

The Principles of Crowdfunding and How To Raise Capital Using The JOBS Act”

The purpose of producing this seminar is to support small business growth in America, create jobs, and allow benefactors to contribute to the success of other people’s lives.



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(760) 310-9182 • Jerri@CrowdVestingMedia.com

DIGITAL MEDIA PRODUCTION

BRIGHT NEW IDEAS LEAD TO BRILLIANT NEW BUSINESS

Speakers – A Complete Team

Please take out your agenda wheel.

- Jerri Nachman: Designer/Producer/Entrepreneur
- Amy Wan, Esq.: Securities Attorney/Writer
- Ash Kumra: Author/Crowdfunder For-Profit
- Kris Buchanan: Founder/B-Corp For-Profit
- Matt Morrison: Businessman/Crowdfunder For Non-Profit



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Me

- Jerri Lyne Nachman is an award winning video producer, copy writer, graphic designer, website developer and marketer for over 25 years
- Founded Electronic Theater in 1999 focused on designing investment materials in the Regulation “D” alternative investment industry. Raised between \$20 - \$150 Million
 - Commercial Real Estate, Oil & Gas, Hospitality
- Founded CrowdVesting Media, April 2016, to assist entrepreneurs & Veterans to:
 - Raise equity to jumpstart their own business
 - To develop initial marketing materials for new startups



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What Is An Entrepreneur?

An Entrepreneur is not just a person who gets a loan from a bank or their family, then starts a business.

An Entrepreneur is someone who sees a gap or hole in the market, and fills it.

If, by chance, this entrepreneur is first in bridging or filling needs in society, they will enjoy first wave success which is normally rewarded with financial success and self satisfaction.



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B Corporation

Develop your new business with beneficial principles in mind.



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Securities

- A security is:
 - A capital investment from strangers
 - A business or fund where you manage the business, mitigate risks, determine outcomes... not the investors



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Speculative Investments

- Due to speculative investments, the United States market collapsed in 1929 crashing the banking system. Many companies and people lost *everything* causing the Great Depression!



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Securities & Exchange Commission

DISCLOSURES SUCH AS RISKS

The Securities and Exchange Commission (SEC) functions as a sort of watchdog over Wall Street, responsible for protecting investors, maintaining fair, orderly and efficient markets, and facilitating capital formation.



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Risk Factors



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Investors

Accredited
Sophisticated
Non-accredited
General Public



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Accredited Investors

- Until now, raising capital from strangers was geared primarily for accredited investors:
 - Individuals with annual income over \$200K (individually) or \$300K (with spouse) over the last 2 years with an expectation of the same this year
 - Individuals with net assets over \$1 million, excluding their primary residence
 - An institution with over \$5 million in assets, such as a venture fund or a trust



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Public Solicitation

- In the past, under no circumstances could a business advertise publicly to raise capital for their offering
- Financial Advisors had to have a pre-existing relationship with investors prior to offering them the stock, bond, mutual fund or private offering
- Only a registered securities company such as a licensed Broker/Dealer could supervise the transaction
- Only registered securities advisors could take \$



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The Recession of 2008

- Here we go again!
- Due to speculative investments & unscrupulous bankers, the market tanked and investors lost up to 50% of their bank held securities, incl. 401K/IRAs
- Interest rates fell to 0%
- **BANKS STOPPED LENDING**
- New business investment was stifled



The JOBS Act of 2012

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JOBS Act

In order to promote new business growth for smaller enterprises, the JOBS Act (Jumpstart Our Business Startups) was signed into law in April of 2012.



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The JOBS Act of 2012

- Investment restrictions not changed since 1933
- Smaller businesses could, all of a sudden, go to the public and ask for investment capital

✓ And, for the first time ever, advertise their offering publicly (w/restrictions)



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Alternative Investments

- An alternative investment is any investment not introduced and held by institutional investment vehicles such as a bank
- **You** can become an alternative investment!



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Crowdfunding

It is estimated that Crowdfunding will inject close to \$65 Billion into the global economy in 2016, and over **\$3.2 Trillion by 2020.***

The Crowdfunding industry has raised capital for millions of individuals from college students to small business owners, to artists and filmmakers, to conscious food purveyors, to the next big tech explosion.

* Ruth E. Hedges, Executive Producer, Global Crowdfunding Convention



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Crowdfunding Portals

- Transactions must be conducted through a qualified intermediary (QI) escrow that either is registered as a broker or is registered as a new type of entity called a “Funding Portal”.
 - Still must be a registered Broker/Dealer portal
- My suggestion is: Don’t get involved with Crowdfunding portals that are not registered with the SEC or have not gone through a FINRA* approval.

*Financial Industry Regulatory Authority (FINRA)



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Financial/Operating Plan

- Develop a full financial/operating plan for your offering:
 - Who manages the business?
 - What do investors receive?
 - Hold period: How long do you use investors' capital before you pay them back?
 - % of the profit investors receive?
 - Do investors receive monthly compensation as well?
 - RISK FACTORS! Tell everything that could go wrong
 - Full disclosures (bankruptcies, partners, bad actors, etc.)



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What You Need to Get Started

- Startup Materials

Full Business
Plan/Operating
Agreement

Financial
Report &
Projections

Credibility
Package/
Past Success

Professional
Marketing
Package

Private
Placement
Memorandum*

*The PPM is the “Deal”. This is the legal document that defines your offering, includes all risk factors, and exposes any bad actors in your deal.



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Develop A Full Business Plan

- Products & Services, and Your Competition
- Day to day operations
 - Management team
 - Employees (who, #, edu)
- Marketing plans/budgets
- Supply chain
- Prospective income/expenses
- Debt/tax deferrals



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Proof of Investor Eligibility

- The burden of proof of investors' accreditation or sophistication is on the shoulders of the issuer (you!)
 - Questionnaire
 - Bank statements
 - Investment statements
 - Home deeds
 - Investment properties



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Marketing
Materials

Website
Sales Presentation
Offering Memorandum
Sales Sheets
Video
Tradeshow Booth
Social Media Campaign



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Target Market

- What type of sport do they play?
 - Golf, tennis, race cars, poker, bar pool
- Where do they live?
 - Uptown, downtown, suburbs, senior living
- What type of car do they drive?
 - Mercedes or Honda
- **What's their favorite color?**



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Target Market: Who Are They???



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