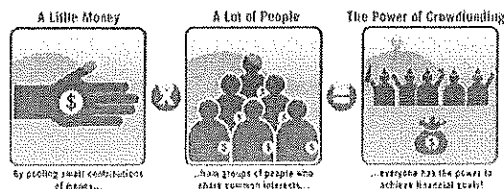


Small Business Crowdfunding Act

H.B. 312



Idea

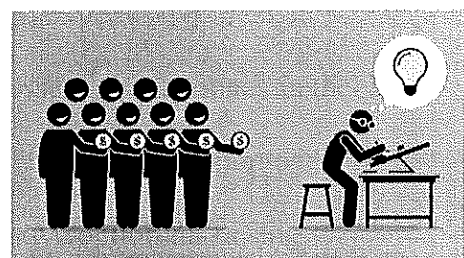
H.B. 312 will allow Ohioans to raise up to \$5 million in intrastate equity crowdfunding that can be used to start, grow, or expand their businesses.

H.B. 312 Four Main Objectives

- 1) Helps businesses have a strong start in Ohio by allowing businesses to raise money in the state through crowdfunding
- 2) Provides Ohio businesses with customers and loyal advocates who want to support and grow businesses and are financially invested in their success
- 3) It provides Ohio businesses with a more efficient and an alternative option for raising capital through the option of crowdfunding
- 4) Has safeguards in place to protect Ohio consumers, and provides penalties for those who conduct deceptive acts

Implementation

- ✓ The business must have 80% of its assets in the state of Ohio.
- ✓ 80% of the money must be spent in Ohio.
- ✓ Only Ohio residents can purchase securities.
- ✓ An investor is limited to \$10,000 contribution per year (unless they are a federally accredited investor).
- ✓ All "OhioInvests offerings" must be made through a website operated by a portal operator, who is required to provide disclosures to investors, and records to the Division of Securities.
- ✓ The cap for how much a small business can raise through intrastate crowdfunding per year is \$5 million.



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Start Your Business » Startup Funding

What Is Crowdfunding?

By Bennett Conlin, Editorial Assistant February 13, 2019 08:15 am EST

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Crowdfunding offers companies an alternative to traditional funding channels. / Credit: Shutterstock

Crowdfunding is when businesses, organizations or individuals fund a project or venture with small donations from many people. Put simply, a "crowd" funds a project or business, rather than one or two major investors. By receiving the necessary boost to cash flow, these ventures can get off the ground or launch new

projects. Most of these campaigns happen via internet platforms, have set timeframes for when money can be raised and disclose specific monetary goals.

Participants – or backers, as they're often called – pledge a minimum amount to the fund and may receive a reward for their contribution. Rewards generally vary based on the size of a donation, which incentivizes higher donations. While some crowdfunding campaigns don't allow backers to own a portion of the company they're supporting, equity crowdfunding allows small businesses and startups to give away a portion of their company.

Examples of crowdfunding websites

Many crowdfunding websites exist. Of these numerous resources, a few stand out in popularity and success levels. Kickstarter is the one of most noteworthy crowdfunding resources with a proven history. GoFundMe is another popular crowdfunding site, although it focuses more on charity and individual causes than businesses. For startups, other popular crowdfunding platforms include StartSomeGood, Indiegogo, Patreon and Republic.

Crowdfunding succeeds in integrating the traditional funding model with a modern way of driving business and welfare. While crowdfunding does not necessarily guarantee the longevity of a company, project or idea, it helps many individuals gain experience, mobilize communities and create relationships for other opportunities. **[Looking for an alternative small business loan? Check out our best picks.]**

Crowdfunding rules

The best platform for you partly depends on the different rules and uses for each crowdfunding site. Most crowdfunding sites have specific rules for use. Kickstarter, for example, doesn't allow equity crowdfunding and requires that campaigns exclude anything on its list of prohibited items. It's wise to thoroughly look at these rules prior to launching a campaign. You should understand which crowdfunding platform works best for your business to ensure you don't have to halt your campaign before it even starts.

Make sure your startup follows the rules and aligns with the crowdfunding site you choose. For example, Kickstarter doesn't allow energy food or drinks, while other crowdfunding websites do allow those sorts of projects. Look at the rules to quickly learn about the priorities of each site.

