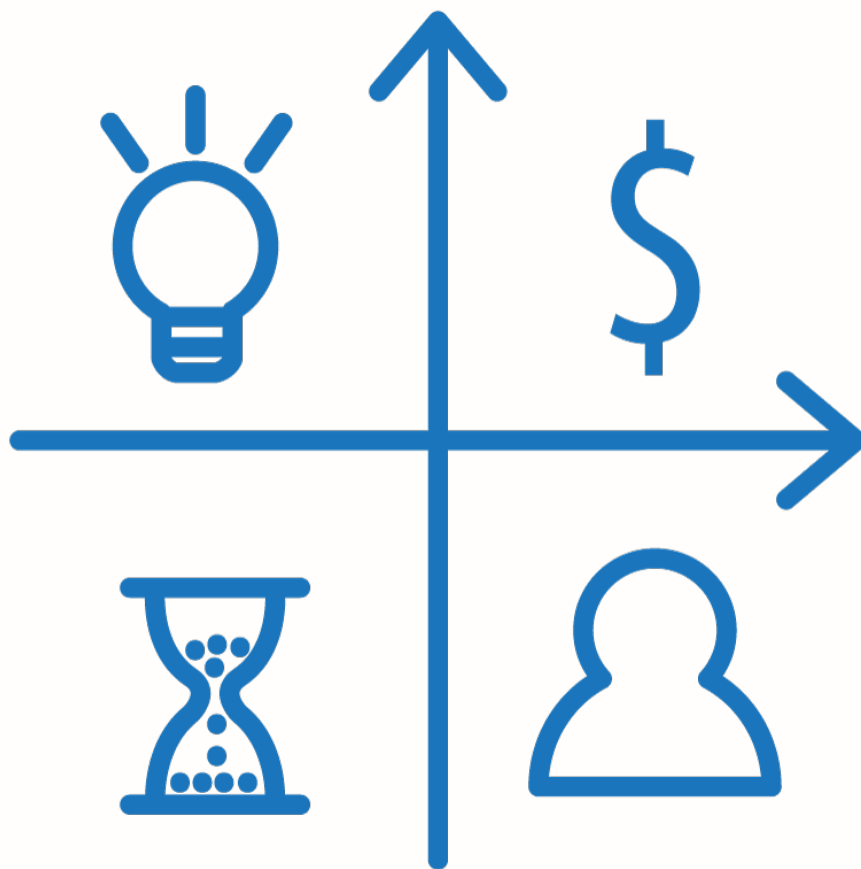




DESIGNING A SUCCESSFUL EQUITY CROWDFUNDING CAMPAIGN



Equity crowdfunding is an exciting new way to raise the capital. Although capable of helping you avoid an endless exhausting series of one-on-one pitches with venture capital firms, being informed on best practices when raising dollars online will help you build a business investors can believe in and get you one step closer to meeting your fundraising goals.

Designing a Successful Equity Crowdfunding Campaign

Table of Contents

Chapter 1 - “Is Equity Crowdfunding Truly Effective?”.....	2
Chapter 2 - Building a Business Investors Can Believe In.....	3
Chapter 3 - How to Make Your Equity Offer As Attractive As Possible.....	6
Chapter 4 - The Importance of Branding: Key Business Benefits.....	9
About the Author.....	10
Contact.....	10



Chapter 1. “Is Equity Crowdfunding Truly Effective?” – Busting Myths

Equity crowdfunding is an exciting new way to raise the capital you need via online portals instead of an endless, exhausting series of one-on-one pitches with venture capital firms.

Unfortunately, there are a lot of myths in this emerging industry that keep entrepreneurs from seriously considering the opportunity. These misconceptions kill good business ideas before they ever have the chance to take off due to limited funds.

So let’s cut through the most common and harmful misconceptions to understand *why* you should consider equity crowdfunding. Then, we’ll discuss *how* to execute the most successful crowdfunding campaign possible.

Myth 1. “Millions of People Surf the Web, so Raising Money Should Be a breeze”

With the right partners helping you, equity crowdfunding can be straightforward. But that doesn’t mean the process is easy.

