

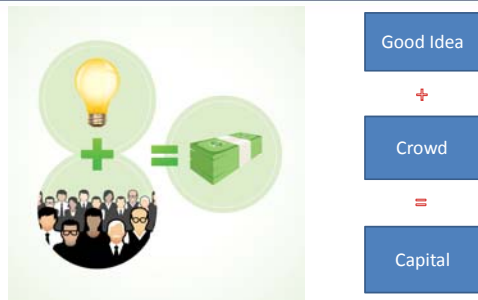
Crowdfunding: Where Are We Now?



Drea Schmidt and Claire Brown



What Is Crowdfunding?



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Crowdfunding: Evolving Meaning



Equity	Non-Equity
"Accredited" crowdfunding	Donation-based crowdfunding
"Main Street" crowdfunding	Rewards-based crowdfunding
State crowdfunding	Product pre-sales through crowdfunding



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Non-Equity Crowdfunding

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consano
Hope. Honor. Heal.

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NEW Why does cancer kill you? Richard White, M.D., Ph.D. Memorial Sloan-Kettering Cancer Center
\$2,600 raised of \$25,000 goal **DONATE**

NEW Is less more for women living with metastatic cancer? Don S. Dixon, M.D., FACP Massachusetts General Hospital
\$2,500 raised of \$80,000 goal **DONATE**

Alasia Telangelectasis: Is SIRT3 the culprit? Shyamal Desai LSU Health Sciences Center
\$920 raised of \$25,000 goal **DONATE**

Role of Vitamin D Supplementation in Colorectal Cancer Kinome Ng, M.D., M.P.H., Dana-Farber Cancer Institute
\$17,510 raised of \$25,000 goal **DONATE**

Determining Genetic Risk of Ovarian Cancer
Short of Breath: Increasingly Available

how it works about consano FAQ
stories browse projects blog
Categories: Cancer, Chronic Lung Disease, Diabetes, Global Health, Rare Disease, Women's Health, Fully Funded Projects, Past Projects

INDIEGOGO

Bring Outdoor Project to the Entire US West
In search of a better way to explore outdoors, we created the first visual guide that's for adventurers, by adventurers. Now we need your help to keep growing.

outdoor project
outdoor project

Funded! This project was successfully funded on December 3, 2013.

Ending Soon!

LEXELL
Stone & Steel Watches

1,374 backers
\$221,826 pledged of \$10,000 goal

0 seconds to go

Project by **LEXELL**
Lexell Watches
Seattle, WA

First created 43 backed
Nick Ramil 1161 funds
lexellwatches.com

See full bio Contact me

Securities Law in a Nutshell

➤ Do you want to offer or sell a security?

- Register
- Find an exemption
- Break the law


➤ Today, we are talking about sales of securities that are *exempt from registration*


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Main Street Crowdfunding	State Crowdfunding	Accredited Crowdfunding <small>(Rule 506 Private Placement with General Solicitation)</small>
\$1 Million / Year		No Limit!
Highly Regulated		Less Regulated
Expensive (For Amount Raised)		(Relatively) Inexpensive

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Accredited Crowdfunding
(aka "General Solicitation")



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Accredited Crowdfunding
(Rule 506 Private Placement with General Solicitation)




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"Traditional" Private Placements

- Sell to an unlimited number of accredited investors and up to 35 non-accredited investors
- Raise an unlimited amount
- Don't commit fraud
- If selling to non-accredited investors, provide certain disclosures
- **No general solicitation or advertising**

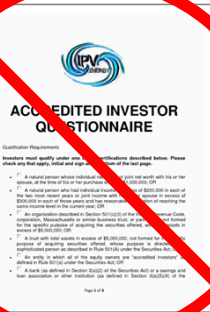


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Accredited Crowdfunding



- Raise an unlimited amount of capital
- **Sell only to accredited investors**
- Must take “reasonable steps to verify” accredited investor status
- Don’t commit fraud
- No “bad actors”
- Disclose all material information to investors (PPM)
- Advertising is permitted!



What Accredited Crowdfunding Means for Entrepreneurs

- The good:
 - No golden rolodex? No problem!
 - Widespread advertising permitted
- The not-so-good:
 - Management time drain
 - Be careful: If you advertise and then you blow the exemption, you’re going to have serious problems
- *More changes are coming:* The SEC has proposed additional disclosure requirements



“Main Street” Crowdfunding



Main Street Crowdfunding Overview (Proposed Rules)

- Registered crowdfunding platform
- \$1,000,000 maximum raised per year
- Floor to offerings
- Annual reports
- Exclude “bad actors”
- Participate in forums




Main Street Crowdfunding: Disclosures

- Offering documents are detailed and extensive
- Must include financial statements
- Ongoing annual reporting requirements



100,000 shares



Common Stock of
TOMBSTONE, INC.
\$10/share

Available until January 1,
2015 at:

PDXemption
Crowdfunding Platform


www.PDXemption.com

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What Main Street Crowdfunding May Mean for Entrepreneurs

- Potential non-financial benefits
 - Marketing
 - Goodwill
 - Perceived first-mover advantage
- Some intangible advantages will be difficult to quantify, but are definitely there
- The costs are substantial – do the benefits justify the expenses?
- Potential impact on later funding rounds




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State Crowdfunding

- Alabama
- Colorado
- Georgia
- Idaho
- Indiana
- Kansas
- Maine
- Maryland
- Michigan
- Minnesota
- Tennessee
- Washington (effective 2015)
- Wisconsin
- Oregon?



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State Crowdfunding

- Washington State most recent to enact state crowdfunding exemption
 - State-level "Main Street" crowdfunding
 - Must comply with Federal intrastate offering exemption
 - Similar to, but less restrictive than, SEC rules
 - Smart politics; chance it will also help some businesses raise capital





Questions?
