Crowdfunding

The new buzzword in Capital Formation

Enzo Villani
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What is crowdfunding?

1st person to “coin” the term?


“Many things are important factors, but funding from the 'crowd' is the base of which all else depends on and is built on.”

So, Crowdfunding is an accurate term to help me explain this core element of fundavlog.
—sull, "Crowdfunding," fundavlog, August 12, 2006
What is crowdfunding?

- Google the term “crowdfunding”
  - 7,490,000 results come up!

- Wikipedia has a Comparison of Crowdfunding Sites
  - There are approximately 40 sites listed in Wikipedia but we estimated over 500 now
  - With that many options, who can you trust, who will be there and get the job done!

- The SEC and FINRA are working on it!
  - after a law called the JOBS Act was passed last year
  - There’s ton’s of information on it

- Maybe infographics can explain it!
WOW!

Who has time to make all of these things?!
Here’s the skinny

- Crowdfunding has been around for a long time in different versions
  - Equity and Debt are getting a lot of attention.

- It’s basically a way to finance “almost” anything by accepting funding from others under a promise to deliver the expected value for their contribution. It’s “sort-of” taken over the seed and friends and family round of financing.

- It comes in multiple forms….here are some of the most popular today:
  - Donation based
  - Pre-purchases of products and/or services
  - Three major structures: All of nothing, Keep it all, and Bounty
  - Crowdfunding has bled into current capital formation regulations like Regulation A and Regulation D filings, and the definition of what constitutes a “public equity”
What’s all the news about?

- JOBS Act
- SEC regulations to be enacted
- Different types of “crowdfunding” exist
- Crowdfunding for EQUITY is the main discussion
  - *Once it becomes an investment, the rules all change!*
- Laws are in place, but regulators haven’t finished developing the rules, especially for Equity.
Examples of “Crowdfunding” Models

- **CircleUp**
  - Investment Bank
  - Accredited Investors can only invest
  - Focused on Consumer food brands and now expanding
  - Equity investments

- **LendingClub**
  - Lender (Debt)
  - Peer to Peer Lender
  - Loans are securitized
  - Investors make money from interest

- **Kickstarter**
  - One of the originals
  - Funds projects, Art, anything
  - Has changed some policies due to non-delivery of clients’ products
  - No Equity or Debt or securitization
What’s being funded now?

- All different types of projects, companies, research, non-profits, ideas, art, science, film.....and the list goes on

- Research for Life Science has great potential for crowdfunding but how its presented and managing the expectations are extremely critical!

- Here are some examples of research based crowdfunding
  - http://www.petridish.org/
  - http://www.microryza.com/
  - Linked In Group formed: http://www.linkedin.com/groups/CrowdFunding-CloudFunding-Life-Sciences-Medical-4403702
Life Sciences & Capital Formation

- Life Sciences firms require **long term research** and development before they can come to market.

- Many life sciences and biotech firms have **traditionally used the public markets** (Over The Counter or OTC) in order to fund their research and development, and in most cases, require continued investments for terms more than five (5) years.

- This period does not include the start up phase of **research and development which is usually funded by universities, Angel investors, and government grants**.

- **Crowdfunding could have an important position in the capital formation process** and can be leveraged to “open up” channels and opportunity for others to become engaged and invest.
So, What’s the Deal?!

- Crowdfunding is a viable tool as part of the overall Capital Formation process and is very effective in early stage development.

- There are risks, both known and unknown, so have professionals on your side!

- At this time, (most launched over the past year) there are an estimated 500+ Crowdfunding portals with various business models. Investigate platforms before you execute any crowdfunding campaigns.

- AND....Since you would be going public with information about your research and development, be careful! You only have one good shot to make an impression! And protect the IP!
Thank You!

Questions?

Contact Info:

Enzo Villani

Email: enzo@sustaincorp.com

Cell: +1 914 772 6512
Resources “that might bring value”

NPR Story: Scientist Gets Research Donations From Crowd Funding
http://www.npr.org/2013/02/14/171975368/scientist-gets-research-donations-from-crowdfunding

General Resources

- CFIRA: www.cfira.org
- CFPA: www.cfpa.org
- Crowdsourcing.org: CS Industry Website
- SEC JOBS ACT website