First, there are legal requirements limiting who can invest in equity crowdfunding opportunities – everything ranging from the sophistication level and income of potential investors.

There’s also more transparency online than ever before. It’s easy for potential investors to investigate your background, offer, team, and the market at large. Many get cold feet during this screening process.

Myth 2. “There Is a High Risk of Fraud”

There are plenty of equity crowdfunding critics, as the industry is still in its infancy. Many are concerned with the potential for fraud.

However, there hasn’t been a *single* reported case of fraud to this point.¹

There are legal requirements in place to keep fraudsters in check. The JOBS Act, passed in 2012, allows entrepreneurs to access this type of funding. It took the SEC a few years to adopt rules to govern the law, but it finally laid out some concrete standards to keep investors *and* entrepreneurs in check.²

Myth 3. “Competitors Will Steal All My Info”

It’s understandable if you are hesitant to reveal information via an online portal...

But you are in complete control of the level of information you choose to disclose. Working with the right partner (on the right portal) will ensure your information is only shared with investors who have gone through a stringent screening and vetting process. You’ll comply with legal requirements without providing superfluous information.

Myth 4. “I’ll Be Stuck Managing Thousands of Shareholders and Forced to IPO”

No.

Thanks to digital tools, it’s easier to manage and communicate with hundreds (or even thousands) of investors in a time-efficient manner.

You can actually bundle up all of your equity shareholders into a single vehicle. There’s no need to worry about overloading yourself with investors or discouraging future, potentially bigger investors.

1 <http://www.entrepreneur.com/article/233292>

2 <http://www.practicalecommerce.com/articles/94003-Equity-Crowdfunding-Rules-Are-Finally-Set>

Myth 5. “The Market Will Be Overloaded with NVA Capital, Creating a Bubble”

This myth overlooks the fact that *investors*, just like entrepreneurs, are selected carefully on quality crowdfunding portals.

The best portals are just as selective with the investors to whom they offer access as the entrepreneurs and crowd-funded offers themselves. These lead investors will also inform the market, which keeps prices from rising too high as they are careful about every opportunity they invest in.

Myth 6. “Equity Crowdfunding Is a Last Resort and Will Make Me Look Desperate”

Not at all.

More often than not, companies thinking about equity crowdfunding are also considering different funding sources. Many have *already* raised money from angel investors or early-stage VC firms. Even if a company seeks crowdfunding now, nothing stops them from raising venture capital in the future.

SCIO, which makes a pocket molecular sensor, raised \$3 million on Kickstarter, did an investment round via equity, *and* got the backing of a traditional VC firm, Kholsa Ventures.³

This makes sense, as equity crowdfunding is the perfect way to validate a product’s viability before seeking larger investment.⁴

Chapter 2. Building a Business Investors Can Believe In

Equity crowdfunding offers entrepreneurs an opportunity to become much more active in the fundraising process.

Chance Barnett, the CEO of Crowdfunder, sums it up well: “No longer do entrepreneurs have to wait for and depend on introductions, email responses and scheduled meetings in order to get their company and fundraising pitch in front of a broad pool of investors.”⁵

What does this mean for you?

How can you take to make your equity crowdfunding campaign as successful as possible?

If You Fail to Plan, You Plan to Fail

Much of an early-stage entrepreneur’s time is spent pivoting and adjusting to meet market demands. It can be difficult to plan years – or even months – ahead when so much of your focus is devoted to what to do *right now* to keep your company afloat.

But equity crowdfunding can give you the capital you need to create something sustainable. Committing to a process brings order to the chaos.

Adequate funding is the lifeblood of any successful entrepreneurial venture. Unfortunately, many entrepreneurs overlook the importance of planning a successful crowdfunding campaign.

It’s always a good idea to start with a business plan, as well as the legal and financial docu-

3 <http://www.crowdfundinsider.com/2015/03/62969-where-are-they-now-the-top-ten-tech-kickstarter-campaigns/>

4 <http://www.wired.com/2015/11/you-too-can-now-invest-in-start-ups-what-could-go-wrong/>

5 <https://www.crowdfunder.com/blog/equity-crowdfunding-myth-and-reality/>

ments needed to comply with SEC regulations before launching your campaign.

