36% of the campaigns on their site are successful?

The answer? Kickstarter is the 800-pound gorilla in the rewards space and has a much larger community of backers to tap into.

The “all-or-nothing” model makes failure more dramatic and most people will do more to avoid loss or failure. It creates a sense of urgency for backers to pledge that does not exist with Indiegogo.

Ultimately, it’s up to you to decide which platform is better for you, and you should choose based on your business goals and preferred working style.

Rewards-based crowdfunding had a head start on equity crowdfunding, until President Obama signed the Crowdfund Act into law in April 2012 which enables individual investors to back companies in exchange for equity ownership.

Now, there are several leading equity crowdfunding platforms like AngelList (2010), Crowdfunder (2011), and SeedInvest (2011) which provide investors access to seed and early stage investment opportunities.

To better understand how the JOBS Act has changed the investment landscape and regulations, I sat down with leading securities lawyer Georgia Quinn from law firm Ellenoff, Grossman and Schole LLP to ask her a few questions:

Q: Now that the SEC has adopted final rules for equity crowdfunding, will you explain how Title II and Title III, both part of the JOBS Act, impact the ability for a startup to raise capital?

Quinn: Title II and Title III both offer exciting new ways to raise money.

Title II allows a company to generally solicit investments from potential investors as long as they only take money from accredited individuals (people that make $200,000 or more in income for the past two years, or $300,000 combined with their spouse, or that have $1 million or more of net worth not including their primary residence).

This may not seem like a big deal, but actually is a major shift in securities law and marks the first time companies have been able to publicly offer their non-publicly registered securities in over 80 years.

Now companies can use all forms of media such as social media, television, and radio to promote their deals.

Title III is similarly revolutionary, in that companies can now raise money from non-accredited investors without having to file a registration statement with the SEC and having their deal approved.

Now for offerings of $1 million or less, issuers can use the streamlined procedures to crowdfund their businesses. Through an online intermediary, companies can set up a campaign similar to the rewards and donation-based crowdfunding that has gained such popularity, but instead of providing donors a T-shirt or cameo role in a film, they can provide investors with a stake in the company.

But while a lot of things have changed, it is also important to remember the things that remain the same. Namely, there is no free money.

The SEC will still be monitoring these transactions and these deals are subject to all of the same anti-fraud provisions (both state and federal) that other securities transactions must comply with.

Also, just because you can publicize your deal or use crowdfunding doesn't mean you will automatically raise money. A lot of work must be done prior to your fundraising efforts to get your business and business plan in order and to determine the best marketing strategy for your deal.

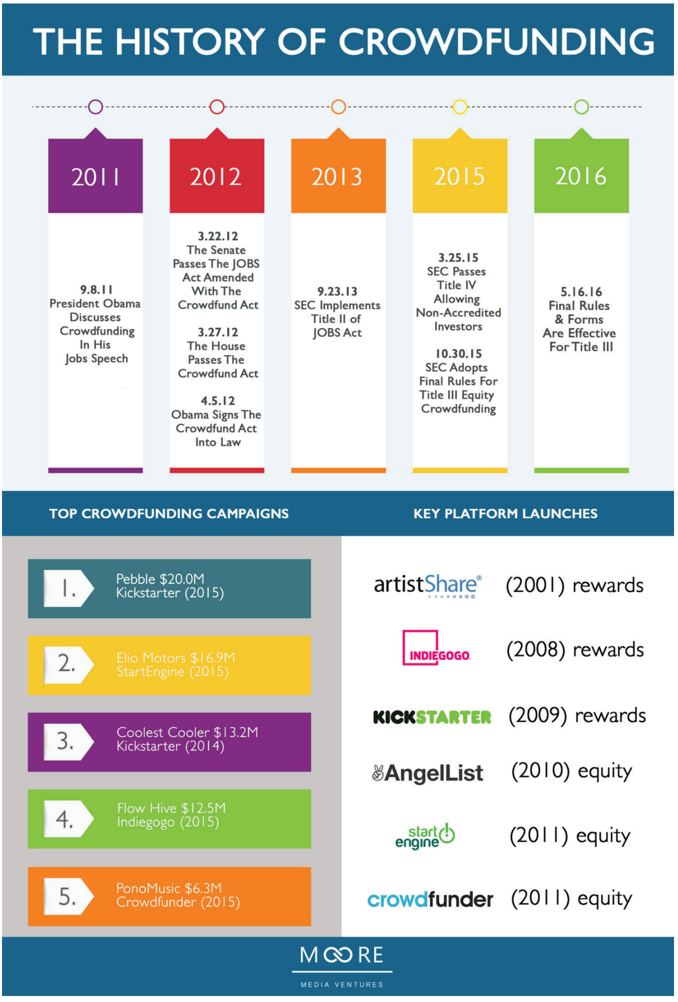
Also, these deals still require legal and accounting assistance and most crowdfunding platforms will receive a percentage of the amount of money that you raise.

Q: Title IV (Regulation A+) now allows emerging businesses to raise up to $50 million. How do you think this is going to impact the startup community and finance world?

Quinn: Title IV (also known as Regulation A+) is now a great resource for companies that are established or have enough resources to launch a more regulated deal, but aren't ready or simply don't want to conduct a full blown IPO.

Reg A+ allows a company to raise up to $50 million (depending on which tier of the regulation it utilizes) from both accredited and non-accredited investors.

Some advantages are that the securities they sell are freely tradable and that the company can test the waters to determine if there is investor appetite for the deal before actually going through the time and expense of filing the Form 1-A, preparing all the legal and financial documentation, and launching into a full marketing campaign. Some of the negatives are the relative time and expense it takes to conduct such a deal, which requires a review process by the SEC, and most frequently audited financial statements to be prepared, and ongoing reporting requirements placed on the company.


THE HISTORY OF CROWDFUNDING
2011
9.8.11
President Obama Discusses Crowdfunding In His Jobs Speech
2012
3.22.12
The Senate Passes The JOBS Act Amended With The Crowdfund Act
3.27.12
The House Passes The Crowdfund Act
4.5.12
Obama Signs The Crowdfund Act Into Law
2013
9.23.13
SEC Implements Title II of JOBS Act
2015
3.25.15
SEC Passes Title IV Allowing Non-Accredited Investors
10.30.15
SEC Adopts Final Rules For Title III Equity Crowdfunding
2016
5.16.16
Final Rules & Forms Are Effective For Title III
TOP CROWDFUNDING CAMPAIGNS
1. Pebble $20.0M Kickstarter (2015)
2. Elio Motors $16.9M StartEngine (2015)
3. Coolest Cooler $13.2M Kickstarter (2014)
4. Flow Hive $12.5M Indiegogo (2015)
5. PonoMusic $6.3M Crowdfunder (2015)
KEY PLATFORM LAUNCHES
artistShare (2001) rewards
INDIEGOGO (2008) rewards
KICKSTARTER (2009) rewards
AngelList (2010) equity
start engine (2011) equity
crowdfunder (2011) equity
MOORE
MEDIA VENTURES

Chapter 3

How to Plan & Run a Successful Campaign

To understand how to plan and run a successful crowdfunding campaign, I had the opportunity to interview Darren Marble, CEO of CrowdfundX, a leading digital marketing agency providing campaign strategy, branding, video production, graphic design, web development, social media, influencer engagement and public relations.

CrowdfundX has run many successful campaigns including including XTI Aircraft, Elio Motors, Inventure Holdings, K2 Communications, XREAL, and SURKUS. They help startups and businesses launch successful crowdfunding campaigns.

Q: What is the best way to prepare to launch an equity-based campaign, and how long should you allow for the pre-planning stage?

Marble: The two most critical components of a successful equity crowdfunding campaign are:
1: The story, and
2: The marketing plan

The startup's story must be told in a way that elicits a strong emotional response from retail investors. This means that both the video and campaign page must clearly communicate the issuer's or entrepreneur's vision, mission, and values. Specifically, the issuer's vision must transcend the entrepreneur's product or service, and needs to inspire prospective retail investors to take action.

The other prerequisite in the pre-planning stage is the development of a comprehensive digital marketing plan.

What many fail to realize is that equity crowdfunding is really an exercise in digital marketing.

In an ideal scenario, you're marketing your offering directly to customers and fans and converting them into investors in the process.

If you don't have customers or fans, you're most likely premature in your desire to pursue equity crowdfunding and should instead focus on building an audience first.

We recommend a 60-90-day ramp up before launching an equity crowdfunding campaign, and would advise that the issuer/entrepreneur assign a dedicated team for the duration of the project.

During the pre-planning stage of the campaign, you need to develop key assets including the crowdfunding video, campaign page, digital marketing plan, paid media plan, press release, and a press kit, at a minimum.

Q: What does your crowdfunding marketing checklist look like?

Marble: Successful equity crowdfunding campaigns require a thoughtful, multi-channel marketing plan in order to drive the tens (or hundreds) of thousands of page views required to raise millions of dollars.

A strong marketing plan should incorporate strategies for paid, earned, owned, and social media.

At a tactical level, this includes PR and blog outreach, advocate (customer) marketing, innovating digital marketing (Reddit AMA, Product Hunt, Hacker News), social media marketing (Facebook, Twitter, Instagram, Pinterest), influencer marketing (YouTube, Instagram, Vine, Snapchat), email marketing, events marketing, and Facebook advertising against a lookalike audience.

The vast majority of campaigns require a substantial paid media budget to drive enough traffic to be successful.

In a highly-produced campaign, an issuer might expect a conversion rate of 0.25 – 1% of investors to page views.

Using the 0.25% conversion example, a campaign would require 400 page views to generate one investor.

