FUNDABLE

THE ENTREPRENEUR'S GUIDE TO CROWDFUNDING

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INTRODUCTION

Crowdfunding has helped more than a million startups raise over $3.2 Billion, and is revolutionizing the way small businesses find the capital they need to grow. By putting the tools for fundraising success in the hands of entrepreneurs like never before, crowdfunding is on track to surpass $5.1 billion in 2013 and continue to transform the landscape of business finance. And though modern crowdfunding is still in its early stages, a number of factors and successes are positioning it to become a more and more attractive funding approach for small businesses.

Why Did We Write This Guide?

The world of crowdfunding is fast-moving and ever-evolving. As an entrepreneur, it can be overwhelming to consider planning and managing a fundraising round on top of the myriad other responsibilities and worries that come with growing a business. We wrote this guide as an easy introduction into crowdfunding—a way to orient entrepreneurs with the sometimes daunting exercise of launching an online campaign and talking to investors. At times, it's a general overview of the elements of crowdfunding. At other times, it's a practical step-by-step guide to building your own campaign. If you think crowdfunding might be the right route for your business, this is a great place to start.

Who is This Guide For?

This guide was written for anyone who's new to crowdfunding or trying to decide whether it's the right funding approach for their business. Whether you're an established small business looking for growth capital, a brand-new startup needing to purchase equipment, or just someone who's finally ready to make your million-dollar idea a reality, crowdfunding could be the perfect way to tell your story and connect with your supporters.

We at Fundable are here to help you decide if crowdfunding is right for your business, and to get you started on the path to successful fundraising.

What Does This Guide Cover?

Chapter 1: What is Crowdfunding?

Chapter 2: Crowdfunding History

Chapter 3: The Future of Crowdfunding

Chapter 4: The Benefits of Crowdfunding

Chapter 5: Rewards-Based Crowdfunding

Chapter 6: Equity Crowdfunding

Chapter 7: Is Crowdfunding Right for You?

Chapter 8: Lessons from Successful Crowdfunding Campaigns

Chapter 9: Crowdfunding Tools & Resources

Chapter 10: Recap & Next Steps

Have any questions about anything in this guide?

Let us know at askus@fundable.com.

WHAT IS CROWDFUNDING?

Crowdfunding is a method of raising capital through the collective effort of friends, family, customers, and individual investors. This approach taps into the collective efforts of a large pool of individuals—primarily online via social media and crowdfunding platforms—and leverages their networks for greater reach and exposure.

How is Crowdfunding Different?

Crowdfunding is essentially the opposite of the mainstream approach to business finance. Traditionally, if you want to raise capital to start a business or launch a new product, you would need to pack up your business plan, market research, and prototypes, and then shop your idea around to a limited pool or wealthy individuals or institutions. These funding sources included banks, angel investors, and venture capital firms, really limiting your options to a few key players. You can think of this fundraising approach as a funnel, with you and your pitch at the wide end and your audience of investors at the closed end. Fail to point that funnel at the right investor or firm at the right time, and that's your time and money lost.

Crowdfunding platforms, on the other hand, turns that funnel on-end. By giving you, the entrepreneur, a single platform to build, showcase, and share your pitch resources, this approach dramatically streamlines the traditional model. Traditionally, you'd spend months sifting through your personal network, vetting potential investors, and spending your own time and money to get in front of them. With crowdfunding, it's much easier for you to get your opportunity in front of more interested parties and give them more ways to help grow your business, from investing thousands in exchange for equity to contributing $20 in exchange for a first-run product or other reward.

The Benefits of Crowdfunding

From tapping into a wider investor pool to enjoying more flexible fundraising options, there are a number of benefits to crowdfunding over traditional methods. Here are just a few of the many possible advantages, which we'll cover in greater detail later in this guide:

- **Reach** – By using a crowdfunding platform like Fundable, you have access to thousands of accredited investors who can see, interact with, and share your fundraising campaign.
- **Presentation** – By creating a crowdfunding campaign, you go through the invaluable process of looking at your business from the top level—its history, traction, offerings, addressable market, value proposition, and more—and boiling it down into a polished, easily digestible package.
- **PR & Marketing** – From launch to close, you can share and promote your campaign through social media, email newsletters, and other online marketing tactics. As you and other media outlets cover the progress of your fundraise, you can double down by steering traffic to your website and other company resources.
- **Validation of Concept** – Presenting your concept or business to the masses affords an excellent opportunity to validate and refine your offering. As potential investors begin to express interest and ask questions, you'll quickly see if there's something missing that would make them more likely to buy in.
- **Efficiency** – One of the best things about online crowdfunding is its ability to centralize and streamline your fundraising efforts. By building a single, comprehensive profile to which you can funnel all your prospects and potential investors, you eliminate the need to pursue each of them individually. So instead of duplicating efforts by printing documents, compiling binders, and manually updating each one when there's an update, you can present everything online in a much more accessible format, leaving you with more time to run your business instead of fundraising.

Types of Crowdfunding

Just like there are many different kinds of capital round raises for businesses in all stages of growth, there are a variety of crowdfunding types. Which crowdfunding method you select depends on the type of product or service you offer and your goals for growth. The 3 primary crowdfunding types are donation-based, rewards-based, and equity (this guide will focus mostly on rewards-based and equity).

Donation-Based Crowdfunding

Broadly speaking, you can think of any crowdfunding campaign in which there is no financial return to the investors or contributors as donation-based crowdfunding. Common donation-based crowdfunding initiatives include fundraising for disaster relief, charities, nonprofits, and medical bills.

Rewards-Based Crowdfunding

Rewards-based crowdfunding involves individuals contributing to your business in exchange for a "reward," typically a form of the product or service your company offers. Even though this method offers backers a reward, it's still generally considered a subset of donation-based crowdfundingsince there is no financial or equity return. This approach is a popular option here on Fundable, as well other popular crowdfunding platforms like Kickstarter and Indiegogo, because it lets business-owners incentivize their contributor without incurring much extra expense or selling ownership stake. Read more about preparing and launching a successful rewards-based campaign here.

Equity-Based Crowdfunding

Unlike the donation-based and rewards-based methods, equity-based crowdfunding allows contributors to become part-owners of your company by trading capital for equity shares. As equity owners, your contributors receive a financial return on their investment and ultimately receive a share of the profits in the form of a dividend or distribution. Read more about preparing and launching a successful equity-based campaign here.

Since we'll be dealing mostly with rewards-based and equity based crowdfunding in this guide, here's a quick visual guide to help keep them straight:

Rewards vs. Equity

Rewards	Equity
Rewards-based raises allow startups to provide an item of value in exchange for a capital commitment. For example, if a Backer commits $50, the startup may offer a copy of the product once it's produced.	Companies may offer shares of company stock directly to accredited investors in exchange for funding commitments. This may include options for Convertible Debt and Debt funding as well.
Offer pre-orders, custom incentives	Offer equity stake in company
Typically raising less than $50k	Typically raising $50k to $10m
Anyone can back you	Available to accredited investors only
No equity dilution	Must issue stock in company

Chapter Glossary

Crowdfunding – A method of raising capital through the collective effort of friends, family, customers, and individual investors.

Accredited investor – An individual whose net worth is greater than $1MM, or whose income exceeds $200k for the past 2 years. Currently the U.S. Securities & Exchange Commission (SEC) mandates that only accredited investors are legally able to invest in private companies.

Donation-based crowdfunding – Any crowdfunding campaign in which there is no financial return to the investors or contributors.

Rewards-based crowdfunding – Any crowdfunding campaign that involves individuals contributing to your business in exchange for a "reward," typically a form of the product or service your company offers.

Equity-based crowdfunding – Any crowdfunding campaign that allows contributors to become part-owners of your company by trading capital for equity shares.