Your business plan doesn't just tell you what you're trying to achieve. It also helps inform your priorities, determines your valuation, and how much equity you plan to offer.⁶

At Its Core, Equity Crowdfunding Is about Telling Your Story AND Building Trust

The mechanisms for connecting with investors and seeking funds are different, but what makes investors "tick" are the same.

No longer do you have to approach individual VC firms and give the same pitch over and over again. However, your online pitch (via a crowdfunded portal) needs the same elements as those in-person pitches in order to succeed.

Investors are still asking the same questions:

- What's your elevator pitch?
- What's your story?
- Can I trust your team?

Answering these questions is paramount. Every aspect of the crowdfunding process, from which portal you list on to your documents, website, and promotional strategy become part of investors' calculations.

Facts and figures will help, but so does the *story* behind your business and vision for its future...

What Do You Believe In?

This sounds like a simple question. Perhaps it sounds like an unimportant one. However, it can have a *dramatic* impact on the sustainability of your business and its attractiveness to

equity investors.

Businesses with well-defined beliefs – those who have carefully considered what they stand for – often stick around for decades or even centuries. With time, belief-fueled businesses perform better than those looking to make a buck without a clear focus.

It is this strong identification and commitment to beliefs which has helped make brands like Apple, Southwest Airlines, Pixar Studios, and USAA household names.⁷

Why Is Your Business on the Face of the Earth?

It's one thing to have a belief ("blue is better than red," for instance). But it's quite another when those beliefs go beyond the superficial and cut to the very core of why you are in business.

In the eyes of investors, behind every great company lies an authentic sense of *purpose*. What difference are they trying to make in the world?

This is integral to your success. Back your business with an authentic purpose, and it resonates in everything you do (whether it's your website, an ad, the products you create, or even your investment pitch itself).

In Today's Emotion Economy, It's Not about What You Sell but What You Believe In

In the industrial age, selling products just meant having a better, cheaper, or faster option than your competitors. Businesses saw great success by focusing on features and benefits.

Now, in today's extremely competitive space, things like quality and decent price are nec-

⁶ <http://www.forbes.com/sites/ericwagner/2014/03/18/equity-crowdfunding-101-is-it-right-for-your-startup/#35Secaf437f34>

⁷ <https://hbr.org/2012/04/its-not-what-you-sell-its-what>

essary, but not sufficient, for success. Today demands a different type of competitive advantage – one based on *emotion*.

Brian Wong describes the situation today as the “Age of Emotion.”⁸ Brands are more attractive to customers (and investors) not just for what they sell, but the beliefs that drive them.

This helps explain why certain companies are dominating their industries. Nike is more than just about shoes; it is about “Just do it” – achievement and personal greatness. Apple is about challenging the status quo, favoring simplicity, and delighting their customers.

Centering your brand on a worldview is one of the most powerful ways to develop a happy, loyal customer and investor base. People gather around those who share similar worldviews with themselves.

Your Financials Tell a Story

When investors have access to a few years worth of documents, they get a snapshot of the health of your company and where your priorities lie. If your profits are increasing, they get to see that you have what it takes to run a successful business.

Every decision you make has financial implications – including the decision to crowdfund.

The more transparent you are with these documents, the more comfortable people feel to invest. Determine your costs in terms of funding, time, and personnel. Most importantly, let investors know exactly where their funds will go (you can use a Sources and Usage Statement or Profit and Loss Forecast) to add a layer of assurance and drive investment.

Even Your Legal Documents Paint a Picture

Legal documents give confidence to investors that you’ve complied with the necessary regulations to protect their financial interests.

Beyond this accountability, legal documents also promote transparency because they outline which rights shareholders will have, as well as the specifics of the equity crowdfunding deal.

Finally, protecting your intellectual property with patents, copyrights, and trademarks reassures investors that they’ve invested in a stable asset.