Assuming an average investment of $2,000, a campaign with a 0.25% conversion rate would require 400,000 page views to raise $2 million.

Issuers with a strong built-in audience (i.e., customers and fans) should target a 1% conversion rate.

Q: Will you please share a successful crowdfunding campaign with us?

Marble: CrowdfundX was honored to partner with Elio Motors on its Reg A+ equity crowdfunding campaign, which raised $17 million from 6,500 investors (and was subsequently listed on the OTC Markets OTCQX under the symbol "ELIO").

Elio was the first company in the United States to close a Reg A+ campaign and list on a public exchange, and we are thankful to have been along for the ride (no pun intended).

We worked closely with the Elio team to craft, produce, and distribute a compelling investment story to Elio's customers and new target audiences.

The effort behind the scenes was no small undertaking.

The campaign involved five months of test the waters marketing and two months of live offering marketing. More than 650,000 people viewed the campaign page over the duration of the campaign, and Elio converted those page views to investors at about 1%.

Q: Why do think the Elio Motors campaign was so successful?

Marble: Prior to pursuing its Reg A+ campaign, Elio spent years building out a customer base and online audience, and had a cult following of loyal supporters on social media.

Specifically, Elio had taken deposits from 40,000 people for its 3-wheeled, 2-seat auto cycle and had amassed a Facebook following of 250,000 fans at the time, and thus was in an enviable position going into Reg A+.

With a captive audience in place, we wanted to tell a story that effectively conveyed Elio's vision, mission, and values.

As Simon Sinek famously said in his TED Talk: "People don't buy what you do, they buy why you do it."

We knew from the outset that the real opportunity was to craft a message that was bigger than the product. Thus, CrowdfundX's theme of "Alter the Course" for Elio Motors was born.

About 65% of the $17 million raised came from Elio's 40,000 vehicle reservation holders; the balance came from new constituents.

The Elio Motors campaign communicated themes of ownership, empowerment, and participation. These are winning themes in the realm of equity crowdfunding, and we succeeded in driving hundreds of thousands of visitors to the campaign page where Elio's customers and other target audiences were inspired to invest.

Q: What are the most important elements of running a successful crowdfunding campaign?

Marble: Crowdfunding is about two things, and two things only: Momentum and perception.

The strategy for any successful crowdfunding campaign is simple: Launch big or go home.

You need to launch with enough momentum to create the perception that your campaign is off to the races and on its way towards success. If you fail to launch big, you may never be able to recover.

Secondly, successful equity crowdfunding campaigns require marketing budgets. Assume $50,000 in marketing spend for every $1 million you want to raise.

Q: Why do you believe some crowdfunding campaigns fail?

Marble: Campaigns fails for different reasons. The most common reasons campaigns fail is due to issuers setting unrealistic minimum threshold raises in their Form 1-A filings with the SEC (akin to setting the target too high in a rewards-based scenario).

The other major reasons campaigns fail is when issuers underestimate the cost, effort, or sophistication required to create mass awareness for their campaign. Don't be fooled: Crowdfunding campaigns do not market themselves.

Another reason campaigns fail is if when issuers launch campaigns for a business that has a weak product, service, or business model. You can't realy put lipstick on a pig, and crowdfunding is no different. In reality, most businesses are not worthy of funding. Only the strong – who build businesses with fundamentally sound products or services – can survive.

Q: What is the one piece of advice that you would provide to a potential crowdfunding candidate?

Marble: I'm not an investment advisor, but if I were running my own Reg A+ campaign, I would set a minimum threshold raise of $0 in my Form 1-A with the SEC. This would allow me to draw funds from escrow in real-time as the campaign is funding.

These funds could be directly applied to my business, or I could reinvest them into marketing based on how my campaign is performing.

Put another way, the worst thing I could imagine would be having several million dollars in escrow that I couldn't touch because I was $1 million off from the minimum threshold raise I filed with the SEC.

Somewhere out there, right now, there is a CEO regretting his or her decision to set an arbitrarily high minimum threshold raise in their Form 1-A filing.

Q: In terms of Reg A+ raises, what are the 5 most important things you have learned that you can share with prospective CEOs that are considering this route?

Marble: In no particular order:
1. Spend time building your customer base and online audience first. The best-performing campaigns will be from issuers marketing their offering to existing customers and fans, period.

2. Plan your marketing campaign in parallel with your Form 1-A filing; this allows for a shorter gap between test the waters and live offering phases, which will

increase your conversion rate of reservations to investors.

3. Assume $50,000 in marketing spend for every $1 million you want to raise. You didn't think raising $20 million was going to be cheap and easy, did you?

4. Realize that equity crowdfunding is just as difficult as any other type of fundraising (angel, VC, private equity, etc.), and that is it not a shortcut. It just happens to be more compelling than the alternatives in that issuers can set their own terms in the raise.

5. Assign a dedicated team to your campaign. On average, CrowdfundX assigns at least 8 people to our client's campaigns for the duration of the project. It takes a village.

Q: Anything else that you would like to share?

Marble: Don't let your ego get in the way of reality.

If raising $20 million was easy, you probably would have done it already, right?

Don't assume equity crowdfunding is an easy solution to reach your $20 million goal. It isn't.

Q: What are your best tips for closing investors once they have expressed interest in your deal or campaign?

Marble: If you launch a test the waters campaign prior to a live offering, your reservation holders are going to be your primary source of investors.

The key is to have a well-planned drip marketing campaign ready to go once you transition into a live offering. As reservations holders convert to investors, they should be removed from the drip marketing campaign promoting the investment opportunity, and moved onto a separate “investor communications” drip campaign list.

Issuers can also leverage the concepts of scarcity and urgency to close investors once they have expressed interest in a campaign. Use scarcity by letting the crowd know that only reservation holders will be eligible to invest in your offering, thereby increasing the conversion rate of page views to reservations. Subsequently, when you announce a campaign end date, reservation holders are incentivized to take action quickly or risk missing out.

Chapter 4

What Type of Campaign Is Right for My Business? (Rewards vs. Equity)

I often hear the question, “Should I launch a rewards based or equity crowdfunding campaign?”

Entrepreneurs need to understand that the underlying economics of both models are very different when it comes to crowdfunding.

Let’s break this down into a few key questions:

What type of business venture are you launching?
If you are launching a creative project like a film, book, game, or web series, you should seriously look at creating a rewards-based campaign where you create compelling perks in order to receive financial backing for your project.

Many creative movie and game projects projects like *Super Troopers 2*, *Con Man*, *Shenmue 3*, Exploding Kittens thrive on sites like Indiegogo and Kickstarter.

Moreover, it's easier to raise money for a property that already has a strong built-in audience or following and you can drive people to a campaign.

If you have a technology company this can be a bit more complicated to determine because you can do either a rewards based like the Pebble smartwatch which raised over $20 million on Kickstarter without having to give up any ownership in the company, or launch an equity based campaign like Bitvore which raised $4.5 million on Fundable and Crowdfunder.

Typically speaking though, it's harder to raise more than $50,000 on a rewards-based platform as the average raise is just under $10,000.

Through equity crowdfunding entrepreneurs have the ability to raise from $1 million to $50 million so technology and other capital intensive companies should seriously consider doing an equity based raise.

Companies looking for growth capital to expand or restructure operations or to enter new markets should look to equity based crowdfunding in order to secure larger capital raises.

On the other hand, if you have a real estate deal that you want to crowdfund, you should turn to real-estate specific platforms like Realty Mogul (which raised money for the Hard Rock Hotel Palm Springs), or iFunding where investors can start with just $5,000.

There are many other platforms like Fundrise, Patch of Land, and RealtyShares that just focus on real estate deals.

How much money do I need to raise?
One important fact to determine prior to launching a crowdfunding campaign is to figure out how much money you need to raise.

Typically speaking, with rewards based campaigns, it's harder to raise more than $50,000.

Most successfully funded projects on Kickstarter raise less than $10,000, but a growing number have reached six, seven, or even eight figures.

If you know that you your business will need to raise $1 million or more, it's best to seriously consider the equity crowdfunding route where you can now raise up to $50 million via Tier 2 of Title IV or Regulation A+ crowdfunding.

In addition, you must remember that there is a broad spectrum of legal fees, which depend on the complexity of the transaction, amount of regulation, and the use of technology

How important is market research?
Many smart entrepreneurs have embraced rewards-based crowdfunding to prove that there is a market for their product by launching a campaign and showing strong pre-sales interest for their product from their fans/customers.

Rewards based crowdfunding is an excellent source of capital, but it’s also becoming a market-testing and validation platform. It can provide useful data that can later be used to raise a venture round or do a larger equity crowdfunding round to grow your business.

In fact, the founder of Indiegogo Danae Ringelmann proudly states: “We allow entrepreneurs to prove themselves in a merit-based way by discovering whether a venture can in fact attract interest and money from potential customers.”

The site even allows campaigns to swap in new perks or change the required giving levels.

“You can test your pricing. You can test your features,” Ringelmann said.

Testing your product is more difficult with equity based crowdfunding because it is not based on a pre-sales model.

What about combining a hybrid model of using both rewards and equity?

A growing number of entrepreneurs create visibility for their product first by launching a rewards based campaign, followed by an equity based crowdfunding to raise additional capital.

In this way, startup companies are going from market validation via a pre-sales model to seed funding via equity crowdfunding.

This is exactly the strategy that entrepreneur Peter Li, the CEO of Atlas Wearables, deployed by first launching a rewards based campaign on Indiegogo which allowed backers to pre-order his fitness tracker device.

