Crowdfunding the Capital Gap for Micro

Kathleen Minogue – Founder & CEO

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A Crowdfunding Success Story - Confetti Fiesta 2019

"The campaign is over and I couldn't be happier with the outcome. Thank you so much for your support. Because of your support I'll be able to attend two community events this Friday and Saturday, and buy new supplies and a new cutting machine."

"I really had to grow out of my comfort zone and I feel that I can better describe what my business is and am more confident about speaking about my business and what it can offer."

Lissette Arceo:
Confetti Fiesta

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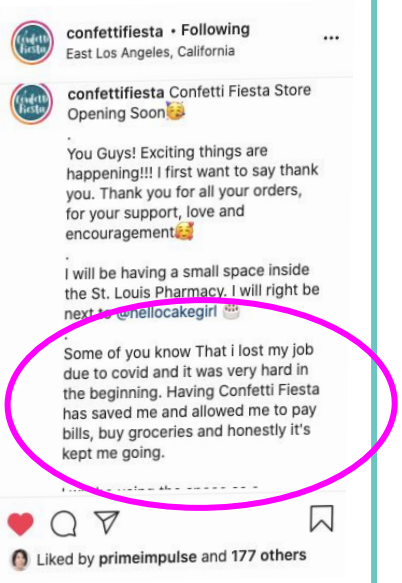
A Crowdfunding Success Story - Confetti Fiesta 2021



Lisette grew her home-based business to a brick & mortar location…during COVID…thanks to community support.

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What Is Crowdfunding?

Crowdfunding

- a transformational capital-raising **process** empowered by **technology**
- that turns the **trust** and **goodwill** of your **network**
- into funds to **start** or **grow** your business
- by allowing a **large number** of people
- to share **small amounts** of their **social**, **creative** and **financial** capital

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The Crowdfunding Landscape

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The Crowdfunding Landscape

The crowdfunding landscape includes
3 hybrids of traditional funding:

Donation — personal causes & 501(c)(3) nonprofits

Lending — peer-to-peer lending

Investment — securities: debt, revenue-share & equity

- Regulation Crowdfunding (Title III) - raises up to $5M
- Reg D (506c) - no limits
- Reg A+ - raises up to $75M

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The Crowdfunding Landscape

AND a new type of funding for businesses & creative ideas:

Rewards

contains elements of pre-sales,
early adopter fan support,
and friends/family funding

- first platform founded in 2003
- Kickstarter alone raises $1.5M/day
- especially successful for businesses funding <$50K with the highest success for funding goals <$10k