What's Next:

In the next chapter, we'll take a look at the roots of crowdfunding, dating as far back as the 1700s, and some of the ways the new technology and legislation is transforming the industry.

Crowdfunding History

Despite becoming a popular funding method relatively recently, the underlying principles of crowdfunding have a long and rich history, dating back centuries. It's the technology and social sharing mindset driving it that make it feel like something new and novel, and that have shaped it into what we think of today as modern crowdfunding.

In this chapter, we'll take a look at the history of crowdfunding and some of the ways that it's gained impressive momentum in the past decade to become a viable funding approach for small businesses. For a quick visual summary of the high points of the industry's lifespan, check out our History of Crowdfunding Infographic.

The Days of Old

The principles of microlending reach as far back to early-1700s Ireland, where Jonathan Swift, dubbed "the father of microcredit," founded the Irish Loan Fund. The fund provided small loans to low-income, rural families with no collateral or credit history. By the 1800s, more than 300 programs across Ireland were participants, lending small sums to individuals for short periods of time.

Jumping forward to 1976, we see Dr. Muhammad Yunus who is credited for pioneering modern microfinancing. He launched a research project in Bangladesh with the goal of providing banking opportunities to underprivileged individuals with the goal of encouraging self-employment. Within 5 years, the program had more than 30,000 members and had transformed into the Grameen Bank, which services more than 8 million borrowers today.

Cause & Charity Fundraising

Through the mid-90s and early-00s, people were starting to become more connected online with the emergence of popular messaging tools and social sharing platforms, which gave rise to some early examples of cause-based or charity-based crowdfunding.

That includes creative causes, too, with British rock group Marillion promoting their "Tour Fund," raising $60,000 to fund their U.S. reunion tour through online donations from fans. Following the example of Marillion and a number of other crowdfunded bands, ArtistShare sprang onto the scene in 2000 to become the first ever dedicated fan-funding platform for artists.

Even at this early stage, the potential of crowdfunding was clear, as was made evident by the boom of other charity, cause, and creative-based platforms into the mid-00s. Though the social web tools that made these successes possible were still in their infancy, people on both sides of the crowdfunding equation were beginning to see the power behind the masses.

Microlending & P2P Lending

Into the mid-00s, the cause-based crowdfunding of the late-90s and early-00s gave way to a surge of what came to be known as microlending, microfinance, or peer-to-peer (P2P) lending. Platforms that allowed individuals to lend money outside the bounds of a traditional bank began to emerge—one of the most successful of which was Kiva. Launched in 2005, Kiva gave lenders the opportunity to provide small loans to underprivileged individuals in developing countries with the goal of combating poverty. Since 2005, Kiva has raised an impressive $425 Million in crowdfunded loans with a 99% repayment rate.

In the years after, more microlending platforms with similar models emerged—platforms like Prosper and LendingClub—that capitalized on some of the same altruistic and cause-based drivers of early crowdfunding, but gained additional staying power from an increasingly social web. Becoming more and more common were social features like pictures, videos, stories, and progress updates—all of which helped give backers a better and better sense of the impact of their contribution. In 2006, in-step with this growing social momentum, fundavlog founder Michael Sullivan coined the term "crowdfunding."

Social Momentum & Major Funding

In 2008 and 2009, IndieGoGo and Kickstarter—which have since grown into 2 of the most popular crowdfunding platforms—sprung onto the scene with the goal of supporting creative entrepreneurs and projects. These platforms helped popularize the rewards-based method of crowdfunding, combining the original principle with an ever-growing social sharing mindset and technical infrastructure.

Crowdfunding Goes to Washington

In April 2012, the Jumpstart Our Business Startups (JOBS) Act passed Congress with bipartisan support and was signed into law by President Obama. The measure has eased key regulatory burdens on entrepreneurs seeking to raise startup capital, with the goal of encouraging small business and startup funding throughout the nation. At the bill's signing, President Obama remarked, "for the first time, ordinary Americans will be able to go online and invest in the entrepreneurs that they believe in."

Key provisions of the JOBS Act have already been implemented, including:

- ✓ Removal of the ban on general solicitation – Allowing companies to promote and advertise the merits of their stock offering to the general public, rather than being restricted to sharing that information only with accredited investors. This gives entrepreneurs tremendous new flexibility in getting the word out about their fundraise, and goes hand-in-hand with the potential reach and sharing power of the social web.

Equity Crowdfunding and the Start of Fundable

As the JOBS Act has been gradually rolled out since it passed in April 2012, the crowdfunding landscape has shifted from solely donation and rewards-based fundraising to the emergence of online equity crowdfunding. On May 22, 2012, Fundable was founded, offering the nation's first combined rewards and equity-based crowdfunding platform. Since that time, we've helped dozens of companies raise millions of dollars to start and grow their businesses.

With an average campaign length of only 63 days, we've given companies a way to raise an average of $125k per campaign, compared to the industry average of $7k.
Several important provisions of the JOBS Act are still slated to be implemented by theU.S. Securities & Exchange Commission (SEC), including:

- Removing the accredited investor requirement – Allowing the general public—those who aren't considered accredited investors—to invest in private companies. This is when the industry will grow exponentially, increasing the number of available

investors from 3.4MM Americans to over 233.7MM, with a combined net worth of over $50T.

What's Next:

In the next chapter, we'll look at the future of the crowdfunding industry, discussing some of the legislation surrounding crowdfunding and how the JOBS Act is poised to revolutionize the industry.

Benefits of Crowdfunding

As we saw in Chapter 1, both rewards-based and equity-based crowdfunding can offer a wide range of advantages over traditional business financing. With benefits ranging from a wider pool of potential investors to more nimble fundraising options, crowdfunding is going to continue to evolve into more popular, more powerful funding method for startups, especially as new legislation fosters the industry's growth.

Though funding is most always the main goal of a crowdfunding campaign, it can also be a fantastic way to gain visibility, validate your business, grow your customer base, and more.

Some of the most powerful benefits of a great crowdfunding campaign are:

It's more efficient than traditional fundraising.

When you're an early-stage company focused on building your business and attracting seed capital, you might not be able to afford all the time and attention that pursuing traditional financing demands. Compared to applying for a loan or seeking out accredited investors yourself, setting up a successful crowdfunding campaign on Fundable or another platform is far more efficient and effective in getting your message out to the right people. With the right platform, you can tell your business's story, produce a quick video, set up some enticing rewards, and benefit from having everything in one centralized location where potential backers can find you.

It's a place to build traction, social, proof, and validation.

A strong, highly visible crowdfunding campaign can provide validation and social proof that's vital in charting your path forward. When potential customers show interest in your

startup's product or service, you've generated social proof—demonstrating that other people believe in what you're doing. Once early adopters vet and buy into your idea, others are more likely to follow suit. Social proof is translated into traction—whether it's a large number of backers, pre-orders, or media attention—that's invaluable as you pitch to other investors.

It's an opportunity for crowdsourced brainstorming to refine your idea.

Hear your would-be backers poking holes in your business plan or asking some tough questions? Take it in stride and accept it as free, crowdsourced brainstorming. The basis of a startup is finding some important, unmet need that your customers have, and deciding to be the one to do something about it. Thus, it's important to seize any opportunity for customer feedback and consider it in planning your startup. One of the greatest things about crowdfunding is how close it gets you to your customers, giving you a chance to engage them and field questions, complaints, feedback, and ideas. You never know—your company's next great idea could come from somebody who isn't even on your payroll.
It gains you early adopters and loyal advocates.

The people that power your idea's social proof are your early adopters and potential brand advocates. They're the people who believe in your story, product, or service, enough to stake their money on its longevity and long-term success. These early adopters are key to the success of your crowdfunding campaign and the momentum you keep after closing, being the ones most likely to share your vision with friends and family and promote it through their social networks.