His original goal was to raise $125,000 for his campaign but he raised over $600,000 in 2014. Peter next turned to equity crowdfunding on Crowdfunder and SeedInvest to raise over $1 million dollars to expand his team and deliver the product.

Another company that followed this hybrid model is PonoMusic, the company led by music legend Neil Young, which raised over $6.2 million on Kickstarter to fund his music player and then turned to Crowdfunder to raise an additional $6 million via equity crowdfunding.

PonoMusic proved via Kickstarter that there was strong consumer demand for the music player and then allowed accredited investors to invest as little as $5,000 to purchase equity shares on Crowdfunder.

The benefit to investors on the equity side is that they have the financial upside for a possible return on investment if PonoMusic is acquired or IPOs (goes public). Meaning, investors get a return on their investment when there is a liquidity event like when the company sells or is able to sell shares of stock in a public market like NASDAQ.

Chapter 5

How to Pick the Right Crowdfunding Platform

After you select the type of campaign that is right for your business (rewards vs. equity), you need to select a crowdfunding platform or site that will maximize your ability to raise capital in a timely matter.

Well, that's not an easy process because there are literally hundreds of crowdfunding and fundraising websites out there. And each one caters to different businesses, has different fee structures, unique features, and investor bases to tap into.

In some cases, it may make sense to have your campaign live on multiple sites simultaneously to raise money faster from a wider investor base.

Before you launch your campaign on a crowdfunding platform, make sure to thoroughly research and educate yourself about the unique offerings of each site and their pricing structure.

Please take the time to do the proper due diligence regarding platform selection.

The downside of not picking the right platform for your business may mean that you will not get traction for your deal and perception is everything in marketing. It's almost impossible to quickly turn a cold deal into a hot one.

In addition, some sites like Kickstarter do not let you keep the money you raise unless you meet your full funding goals.

You'll also want to ask the platform owners if you are able to use the cash along the way or if you have to wait until the end of the campaign to claim your funds. In other words, first make sure you have a clear understanding of your fundraising goals and questions prior to launch.

Rewards

On the rewards front, there are a few crowdfunding analytics companies like Krowdster, TMinus10, and Xray that provide valuable and insightful statistics and analytics from the leading crowdfunding platforms.

Specifically, Krowdster is an analytics platform used to research, optimize, and discover crowdfunding campaign metrics on projects from the top crowdfunding websites on the Web including Kickstarter, Indiegogo, Tubestart, Rockethub, and Pozible.

These analytics are invaluable for project creators who are interested in learning the secrets behind the success of crowdfunding campaigns within their category. The company compares success rate, funding, and traffic stats across multiple platforms to help you decide which platform offers you the highest chances for success. The crowdfunding analytics companies can also determine how many supporters and repeat backers there are across all platforms.

When picking a platform in the rewards space, make certain to do your homework and use the existing crowdfunding analytics sites to effectively match your campaign project to the right platform to optimize for success.

If you have a creative project and you are comfortable with an “all-or-nothing” raise maybe Kickstarter is the right platform in order to reach the largest potential audience, but if you want to make certain to keep what you raise, look closer at Indiegogo or Rockethub.

Equity

Now, let’s move the discussion over to the equity side of crowdfunding and how to pick the best platform for your deal.

There is no simple answer to this question, but I will do my best to help you navigate the decision-making process, and have included a detailed list of the leading equity platforms in Chapter 10 as a helpful guide. The guide will help you determine what deals perform best on each platform.

First, we need to examine what kind of raise are you going to do:

1) Title II: Review AngelList, CircleUp, or Crowdfunder
2) Title III or Reg CF: Review FlashFunders, SeedInvest, or StartEngine
3) Title IV or Reg A+: Review BANQ, Folio, SeedInvest, or StartEngine

Secondly, what type of company is your business?

1) Technology: Review AngelList, Crowdfunder, Microventures, or SeedInvest
2 Real Estate: Review Crowdstreet, Patch of Land, RealityShares, or RealtyMogul
3) Consumer Package Goods: Review CircleUp or Crowdfunder
4) Media & Entertainment: Review Microventures or SeedInvest

When considering an equity platform, the following questions are important:

1) How much money has been raised by similar companies to yours?
2) How many active investors do they have on their platform?
3) How many companies have successfully reached their funding goals on the platform?
4) Does the platform serve your niche? Is there proof via past funding for similar companies?
5) Does the executive team have any background in crowdfunding, investment banking, or venture capital?

6) How is the platform going to help market your deal?
7) Do they provide real time reporting or analytics?

As a closing statement to this chapter, I would like to reiterate how important it is to do extensive research in order to select the best platform or platforms for your crowdfunding deal by asking the right questions, by looking at predictive analytics tools, and by understanding your capital and business goals.

Chapter 6

Tips on How to Close Investors

The million-dollar question: What is the best way to close investors?

The hard truth, it's never easy to close investors so make sure to close the deal when it's hot and top of mind for prospective backers or investors interested in your deal.

The investor funnel works a bit differently for rewards based campaigns versus equity based.

Let's first talk about rewards.

It is likely that someone discovers a rewards-based campaign through a friend, blog, or through social media. When the prospective backer comes to your campaign – you must have a compelling video that pulls them in immediately to powerfully tell your company's vision and story, accompanied with unique perks, and a well-executed campaign page.

"A good pitch, like any story, has an Act One, Two, and Three. The best investor pitches immediately bring an investor into the story, into the founders' Why (your reason for being, your mission, vision, and purpose) and introduce the lead performers (the Team) - faces to connect to early on in a story is important. Then they move into their What and How (Act 2 - what our product is, how it's differentiated, the market opportunity, relevant data, and where you're headed, etc.) and Act 3 reiterates the Why of the pitch story (how much you're raising and what it will be used for) and ends reminding an investor of your greater Why, which I think communicates a clear focus and helps your story resonate." - Ara Katz, film producer and Chief Marketing Officer at Spring, a top mobile shopping app which launched in 2013

The Art of Storytelling

Now, let's talk about how to close investors in equity based deals where fundraising for your company has moved from the board room to the deal room.

When people come to your deal room or campaign page on a platform like Crowdfunder or FlashFunders, you immediately want to capture their attention.

You probably have about 10 seconds to impress and engage, or prospective investors will likely move on.

This is where the art of storytelling comes in. It's all about having powerful messaging and a crystal clear value proposition for your company that resonates at an emotional level, and illustrates the Why or mission of the company.

Video is a powerful way to convey your message quickly, whether a prospective investor is viewing your deal over their smartphone or computer. Video is the fastest way to instantly attract investors.

The Laws of Attraction

Another effective way to attract investors is by having a notable lead investor like 500 Startups, Tim Draper or Peter Thiel already in your deal who has validated your company and the fundraise terms. Then you know someone who has already done extensive due diligence regarding the company and the terms of the raise. Having a lead investor provides immediate social proof for your deal and most people by nature are followers so this is an excellent way to attract investors.

For illustration, people are more attracted to a restaurant that is already full, not the one with empty seats, so try to have a strong angel investor already attached to your deal, so that you can use the crowd to follow-on and fill up your round in an efficient manner. It's important to understand the human psychology of the crowd.

The Power Pitch

Pitching investors is a skill that takes time to master and Guy Kawasaki has mastered the art of creating a pitch deck in only 10 slides.

Since most people will be viewing your deal from a phone or computer having a well-designed pitch deck that outlines the opportunity, market size, a snapshot of your financials, and management team is critical. We are now in the age of excellence, so it's imperative to have an investor deck that looks visually compelling with relevant content that is easy to read and digest.

The Perks

Be creative. Most people think that perks are just for rewards based campaigns, but offering creative and unique experiences that money can't buy can be valuable for equity based campaigns. For instance, if you are raising money for a new electric car, offer a private ride with the CEO of the company or with a well-known race car driver.

When Yao Ming raised money for his wine venture, Yao Ming Family Wines, he offered all investors the opportunity to drink wine with him at their annual shareholders meeting in Napa.

Take the time to develop perks that create "once in a lifetime" experiences like lunch with a famed musician or entrepreneur, or a personal appearance on a movie project.

A Sense of Urgency

Nothing motivates investors more than if they feel like there is a small window to get into a deal or they will miss out under the current favorable terms.

No one wants to left out of investing in the next Facebook, Google, or Uber.

Use this to your advantage when pitching investors and provide real and hard deadlines to create a sense of urgency.

Humans are naturally more interested in something that others want or desire, so make your deal look like it's hot by already having money into your deal prior to launching a crowdfunding campaign.

If investors have unlimited time to wire you the money, believe me they will take their time and likely move onto another opportunity.

It's important to note that doing this with integrity is important. Don't lie to potential investors to create urgency because they will find out.

Chapter 7

Legal Expert Advice on Crowdfunding

I had the opportunity to interview Sam Guzik at his office in Los Angeles.

Sam has more than 35 years of experience as a corporate and securities attorney. He is a recognized authority and thought leader on matters relating to the JOBS Act and the ongoing SEC rulemaking, including Regulation D Rule 506 private placements, Regulation A+, and investment crowdfinance.

Sam has been consulted by members of Congress, state legislators, state securities administrators, and the U.S. Small Business Administration Office of Advocacy on matters relating to the JOBS Act and state securities matters.

What I really wanted to know from Sam was: Would he himself use crowdfunding to get a business started?

Q: If you were an entrepreneur, would you turn to crowdfunding to raise capital?

Guzik: Well, that depends, in my line of business as a securities lawyer, companies come to me and want to know: How should I raise money?

There's lots of different options and the answer to that is going to depend upon the size of the company, its stage of development, does it want to remain private, or is it open to being publicly held?

