

*Paul Hoyt's "Office Hours" Series*



# THE **Awakened** CEO System

## Office Hours

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# Welcome to Office Hours

- A relaxed, informal mentoring program
- Held every Monday at Noon Pacific Time
- All recordings, slides, and exercises are archived in our member's area
- All recordings are available on my YouTube channel:

[www.YouTube.com/user/PaulHoyt](http://www.YouTube.com/user/PaulHoyt)

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# The Reasons

- Being a successful small business owner can be a great experience!
- But it's tough - you need Education, Training, Tools, and Team to be successful
- I want you to get to know me

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# The Reasons

- First and most importantly, I want you to know that I care about you.
- I want you to succeed in every area of your life, whatever that means to you.
- I want you to find the **greatness**, the **happiness**, the **divinity** within yourself, and then remember it, embrace it, and live it every day.

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# My Passion

- To increase the survival rate...
- Accelerate the growth rate...
- And reduce the struggle rate of businesses in America

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# My Vision...

- To help millions of CEOs and Entrepreneurs accelerate their business growth and enjoy greater harmony and balance in their lives
- You can help by passing the word

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# Office Hours Agenda

- In depth discussion of a business success principle
- Closing remarks, special offers, and invitation for next weeks session
- Open Q&A and coaching

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# Join Us!

- Brilliant Business Groups on Facebook and LinkedIn
  - <https://www.facebook.com/groups/BrilliantBusiness/>
  - <http://bit.ly/BrilliantBusinessGroup>

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# Join Us!

- Business Success Principle of the Day postings on both Facebook and LinkedIn
- Energy of the Day posting on Facebook

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## During the Call...

- Make comments, ask questions, share insights and “takeaways”
- Goal: 20 comments and likes in Facebook group

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## THE **Awakened** CEO Conversation

- An Interactive Webinar, with guests!
- Wednesday, May 13<sup>th</sup>, 6 PM PT
- Watch your emails for signup information

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# Today's Topic:

## Crowdfunding! Tapping the Masses

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# The Key Performance Areas



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# The Key Performance Areas



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## Agenda

- Donation based Crowdfunding
- Rewards or Perk based Crowdfunding
- Equity Crowdfunding
- Reg A and A+ Public Offerings
- Traditional IPOs
- Intra-State Direct Public Offerings

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# Not going to cover...

- Other options for raising capital:
  - Founders capital
  - Traditional bank financing
  - Private lending
  - Private placements (504, 505, 506)
  - Other private transactions

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# What is Crowdfunding?

- “The practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet”
- A public offering

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# “Normal” Crowdfunding

- Donation based Crowdfunding
- Rewards or Perk based Crowdfunding
- Begin in 1997 when a British rock band funded a reunion tour through online donations
- Emerged at a massive scale in 2009

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# Some Huge Successes!

- Pebble E-Paper Watch raised \$10.25 million in 37 days, and another \$20 million in a second campaign
- Coolest Cooler raised \$13 million in Aug. 2014
- Ouya open-source game console raised \$8.5 million in 29 days
- Formlabs affordable 3-D printer raised \$3 million

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# Donation Based Crowdfunding

- No perks or rewards given
- Used mostly for social causes
- Replaces / augments support through charities and religious / spiritual communities
- Very simple to create

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## Rewards or Perk Based Crowdfunding

- Social causes
- Pre-orders
- Market proof of concept
- Typically many levels of contribution with correspondingly greater rewards
- Cannot offer equity, financial reward, or loans

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# Popular Platforms

- GoFundMe
- Kickstarter
- Indiegogo

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# GoFundMe

- \$470 million in 2014
- Fee: 5% + credit card processing
- Very quick and simple
- Pays immediately

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# Kickstarter

- \$444 million in 2014
- 44% success rate
- Fee: 5% + credit card processing
- Threshold based – no payout if goal not reached
- Campaigns are typically complex
- No charities or equity

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# Indiegogo

- Doesn't share data publicly
- Over 150,000 campaigns since 2008
- 33% success rate
- Combination threshold and immediate
- 9% fee if immediate and goal not reached
- 5% fee if goal reached
- Charities OK

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## Example: LucidBrake Kickstarter