It doubles as marketing and media exposure.

Press coverage will create more eyes on your campaign and create lasting brand awareness for your startup. This can come in the form of a feature story on a popular news station, blog, or print publication, and is a great way to bring in backers outside of your personal network. A good feature story or Twitter mention can create a powerful snowball effect, putting you in touch with major investors you might not have otherwise reached. Whether they read about your new product on a popular blog or hear about your innovative campaign from a friend, a successful crowdfund is a great way to capture new investor interest.

Crowdsourcing has grown into an excellent way for entrepreneurs and early-stage companies to validate their business, find capital and early adopters, and get the exposure they need to grow. To recap, some of the most powerful ways a crowdfunding campaign can help build more startup momentum than other financing methods are:

- It's more efficient than traditional fundraising.
- It generates traction, social proof, and validation.
- It's an opportunity for crowdsourced brainstorming to refine your idea.

- It gains you early adopters and loyal advocates.
- It doubles as marketing and media exposure.

Chapter Glossary

Social proof – The phenomenon where people follow the examples of others in an attempt to reflect the best course of action in a situation. In a crowdfunding campaign, your early backers generate your social proof—once early adopters vet and buy into your idea, others are more likely to follow suit.

What's Next:

In the next chapter, we'll take a look some of the finer points of a successful rewards-based crowdfunding campaign and identify some things you'll need to compile before you launch.

The Future of Crowdfunding

The JOBS Act

The Jumpstart Our Business Startups Act (JOBS Act), signed into law by President Obama on April 5, 2012, is a bill aimed at encouraging startup and small business funding by easing key regulatory burdens surrounding fundraising. The bill has 2 major components with huge implications for startup fundraising:

- *Title II: The Removal of the Ban on General Solicitation (implemented September 23, 2013).*
- *Title III: The Removal of the Ban on Non-Accredited Investors (still pending).*

In this chapter, we'll take an in-depth look at Titles II and III and look forward at how this legislation is revolutionizing the crowdfunding industry.

Title II: Shouting it from the Rooftops with General Solicitation

Before September 23, 2013, general solicitation—publicly advertising investment from the general public—was prohibited for early-stage, private companies. This ban was placed in 1933 with the Securities Act to help prevent fraud and protect would-be investors from misinformation.

However, for the past 80 years, this restriction has made it especially difficult for early-stage entrepreneurs to attract outside investment, limiting their access to seed and growth capital. As a result, public fundraising has been reserved for large, established companies who can afford to IPO and become listed on public stock exchanges.
With the passing of Title II and the lifting of the general solicitation ban, private startups and early-stage businesses can now harness the power of social technology to take their fundraising online to platforms like Fundable, leveraging tools like Facebook and Twitter to get the word out and attract new investment.

Tools that have now become available for companies to use in publicizing their fundraise include:

- *A public profile on a crowdfunding platform like Fundable, offering the details of the investment*
- *Email marketing or a mass newsletter*
- *Public events, including conferences and speaking engagements*
- *Social media campaigning*

For small companies and entrepreneurs, especially the many who don't have an existing network of wealthy and willing friends, family, and potential investors, the implications of Title II are huge. Companies can now reach a targeted audience of potential investors in just days instead of months, launching a campaign on a crowdfunding platform like Fundable that's already frequented by thousands of potential investors, and then tapping into the power of the social web as a marketing tool.

For information about the Title II rules for potential investors and companies seeking investment, check out this Fundable infographic, see the SEC's Title II Fact Sheet, or read the Full Title II Rules.

Title III: Average Joe to Investor

At the moment, only accredited investors—those individuals with a net worth exceeding $1MM or an income exceeding $200K for the past 2 years—are legally permitted to invest in a private company. One of the most anticipated provisions of the JOBS Act is Title III,

which will remove this restriction and allow non-accredited investors to invest small amounts in private companies online.

As Title III is implemented, the SEC is placing a number of key limits on non-accredited investment both to ease the rapid growth that this measure will spark, as well as to protect newer investors.

Here are the basics:

- *If your income is under $100K, you can invest a maximum of $2,000 or %5 of your net worth each year.*
- *If your income is over $100K, you can invest a max of 10% of your income or net worth, up to $100K each year.*
- *Securities purchased through Title III crowdfunding can't be resold for at least 1 year.*

Refer to this handy chart for a quick summary of what you can invest under Title III:

	Annual income is under $100K	**Annual income is over $100K**
Net worth is under $100K	· $2,000 · 5% of net worth · 5% of income *(whichever is greatest)*	· 10% of net worth · 10% of income · Capped at $100K *(whichever is greatest)*
Net worth is over $100K	· 10% of net worth · 10% of income · Capped at $100K *(whichever is greatest)*	· 10% of net worth · 10% of income · Capped at $100K *(whichever is greatest)*

There are also several new restrictions and requirements placed on companies raising funds under Title III. Companies must:

- *Raise no more than $1MM/year under Title III.*
- *Disclose financial statements, use of proceeds, information about directors and officers with more than 20% ownership, and terms of the fundraise, including price, target amount, and deadline.*
- *File an annual report with the SEC and make it available to its investors.*

For more information about the Title III rules for potential investors and companies seeking investment, see the SEC's Title III Fact Sheet, or read the Full Title III Rules.

Big Changes for the Crowdfunding Industry

The implementation of Title III will skyrocket the number of available investors in the U.S. from 3.4MM to over 233.7MM, with an estimated combined net worth of over $50 Trillion.

One of the biggest implications of Title III is the leveling effect it will have on the fundraising landscape. Individuals will have more opportunity to invest or solicit early-stage funds, regardless of their personal wealth of network of potential investors.

We'll start to see a shifting of capital from the venture capital market, which is estimated at $30B, to the critical mass of non-accredited investors. For the first time in 80 years, millions of Americans will be allowed to invest in early-stage companies, bringing to bear a collective buying power that could balloon the investment market to as much as $300B. For more about where startup funding comes from today, check out this Fundable infographic, created in collaboration with Empact and Entrepreneur.com. Also, be sure to check the Fundable Blog for any updates on the ongoing implementation of the JOBS Act.

Chapter Glossary

JOBS Act – A bill signed into law by President Obama on April 5, 2012, aimed at encouraging startup and small business funding by easing key regulatory burdens surrounding fundraising.

General Solicitation – Publicly advertising investment from the general public through traditional and emerging channels, including email marketing, public speaking events, social media campaigning, or creating a public profile on a crowdfunding site like Fundable. The 80-year ban on general solicitation was lifted on September 23, 2013 under Title II of the JOBS Act.

Accredited Investor – Individuals with a net worth exceeding $1MM or an income exceeding $200K for the past 2 years. Currently, only accredited investors, a group comprised of some 3.4MM Americans, are legally allowed to invest in private companies in the U.S. This restriction will be lifted under Title III of the JOBS Act, opening up private investment to non-accredited investors.

What's Next:

In the next chapter, we'll look at some of the things that make crowdfunding unique as a fundraising method and some of the advantages it holds over traditional business financing.

Rewards Based Crowdfunding

Rewards-based crowdfunding has been an attractive fundraising option for thousands of small businesses and creative projects. And it's easy to see why—it's more efficient to prepare, launch, and manage compared to traditional business finance, it can capture the hearts of your customers and snowball in popularity with social sharing, and, best of all, just about anyone can pledge a little cash and back your business.