Then once you have those general parameters defined, you can look at each avenue or path that's open to you, because each one has advantages and disadvantages.

So let's start with Title II of the JOBS Act, where private startups and small businesses can generally solicit public fundraising from accredited investors.

It has huge advantages:
1) There are no required filings with the SEC, and
2) There is no dollar limit on how much you can raise.

But on the other hand, what the investor gets, at least traditionally, is stock that you can't sell and traditionally your only exit has been either when the company decides to sell, or can sell, or go public.

Moreover, by being only able to solicit your deal to accredited investors, your investor pool is limited.

Currently, there are about 8 million accredited investors in the United States.

On the other hand, I have a number of clients that come to me and they have already raised what they can privately, but they have a really good investment story and want to reach a broader audience.

They need to reach out to not just accredited investors, but to unaccredited investors and likely they have exhausted the pool of accredited investors.

So, for that company, it makes sense to say, “Look, why don’t you consider something like Regulation A+, or why don’t you consider something like Title III, which is crowdfunding to accredited and unaccredited investors?”

Again, each one of those has its own advantages and disadvantages.

Q: What are the advantages and disadvantages of each?

Guzik: With Title IV/Regulation A+, for example, you have to register with the SEC -- that takes time and money, but it’s much cheaper than a traditional IPO. Then once you complete your offering, you have to continue to make filings with the SEC. You need to do an audit of your financials once a year and lots of companies don’t want to do that. For other companies, it’s their dream to go public, so every company is going to have its own parameters.

With Title III crowdfunding -- the constraints are both costs and complexity. You start out with the fact that you're limited to the amount that you can raise in Title III crowdfunding to a million dollars in a 12-month period. (That may or may not matter to some companies.)

You do have to prepare and file a disclosure, you have to prepare and file disclosure documents with the SEC, and unfortunately, courtesy of Congress, there are limitations on how you can market this campaign. These are limitations that you don't have on Kickstarter.

So let me be really precise here: In Title III of the JOBS Act, Congress said that you cannot advertise your offering unless you do it on the platform licensed and registered with the SEC and FINRA.

The SEC in the final rules allowed very limited exceptions to that: The company can go off the platform and give very limited notices of what the company is, brief description of what the company is, the terms of the offering, and it then has to link to the offering information on the platform -- so why is that a problem?

Well, the reason I think it's a problem is that we've learned a lot of things through watching the experience with Kickstarter. One of the things that we've learned is that you can gauge the odds of a crowdfunding campaign being successful by how much interest they have in the very beginning.

The rule of thumb is that if you don't raise about a third of what your goal is pretty much on day one, then it's not going to be successful.

Unfortunately, under Title III, you can't do any solicitation, any advertising, you can't talk about your offering, you can't say a word until it's actually on the platform, and your campaign is live. So you don't have that ability, really, to publicize your offering, or even to reach out through social media. So, to me, that's a major disadvantage of Title III.

Chapter 8

The Pitfalls of Crowdfunding: What to Watch Out For

While crowdfunding, to many, might seem democratic, web-based, and simple – don't be fooled. There are actually several pitfalls and potential challenges to this type of fundraising. Knowing the pitfalls in advance, however, will greatly increase your chances of success and ensure that you go into this with eyes wide open.

1)Field of Dreams Phenomenon: "If you build it, they will come"

While this worked for Kevin Costner's character Ray in the hit movie *Field of Dreams*, this theory does not hold true for backers and investors in the crowdfunding space.

Many entrepreneurs make the common mistake of thinking they can launch a successful Kickstarter or StartEngine campaign just by building a campaign page and expecting investors to flock to their deal. No, please don't do this.

As outlined in Chapter 3, in order to run a successful crowdfunding campaign, you need a good story and an integrated marketing plan with a paid media budget that includes driving traffic to your web page from multiple channels.

Bottom Line: Make sure to have a solid plan in place before you launch a rewards based or equity campaign.

2)Not all ideas are game-changing
It's important to thoroughly vet your ideas with your closest friends and potential investors before you go too far down the road. Good ideas solve real world problems and have clear value propositions that people can easily understand and want to get behind.

Not everyone is going to be the next Steve Jobs or Elon Musk, but it's vital that your company has real legs and interest from people. If not, you can launch a crowdfunding campaign with little or no traction from backers which will make it difficult to raise future capital.

Bottom Line: Launch a campaign after your concept has been fully vetted and you are certain that you can get backers for your deal or project.

3)Not all companies are right for crowdfunding
Some great companies might find it challenging to raise money through crowdfunding channels if, for example, your company is a technology or medical company that is hard to explain to the layperson.

If people do not fundamentally understand what your company does in about 10 to 30 seconds, they will likely move on. This is why real estate deals and tangible products like electric bikes and luggage are able to thrive on crowdfunding platforms.

Bottom Line: If you are unable to describe your business to a kindergartner, it may not be right for crowdfunding.

4)Fully-funded projects can flop

Several fully backed projects on Kickstarter and Indiegogo sometimes never deliver the product to their supporters.

Many times entrepreneurs do not understand the complexity of manufacturing and production and can conceive of a great product, but are not able to deliver on time. This has happened in the past with the retro-horror theme card deck called Asylum and the Kreyos Meteor Smartwatch.

Bottom Line: Make certain as an entrepreneur that you have a solid manufacturing partner before you launch a campaign.

5)Fraud

We are still in the early stages of crowdfunding and it’s a bit like the Wild West, but as the crowdfunding audience grows and more money flows to both rewards based and equity projects, important measures must be taken to help prevent fraud.

Reported cases remain relatively small to date, but last year the Attorney of the State of Washington filed suit against the company that created the Asylum card deck because the product was never delivered.

Consumers need to be aware that contributing to a crowdfunding campaign is not without risk. The Securities and Exchange Commission (SEC) has issued regulations on the maximum amount of money non-accredited and accredited investors can invest in equity crowdfunding deals to help mitigate risks.

Bottom Line: While incidents of fraud in both rewards and equity based crowdfunding are rare, there are risks involved with backing deals.

In addition to these key pitfalls to watch out for, I also asked Georgia Quinn, securities lawyer at Ellenoff, Grossman & Schole LLP, who specializes in crowdfunding and alternative finance, what she recommends looking out for?

Q: Will you address the fraud issue. How prevalent is it? What is the SEC doing to prevent fraud? What are the individual crowdfunding platforms doing?

Quinn: So this is very important, I want to drive home the difference between fraud and failure. There will be both in crowdfunding, but it is important to know the difference.

Crowdfunding in general is for small and startup businesses. These type of businesses fail. They fail often due to no fault of the entrepreneur and the ability to fail is an important part of our economy. Investors in this new paradigm must be prepared for this and understand it is a likely outcome for their investment. Fraud is a different story and while I believe it will exist, I do not believe that it will permeate the industry. All one needs to do is look to the UK where investment crowdfunding has been legal for over four years and see the de minimus amount of fraud there.

Here in the U.S. we have actually experienced an investment crowdfunding fraud, but thanks to the watchful eye of the investing community and the quick work of the SEC a majority of the funds were recovered and returned to investors. I think this is what we can expect when it comes to fraud and not the apocalyptic doomsday scenarios that many are forecasting.

Chapter 9

Hear from the Crowdfunding Platforms: What Works, What's Challenging, and What's Next

In this chapter, I interview the CEOs from several of the leading equity crowdfunding platforms including: BANQ, FlashFunders, StartEngine, SeedInvest, and Indiegogo to learn about their insights on what startups, projects, and deals perform best, how to run a successful campaign, and what's next for the crowdfunding industry as a whole.

<u>Interview One: INDIEGOGO</u>
Evan Cohen, Senior Director, Technology Vertical at Indiegogo

Q: What types of startups or companies perform best on your platform?
Cohen: Indiegogo is an open platform that has over 10,000 campaigns live at any time, in multiple business verticals, allowing people to invest in anything from

a local pizza shop to the next multimillion-dollar technology company. While we see successes of all types, product campaigns focused on a B2C (business to consumer) market tend to perform better than B2B (business to business) companies because our audience is mostly individual consumers looking to support and/or pre-order the next great innovation.

Q: What is your best piece of advice for startups looking to raise money on your crowdfunding platform to help them have a successful raise?
Cohen: The Indiegogo audience is not made up of trendsetters, but rather trend followers.

So it's important for entrepreneurs to understand not to come to a platform specifically to tap into their audience, but rather to use the platform to amplify your self-made success.

The best campaigns are prepared with a well thought out marketing plans and reasonable, honest funding goals -- well before hitting the launch button. It's best to bring a strong community of people who are passionate about your business to the platform, and let others from Indiegogo invest alongside them.

Q: What is the biggest challenge the equity crowdfunding industry is facing right now?
Cohen: Trust in today's crowdfunding industry is a clear challenge.

Crowdfunding is an incredibly fast-growing industry, and its rise has been driven by several high-profile, multi-million-dollar campaign stories.

Unfortunately, sometimes these entrepreneurs are unprepared to handle the massive successes they achieve, which can in turn result in difficulties meeting delivery expectations and bringing these products to scale. Building hardware products at scale is incredibly difficult, and many makers in the past have underestimated the task at hand when bringing their idea to life, which has resulted in delayed or even cancelled product deliveries.

Q: What does the future of crowdfunding look like for Indiegogo?
Cohen: The future of Indiegogo is really bright as we continue to focus with entrepreneurs in the pre-order space.

We are excited about our new InDemand service that enables campaign owners to seamlessly transition into the next phase of operations, including accepting product pre-orders, customer acquisition, and earnings growth.

