

Crowdfunding

Issues and Thoughts about Successful
Crowdfunding

What Is It?

- Democratizes Financing
- “Family and Friends” Round
- Angel Round
- This is done all online in a social media type space, not personally
- Creates gigantic opportunities to support entrepreneurs, and created ginormous challenges

Challenges

- Created Noise: Because access to crowdfunding is technically “free” or almost free, more entities will access it looking for money. There is no free lunch and if there is no cost, you get more of it
- investors have fears of fraud.
- Is the money you receive “productive capital” or dead money?
- Hard work! Lot of time spent herding online cats.
- How do you keep your idea and business plans secure and private?

How To Punch Through

- Sum up your business in one minute or less.
- Make a creative, not a flat boring video.
- Video should be like a commercial advertisement that satisfies an emotional need for investor.
- **BOOK RECS:** [Groundswell](#), [World Wide Rave](#)
- **BLOG RECS:** [AVC.com](#), [Feld.com](#), [wac6.com](#), [Naval Ravigant](#), [westloopventures.com](#), [pointsandfigures.com](#)

Presentation Points

- What's the pain point you are solving?
- How big is the market?
- Why You?
- How are you going to execute your business to solve the problem?

Auxiliary Problems

- Is your company the type of company that can use crowdfunding?
- How much equity should you give up?
- Are you going to need more rounds of financing? (If no, crowdfunding may be for you!)
- What are your investors expecting in return?
- What are you expecting from your investors?
- How will crowdfunded investors get representation, and information about company progress?
- How much input will they have, and do you even want it?

Normal Investor Expectations

- Information on the progress of the company, financial information, strategy information, customer information
- Information on future financing
- Information on potential exits

What You Need From Investors

- Create connections to potential customers
- Create next rounds of financing
- Mentorship
- Help with strategy
- Find new employees to help build and round out the team
- Find potential exits
- Unclear how crowdfunding will do this

Lawmakers Role

- Create broad definitions and regulations, let innovation fill in the rest

Some Broad Conclusions

- Currently, crowdfunding has been used successfully for all kinds of businesses. It has also been unsuccessful at funding businesses. Entrepreneurs need to be mindful that successful crowdfunding can take just as much work as traditional methods of raising money. At the community college level, it might be a good idea to form a local angel group that works together with a community crowdfunding site to fund “lifestyle” businesses that help grow the local economy. As you grow your local economy, eventually some bigger businesses will take advantage of the ecosystem you build.
- Today, it is unclear what the actual legislation coming out of the SEC will look like. Until that is final, we won’t know what crowdfunding will actually be like.