And though the centralization and sharability that come with a well-crafted crowdfunding campaign can make your job of managing the raise considerably easier and more efficient, it's by no means a fundraising magic bullet or a hands-off "set and forget" approach. Those founders who successfully attract backers and raise crowdfunding capital do so because they do 2 things very well:

1. *They have a market-validated product or service that fills an unmet need better than any competitors, and*
2. *They are able to share that product or service with enough people, anticipating their specific questions and making compelling asks.*

What you need before launching your rewards campaign:

As you raise crowdfunding capital, it's your job to answer your audience's questions and build their confidence, persuading them to support and share your campaign. It's up to you to identify some of the specific needs and questions that your customers will have, but

there are several universal components to any successful campaign. The good news is that nobody knows your business better than you do, so these are pieces you can start gathering today as you plan your upcoming campaign.

Compelling Pitch – You already know your business inside and out, so now you just have to wrap it in a meaningful package for your potential backers. Your pitch should be a lean, well-rehearsed narrative about where you came from, what you do, and what you need in order to change the world with your product or service. While the goal is to tell a story that resonates with your specific audience, every successful pitch does 3 things:

- **State the problem** – The first and most important part of a great pitch is to identify a painful problem .The more severe the problem or need that you address is, the more valuable your business's solution will be.

- **Introduce the solution** – Once your audience understands the problem on an intellectual and emotional level, you can present your product or service as its best solution. Remember, be clear and concise—focus on your solution's big picture, not every last feature.

- **Define the market size** – Once your audience understands the problem and how you're uniquely equipped to solve it, you need to put the opportunity in perspective. The bigger the market, the greater the potential value of your company is, and the more enticing the opportunity becomes for backers and investors.

Elevator Pitch – Adapt your pitch into a ready and rehearsed elevator pitch, a condensed version that can be delivered in the span of 30 seconds to a minute. In the same way that you never know who you'll run into and have a chance to pitch to in the real world, you can't predict how distracted a potential backer might be when they happen upon your page, and you definitely shouldn't assume you have their full attention. For these situations, it's best to have a short, 3-4-sentence elevator pitch at the top of your page and keep it focused on the problem, solution, and market size.

Email Pitch – Email marketing is just one of the approaches you should be thinking about for promoting your campaign. Similar to your elevator pitch, craft a brief version of your pitch that the recipient can skim in under 2 minutes, being sure to use these best practices for writing compelling emails.

Company Video – Campaigns that include an overview video have been shown to perform better, and the reason why is understandable: the average user would rather watch a short, well produced video than take the time to read the same content. Invest the time (and production cost) to produce a professional video that features your company's founder or core team, explains the unmet need that sparked your idea, details your product and how it's different than anything else out there, shows where your business is at right now, and hints at its long-term potential. This is the sort of content you can build into your campaign that's not only more likely to get seen, but also get shared online.

Product Overview – Write a detailed description of your product or service, how it works, and why people would want to see it brought to market. Since you're likely to be offering a per-order of this product as a crowdfunding reward, you should be "selling" the product as much as you're explaining it.

Rewards – At the heart of any rewards-based raise are, of course, the rewards. Although a small number of backers will support your business solely out of personal affinity or the desire to see you succeed, the vast majority will decide to pledge based on what they get out it. What you offer your backers is entirely up to you (though campaigns on Fundable must have at least 3 rewards tiers), so it's worth thinking long and hard about what would incentivize your customers. Rewards generally fall into 3 main categories:

- **Pre-orders** – By far the most popular type of reward, this approach simply involves selling pre-orders of the product you're raising money to produce. This is a great mid-level reward and is a exciting way for backers to experience the impact of their contribution.

- **Services** – If pre-orders aren't available or don't fit your business model, you can offer special services in exchange for support. We've seen everything from Founders preparing a home-cooked meal for backers, to developers offering to write code for fans and supporters.

- **Recognition/Swag** – A perfect entry-level reward for donations under $20, this category offers backers some sort of personal recognition for their support. This can include a company t-shirt commemorating the campaign or the backer's name on the

company website.

Whatever rewards you choose, it's best to have at least 7 rewards tiers—a small price point that offers some sort of simple recognition, a mid-sized price point that offers a pre-order, and a large price point that offers special recognition for generous backers.

The Ask – You're here to raise money, so it all comes down to the ask. Always remember this rule: be crystal-clear about exactly how much money you're raising, and know exactly how you plan to spend it. Detail is the key here—the more information you can provide, the better. In as much detail as possible, be able to explain how you plan on spending the crowdfunding capital you raise, and explain specifically what milestones it'll help you reach.

This is a great chance to build backer confidence by showing that you've spent the time to chart your business's course forward. Some common categories we see in rewards campaigns are product development, sales and marketing, recruitment of key personnel, legal and accounting, and operating expenses. You can use these broad categories as a starting point, but be sure to expand upon them where you can. For example, explain which product features this funding will help you develop, or which key team members you'll be able to hire, and what they'll do for your business.

What's Next:

In the next chapter, we'll take a look some of the finer points of a successful equity-based crowdfunding campaign and identify some things you'll need to compile before you launch.

EQUITY CROWDFUNDING

How is Equity Crowdfunding Different?

Equity crowdfunding campaigns are perfect for companies that are looking to raise more capital than those that choose a rewards-based approach. These companies are typically seeking sums higher than $50k and have achieved social proof and gained enough traction to incentive their backers with the chance to own a small piece of their company as it grows.

The very nature of equity crowdfunding makes it a considerably more involved fundraising approach than rewards crowdfunding. Add to that the fact that it's still a fairly new funding method and that the rules and regulations are still evolving with new federal legislation, and it can be a little tricky to navigate. Lucky for you, we're here to help you get oriented and on your way to a successful equity campaign of your own. In this chapter, we'll walk through setting your fundraising terms, preparing your campaign, new legislation, and how to drive investors to your business.

Setting Your Terms

Here are the basic terms you'll need to consider for any equity round, and how you can begin to think about them with our particular fundraising goals:

Raise Amount – The natural starting point for any round raise is deciding exactly how much capital you want to raise, which will stem directly from your predetermined business goals.

Whether you're looking to raise capital for equipment purchase, a facility build-out, or the next year's operating expenses, you'll need to decide on a figure that's high enough to finance your stated goals, but also that's low enough that you can meet or surpass it by the end of a 60-day crowdfunding campaign.

Duration – How quickly you close your campaign will depend on a number of factors, like the amount you're raising, the completeness of your business plan and supporting documentation, your ability to pre-empt your potential investors' questions with these materials, and their own due diligence. A typical equity campaign on Fundable lasts 60 days, and though you decide how long yours runs, your committed investors will have to renew or withdraw their commitment every 90 days. This ensures that both parties—startup and investor—retain some flexibility and control and aren't locked into an arrangement that doesn't fit their fundraising and investment goals.

Equity or Convertible Debt? – Most startups will be raising their first equity round using straight equity, which means that investors get an ownership stake in the business at a set valuation when they invest. Another option, convertible debt, is a slightly different instrument that implies that a valuation is not set right now, but will be set at a later date. Convertible debt is an attractive option for some startups, as it allows them to defer setting a valuation until a later equity round, and it also keeps the founders' ownership stake intact as they aren't exchanging investment for shares.

The primary appeal of convertible debt for an investor is the opportunity to invest their money as a convertible note, wherein their initial investment is automatically converted to equity at a discounted rate during a later funding round. By receiving more shares at a later date in exchange for their initial investment. For more about the differences between equity and convertible debt, and which approach may be right for your business, check out Mashable's Convertible Debt vs. Equity: Which Is Right for Your Startup?

Valuation – The valuation is the proposed value of your company at the time of the investment. Be sure to include the amount that you are proposing to raise in your total valuation (also known as a "Post-Money Valuation"). For Example, if you are valuing the company at $750,000 and are raising $250,000, the valuation is $1 million, and investors in this round are getting 25% of the total value, including their investment.