We're also building out relationships with manufacturers and retailers to help startups get the resources they need to build their products and bring them to market. We're a platform focused on the full lifecycle of helping a company grow and succeed - not just a fundraising platform.

In addition, we are actively exploring the equity side of crowdfunding, but because we are an International open platform we want to wait until all regulations and rules are finalized. We want to be a player in the equity space sometime in the future.

Q: For entrepreneurs, what is the biggest must-do that will help with securing funding? And what is the biggest don't?
Cohen: The biggest must-do is to build and bring your community to our platform and let the followers join in the movement. By setting realistic goals and having a qualified email list, you can hit your fundraising goals.

The biggest don't do is launch your campaign expecting the platform to take you from 0 to 100. Crowdfunding platforms are amplifiers, so you need to scream into the mic, if you want to be loud. Don't expect free money, it's hard work.

<u>Interview Two: BANQ</u>
Mark Elenowitz, CEO of BANQ

Q: What types of startups or companies perform best on your platform?
Elenowitz: TriPoint, thru BANQ is a full service investment bank that focuses on growth companies in rapidly growing sectors and new technologies. We do not work with startups and prefer to work with companies that have a commitment to creating shareholder value and understand the responsibility that comes with outside shareholders.

Companies that perform well on our platform have an affinity group or loyal following that will support the company commercially as a customer and now have the opportunity to be a shareholder. This includes consumer products, technology, food and beverage, and apps.

Q: What is your best piece of advice for startups looking to raise money on your crowdfunding platform to help them have a successful raise?
Elenowitz: Understanding that investors do not wake up and want to buy stock, they still need to be sold stock and since a platform is not a live sales person, it important to have a story or business plan that inspires an investor to become a shareholder. Also, to be realistic in terms of valuations and to understand communication, good or bad, is important to shareholders.

Q: What is the biggest challenge the crowdfunding industry is facing right now?
Elenowitz: Lack of understanding of the public market place. Most crowdfunding opportunities are not professionally managed with a broker dealer who understands how to navigate the capital markets. Typical offerings tend to be with unsophisticated investors, working with unsophisticated issuers, using unsophisticated structure. This lack of professional guidance will lead to problems for both the issuers and investors.

Q: What does the future of equity crowdfunding look like for BANQ?
Elenowitz: We believe that Regulation A+ is the future and we plan to be the leader.

BANQ is open to work with issuers, service providers, law firms, other broker dealers, and investors wishing to participate in Regulation A+, which is Title IV of the Jumpstart Our Business Startups Act (or JOBS Act).

We believe that self-directed investments are the future and investors want to make their own choices without the use of a stockbroker or a financial consultant. BANQ plans to be platform that everyone visits for not only TriPoint transactions, but other broker dealers and issuers as well.

Q: For entrepreneurs, what is the biggest must-do that will help them in securing funding?
Elenowitz: Realistic valuations and use of proceeds. Be honest with risk factor disclosure. Demonstrating that you understand what could go wrong with a business is more important than making outlandish projections.

Q: And what is the biggest don't?
Elenowitz: To present hockey stick, unrealistic business projections.

Q: How is BANQ different from the traditional equity crowdfunding platforms?
Elenowitz: We are a full service, fully licensed broker dealer that can conduct best efforts underwriting, and we're a broker of corporate equity.

In plain English, we can offer IPOs and allow secondary trading.

Most of the other platforms can just conduct private placements and not provide after market trading.

Most importantly BANQ is a fully electronic platform that takes the entire public and private offering process online and provides instantaneous confirmation and deposit of all investment transactions. BANQ allows issuers to conduct offerings and raise capital under Regulation A+ and allows investors to have the ability to deposit and liquidate their Reg A+ investment shares that trade on the OTC Markets Group (OTCQX: OTCM), OTCQB, or OTCQX.

Interview Three: FLASHFUNDERS
Vincent Bradley, CEO of FlashFunders

Q: What types of startups or companies perform best on your platform?
Bradley: Companies that have a "community" around their business.

Sometimes that means customers, but it can also mean a physical community of individuals that share in the vision for the business. An example of this would be a business that finished an Indiegogo campaign where they successfully sold $500,000 of their product to 10,000 customers. That's a validated business with a customer base of passionate "believers."

Q: What is your best piece of advice for startups looking to raise money on your crowdfunding platform to help them have a successful raise?

Bradley: FlashFunders will streamline compliance, legal, banking, regulatory, and everything else that is scary and expensive for most businesses fundraising. We'll also provide analytics and investment management tools to power your fundraise. It's the duty and responsibility of the entrepreneur, however, to sell and market their company and offering.

If you haven't run a successful crowdfunding campaign before, then you should really consider hiring a crowdfunding agency.

Q: What is the biggest challenge the crowdfunding industry is facing right now?
Bradley: In regard to equity crowdfunding — it's a very young industry and the biggest challenge is education amongst both companies and investors. Securities law is complex and scary and companies need to understand what they can and can't do.

Most Americans have no idea they can now invest (purchase equity) in private companies. Educating all Americans on the laws of investing, as well as the risks is a major task.

Additionally, there are a lot of platforms popping up and only a handful actually know what they're doing from a regulatory, legal and compliance standpoint. It only takes one bad apple to spoil the industry.

The regulatory bodies (SEC and FINRA) need to make sure they identify the platforms trying to cut corners and quickly remove them from the industry. FlashFunders takes pride in following the rules and creating a compliant environment, but our success is most likely going to be tied to the success of this industry and the ability of the regulators to weed out bad actors.

Q: What does the future of equity crowdfunding look like for FlashFunders?
Bradley: FlashFunders will be the industry leader for companies that believe in converting their customers into shareholders. Our regulatory setup (FINRA Broker-Dealer, FINRA Funding Portal, and SEC Transfer Agent) allows companies to raise capital from everyone the right way.

Q: For entrepreneurs, what is the biggest must-do that will help them in securing funding? And what is the biggest don't?
Bradley: Entrepreneurs must sell themselves and the leadership team in a way that connects with their community and customers. Equity crowdfunding is all about converting your customers into shareholders because they believe in the leader and the vision for the business.

Entrepreneurs shouldn't show up at a platform, toss up a pitch deck, and think they're going to receive funding. Getting funded requires a lot of preparation and a strong marketing program. If you're not prepared to do the work, then don't launch an offering.

<u>Interview Four: STARTENGINE</u>
Ron Miller, CEO of StartEngine

Q: What types of startups or companies perform best on your platform?

Miller: As a general proposition, consumer-facing companies work best. Additionally, companies that have an extraordinarily compelling "why" of their business, help to attract investors who are motivated to help bring new innovation into the world which serves to better all of us. Companies that have true game changing technologies can also get people excited about investing.

Q: What is your best piece of advice for startups looking to raise money on your crowdfunding platform to help them have a successful raise?
Miller: It is critical that companies considering a crowdfunding campaign develop a compelling message.

For example, Elio Motors, who received over $46 million in indicated interest and over $16 million in actual investments, adopted the message that the campaign is really about the revival of the American Dream. Not the American Dream of 100 or 50 years ago, but the American Dream of today. They made people believe that together we can alter the course of transportation. That is what got people really excited.

Q: What is the biggest challenge the equity crowdfunding industry is facing right now?

Miller: The challenge is to educate both entrepreneurs and investors about the availability of this new way of raising capital and building wealth.

Q: What does the future of equity crowdfunding look like for StartEngine?

Miller: StartEngine will become the leading brand in the equity crowdfunding space. With over 45,000 registered investors in the past 9 months, StartEngine's growth trajectory has only just begun. We intend to initially help dozens, then hundreds, and ultimately thousands of companies raise capital to achieve their dreams.

Q: For entrepreneurs, what is the biggest must-do that will help in securing funding? And what is the biggest don't?

Miller: The biggest must do is to develop a detailed plan that articulates who is developing the specific tactical implementation of the campaign strategy -- to optimize success. The biggest don't do would be to proceed without an experienced attorney reviewing your campaign to ensure compliance with SEC rules.

Interview Five: SEEDINVEST
Ryan Feit, CEO of SeedInvest

Q: What types of startups or companies perform best on your platform?
Feit: For deals with accredited investors under Regulation D we've found that hardware, software and mobile technology startups resonate the best with the investors on SeedInvest. Good investors are generally looking for a startup with a strong product, a robust business model, and an experienced management team. Having a technology that is easy to understand and can be explained to investors in a compelling manner is also important as it helps people understand what they are investing in.

For deals with non-accredited investors we've found that consumer products companies with a highly engaged audience resonate best with potential investors. Companies that are offering the chance for their users to invest will perform best when they have a large number of users and many of those users are highly engaged with the product and the company. The sweet spot for larger non-accredited rounds on SeedInvest under Regulation A is companies that have over 50,000 users and a product that people use every day. The sweet spot for smaller non-accredited rounds on SeedInvest under Regulation CF is companies that have a minimum viable product and a highly engaged user base of early adopters.

Q: What is your best piece of advice for startups looking to raise money on your crowdfunding platform to help them have a successful raise?

Feit: The best advice for startups looking to raise money is to start building their community right now. We've found that email is an important channel for communicating with a company's audience during the funding process. Starting a company newsletter and updating it regularly is one of the most important things that a company can do to increase their chances of raising capital successfully. Another important activity is to use social media to tell the behind-the-scenes story of the team and the company rather than only focusing on the product in your social media channels. This will help your users gradually get to know the company behind the product.

Q: What is the biggest challenge the equity crowdfunding industry is facing right now?
Feit: The biggest challenge is the perception that the crowd is not able to add strategic value to early stage companies.