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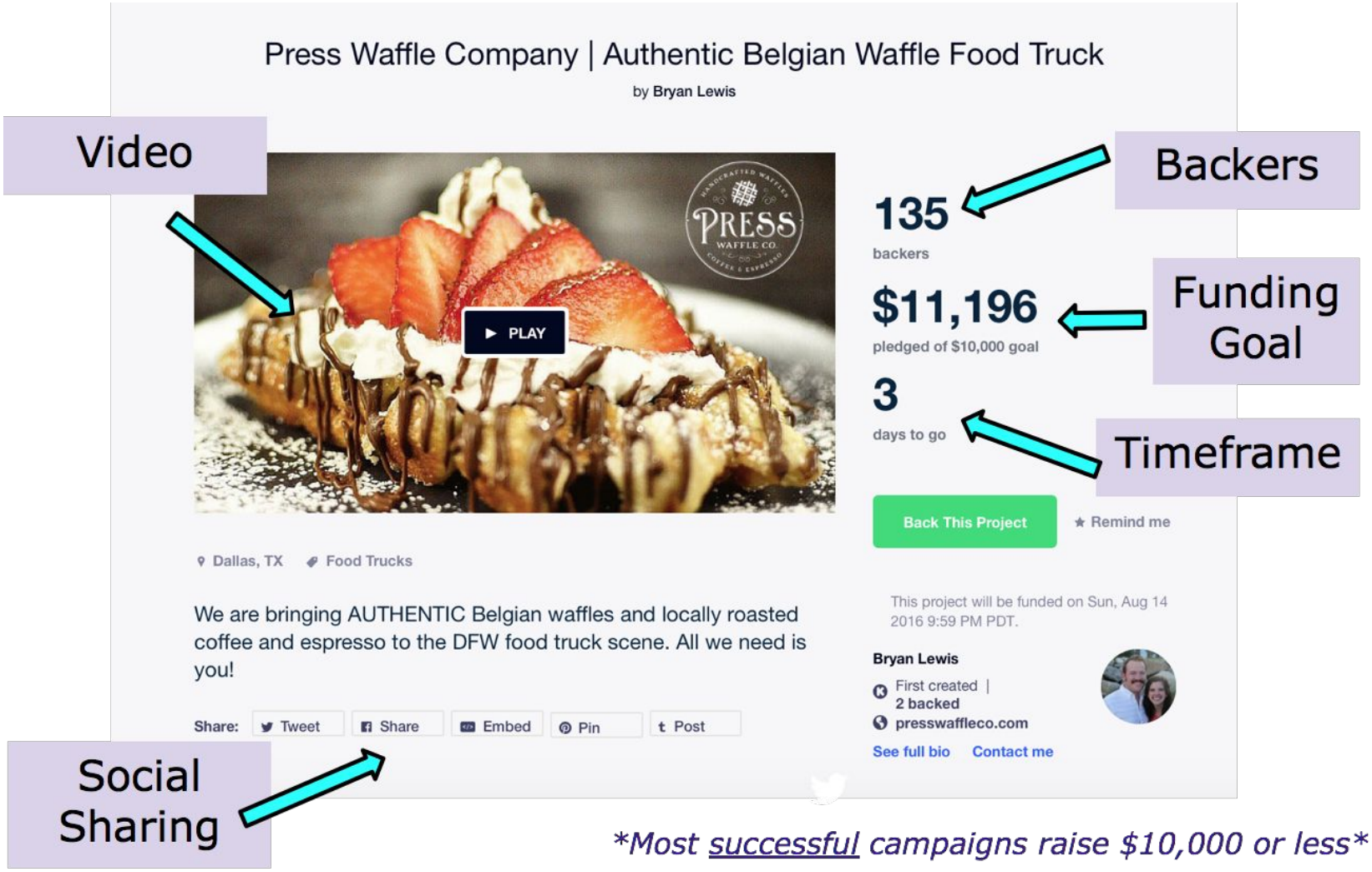
Elements of a Crowdfunding Campaign



Most successful campaigns raise $10,000 or less

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How You Spread the Word & Find Backers

Team

Website

Social Media
Facebook
Twitter
LinkedIn
Instagram
YouTube
Pinterest
Snapchat

Ads

PR

Word of Mouth

Email Outreach

Events

Bloggers/ Influencers

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Crowdfunding Cheat Sheet

Crowdfunding is a transformative capital-raising process empowered by technology that turns the trust and goodwill of your network into funds to start or grow your business by allowing a large number of people to share small amounts of their social, creative, and financial capital.

Type of Crowdfunding	Donation	Rewards	Investment (JOBS Act)	Intrastate/DPO	Microlending
How does it work?	fundraising for personal needs or causes	contributions in exchange for rewards or perks, pre-sales/pre-payment for products before manufacturing	securities, unaccredited and accredited** investors, subject to SEC rules - Reg CF, Reg D (506c), Reg A+	securities, unaccredited and accredited** investors with state-specific rules	online platforms that match borrowers with individual lenders
Who is it for?	individuals, nonprofits	individuals, pre-startups, startups, existing businesses, nonprofits	startups, existing businesses & real estate projects with an investor strategy	startups, existing businesses & real estate projects with local focus	individuals, pre-startups, startups & existing businesses
Examples of Platforms	CauseVox ~ Chuffed Classy ~ DonorBox DonorsChoose FirstGiving ~ Fundly Fundrazr ~ GoFundMe GoGetFunding ~ HIPGive ioby ~ Mightycause Patronicity ~ Snowball StartSomeGood ~ Tiltify	ArtistShare ~ Credibles Crowd Supply ~ Experiment FundBlackFounders Fundraising.FracturedAtlas iFundWomen ~ Indiegogo Kickstarter ~ Patreon Publishizer ~ Seed&Spark The Local Crowd ~ Ulule Unbound	Crowdfund Mainstreet Honeycomb Credit ~ Mainvest MicroVentures ~ Netcapital Raise Green ~ Republic ~ SeedInvest Silicon Prairie ~ Small Change ~ SMBX StartEngine ~ Wefunder ~ Wunderfund **AngelList ~ Crowdfunder ~ Fundable** ***accredited investors only - net worth $1M+ **OR** $200k+ annual income **OR** hold certain professional certifications*	no platform needed or state-specific platform	Kiva*
Platform Fees	% of funds	% of funds	% of funds, warrant and/or flat fee	varies by state	Low or no fees
Notes	many platforms provide tax-deductible receipts for 501(c)(3) donations	backers are not investors - funding plus valuable market validation, customer feedback, branding & audience-building	backers are investors - securities offered can be equity or debt	backers are investors - can be equity or debt	*Kiva offers 0% interest micro-loans up to $15k for businesses