What's my Valuation?

Because your early-stage valuation is based mainly on where you project you business will go in the future, it can be tricky to figure out. Here are some major factors that will influence your startup's valuation:

- **Traction** – This is perhaps the most valuable asset that a startup can show a potential investor, and plays a key role in determining its valuation. Have you achieved social proof? How many users have you acquired? How quickly did you acquire them? Do you have pre-orders? Have you gained exposure or endorsement through favorable media coverage? Do you have any committed advertising partners?

- **Reputation** – Investors will always be more interested in your opportunity if you've got a seasoned team behind it. Entrepreneurs with prior successful exits or a Board of Directors comprised of industry veterans are sure to catch the eye of investors and merit a higher valuation.

- **Revenue** – If your company already has paying customers and is generating revenue, it becomes easier to value because your financial projections are based less on estimate. Early-stage revenue, however, can be a double-edged sword when it comes to valuation—it can both raise and lower it. That's because if you're already charging users for your product, you may gain new customers more slowly, resulting in slower overall growth. When it comes to valuation, this becomes a balancing act—investors want to see that you're making money, but they also want

to see that you're positioned for rapid growth.

- **Timeliness** – An up and coming startup in a "hot" industry will often be more appealing to investors, contributing to a higher valuation for your company.

- **Dilution** – The concept of dilution is fairly simple–as you take in equity investment from investors, they become part-owners in your company, which means that your ownership percentage decreases. The more people sharing the pie, the smaller the pieces.
- It's important to carefully consider the total dilution you're comfortable with as you plan your equity round, and that decision will be closely tied to your company valuation. The idea of coming out ahead as your ownership stake is diluted may seem counterintuitive at first. After all, how do you win by giving up ownership of your company?

As we said, it all comes back to valuation. The goal in closing any equity round is to own a smaller percentage of a much larger, more valuable company.

Let's look at some numbers for a quick example:

- *If you own 10% of a $1M company, your ownership stake is worth $100k.*

- *If you kick off a new funding round with a funding goal of $2.5M and a $7.5M valuation going into the round, your post-money valuation is $10M.*

- *After raising that $2.5M, your ownership percentage gets diluted by 25% (2.5M capital raised / 10M post-money valuation), and drops from 10% to 7.5%.*

- *After the funding round closes, the value of your ownership stake increases from $100k to $750k.*

For more on equity dilution, check out this excellent explanation and infographic from entrepreneur-turned-VC Mark Suster at his blog, Both Sides of the Table.

Preparing to Launch

As you might guess, preparing to actually launch an equity campaign look a little different than setting up a rewards campaign. Making sure you have all the pieces well in advance of your fundraising round, or at least having a plan for getting them created, will help you avoid any delays or surprises as launch day approaches. Here's a list of everything you need to put together a successful equity campaign on Fundable:

Executive Summary – This is the high-level overview of what your business does, how your product works, and your strategic plan to develop the business. This is often the first part of your offering a potential investor will read, so it needs to be enough to engage them, but isn't meant to be comprehensive.

Terms – As we covered above, you'll need to decide upon and clearly state the terms of your fundraise, including the amount that you're looking to raise, the total percentage of equity you're offering potential investors, and any other relevant deal terms. You'll also have to set a campaign duration so investors know when the deal is expected to close.

Business Plan – This is the comprehensive summary of your business and your detailed plan for growth and profitability. Your business plan should include a detailed analysis of your market segment, sales and marketing strategy, strategic growth plan, and corresponding financial plan. Fundable doesn't require you to present a full business plan, however it's an extremely helpful tool in convincing prospective investors that you've thoroughly planned and charted your business's course forward.

Pitch Deck – The pitch deck is a simpler, more visual adaptation of your executive summary, and is most widely used for in-person presentations. More and more, the pitch deck is replacing the executive summary as the first document requested by investors, as it forces entrepreneurs to be brief and to-the-point. Remember, your potential investors are often short on time, patience, and attention, so do everything you can to present your materials in an easily digestible format.

Financials -At the very least, your investors will want to see your use of funds and multi-year financial projections before considering investment. We recommend providing this information as a downloadable file on your crowdfunding profile.

Closing Documents – When you close your fundraising round, you'll need to have some specific documents ready for your committed investors. For example, you'll need to complete a subscription agreement which provides detailed terms of the investment. At the very least, have a working draft of your subscription agreement and other closing documents prepared before your round closes.

Rules of the Game

As we discussed in Chapters 2 and 3, the equity crowdfunding landscape is relatively new and is very much in a state of growth and evolution. With the ongoing implementation of the JOBS Act, we'll continue to see changes well into 2014. Here are the 2 primary areas of crowdfunding legislation, where they currently stand, and what they mean for you:

General Solicitation – Title II of the JOBS Act, implemented on September 23, 2013, deals with the removal of the 80-year-old ban on general solicitation, a company's ability to publicly advertise that it's seeking investment. While this gives startups tremendous new flexibility in promoting their crowdfunding and extending its reach, there are still some rules and guidelines in place to protect both startups and investors.

The basics are:

- *Startups must complete and file a Form D with the SEC at least 15 days before starting general solicitation, and must file an amended Form D within 30 days of closing their fundraising round.*

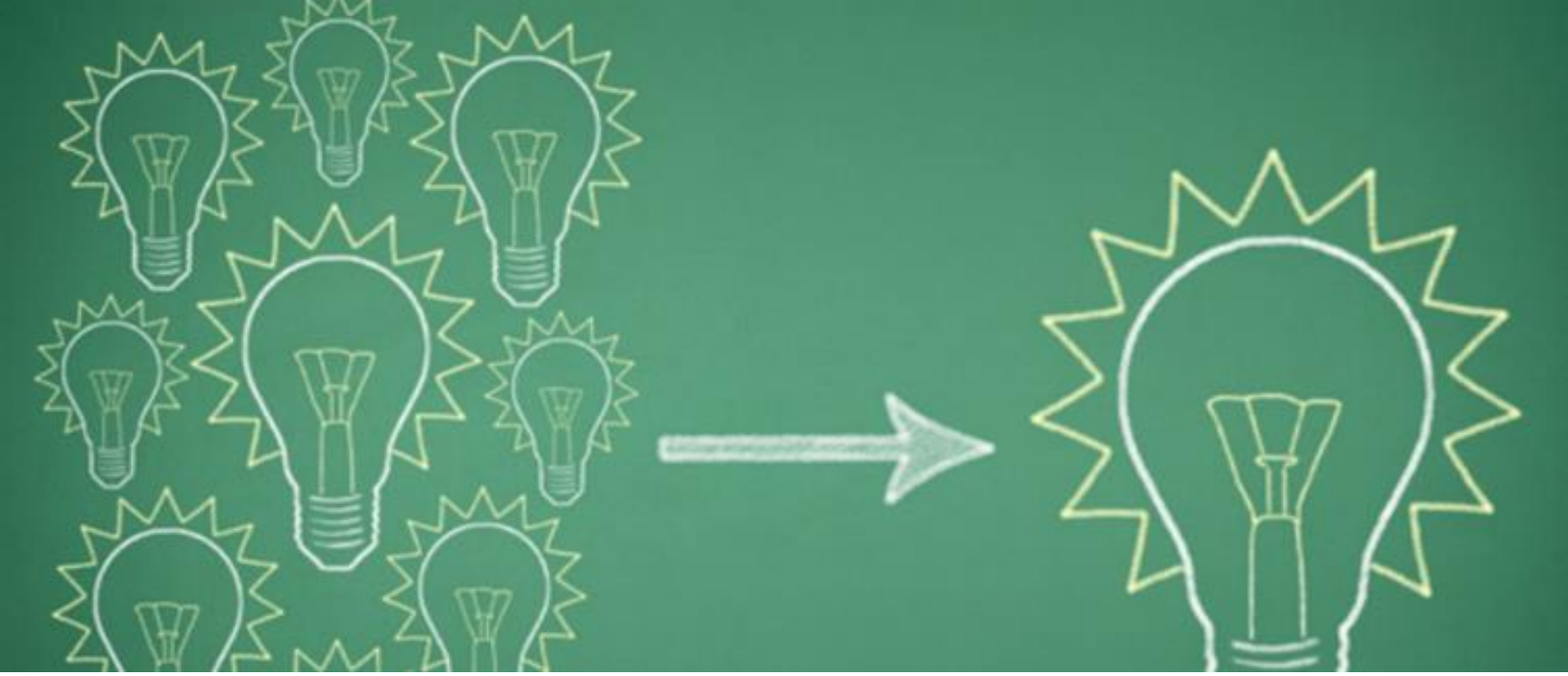
- *Startups must take reasonable steps to ensure that their investors are accredited. For more on the basics of Title II and general solicitation check out the Fundable General Solicitation Infographic, or see the full SEC rules.*