We love the strategic value that venture capital and large investors can provide, but the crowd is also able to add strategic value in other ways. Having a large and diverse network of early adopters and brand advocates can help a company win new business, build word of mouth and act as a referral source of talent, connections and resources. The best companies are making use of the strategic value of both large and small investors.

Q: What does the future of equity crowdfunding look like for SeedInvest?

Feit: The focus for SeedInvest is building a diverse and engaged network of investors and entrepreneurs. Every company that raises capital on SeedInvest brings with them a wide range of interesting customers and investors.

We are excited about what happens when these first-time investors start to build out their portfolios and really invest in early stage startups as an asset class.

Q: For entrepreneurs, what is the biggest must-do that helps with securing funding? And what is the biggest don't?

Feit: The most important must-do for any entrepreneur is to make sure that the unit-economics of their business model are strong and that they manage cash flow prudently. If a company is raising capital from the crowd, the business fundamentals need to be robust and the company needs to be well managed.

The biggest don't is to treat capital raising as if it's a goal unto itself. There is a classic saying in the world of venture capital that raising capital is like stopping for gas on a road trip. You may need to stop for gas, but that's not why you go on a road trip.

Chapter 10

Resource Guide

This chapter provides a valuable list of resources for entrepreneurs, which includes the leading equity and rewards platforms, marketing agencies, lawyers, crowdfunding news sources, and more.

The companies listed below can help take your company or idea to the next level.

I strongly urge everyone to do extensive due diligence before hiring anyone, and ask for case studies and references. (This list serves simply as a resource and I am not endorsing the companies below.)

Equity Crowdfunding Platforms

1. AngelList
AngelList is a community of startups and investors who make fund-raising efficient through a syndication model.

How it works:

Syndicates – An angel or fund forms a syndicate, picking which investments it likes and wants to support. Private investors then support the syndicate to invest indirectly or directly in the separate projects.

Costs: For Startups – No fees to receive an investment from a syndicate for Backers – 5-20% carried interest per deal to the syndicated lead and 5% carried interest to AngelList

Self-syndication – Allows accredited investors the opportunity to make direct investment in individual campaigns and investors pay a 10% carried interest to AngelList.

Contact: URL: https://angel.co/

2. BANQ

BANQ, the online division of TriPoint, a FINRA member firm boutique investment bank, is an electronic investment banking platform that streamlines the matching of investors with quality growth companies and alternative investment opportunities."

BANQ takes the entire public and private offering process online and provides instantaneous confirmation and deposit of all investment transactions. BANQ allows issuers to conduct offerings and raise capital under Regulation A+ and most importantly allows investors to have the ability to deposit and liquidate their Reg A+ investment

shares that trade on the OTC Markets Group (OTCQX: OTCM) OTCQB or OTCQX.
BANQ widely markets its offerings utilizing the new general solicitation and advertising rules promulgated by the U.S. Securities & Exchange Commission, in response to the passage of the JOBS Act of 2012.

BANQ offers access to registered public offerings, such as IPOs and secondary offerings and private placements. In addition, BANQ offers some of the lowest trading costs in the industry at $.99 and $3.95.

Contact: Mark Elenowitz, CEO Email: inquiries@banq.co URL: http://banq.co/

3. CircleUp
CircleUp is an equity crowdfunding platform that connects accredited investors with innovative consumer and retail companies.

To date they have helped 164 companies raise over $195 million in growth capital. Companies must typically have substantial revenue (more than $500,000 annually) or other indicators of potential success and are evaluated by private equity investors before being allowed on the site. Average funding time is between two and three months and funds can be raised through convertible debt or equity, with an average raise of $1 million. Companies pay a commission to FundMe Securities LLC, a wholly owned subsidiary of CircleUp.

Minimum investment size is $1,000 and up, depending on the offering.

There are no fees for investors and your investment is returned if the company fails to meet their target funding.

Contact: URL: https://circleup.com/

4. Crowdfunder
Crowdfunder is a leading equity crowdfunding platform, based in Los Angeles, California and its model is crowdsourced venture capital. The deals that perform best on their platform already have a notable angel or venture capitalist investor on board.

Contact: Alex Kagawa, Senior Director of Investment
Email: alex@crowdfunder.com
URL: https://www.crowdfunder.com/

5. EquityNet
EquityNet is a recognized pioneer of crowdfunding and has operated one of the largest business crowdfunding platforms since 2005 and has helped raise $200M from private investors. The multi-patented EquityNet platform includes over 100,000 individual entrepreneurs and investors, incubators, government support entities, and other members of the entrepreneurial community. EquityNet provides access to thousands of investors and has helped entrepreneurs across North America

raise hundreds of millions in equity, debt, and royalty-based capital.

Contact: Phone: (479) 442-3638 URL: https://www.equitynet.com/

6. FlashFunders

FlashFunders is committed to helping entrepreneurs raise capital efficiently from a global crowd. They are the first equity funding platform in the world that allows startups to manage and execute their whole seed funding round online.

Contact: Dylan Satin, Head of Startup Outreach
Email: startups@flashfunders.com
URL: https://www.flashfunders.com/

7. Fundable

Fundable is one of the few crowdfunding platforms to offer both equity crowdfunding and rewards-based crowdfunding. One of the most interesting features on Fundable is that it charges no fee associated with how much your campaign raises (i.e. the 5% fee on Kickstarter). This means you keep any money pledged and makes the site more attractive to those looking to raise a large amount.

Costs: Fundable charges $179 per month plus a merchant processing fee of 3.5% + $0.30 per transaction for rewards-based crowdfunding. The site charges $179 per month for equity crowdfunding campaigns.

Contact: Email: info@fundable.com
Phone: (800) 799-6998
URL: https://www.fundable.com

8. SeedInvest
SeedInvest is a platform that enables equity-based crowdfunding by accredited investors in startups. Crowdfunding campaigns must reach their funding goal to receive any funds. Companies should expect to take a minimum of 60 to 90 days to complete equity crowdfunding.

Costs:
5% placement fee, to be charged on the value of the fundraising upon successful completion.
Between $3,000 and $5,000 in due diligence, escrow, marketing and legal expense reimbursements.

Contact:
Email: contactus@seedinvest.com
URL: https://www.seedinvest.com/

9. StartEngine
StartEngine is the leading equity crowdfunding platform, available to both startups looking to raise capital and accredited and non-accredited investors seeking to invest in progressive companies.

Since its launch in June 2015, StartEngine has helped multiple companies qualify for SEC equity crowdfunding campaigns, including XTI Aircraft, Med-X, and Elio Motors (who recently secured nearly $17 million from investors, making them the largest equity crowdfunding campaign in North American history).

StartEngine has raised more than $80 million in non-binding interest from over 48,000 registered investors for crowdfunding campaigns across diverse industries, including eco-friendly transportation, mobile video games, and legal cannabis.

Contact: Ron Miller, CEO
Email: ron@startengine.com
URL: https://www.startengine.com/

10. WeFunder
WeFunder is another equity crowdfunding site, but offers lower minimums for investment. You still have to be an accredited investor, but can invest as little as $100 for an individual company. Startups receive most of the funds committed, minus an admin fee. Investors also pay an admin fee between $10 and $75, on top of their investment.

Costs:
WeFunder charges 10% carried interest, and a nominal admin fee between $2,000 to $4,000 upon the successful close of the funding.

Contact:
Email: hello@wefunder.com
Phone: (888) 546-0325
URL: https://wefunder.com/

Rewards Crowdfunding Platforms

1. Experiment

Experiment is an online platform for discovering, funding, and sharing science. It's a platform for sharing scientific discoveries.They are based in San Francisco, California. They're scientists, designers, and technologists passionate about helping ideas grow. Their mission is to democratize science.

Contact:
URL: https://experiment.com/

2. Fig

Fig is a curated platform for both equity and rewards-based crowdfunding for games of all kinds.

The platform supports both well-known independent studios, as well as ones from up-and-coming indie teams.

Contact:
URL: https://www.fig.co

3. Indiegogo

Indiegogo's mission is simple: Anyone with creativity and passion should be able to seize their own success and change the world.

To make that happen, they're removing the barriers that creators face in bringing their projects to life and empowering our community to discover and elevate great projects all around the world.

They know building something from scratch is hard, so they've got your back at every step. Awesome campaign strategists, retail partnerships, campaign, and marketplace support—all are at the ready to help you bring your idea to life.

Costs:
Indiegogo's platform fee (5%). Third party fees for payment processors: 3% plus 30 cents per transaction for credit card, and 3-5% for PayPal.

Contact:
URL: https://www.indiegogo.com

4. Kickstarter
Their mission is to help bring creative projects to life and they are the largest rewards based crowdfunding site with more than 13 million visitors every month. Kickstarter helps artists, musicians, filmmakers, designers, and other creators find the resources and support they need to make their ideas a reality.

The platform has helped nearly 80,000 projects get funded with a strong community of repeat backers. Nearly 300,000 people on Kickstarter have backed 10 projects or more. About the biggest drawback for Kickstarter is that it only offers the all-or-nothing funding model which means that if you do not reach your funding target, you get none of the funds pledged.

Costs: Kickstarter collects a 5% fee for successfully funded projects. Payments are processed by Stripe which charges between 3% and 5% of the amount.

Contact:
URL: https://www.kickstarter.com

5. RocketHub
RocketHub is one of the more popular crowdfunding sites after Kickstarter and Indiegogo and has a great support system with the crowdfunding site's Success School series.

The platform offers the flexible funding model where you keep any pledges made whether you meet the funding goal or not. RocketHub has partnered with A&E Project Startup for a huge potential boost to campaigns. Campaign owners have the chance to be featured on television and on the A&E website, as well as featured in the channel's bi-annual magazine.