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Crowdfunding the Capital Gap for Micro

What Makes Crowdfunding So Different?

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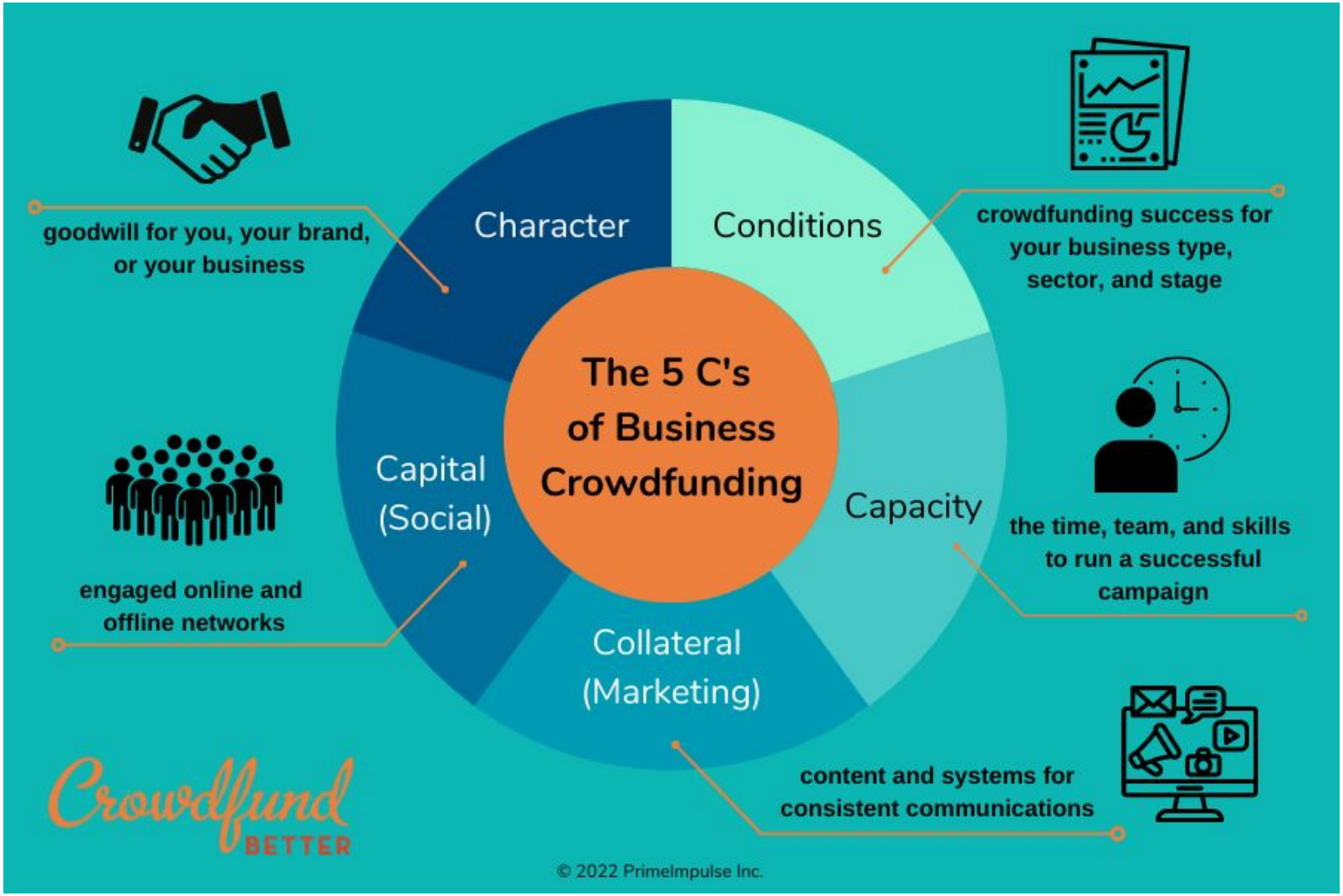
The 5 C’s of Crowdfunding