Accredited Investors – Title III of the JOBS Act, still pending and slated for implementation in early 2014, will allow non-accredited investors to invest small amounts in private companies online. Currently, only accredited investors, individuals with a net worth exceeding $1MM or an income exceeding $200K for the past 2 years, are legally allowed to invest in private companies. As this changes, the number of available investors in the U.S. will leap from 3.4MM to over 233.7MM, with an estimated combined net worth of over $50 Trillion.

For more information about the Title III rules for potential investors and companies seeking investment, reference Chapter 3 of this guide, The Future of Crowdfunding, see the SEC's Title III Fact Sheet, or read the Full Title III Rules.

What's Next:

Now that we've covered the different types of crowdfunding, we'll take a look at how to make your campaign a success. In the next chapter, we'll discuss some of the characteristics of successful entrepreneurs and key considerations as you approach a crowdfunding campaign of your own.



Is Crowdfunding Right For You?

What Makes a Great Fit?

For many startups, a crowdfunding campaign offers an outstanding way to raise growth capital that can help transform a prototype into a product and an idea into a viable business. For a new business, it can present some real advantages over traditional financing, like having a greater reach, requiring a smaller investment of time and money, and bearing a smaller barrier to entry.

But is it right for your business? In this chapter, we'll look at some of the most important characteristics of successful crowdfunding campaigns to help you decide if your business is in the right place to look more closely at this approach to fundraising.

Characteristics of Successful Crowdfunding Campaigns

They tell a story that prompts action – One of the most powerful things about crowdfunding is its ability to tell your business's story. So make sure you've got a compelling story to tell—why you invented your product, where your team came from, how your ragtag startup will one day change the world. Don't just ask for money. Make your backers feel moved to want to become a part of your story.

Their founders have perfected their pitch – Your customers and potential investors are fickle—there are dozens of things vying for their attention and they don't have all day to read your company history, flip through your brochures, or click through your pitch

deck. Smart founders who close the most successful campaigns know that, and they approach their crowdfunding pitch with that in mind. That means touching on the points that are meaningful to their specific audience, and doing it in an easily digestible format like short videos, infographics about market size, or a list of key facts about the industry. Above all, they keep it simple—you want to make it as easy as possible for your target investor to connect with your story.

Their founders are active on social media – One of the most powerful things about crowdfunding is its ability to tap into the social web and spread faster and wider than would be possible through traditional methods like personally reaching out to investors or embarking on a road show. This rapid spread is possible because of tools like Facebook and Twitter, so it's a given that your business needs to be active on those networks and, ideally, have an engaged following well before launching your campaign.

Their founders already have large, supportive personal networks – The greater and more engaged a business's personal network is before starting a fundraising round, the more likely it is to meet or exceed its crowdfunding goal. Fundraising success begins with tapping into this established fan base—getting friends, family, and existing customers informed and excited about your crowdfunding campaign before it actually launches. We recommend what's called a soft launch—at least a month before kicking off your campaign, use social media, email marketing, and old-fashioned word-of-mouth to spread the word to this base without actually asking for money. Doing this will help get the word out and make these people more likely to back you later on, lending your campaign some crucial early momentum.

Take this bit of wisdom from the prolific Seth Godin on why many crowdfunding campaigns fail. His example deals specifically with Kickstarter, but the lesson can be applied to any crowdfunding campaign.

"Kickstarter campaigns fail when the tribe of people who believe in the idea is too small…[it] appears to be a great way for fans to find your work. You put up a great video clip and a story and wait for people who will love it to find you. But that's not what happens. What happens is that people who ALREADY have a tribe…use Kickstarter to organize and activate that tribe. [It's] the last step, not the first one."

They offer compelling rewards – It may seem obvious if you're considering a rewards-based crowdfunding campaign, but it's worth thinking long and hard about. Most backers aren't going to decide to support your business simply out of altruism or goodwill. While a few supporters may pledge money solely to see your business succeed, most are going to be swayed by what they get out of it. Rewards come in all shapes and sizes, but are most often a pre-order or discounted first-run purchase of the product you're raising money to create. Think carefully about your rewards tiers, always offer something at $20 or below, and be sure to encourage a larger pledge by bundling each higher tier with all the rewards that come before it.

They include a video and other shareable content – We mentioned the importance of telling a compelling story about your business, and there's no better way to do that than with a well-produced video. By working with your audience's short attention span instead of against it, a short video (less than 5 minutes) can make your story come alive and stick in your supporters' minds better than any other medium. As an added bonus, it's just the right kind of easily sharable content that the social web thrives on, and that helps give successful campaigns their reach and momentum.

Chapter Glossary

Soft Launch – Getting the word out to your audience—friends, family, existing customers—about your upcoming crowdfunding campaign, usually at least a month before your actual launch. Using social media, email marketing, and word-of-mouth, this is an effective way to build awareness and make an initial pitch before actually asking for money.

What's Next:

In the next chapter, we'll take a look at some of Fundable's most successful crowdfunding campaigns, what gave those companies an extra edge, and how you can apply those lessons to make your campaign more successful.

Lessons From Successful Campaigns

Since Fundable got its start in April 2012, we've helped hundreds of startups raise millions of dollars, helping turn prototypes into products and ideas into successful businesses. In the past 8 months alone, startups on Fundable have received an astounding $50M in funding commitments from rewards backers and equity investors. Though these successful startups run the gamut from mobile apps to fashion lines to restaurants to craft breweries, there are a few universal lessons that can apply to any company looking to jump into crowdfunding.

Company: Grapevine Craft Brewery

Lesson learned: Leverage your community and relationships.
Last year alone, the craft brewing industry grew 15%, with backers and investors flocking to support new and innovative all across the country. Grapevine Craft Brewery of Grapevine, TX was no exception, recently closing an extremely successful rewards campaign and setting a crowdfunding record with an incredible $61,673 in pledged support.

A major key to Grapvine's success has been their ability to bring together an entire community around their mission: serving Texas beer made with Texas pride and a pinch of community-focused philanthropy.

Grapevine prides itself on creating local, classic brews that not only satisfy its thirsty customers, but also continuously give back to the community. Even at the early stage of his

business, Founder Gary Humble committed to donate 5% of quarterly profits to GRACE, a local non-profit that serves under-resourced families and children. Not only did Grapevine itself commit to give back to GRACE, but it also rallied several other companies and community organizations to offer GRACE their own matching grants if Grapevine met its $50k goal. With more than 200 local backers and a groundswell of community support, they quickly exceeded that goal and broke ground on the flagship Grapevine Craft Brewery.