Costs: If you reach your goal, 4% commission fee + 4% credit card handling fee. Fees for flexible funding if you don't reach your goal are higher at 8% plus the 4% processing fee.

Contact:
https://www.rockethub.com/

Real Estate Crowdfunding Platforms

1. Fundrise
Fundrise was founded by Ben and Dan Miller, who spent the last few years building up a booming commercial real estate business. Frustrated with

Wall Street investors, the brothers decided to build Fundrise to democratize the process of investing in commercial real estate.

Contact:
URL: https://fundrise.com

2. iFunding
iFunding allows investors make debt or preferred equity investments in opportunities that were historically difficult to access. The site is free and gives access to invest in real estate deals that are pre-vetted by the iFunding team for as little as $5,000.

Contact:
URL: https://www.ifunding.com

3. RealtyMogul
RealtyMogul.com launched in 2013 with one mission: Simplify real estate investment by connecting real estate entrepreneurs and investors through cutting-edge technology.

Today they are a leading online real estate capital marketplace – one that offers commercial equity and commercial debt products nationwide, educates our investors, and changes the way real estate investing and financing is viewed forever.

Contact:
URL: https://www.realtymogul.com

4. RealtyShares

RealtyShares is an online investment platform that gives accredited investors the ability to purchase shares in private real estate investments for as little as $5,000. RealtyShares screens each investment and offers a range of opportunities including both loans secured by single family homes and equity investments in commercial assets.

Contact:
URL: https://www.realtyshares.com

5. Patch of Land
Patch of Land is crowdfunding real estate through its P2RE (peer-to-peer) online marketplace offering various typologies of secured real estate debt on assets backed by first position liens and personal guarantees.

They match investors and lenders seeking alternative fixed income opportunities to borrowers seeking alternative sources of financing for their real estate investment needs.

Contact:
URL: https://patchofland.com

Marketing & PR Agencies

1. Agency | 2.0

Agency | 2.0 was founded in 2009, focusing 100% on crowdfunding marketing and has delivered some of the top crowdfunding campaigns to date.

Agency | 2.0 strives to provide creatives and entrepreneurs with the resources needed to successfully crowdfund and grow their creative or entrepreneurial projects in the digital age, while retaining 100% ownership.

To learn more about the company, visit http://www.agency20.com

2. Command Partners

Command Partners a leading digital marketing agency serving clients across the globe. The award-winning company focuses on driving online visibility and lead generation through public relations, social media marketing, search engine optimization, and strategic advisory services for startups.

Command Partners was one of the first marketing agencies to enter the crowdfunding sphere in 2010 and has raised over $70 million to date for their clients.

To learn more about the company, visit: http://www.commandpartners.com

3. CrowdFunnel

CrowdFunnel is a performance-based online marketing company offering a unique form of marketing and media buying for crowdfunding platforms, startups and issuers, and creative agencies.

They generate investor leads for both accredited and non-accredited investors across all verticals. Their team is based in Los Angeles and New York.

To learn more about the company, visit: http://crowd-funnel.com

Contact: Damon D'Amore, CEO Email: damon@crowd-funnel.com

4. CrowdfundX

CrowdfundX is a pioneering crowdfunding agency serving corporations and entrepreneurs across a wide mix of industries.

The company helps clients to effectively architect and execute strategic equity and rewards-based crowdfunding campaigns that build brand equity and drive growth.

CrowdfundX regularly oversees comprehensive campaigns for multinational corporations, VCs, and entrepreneurs alike, including XTI Aircraft, Elio Motors, Cinedigm, Inventure Holdings, K2 Communications, XREAL, and SURKUS. CrowdfundX services include campaign strategy, branding, video production, graphic design, web development, social media, influencer engagement, public relations and marketing.

To learn more about the company, visit: http://www.crowdfundx.io

Contact: Darren Marble, CEO
Email: darren@crowdfundx.io

5. BlakBoxGroup
Blak Box Group is a creative design firm that uses strategic content and market analytics to help entrepreneurs shine in front of donors and investors alike.

They concentrate on rewards and equity crowdfunding, but beyond that they also look to do market testing to really understand specific marketplaces for clients.

To learn more about the company, visit: http://blakboxgroup.com

Contact:
Rewards Inquiries: erin@blakboxgroup.com
Equity Inquiries: adam@blakboxgroup.com

6. ID PR
ID is at the heart of everything entertainment, lifestyle, and pop culture. From Hollywood to Madison Avenue to Silicon Valley, they offer a full range of services including media relations, creative marketing, branding, and digital strategy. Their name

comes from the word, "identity," which is at the core of everything they do. With offices in Los Angeles and New York, ID's team of communications experts shape and define many of the world's leading talent, brands, films, studios, and companies.

To learn more about the company, visit: https://www.id-pr.com

7. Leverage PR
Leverage PR is a full-service public relations firm delivering strategic communications planning and media relations to companies within the financial services, real estate, professional services and technology industries.

To learn more about the company, visit: http://www.leverage-pr.com

8. Rain Factory
Rain Factory is a full-service marketing agency providing strategy, design, and advertising for leading crowdfunding campaigns including jibo, SWYP, and Eight. They are a boutique agency that understands online businesses, consumer behavior, and the key elements require to scale a business.

To learn more about the company, visit: http://www.rainfactory.com

Law Firms

1. CrowdCheck

CrowdCheck offers a weapon against potential fraud and helps investors make good investment decisions.

CrowdCheck does the basic “due diligence” that a reasonable person would do when investing small amounts of his own funds, and lets investors see the results of this due diligence in an easy-to-understand report.

This helps the entrepreneurs seeking funding and can show they mean business.

Plus, the CrowdCheck process walks the entrepreneur through the complicated disclosure process so that they know they meet all the legal requirements and aren’t likely to get in trouble later for saying the wrong thing—all without a big legal bill.

Contact: Sara Hanks, CEO
Email: sara@crowdcheck.com
URL: http://www.crowdcheck.com

2. iDisclose

iDisclose was conceived due to the complexity of the crowdfunding regulations and the realization that no entrepreneur or business owner would be able to produce the required SEC documents on their own and no law firm would be able to charge an economically viable price.

By using technology in a TurboTax-like manner, they empower the entrepreneur to prepare their own legal documents, which then require a light legal review by their lawyer, saving hours of time and thousands of dollars.

Now they have three products, two for Title II and one for Title III. They are hoping to have a product for Title IV by the end of the year.

Contact: Georgia Quinn, CEO
Email: gquinn@egsllp.com
URL: http://idisclose.com

3. Guzik & Associates
Guzik & Associates, founded by Samuel S. Guzik in 1993 and located in Los Angeles, is a law firm providing a broad spectrum of legal representation in the areas of business, corporate, and securities law.

They provide representation to a variety of businesses and individuals in the U.S. and abroad, including startups, emerging and established companies, and publicly held NYSE, NASDAQ, and OTC listed companies. They also serve as legal counsel to other law firms from time to time on a project or "of counsel" basis.

Contact: Sam Guzik, Founder
Email: sguzik@guziklaw.com
URL: http://www.guziklaw.com

4. Manatt, Phelps & Phillips

Manatt, Phelps & Phillips, LLP is known for quality, for extraordinary commitment to clients, for integrated, relationship-based services, and for a range of capabilities typically found only in boutique firms.

They are progressive and entrepreneurial compared to other major firms, and are deeply committed to diversity, to public service, to involvement in the communities they serve and to excellence.

Contact: Brian Korn, Partner Capital Markets
Email: bkorn@manatt.com
URL: https://www.manatt.com

5. Vero Law Group
Vero Law Group helps entrepreneurs build successful businesses. They understand that startups need more than just an attorney - they need a partner and advisor who can guide them on the fast path to growth.

They work with clients in all areas of corporate formation and structuring, financing, complex contracts (including license agreements), intellectual property and mergers and acquisitions.

Contact: Jessica T. Olmon
Email: info@verolawgroup.com
URL: http://www.verolawgroup.com

Auditor Firms

1. Holthouse, Carlin & Van Tright LLP

Founded in 1991, HCVT is one of the fastest growing CPA firms in the nation. They provide tax, accounting, business management, and mergers & acquisition services to private companies, closely-held businesses, public companies and high net worth individuals and family offices. They provide auditing services to privately held businesses, funds, and employee benefit plans.

They are known in the marketplace as a firm with deep technical skills addressing the most complex tax issues associated with partnerships and pass-through entities.

Contact: Phil Hothouse, Partner
Phone: (310) 566-1900
URL: http://www.hcvt.com

2. Artesian CPA

Artesian CPA is a leading firm specializing in Regulation A+ audits and other crowdfund offerings available under the new JOBS Act securities regulations.

With over a dozen Regulation A+ audit clients, they stand to become the most knowledgeable and experienced firm in dealing with its unique requirements, which provides tremendous value to clients in the SEC review process.

Their industry knowledge, SEC reporting experience, and industry connections set them apart as the industry leader for Regulation A+ accounting, auditing, and SEC reporting matters.

Contact:
Email: info@ArtesianCPA.com
Phone: (877) 968-3330
URL: http://www.artesiancpa.com

3. Keiter, Stephens, Hurst, Gary & Shreaves
Keiter is a team of experienced accountants and advisors with the knowledge to identify opportunities.

Whether performing an audit, preparing a tax return, or developing a business plan for a startup, they are always focused on providing fresh insights and creating new opportunities to help businesses grow.