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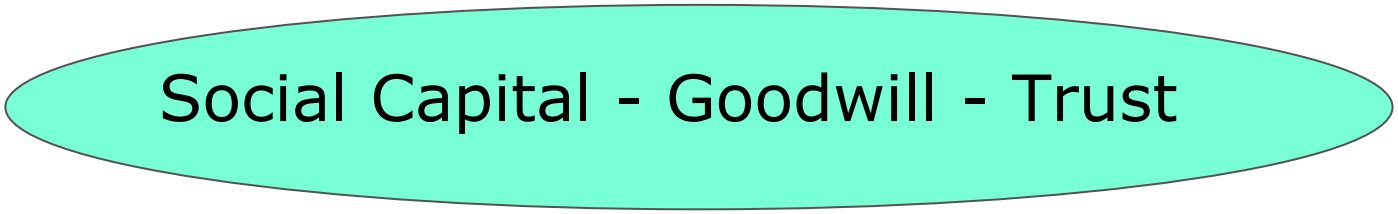
What Makes Crowdfunding So Different?

Crowdfunding success is based on



VS

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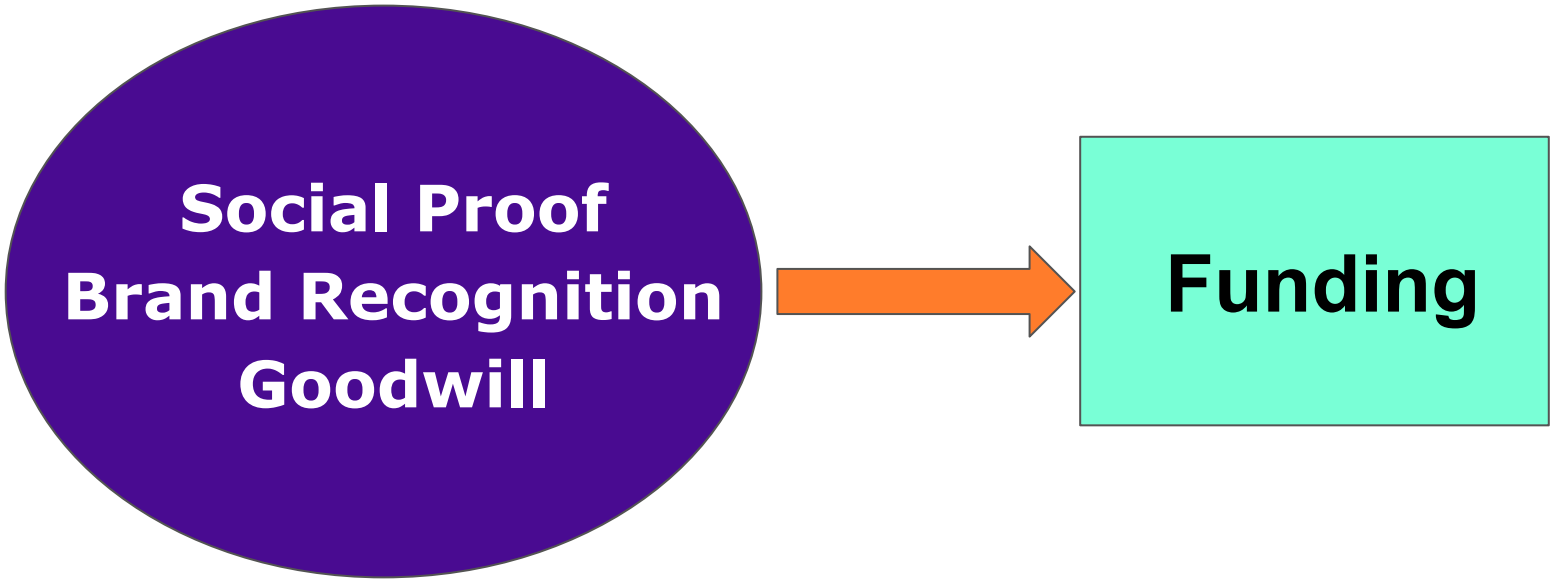
Turn Intangible Assets Into Tangible Assets