Company: Ube

Lesson learned: Build social proof and early traction.
In the last chapter, we looked at the importance of social proof and early traction. People are generally risk-averse and like to hedge their bets by waiting for someone else to take the first leap into a new investment opportunity. Once investors see this critical social proof—whether in the form of pre-orders, favorable press coverage, or first-mover investment, they're much more likely to see your company as a safer bet and be willing to invest. What's great about the traction that follows is that it has a snowball effect—the more backers, pre-orders, investors, or press coverage you have as you launch a crowdfunding campaign, the more will follow.

Austin, TX-based Ube is an excellent example of this concept. Ube's core idea is simple, though powerful: allow people to control and monitor their electricity with their smartphone from anywhere in the world. Their line of Wi-Fi enabled Smart Dimmers, Smart Plugs and Smart Outlets makes lighting and appliance control easy and affordable. Ube kicked off its campaign on Fundable with a great deal of momentum, enticing backers to get on board and commit over $935k, helping Ube surpass its funding goal and expand the round to accommodate interested investors. Only a few months after launching in March 2013, Ube had brought in $380k in pre-orders, selling over 5,000 smart power units to savvy homeowners and businesses across the country. It's been hailed as a million-dollar idea by Connected World, and called "brilliant" by outlets such as TechCrunch, VentureBeat and GigaOm. The revolutionary light system also received the 2012 Demo Startup People's Choice Award.

The lesson is clear—your first backers and advocates are key in setting the pace for the fundraise that follows.

Company: DecisionDesk

Lesson learned: Know your best-fit investors and target your pitch.
In April 2013, DecisionDesk closed a $1.25MM round on Fundable, offering its customers an innovative application tracking system that simplifies complicated admissions and recruitment processes. By giving recruiters a streamlined way to tap into a global talent pool, review application data, distribute it to internal reviewers, and inform their decisions with reporting and analytics, Decision Desk gives organizations the tools they need to make better and faster recruiting decisions.

During its Fundable campaign, the DecisionDesk team also received a $750k loan from the Innovation Ohio Fund. In targeting these additional funds alongside their equity campaign, DecisionDesk Founder John Knific stressed the importance of determining specifically what investors and loan administrators are looking for in their investment and tailoring your approach.

"Each group will have specific criteria," said Knific. "The Innovation Ohio Fund were looking for companies that are at break-even, have high-growth technology, and will be scaling their businesses in Ohio. DecisionDesk is in a unique position, having just raised an angel round. As an early-stage SaaS company, over a third of our operating expenses are software development, which makes the loan a great fit."

What Knific is saying here doesn't just apply only to going after State funding—it applies to any startup looking to raise money through rewards or equity crowdfunding. If you're just starting out, take the time to learn who your customers or investors will be and learn their persona inside and out. Tailor your campaign rewards to them. Craft your pitch to them. Seek out additional funding opportunities for the kinds of businesses they're looking to back. Investors are never "one size fits all"—your fundraising approach shouldn't be, either.

Company: Bodbot

Lesson learned: Tap into your existing customer base for support, and have a plan for how to do it.

BodBot is a perfect example of how to shape your product with input from your earliest customers, build a loyal fan base, spread awareness, and tap into that existing base to close an extremely successful crowdfunding campaign.

The team behind BodBot has a lofty vision for personal fitness, creating a feature-rich web platform and mobile app that's equal parts personal trainer, nutritionist, and coach. Offering personalized exercise and nutrition recommendations, BodBot uses a sophisticated algorithm to provide self-adapting exercise recommendations for any goal and starting point.

For several years, Co-Founders Eddie Laux and Sergio Prado worked day, night and weekend to build the engines to support both the training and nutrition recommendation systems, and a host of other web and mobile tools that that became the foundation for BodBot. After an alpha release in late 2012, they saw their user base explode from a few friends-and-family testers to over 100k users in a matter of months.

When BodBot was ready to unveil its mobile app and other new features with a rewards raise on Fundable in early 2013, they turned to their existing following for support and exposure. By assessing their customer base and putting together a plan for where, when, and how to reach them, they raised over $21k—exceeding their $20k campaign goal—from 458 backers in only a week. They quickly went on to raise over $61k before closing the round!

Hundreds of Startups, a Few Core Principles

As you look at the wide variety of companies who have been successful using Fundable's crowdfunding platform, you may think the things that got them there don't apply to your startup. But remember this—even if the businesses in the examples above don't look anything like yours, the lessons are universal. Know your target investor. Look to your community for local support. Social proof and early traction makes all the difference for what follows after. Appeal to your existing fan base for input and support, and do it with a plan in mind.

What's Next:

There's a wealth of helpful information and resources out there for anyone looking to raise money through crowdfunding, but we know it can be a lot to navigate. In the next chapter, we've gathered our favorites for you to use in planning your campaign.

Crowdfunding Tools And Resources

Whether you're just beginning to test the waters and decide if crowdfunding is right for you, or are ready to jump into your own rewards or equity-based campaign today, you'll have to do your homework if you want to succeed.

There's a lot to cover as you prepare to kick off a fundraising campaign of your own. In this short guide alone we've looked at crowdfunding's history, its current landscape, the evolving rules of the game, some best-case examples, and more. It can be enough to make your head spin, especially as you juggle the day-to-day of managing your startup. Thankfully, you're not alone. There are a wealth of crowdfunding tools, articles, and resources, all designed to give busy entrepreneurs like you a head start with planning, launching, managing, and closing a successful campaign. In this chapter, we've gathered some helpful resources that you can reference and use as you gear up for a successful raise.

Crowdfunding Checklist

We've already looked at some of the most important pieces of your crowdfunding campaign, from things like a well-crafted pitch that tells the story of your business, to less-tangible assets like social proof and early traction. But there's a lot more you can do to complement your pitch and reinforce your campaign. The more of these things you can include with your pitch, the greater investor confidence in your business will be:

High-quality marketing collateral – You want investors to know your startup to has momentum and growth potential, and isn't just a night-and-weekends project in your garage. Part of that confidence comes from seeing polished, well-produced materials like product mock-ups or photos, a corporate identity with your logo and branding, photos of your team and location, and customer testimonials with photos.

Professional Company Video – A short video is perhaps the most effective and powerful way to tell your business's story and sell your audience on the value of your product. This strategy works for you in two key ways: it caters to your audience's short attention spans, and is the piece of your campaign most likely to be shared on social media. The most successful videos feature your company's founder or core team, explain the unmet need that sparked your idea, detail your product and how it's different than anything else out there, show (honestly) where your business is at right now, and hint at its bigger, long-term potential. In short, explain where you came from, what you need now, and how you're going to change the world.

Here's a great example of an effective company video from Grapevine Craft Brewery, which recently raised over $60k on Fundable:

Current Valuation – If you're launching and equity campaign, you'll need to determine your company's current valuation—the proposed value of your company at the time of investment. Read more about equity valuation here or use our Fundable Company Valuation Calculator for help determining how to value your company.

Rewards – If you're launching a rewards-based campaign, you'll need to carefully consider your campaign's rewards—the incentives you offer your backers for pledging a certain dollar amount. Think carefully about your rewards tiers, always offer something at $20 or below, and be sure to encourage a larger pledge by bundling each higher tier with all the rewards that come before it. Click here to read more about how to pick compelling rewards.

Prior Funding & Use of Funds – Your rewards backers all want to know (and, in the case of your equity investors, need to know) how their investment will be used. They'll also want to know what money you've already raised in previous rounds, and how you used those funds. This an area where more is almost always better. The more information you

can offer your audience about how their money will be put to work to grow your business (and their ROI), the more confidence they'll have and the more likely they'll be to invest.

- **For Prior Funding:** Be sure to explain any investment by the founding team, prior equity investments, debt, other funds raised to date, and how your company used those funds.