If you ignore the rules and jump into your crowdfunding campaign, the likelihood of success plummets. Make sure you adequately research the different crowdfunding sites before launching a campaign.

The challenges of crowdfunding

Many individuals assume crowdfunding is an easy or free way of making money. It requires a lot of effort to establish a project that backers will perceive as a valuable service. Success isn't guaranteed, and as crowdfunding continues to gain popularity, backers have become shrewder in what projects they support.

"Crowdfunding works for all kinds of companies at all different stages, but the companies that have the most successful campaigns tend to have the largest and most engaged communities behind them – usually of customers or users or other supporters of their mission," said Kendrick Nguyen, CEO and co-founder of crowdfunding platform Republic.

Generating this type of widespread support can be a challenge. It takes a strong marketing effort, trustworthy founders and a quality product. According to Ryan Sim, managing director and co-founder of We The People, a company that sells only crowdfunded products, the challenges of crowdfunding are extensive. He listed five key challenges that plague reward-based crowdfunding campaigns:

1. Finding and implementing a cost-effective marketing strategy before, during and after the campaign
2. Crafting the right messaging in the campaign description that will drive interest to the product or service
3. Developing an informative and exciting campaign video that explains the product and its benefits (the main challenge being that it's expensive to create a really good and high-impact video)
4. Creating and planning the rewards program to strategically maximize the ROI
5. Finding the most effective and cost-efficient fulfillment method for the rewards

"It's important to note that these challenges are just the start of the obstacles to consider when creating a crowdfunding campaign," said Sim. "In addition to typical ones, every creator will have his own challenges that are very unique to his or her business."

Other challenges arise in equity crowdfunding. According to Connor Young, the founder and CEO of Ample Foods, equity crowdfunding requires a larger emphasis on educating potential investors who don't necessarily have an investment background.

"We're all so used to buying products online, so investing in a regular crowdfunding campaign is quite easy," said Young. "You just say, 'Oh, OK, I'm basically pre-purchasing a product that doesn't exist yet, and I'm going to get it in 6-12 months.' That's pretty easy to understand. But for a person who's not actually used to investing into companies – they're not a typical angel investor – [equity crowdfunding] naturally has more resistance."

You can overcome the challenges for both types of crowdfunding, however. Ample raised over \$370,000 on its Indiegogo campaign back in 2016 and has already surpassed its equity crowdfunding goal with time to spare in that campaign.

Tips for crowdfunding success

There's no one-size-fits-all approach to crowdfunding, but there are three key places to start on your road to crowdfunding success.

1. Communicate with backers.

"A lot of it is simply 'do you have good communication with your backers, even when things go wrong?'" Young said.

Toward the close of the campaign, it's often good to update the community, explaining where to reach you next and whether you plan on shifting focus to preorders on your own website. Young stressed the importance of being transparent with backers throughout the process, even after the campaign ends. He explained that nearly every product launch experiences delays, so you have to expect things to go wrong and react with honesty and transparency.

Don't be shy about keeping your backers in the loop once the campaign ends. A successful crowdfunding campaign centers on fostering relationships with supporters.

2. Share relevant and engaging marketing materials.

Putting together a good batch of marketing materials helps your campaign stand out.

"It's about making an emotional connection with someone just as much as it is about actually explaining what the product is," Young said. "One of the really big reasons why someone invested in the first place to Ample was simply because they thought that I was an authentic guy and that I really seemed to care and be passionate about it."

With new crowdfunding campaigns launching daily, it's important to separate your campaign from the others. Marketing materials, in addition to spreading the campaign through your network, tend to be the best way of gaining recognition. Ample used a brief video to explain its product during its first crowdfunding campaign.

3. Prepare for the campaign.

For the best crowdfunding results, prepare for the campaign before launching it. Spread the word to family and friends that you're going to launch the campaign. Be active on your personal and company social media accounts prior to the launch. Give yourself every chance of being found by potential backers.

Creating the proper marketing materials also takes time. Don't try to film an educational video the day before the campaign starts. Give yourself time to get it right. Taking a few extra weeks to develop a plan and build excitement around the campaign can help you hit your crowdfunding goal.