- Motion sensing, press-on bicycle brake light
- \$10,000 goal
- < \$25, thanks!
- \$25 - \$45 – Water bottle
- \$45 - \$90 a LucidBrake
- \$150, \$300, \$500, multiple LucidBrakes and water bottles

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# Tips

- Early backer bonuses are important
- You can change videos and text once started, but not the perks
- Communication with backers during the campaign is essential

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# Public Offerings

- Equity Crowdfunding
- Regulation A and A+
- Traditional IPO
- Intra-state Direct Public Offerings (DPOs)

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# Equity Crowdfunding

- Jumpstart Our Business Startups Act (JOBS Act) 4/5/12
- Title II – Access to Capital for Job Creators
- Active 9/23/13
- Public solicitation, Reg D, 506(c)
- Accredited only (verified!), with limits
- Must file notices in some states

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# Equity CF Platforms

- Crowdfunder
- RealCrowd (for Real Estate)
- EquityNet (great FAQs!)
- SeedInvest
- Cannot take a percentage of the funds raised
- Vet the investors for the raisers

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# Online Angel Groups

- Been around a long time
- Typically serve as bulletin boards or directory providers
- Examples:
  - Pitchstreet
  - FundingPost
  - AngelsDen (U.K.)

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## Coming soon...

- JOBS Act Title III – Small Company Capital Formation
- Crowdfunding for Non-Accredited Investors
- Still pending approval
- Limited:
  - income below \$100,000: maximum is \$2k or 5% of income or net worth
  - above \$100,000, 10%

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# Regulation A

- “Mini registration”
- Tier 1 limit is \$20 million in 12 months
- \$1.5 million may be resold by existing shareholders
- Some states have restrictions and filing fees
- Provides for coordinated state reviews
- Allows you to “test the waters”

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# Regulation A+

- Title IV of the JOBS Act – Small Company Capital Formation
- Passed 3/19/15; actionable 6/19/15
- Up to \$50 million
- Additional filing and reporting requirements
- No state restrictions
- Self-certification, Unaccredited OK

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# Traditional IPO

- Investment bankers are intermediaries
- Generally, for companies with a market cap in excess of \$50 million
- Very expensive to complete and maintain
- Became a lot more expensive – and rare – after the Enron debacle and Sarbanes Oxley

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# Traditional IPOs

- 675 IPOs in 1996
- 80 in 2001
- 2004: 174
- 2005: 161
- 2006: 157
- 2007: 159
- **2008: 20**

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# Traditional IPO

- Underwriter fees are from 5-7% of total raise
- In addition, the average cost is \$3.7 million
- Other incremental costs (internal procedures, restructuring, etc.) – about \$1 million
- \$1.5 million per year recurring costs

(source: PWC)

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# Direct Public Offerings

- Intra-state only
- No underwriting, investment bankers, or broker dealers
- Requires registration
- May have limits on offering or investors
- Also called Small Corporate Offering Registration (SCOR)
- 13 states so far, 14 more in process

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# The Bottom Line

- Lots of crowdfunding / public options
- Can be excellent early funding alternative
- Can be used to validate your business model
- Time and money varies a lot!

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# The Bottom Line

- Be cautious about any equity based crowdfunding or public offering. Make sure it fits into your long-term capital plans.
- For **ANY** equity offering, make sure you work with a securities attorney

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# Homework

- Study your options
- Talk to other CEOs and Entrepreneurs who have experience
- Get legal counsel, coaching, and support to help choose and implement your chosen path

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# Open Q & A and Coaching – in a minute

- Comments and questions on the topic of the day, then any other issues
- Tell me what your biggest “take-aways” are and what insights you gained from this presentation
- Tell me what you are going to focus on

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# Our Support Services

Service	Teach You	Do It With You	Do it For You
Education	X		
Training	X		
Coaching	X		
Advising / Mentoring	X	X	
Consulting		X	X
Growth Management		X	X

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# Next Office Hours: May 11th

- Topic is: The Startup Owners Manual
- Let me know what topics you would like for me to address: [www.PaulsSurvey.com](http://www.PaulsSurvey.com)
- Do your homework!

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# Open Q & A and Coaching

- Comments & questions on the topic of the day, then any other issues
- Contact Me at [paul@paulhoyt.com](mailto:paul@paulhoyt.com)  
call or text: 415.997.8001
- [www.SchedulePaul.com](http://www.SchedulePaul.com)

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