- **For Use of Funds:** Be sure to explain, in as much detail as possible, how you will use the funds you're currently raising, and what milestones they'll help your business reach. For example, funding uses can include things like product development, sales and marketing, recruitment of key personnel, legal and accounting, and other operating expenses.

Email & Social Media Plan – One of the unique things about crowdfunding is its ability to centralize your fundraising efforts and put you closer than ever to your backers and investors. But for all the engagement and social momentum that can come from that, you have to have a plan for keeping everyone informed. That means knowing:

- *Whom You'll Contact: Existing customers, committed backers and investors, or potential supporters.*

- *When You'll Do It: Before your campaign as a soft-launch, during your campaign as a funding update, or after closing as a big "thank you" to your supporters.*

- *How You'll Do it: Email, Facebook, Twitter, or via the Fundable Crowdfunding Platform.*

Outside Crowdfunding Tools & Resources

There are a number of free and paid services you can use to enhance your pitch and manage your campaign. Here are a few of our favorites:

WePay – Payment processing for small businesses and the platforms that serve them.
MailChimp – Email marketing with easy-to-use templates, simple analytics, and powerful list-management.
Shutterstock, iStockphoto, Google Images, Pinterest – Free and paid imagery for your crowdfunding profile.

Pixlr – Free online image editing platform that offers much of Adobe Photoshop's basic functionality.
ThomasNet, Alibaba – Quotes and information about manufacturers, suppliers, importers, and exporters.
Teespring – Design and sell custom t-shirts to your backers (a great low-tier reward).
Equity Valuation Tool – Calculator for determining your company's pre and post-money valuation.
Dilution Tool – Calculator to help you understand how different funding events will affect you and your investors over time.
Rewards Pricing Tool – Calculator to help monitor expenses and determining pricing for your backer rewards.
Shipping Rates Reference – Quick reference sheet for domestic and international shipping rates.
Bitly – Unique short links with click-count reporting for tracking and analytics.

Crowdfunding Glossary

We used a lot of startup and fundraising terminology in this guide, some of which may be strange and unfamiliar to you. To help you keep them all straight, here's a reference list of all the chapter terms found throughout this guide:

Accredited investor – Individuals with a net worth exceeding $1MM or an income exceeding $200K for the past 2 years. Currently, only accredited investors, a group comprised of some 3.4MM Americans, are legally allowed to invest in private companies in the U.S. This restriction will be lifted under Title III of the JOBS Act, opening up private investment to non-accredited investors.

Crowdfunding – A method of raising capital through the collective effort of friends, family, customers, and individual investors.

Donation-based crowdfunding – Any crowdfunding campaign in which there is no financial return to the investors or contributors.

Equity-based crowdfunding – Any crowdfunding campaign that allows contributors to become part-owners of your company by trading capital for equity shares.

General Solicitation – Publicly advertising investment from the general public through traditional and emerging channels, including email marketing, public speaking events, social media campaigning, or creating a public profile on a crowdfunding site like Fundable. The 80-year ban on general solicitation was lifted on September 23, 2013 under Title II of the JOBS Act.

JOBS Act – A bill signed into law by President Obama on April 5, 2012, aimed at encouraging startup and small business funding by easing key regulatory burdens surrounding fundraising.

Rewards-based crowdfunding – Any crowdfunding campaign that involves individuals contributing to your business in exchange for a "reward," typically a form of the product or service your company offers.

Social proof – The phenomenon where people follow the examples of others in an attempt to reflect the best course of action in a situation. In a crowdfunding campaign, your early backers generate your social proof—once early adopters vet and buy into your idea, others are more likely to follow suit.

Soft launch – Getting the word out to your audience—friends, family, existing customers—about your upcoming crowdfunding campaign, usually at least a month before your actual launch. Using social media, email marketing, and word-of-mouth, this is an effective way to build awareness and make an initial pitch before actually asking for money.

Recap And Next Steps

That brings us to the end of the Crowdfunding Crash Course. We've covered a lot of ground and looked at some of the big ways that this exciting industry is changing the funding game for entrepreneurs and startups.

We've looked at crowdfunding's early roots, how it's transformed into the modern industry we know today, transformative new legislation that's charting the industry's future, and how you can plan, launch, and close a successful campaign of your own.

To Summarize

There's a lot to keep track of as you apply these principles to your business, so here's a short recap of each chapter's key takeaways:

Chapter 1 | What is Crowdfunding?

There are 3 basic types of crowdfunding: donations, rewards, and equity. Donation-based crowdfunding involves campaigns where there is no return to the backers, and is commonly used for things like disaster relief, charity efforts, or medical bills. Rewards-based crowdfunding offers backers a reward in exchange for their financial support. Equity-based crowdfunding allows backers to become part-owners of your company in exchange for a capital commitment.

Chapter 2 | Crowdfunding: Past & Present

The concept of crowdfunding is nothing new, and dates back to the early-1700s. Modern crowdfunding, as we know it today, started taking shape in the mid-2000s and will continue to gain momentum as new federal legislation is implemented.

Chapter 3 | The Future of Crowdfunding

The industry's future is being charted in large part by an important piece of federal legislation—the Jumpstart Our Business Startups Act (JOBS Act). This bill, signed into law on April 5, 2012 by President Obama, includes 2 key provisions that have huge implications for the crowdfunding industry. Those provisions are Title II (already implemented), removing the ban on general solicitation, and Title III, (still being implemented), removing the accredited investor restriction on equity fundraising.

Chapter 4 | The Benefits of Crowdfunding

Crowdfunding holds some big advantages over traditional business finance, including its efficiency, the traction and social proof it helps build, the crowdsourced brainstorming it offers, the early adopters and advocates it attracts, and the media attention and social reach it garners.

Chapter 5 | Rewards-Based Crowdfunding

In order to make a rewards-based campaign more successful, you need a finely tuned elevator pitch, an even more finely tuned email pitch, a well-produced company video, a thorough product overview, carefully chosen rewards, and a strong, reasonable ask.

Chapter 6 | Equity-Based Crowdfunding

For a successful equity-based campaign, you need most of the same materials as a rewards raise, but you also need some more detailed information to help potential investors become more confident in your company. You must first set your offer terms, including the raise duration, funding goal, funding type (equity or convertible debt), and current company valuation. After these terms are set, you need to gather your executive summary, terms, business plan, pitch deck, financial projections, use of funds, and closing documents.

Chapter 7 | Is Crowdfunding Right for You?

Crowdfunding is a powerful tool for many small businesses, but it may not be the right fit for everyone. Some of the most common characteristics of successful campaigns and the companies that launch them include: they have a compelling story, they've perfected their

pitch, they're active on social media, they have large personal networks, and they create lots of interesting, sharable content.

Chapter 8 | Lessons from Successful Crowdfunding Campaigns

Companies of all stripes have seen tremendous success raising money with Fundable. From mobile apps to fashion lines to restaurants to craft breweries, our startups come from all over the map, but their successes offers some timeless lessons for any company interested in crowdfunding. These lessons include leveraging your local community and relationships, building social proof and early traction, knowing your best-fit investors, and tapping into your existing customer base for support.

Chapter 9 | Crowdfunding Tools & Resources

There's a lot to keep track of when planning a campaign, but you're not alone. There are a wealth of tools, articles, guides, and resources, all designed to give you a head start with your fundraising. Whether you need help figuring out your company's valuation, crafting a compelling pitch, or managing investor emails, we at Fundable are here for you and we've got a long list of friends who can help, too.

What's Next:

Ready to take the next step and start planning your own crowdfunding campaign?
We'd love to help make it a resounding success.

Getting started is easy—just get in touch and tell us a little bit about your company, or jump right in and start building your company's funding profile today.