Examples of successful crowdfunding campaigns

Not all projects succeed, and few of them even obtain significant levels of funding.

- Many projects with excellent ideas end up failing, whereas others with simple premises flourish beyond all expectations. Crowdfunding projects tend to follow more of a viral method of growth and, as such, are quite unpredictable without the proper marketing.

"One of my favorite investment campaigns on [Republic] to date was RadioPublic," Nguyen said. "They're kind of like SoundCloud for podcasts and have investors like The New York Times, the parent company of WordPress and the Bose Corporation. They raised just under \$150,000 from some of their most passionate users and listeners. To me, their trajectory is similar to Gimlet Media's – they ran a \$200,000 equity crowdfunding campaign in 2014 and were just acquired by Spotify this month."

As we noted earlier, not all crowdfunding platforms are designed for businesses. After a video of a bus monitor being bullied by students went viral in 2012, a man who had never met the monitor decided to launch a crowdfund with the goal of sending her on a well-deserved vacation. The resulting support from the media and public helped generate more than \$700,000, which gave her enough for not only a vacation, but also a good retirement.

Concluding a campaign

Upon the conclusion of a crowdfunding fundraiser, one of three things happens. If the fundraiser was unsuccessful in reaching its target amount, funds are returned to the backers. Some crowdfunding websites still allow companies to collect all the money they raised despite the failure to reach their goal – though often at an additional expense.

If the fundraiser was successful, the company, organization or individual receives the total amount of money raised, minus any processing fees. For example, Kickstarter charges a 5 percent fee for hosting the fundraiser in addition to another minor fee for payment processing. These payments are only required for successful crowdfunding projects and will not be charged to any that do not reach their goal amount.

Equity crowdfunding campaigns differ in their conclusion process, as the startup still holds an obligation to the backers. That obligation varies depending on how

the donations play out.

Additional reporting by Ryan Goodrich.

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Top 10 Business Crowdfunding Campaigns Of All Time



Wil Schroter Contributor 

Entrepreneurs

I help founders like you raise capital at Fundable

 This article is more than 2 years old.

Crowdfunding is becoming increasingly mainstream, recently tied to social giant Facebook after their recent acquisition of Oculus VR, a successfully crowdfunded gaming headset. With the skyrocketing adoption of crowdfunding and the incredible success that crowdfunded companies are having, there is little doubt that it is truly an industry on the rise. Crowdfunding websites raised a staggering \$5.1 billion dollars last year alone and crowdfunding campaigns of all types are getting funded on a daily basis

Whether you're crowdfunding your college tuition a dollar at a time or raising a Series round from accredited investors, there is now a crowdfunding platform to meet your needs. The most exciting advancements this year relate to business crowdfunding — which has become an incredible tool for entrepreneurs looking to launch new products and grow and scale businesses.

What is Business Crowdfunding?

When Kickstarter launched in 2009, it set out on an incredible mission, empowering artists and creative projects to gather support for their ideas through rewards crowdfunding. Businesses began tapping into rewards crowdfunding to gain initial customers and test their idea. They use crowdfunding to rally friends, family, and fans around their startup company. They offer them compelling rewards like an opportunity to be one of the first to own a new product or invention.

Many businesses found that they needed to raise larger rounds of capital in order to fulfill their crowdfunding rewards and the increased customer demand resulting from

their rewards fundraiser. They turn to equity crowdfunding to find investors, ramp up production, and grow and scale their businesses.

Equity Crowdfunding and the JOBS Act

Today In: Entrepreneurs

Equity crowdfunding became legal when President Obama signed the JOBS Act on April 5, 2012. The Act was created to help promote and support entrepreneurship and small business growth.

Title II of the JOBS Act went into effect on September 23, 2013 and companies can now advertise publicly that they are seeking investment. Known as “General Solicitation,” public equity crowdfunding campaigns are an incredible opportunity to extend an entrepreneur's network and better inform accredited investors about new and exciting investment opportunities.

The Future of Business Crowdfunding

Crowdfunding is off to an even stronger start this year with an expected industry growth rate above 92% in 2014. Every day, more entrepreneurs are turning to business crowdfunding to get their creative ideas and early stage companies off the ground.