In crowdfunding, the trust you build with your network is your currency



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The Value of Crowdfunding - A Multiple Bottom Line

Financial Assets

- organic growth
- pre-sales
- funding

Nonfinancial CROWD Assets

- branding
- proof of concept
- market validation
- price testing
- customer acquisition
- brand ambassadors
- loyal customer retention
- customer feedback
- research & development
- marketing & PR
- digital marketing skills & assets
- public relations (PR)
- partnerships
- leverage for grants, investors & loans

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The Crowdfunding Opportunity for Micro

Flexibility

- **any stage of business:** idea/startup/growth/established
- **any size of business** – solo entrepreneur to Fortune 500
- **few limits on how much can be raised** – from hundreds to millions of dollars
- **low barriers to entry** - do not need a fully-developed business plan, a fully-formed idea or cash in the bank

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The Crowdfunding Opportunity for Micro

Funding

- **entrepreneurs don't have to wait** for a loan or investment to start their business
- can get **proof of concept**, **test their market** and **get customer feedback** in the process of raising capital
- **can launch successive campaigns** to raise funding as businesses grow

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The Crowdfunding Opportunity for Micro

Leverage

- can **unlock other funding types** from investing to lending (SBA report)
- crowdfunding dollars can be used for **equity injection or collateral - or working capital** while preparing for a loan
- marketing & PR development required by crowdfunding makes **businesses more agile and resilient**
- backers/investors become **customers and brand evangelists** helping to sustain the business long-term

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The Crowdfunding Opportunity for Micro

Opportunities

- **supports a more diverse pool of businesses** because crowdfunding backers are more reflective of the actual customer market
- **women and minorities** are more successful at crowdfunding than white men, but launch fewer campaigns
- successful campaigns create an average of **2.5 new jobs**

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The Crowdfunding Opportunity for Micro

Barriers

- survey found that **58% of small businesses** would consider crowdfunding - but they don't know how it works
- online educational resources are one-size-fits-all - **entrepreneurs want hands-on support**
- most small business advisors **don't have a working knowledge** of crowdfunding
- **little professional development exists** to help advisors identify and support businesses who are good candidates

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Crowdfunding to Bankability: A Case Study

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Generating Funding from the Ground Up

con amor WITH LOVE MARKET & CAFE

"I wanted to significantly contribute to job growth, provide access to healthy food, and create safe communities. These elements are scarce in Southwest LA – a community of 120,000 – and they're badly needed."

Andrew McDowell, Founder

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Rallying the Crowd Around A New Business Idea

3 months surveying his community at bus stops, churches & online

A year of personal community outreach

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Gathering Community Support Through Rewards Crowdfunding

From a community that others had written off as too low-income to be able to make any significant financial impact,
With Love's campaign received total contributions **over $100,000**

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More Community Support – Financial, Time & Talent

$250,000
in impact investments
(1/4 were rewards backers)

1,000+ volunteers
helped with
site demolition,
planting trees &
cleaning up
the neighborhood

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A Loan to Finish Construction

14 lenders said NO - **1** said MAYBE

15 months later that maybe turned into **$600,000+** in loans from Self Help Credit Union & National Cooperative Bank

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With Love Market & Café Grand Opening – March 2016

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With Love Market & Café - 5 Year Anniversary in 2021

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You Can Leverage Our Crowdfunding Experience

The Crowdfund Better Process™

a system to provide personalized and data-supported crowdfunding technical assistance for clients looking to launch campaigns

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For Your Clients:

Webinars
Online Courses
Crowdfunding Roadmap
Crowdfunding Coaching & Support

For Your Staff:

Professional Development
Advisor Certification

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