8 <http://www.inc.com/visa/winning-in-the-age-of-emotion.html>

Chapter 3. How to Make Your Equity Offer as Attractive as Possible

Choosing the Right Equity Crowdfunding Portal: 5 Things to Look for

1. A Proven Track Record

Reduce your risk by asking portals questions like:

- How much money was raised for similar projects?
- What percentage of offers reached their funding goals?
- How do you vet investors?
- What fraud protections do you have in place?
- What are your fees? How are they calculated?

2. A Clear Understanding of the Legal and Financial Requirements

Publicly soliciting investment for a privately-owned company triggers legal requirements. The last thing you want to do is be misled and *think* you have complied, only to end up facing fines from regulatory agencies.

Look for someone who has the experience to point you in the right direction, and a platform that ensures you're disclosing the required information.

Laws are changing quickly as this industry matures. Make sure whoever you decide to work with is fully committed to tracking these changes and adjusting their portals accordingly.

3. Personalized Attention and an Emphasis on Quality Deal Flow

An emphasis on fewer offerings with more screening – something we promote at [Equity Round](#) – ensures every opportunity is of the highest quality. This instills confidence in investors because they know when they see a deal, they're seeing something truly valuable and will often invest.

This also frees up more time for the portal to give you personal attention and guidance throughout the listing process, ensuring you get the funds you seek.

4. Value Add

What *else* will a platform do for you besides listing your offer?

Quality portals find creative ways to add value, ranging from developing pitch videos and campaigns, to marketing or offering access to a special group of investors.

Always be on the look out for tools to help you target investors in your industry, as investors often focus on industries in which they have personal experience. These value adds can make the difference between a successful campaign and an unsuccessful one.

5. Usability

Focus on portals with straightforward, intuitive interfaces. This will help you save time should you want to add information, make changes to your pitch desk, or even seek another round of funding in the future.

Getting Your Legal House in Order: 3 Key Things You Need

1. Shareholder's Agreement

This document explains how your company will operate after your equity offering, as well as which rights shareholders will have.

2. Subscription Agreements

These are agreements between a company and investors in which the company promises to sell a certain number of shares at a specified price point.

3. Term Sheet

Term sheets set out the amount of financing you seek, the price per share, shareholder voting rights, closing details, and more.⁹

Getting Your Financial House in Order: 3 Key Things You Need

1. Business Pitch Deck

This is a concise presentation which briefly describes your business to potential investors. The idea is to clearly communicate your value proposition, whom you serve, and which problems you address in as short a time as possible.¹⁰

9 <http://www.forbes.com/sites/chancebarnett/2014/05/30/the-entrepreneurs-guide-to-term-sheets-and-equity-crowdfunding/#170841326f5e>

10 <http://quickbooks.intuit.com/r/equity/every-document-you-need-to-pitch-and-onboard-equity-investors>

2. Financial Statements

Accurate financial statements covering the past few years, prepared by an accounting firm or other outside party, gives investors a snapshot of the health of your company, as well as prospects for the future.

3. Executive Summary

This is a high-level overview of what your business does and your strategy to grow your business. It doesn't have to be comprehensive, but it has to be *engaging* as it is often the first thing investors will read.¹¹

Getting Serious About Social Media: 2 Strategies

Social media opens up a two-way conversation between you and a wider audience. It's also a valuable way to find investors. Here are two strategies you can try.

1. The "Shotgun" Approach

This approach starts by following a lot of people and engaging them, which motivates many to follow you themselves. If you don't know where to start, you can always see who your competitors are interacting with and follow them and/or join their LinkedIn groups.

Focus on the channel where potential investors are most likely to be found. This depends on your industry. It could be Twitter, LinkedIn, or even Facebook or Pinterest.

Once you've identified whom to build relationships with, use a tool like Buffer or HootSuite to schedule 15 to 20 posts throughout the day. A mix of promotional, non-promotional, and curated content will drive the highest engagement.

11 <https://www.fundable.com/learn/resources/guides/crowdfunding-guide/equity-crowdfunding>

2. The “Sniper Rifle” Approach

This approach focuses on connecting with a few key influencers and getting them to share the news about your crowdfunding campaign for you.

First, identify a list of influencers with whom you’d like to connect. You can use tools like Followerwonk to determine the most influential people in your industry. These could range from journalists and reporters to other industry insiders.