The way that businesses find funding has fundamentally changed through rewards and equity crowdfunding combined, creating a win-win funding landscape. Crowdfunding backers can now own a piece of their favorite company through equity investment. Entrepreneurs can now convert their best customers and advocates into catalysts to move their business forward.

We're thrilled about the future of equity crowdfunding as well as the incredible success that businesses have experienced through crowdfunding. To celebrate, we've created the definitive list of the top business crowdfunding campaigns below. The most successful business crowdfunding campaigns can be found on Kickstarter, Fundable, and IndieGoGo.

The Top 10 Business Crowdfunding Campaigns of All Time

1. The Pebble E-Paper Watch

Famous for being Kickstarter's breakout success, the Pebble E-Paper Watch raised \$10,266,845 in 37 days. Crowdfunding backers jumped at the chance to be one of the first to own a Pebble watch, one of the first affordable smart watches on the market. As months passed, backers became upset when production of the watch was stalled and they were left empty-handed. It raised questions about their ability to fulfill large order on a short timeline with limited capital, and led to the announcement that "Kickstarter Is Not a Store." Pebble delivered their first round of smart watches 10 months after the crowdfunding campaign ended.

2. Ouya

The Ouya open-source game console took the gaming community by storm, raising over \$8.5 million in 29 days via Kickstarter. Ouya was able to deliver their game console to rewards crowdfunding backers within 10 months of launching their fundraiser.

3. Pono Music

Pono is a recent Kickstarter success, promising to deliver a music listening experience unlike any other — so you hear the music as the artist intended. With over \$6 million raised in just 30 days, the high res music player is scheduled to be delivered to crowdfunding backers this October.

4. Bitvore

Bitvore provides an answer to the big data dilemma faced by businesses, allowing them to monitor and analyze large continuous streams of data. They launched an equity crowdfunding campaign on Fundable and closed a \$4,500,000 round to further develop their product.

5. The Dash

The Dash are the world's first wireless smart in-ear headphones. Part music player, part fitness tracker, The Dash raised \$3,390,551 in 50 days. The rewards crowdfunding campaign on Kickstarter promises that The Dash will be delivered in October and November of this year.

6. Formlabs 3D Printer

Formlabs launched a Kickstarter campaign to bring an affordable 3D printer to the masses, raising \$2,945,885. Backers who pledged \$2,299 or more received a Formlabs printer in spring of 2013. Formlabs were an early-mover in the 3D printing movement and one of the first 3D printers to be developed through crowdfunding.

7. Oculus Rift

The Oculus VR is a virtual-reality headset that puts players into their favorite games. With \$2,437,429 raised in 30 days, the Oculus team went on to raise additional investment capital and was acquired by Facebook. The \$2 billion acquisition was controversial and many crowdfunding backers that contributed to the Oculus campaign expressed their desire to benefit from the company's success since they were the first supporters of the company.

8. 3Doodler

The 3Doodler is a 3D printing pen that lets anyone draw in 3D. As you draw the device extrudes heated plastic, which quickly cools and solidifies into a strong stable structure. With \$2,344,134 raised in 34 days, over 26,000 Kickstarter backers received their rewards within a year after the fundraiser ended.

9. Canary Smart Home Security

The Canary Smart Home security system found crowdfunding success on the IndieGoGo platform in summer of 2013. Over \$1.9 million was raised in 34 days for the device, which contains an HD video camera and multiple sensors that track everything from motion to temperature and air quality.