Since forming in 1978, they have become one of the largest accounting and consulting firms in Virginia. See more at: http://keitercpa.com/about-us/#sthash.9QbMacZF.dpuf

Contact:
Phone: (804) 747-0000
URL: http://keitercpa.com

Compliance & Technology Solutions

1. Folio

VIA Folio is the engine inside equity crowdfunding platforms that enables them to effectively and efficiently support many investors with many private investments.

Unlike traditional offline private investing with paper applications, bank escrows, and paper stock certificates, equity crowdfunding platforms that use *VIA* Folio services can provide a complete online process with support for more than two dozen types of accounts and thousands of securities.

VIA Folio is a part of the Folio clearing broker-dealer family that provides online investing services such as brokerage accounts, customer verifications, cash movement, public and private securities custody, trading and servicing to over 400 Registered Advisory firms (RIAs) with tens of thousands of clients, to tens of thousands of individual self-directed investors, and to online private investing platforms.

Contact: Blaine McLaughlin, Head of *VIA* Folio
Email: mclaughlinb@viafolio.com
URL: https://www.folioinvesting.com

2. FundAmerica
FundAmerica enables people to build their technology into their websites and platforms using API’s (Application Programming Interfaces) and embeddable apps (widgets).

We are initially providing backend services that the vast majority of market participants need and cannot do directly themselves, including:

- Escrow
- Broker-dealer services
- Electronically signed and stored investor subscription agreements
- Background checks for anti-money laundering and PATRIOT Act compliance
- Payment processing
- Registered Transfer Agent
- Securities custody & settlement

Contact:
Email: info@fundamerica.com
Phone: (212) 582-9600
URL: http://www.fundamerica.com

3. eShares
eShares is a SEC-registered Transfer Agent for private companies. Their online platform allows companies—from seed stage to pre-IPO—to manage equity electronically with the participation of their shareholders, employees, auditors, and legal counsel.

Contact:
Phone: 650-669-8381
URL: http://eshares.com

Crowdfunding News Sources

1. CrowdFundBeat

CrowdFund Beat Media International is an online source of news, information, events and resources for crowdfunding.

They e-publish latest news and expert view related to the crowdfunding industry in the U.S., Canda, UK, Italy, Germany, France, Holland and coming soon in Spain, Australia, Japan and China on a daily basis.

URL: http://crowdfundbeat.com

2. Crowdfund Insider

Crowdfund Insider is the leading news and information website covering the emerging global industry of disruptive finance, including crowdfunding, peer-to-peer / marketplace lending, and other forms of fintech.

Their site provides extensive coverage, and industry leading perspective, from a team of staff writers and leading industry expert contributors from around the world.

URL: http://www.crowdfundinsider.com

3. The Crowdfund Network

They are dedicated in finding the coolest crowdfunding news of the web and in making your life easier, that’s their goal, that’s their passion. They cover news and stories about both rewards-based and equity-based campaigns.

URL: http://www.thecrowdfundnetwork.com

4. Crowdsourcing.org

Crowdsourcing provides a very clean and well curated website that highlights current research in the space on the front page. They also stay true to their name and allow anyone to upload content under "Open Innovation" where the most popular is automatically featured.

URL: http://www.crowdsourcing.org

5. Equities.com

Equities.com is the leading financial news source for emerging growth companies. An interactive and informative global online platform with over 90,000 subscribers, Equities.com connects investors, executives, financial experts and industry professionals.

Given its established brand, Equities.com has evolved into an instrumental financial social community dedicated to identifying developing market trends, effective investment strategies and breaking news across the leading emerging growth companies. Equities.com is a financial platform where anyone seeking to invest in emerging growth equity companies can discover news, information, and investment tools while engaging with CEOs and other executives of these public and private companies and investment opportunities directly through our desktop, mobile and live events.

URL: https://www.equities.com

Conclusion

Now, are you ready to get started?

Do you have an innovative idea or startup that is the right fit for crowdfunding? Are you prepared to do the work and set realistic funding goals? Do you have clarity of purpose with your business?

If the answer is an astounding "yes" – there has never been a better time to raise money for your startup venture as crowdfunding has created a powerful pathway to alternative finance and money.

Until recently, only a handful of wealthy gatekeepers held the keys to Silicon Valley, now the creative class of entrepreneurs are able to get their idea in front of millions of potential investors in the crowdfunding deal room.

The crowd gets to decide what inventions, what products, what movies, what startups get funded and are brought to life. This is a massive shift in capital finance and in our economy.

Let's recap my most important points:

1. Marketing: Get your marketing game on! Before you launch your campaign, create an integrated marketing campaign which includes a crowdfunding video, campaign page, digital marketing plan, paid media plan, qualified email lists, press release, and a press kit at minimum. Keep in mind the knowledge of the psychology of the crowd as people are more inclined to be followers, not trendsetters, and use this to your advantage.

Understand the power of storytelling. Your startup story needs to powerfully tell the why (your reason for being, your mission, vision, and purpose), the what and how (what your product is, how it's differentiated, the market opportunity, relevant data, and where you're headed) and how you are uniquely positioned to succeed. If you do not have the resources to plan and executive a campaign by yourself, consider hiring a marketing firm that specializes in crowdfunding.

1. Rewards vs Equity: Are you looking for market validation, or are you ready to give shares or equity ownership in your company? How much money do you need to raise?

In general, companies that are looking to raise $10,000 or less and are looking for market validation in the business to consumer space via pre-sales, the rewards route is the way to go.

If your startup requires additional capital and you are ready to issue shares in your company, take a close look at the leading equity crowdfunding platforms listed in Chapter 10. Make certain to find the right fit for your business and have the proper investment documents in order prior to launch.

3. Platform Selection: After you have determined the type of campaign that is best for your startup venture, you need to select the right platform to host your campaign. There are some crowdfunding specific analytics tools like Krowdster or TMinus10 that can help you predict your chances of success, but it's important to do your research and make certain to contact the platforms directly with a set of predetermined questions.

If you are looking for additional help in launching your crowdfunding campaign, please go to: www.melindamoore.com.

Glossary

Accredited Investor:
A person who has either a net worth of $1,000,000 (principal residence cannot be included in this calculation), or earns an individual income of more than $200,000 per year for the last two years.

Integrated Marketing Plan:
An integrated marketing plan is a comprehensive strategy that includes multiple-marketing channels including publicity, paid marketing, social media, influencer marketing, email marketing, events, and strategic partnerships.

Issuer:
An issuer is a legal entity that develops, registers and sells securities for the purpose of financing its operations.

IPO (Initial Public Offering):
Refers to the first time a company publicly sells shares of its stock on the open market. It is also known as "going public."

JOBS Act:

The Jumpstart Our Business Startups Act or JOBS Act, is a law intended to encourage funding of United States small businesses by easing various securities regulations. It passed with bipartisan support, and was signed into law by President Barack Obama on April 5, 2012.

Title II:
Title II allows a company to employ "general solicitation" to market securities offerings provided they follow the rules and guidelines of Rule 506 of Regulation D. Under this new exemption, companies can now use the Internet or other mediums to advertise their security offerings to raise money from accredited investors only.

Title III:
Title III allows a company to make securities offerings to non-accredited investors from the genera public to meet their fundraising goals. If a company is soliciting non-accredited investors, they can only raise $1,000,000 over a 12-month period.

Title IV or Reg A+:
Title IV is like a mini-IPO where companies can raise up to $50 million in securities over a 12-month period from both accredited and non-accredited investors by filing a 1-A form with the SEC.

The SEC rules identify two different tiers of offerings: Tier 1 refers to securities offerings of up to $20 million. Of the $20 million, associates of the security issuer cannot offer more than $6 million worth of securities. Tier 2 offerings covers securities offerings of up to $50 million.

Live Offering:
A live offering is the first sale of stock by a company to the public via equity crowdfunding.

SEC:
The Securities and Exchange Commission (SEC) is a government commission created by Congress to regulate the securities markets and protect investors.

Test the Waters:
Under Reg A, the SEC allows you to test solicitation materials prior to any official state or SEC filing. This includes:

- Engaging in general solicitation without pre-reporting to the SEC
- Targeting prospective investors (including non-accredited and accredited investors)
- The freedom for issuers to advertise on their own (without the need for a broker/dealer or platform)
- Investors are able to express a nonbinding interest in a security offering

OTC:
Over-the-counter (OTC) is a security traded in some context other than on a formal exchange such as the NYSE, TSX, AMEX, etc.

VC:

Venture capital is money that is provided to seed early-stage and emerging growth companies in exchange for equity in the companies they invest in. Some example of top VC firms include DFJ, Benchmark, and Kleiner Perkins.

About the Author

"Melinda Moore is a social entrepreneur, a seasoned digital marketer and a frequent speaker at leading technology conferences. With over 15 years as a start-up leader (two exits) and Fortune 500 experience, Melinda combines her passion and experience in health & sustainability, female empowerment, tech & digital media. Her work has been widely recognized by Digital LA (Top 50 Digital Women in 2015), the Green Business Bureau and the National Association of Women Business Owners' Hall of Fame."

Her marketing campaigns have been featured by global brands including Ford, LIVESTRONG, Netflix, Obama for America, Orbitz, Sony, USA Networks, and YouTube. She has forged strategic partnerships with leading business, media, and entertainment figures including Jimmy Fallon, Laird Hamilton, Dr. OZ, Dr. Phil, Ryan Seacrest and Yao Ming. After selling the successful e-commerce site LovingEco to John Paul Dejoria in 2012, she co-founded Tuesdaynights, a hosted invite-only networking organization of female executives and entrepreneurs and served as the CMO at Crowdfunder.

For more information about the author, visit: http://www.melindamoore.com