Get on their radar by sharing their content, engaging in their discussions, and helping out however you can. It takes a longer time to build these relationships, but they will start to pay off when influencers share your content to thousands of followers.¹²

Getting Serious About PR: 2 PR Strategies

Here are a few ways to promote your crowdfunding campaigns on your own:

1. “Drafting”

Start by identifying which websites have written about your competitors or linked to them online. There are plenty of free tools, like Topsy (for Twitter) and OpenSiteExplorer (for backlinks) to help you pinpoint where others in your industry are getting press.

Next, approach these publications and websites yourself. You could write guest posts, offer yourself up as an interview subject, or see if they’d be willing to publish content you’ve already created. It might take a little creativity and effort to get the press. But all it takes is one mention from an influential website to accelerate your funding dramatically.

2. Tapping into Your Existing Networks

Your network of friends, family, and business connections is probably larger than you think. Tapping into it can help get the ball rolling on social media.

The “formula” is simple: write up a post about your crowdfunding campaign, and then call in your network favors to have them share it on social media. You will attract a percentage of their followers who hadn’t heard about you previously. Some of them might be interested in investing.

This isn’t a long-term strategy, but it can provide a nice boost at the beginning of your crowdfunding campaign and works really well when combined with the first strategy.

¹² <http://www.socialnomics.net/2015/07/01/a-guide-to-using-social-media-for-equity-crowdfunding/>

Chapter 4. The Importance of Branding: Key Business Benefits

Taking the time to develop your brand and story will deliver these key business benefits:

1. Makes Life Easier for Your Team Members and Contractors

With a clear brand and beliefs in mind, everyone “gets” the big picture of what you’re trying to achieve – all the way from the founders to the entry-level employees.

The result?

You end up spending a lot less time going back and forth with web developers, designers, and video contractors about how to best present yourself. There’s less money spent on revisions as well, as everything from major philosophical stances to small aesthetic choices are already clear.

2. The Companies Who Stand for Something Are the Ones Who Succeed

The vast majority of investors are looking for sustainable growth. Who will be around for the long term and deliver consistent returns? Those companies are worthy of their attention.

Savvy investors understand that companies who stand for something increase their likelihood of success. Because these companies often stand out from competitors and thrive for decades or even centuries, they make the most attractive investments.

3. Investors Invest in Relationships and Who You Are as a Company

Investors are concerned with not just what you sell, but *who* you are.

It isn’t enough to build a decent product and take it to market. Investors are investing in the soul of your business. That’s what it takes to win in the age of emotion.

People with similar priorities and worldviews make attractive investment partners. Equity crowdfunding investors are ultimately investing in these personal relationships.

What Next?

Equity crowdfunding is an exciting new way to connect with vetted investors and get the funding you need to thrive.

Now you have the power to proactively shape your presentation to win the most investment, but it takes a little planning beforehand.

Working with the [right partner](#) will help you get listed on the most profitable portal for your offer. You'll get all the documents you need to satisfy regulations, and you'll also get much more than that. You'll get a comprehensive branding strategy to win over investors in today's competitive emotion economy.

About the Author



Thomas Carter | Founder & CEO | Capital Services Group

Specializing in corporate finance, FinTech, marketing, multimedia and new product innovation, Carter visualized and structured diversified, ground-breaking approaches to monetize the industry via innovative products, partnerships, and endorsements. He has been married for 15 years, has five boys and resides in San Diego, CA.

Phone: 760.845.7545

Email: thomas@capservegroup.com

LinkedIn: <https://www.linkedin.com/in/capservgroup>

Contact



Equity Round | www.equityround.com

A marketplace for investors to be shareholders in top quality companies and special purpose funds that are ready to accept new equity capital, Equity Round is the online digital marketplace run by CapValue. Equity Round provides access to corporate deals in the \$1 Million to \$40 Million range and features a process driven approach that is SEC Reg D compliant for new crowdfunding standards.



CapValue | www.capvalue.com

Cap Value makes it faster and easier for companies and fund managers to organize, distribute, and manage a fundraising and investment program that is SEC compliant and uses the latest technologies that investors prefer for participation and transparency.