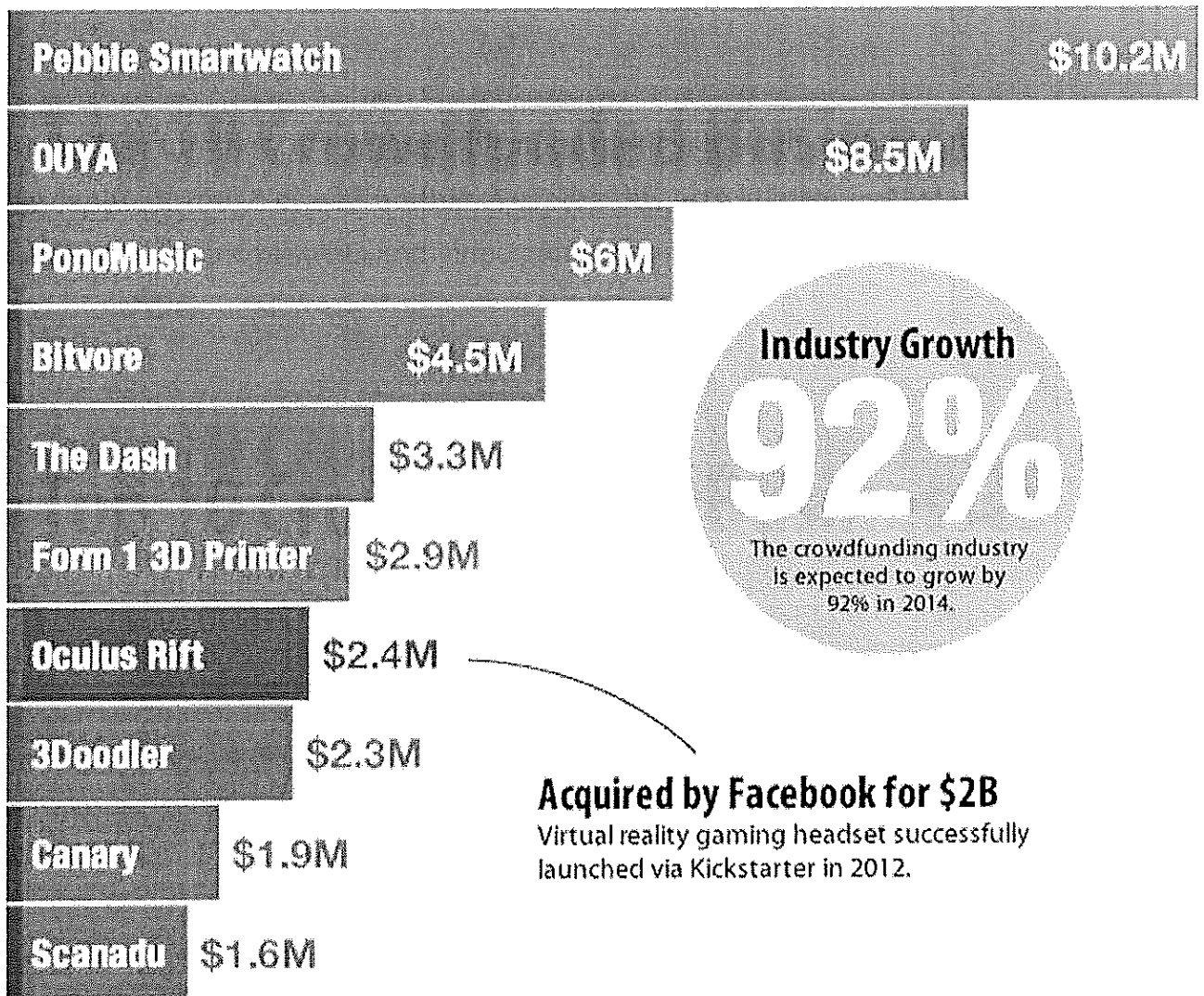
10. Scanadu Scout

Rewards crowdfunding proved a powerful tool to bring the Scanadu Scout from prototype stage to consumers. The device tracks vital signs including temperature, respiratory rate, EKG, and emotional stress and sends a report via smartphone. With \$1,664,574 raised in under 60 days, Scanadu Scout will be sent to backers spring 2014.

*Disclosure: I'm the CEO of Fundable and work exclusively with businesses looking to raise capital through crowdfunding. Keeping this article business focused, I did not include creative art projects and video games, as well as removing companies that did not achieve their goal.

Top 10 Crowdfunded Businesses

The definitive list of the top business crowdfunding campaigns to date. The companies below found success on Kickstarter, Fundable, and IndieGoGo.



Key: ■ Kickstarter ■ Fundable ■ IndieGoGo



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Wil Schroter

I am the Co-Founder & CEO of Fundable.com which helps thousands of startups raise capital online treat Founders like gold. You can follow my weekly posts @fundab... **Read More**