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Crowdfunding Vs. **Venture Capital**

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Crowdfunding Vs. **Venture Capital**

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Venture Capital Overview

Venture Capital Overview

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How Venture Capital Works

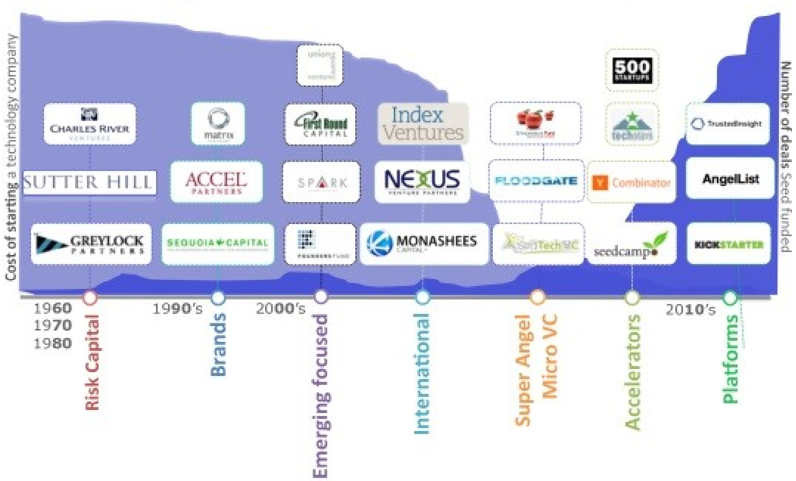
Invention & Innovation drive the U.S. economy. What's more inventors have a powerful grip on the nation's collective imagination. The popular press is filled with against-all-odds success stories of these Silicon Valley entrepreneurs are our modern-day cowboys, roaming new industrial frontiers much the same way that earlier Americans explored the West. At their side stands the venture capitalist, a trail-wise sidekick ready to help the hero through all the tight spots—in exchange, of course, for a piece of the action.

The U.S. venture-capital industry is envied throughout the world as an engine of economic growth. Although the collective imagination romanticizes the industry, separating the popular myths from the current realities is crucial to understanding how this important piece of the U.S. economy operates. For entrepreneurs, and would-be entrepreneurs, such an analysis may prove especially beneficial or more than likely NOT.

1946: The Modern Day Venture Capitalist Is Born

The origins of the modern private equity industry trace back to 1946 with the formation of the first venture capital firms. The thirty-five-year period from 1946 through the end of the 1970s was characterized by relatively small volumes of private equity investment, rudimentary firm organizations and limited awareness of and familiarity with the private equity industry.

History and evolution of Venture Capital



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Venture Capital Evolution

1957: The First BIG Deal

American Research and Development Corporation (ARDC) was founded by Georges Doriot, the "father of venture capitalism" and former dean of Harvard Business School, along with Ralph Flanders and Karl Compton who was the former president of MIT, to encourage private sector investments in businesses run by soldiers who were returning from World War II. ARDC's significance was primarily that it was the first institutional private equity investment firm that raised capital from sources other than wealthy families although it had several notable investment successes as well. ARDC is credited with the first major venture capital success story when its 1957 investment of $70,000 in Digital Equipment Corporation (DEC) would be valued at over $355 million after the company's initial public offering in 1968 which represented an unheard of return of over 500 times on its investment which translated into an annualized rate of return of a whopping 101%.

Early Venture Capital - The Growth Of Silicon Valley (1959 – 1981)

1959: The Circuit Board Is Born

It is commonly noted that the first venture-backed startup was Fairchild Semiconductor (which produced the first commercially practicable integrated circuit), funded in 1959.

During the 1960s and 1970s, venture capital firms focused their investment activity primarily on starting and expanding companies. More often than not, these companies were exploiting breakthroughs in electronic, medical or data-processing technology. As a result, venture capital came to be almost synonymous with technology finance.

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Venture Capital Evolution

1960: The First Fund Is Created

In 1960 the common form of private equity fund, still in use today, emerged. Private equity firms organized limited partnerships to hold investments in which the investment professionals served as general partner and the investors, who were passive limited partners, put up the capital. The compensation structure, still in use today, also emerged with limited partners paying an annual management fee of 1-2% and a carried interest typically representing up to 20% of the profits of the partnership.

Early Venture Capital - The Growth Of Silicon Valley (1959 – 1981)

1962: Venture Goes West

An early West Coast venture capital company was Draper and Johnson Investment Company, formed in 1962 by William Henry Draper III and Franklin P. Johnson, Jr. In 1964 Bill Draper and Paul Wythes founded Sutter Hill Ventures, and Pitch Johnson formed Asset Management Company.

1970's: Explosive VC Expansion

The growth of the venture capital industry was fueled by the emergence of the independent investment firms on Sand Hill Road, beginning with Kleiner, Perkins, Caufield & Byers and Sequoia Capital in 1972. Located, in Menlo Park, CA, Kleiner Perkins, Sequoia and later venture capital firms would have access to the burgeoning technology industries in the area. By the early 1970s, there were many semiconductor companies based in the Santa Clara Valley as well as early computer firms using their devices and programming and service companies.

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Venture Capital Evolution

Throughout the 1970s, a group of private equity firms, focused primarily on venture capital investments, would be founded that would become the model for later leveraged buyout and venture capital investment firms. In 1973, with the number of new venture capital firms increasing, leading venture capitalists formed the National Venture Capital Association (NVCA). The NVCA was to serve as the industry trade group for the venture capital industry. Venture capital firms suffered a temporary downturn in 1974, when the stock market crashed and investors were naturally wary of this new kind of investment fund. It was not until 1978 that venture capital experienced its first major fundraising year, as the industry raised approximately $750 million. During this period, the number of venture firms also increased.

Today VC Investing Is Way UP ↑ And Retail Investor Returns Way Down ↓

The IPO which is the traditional exit, often comes after a company has already grown quite large. As a result, public investors as well as employees don't share as much of the increase in value which is creating a problem.

It used to be, **back in 1993–'96, tech companies would go public and then public market shareholders would benefit from the huge growth in valuations.** Now it's more the private investors who benefit which has really created a wedge between the haves and have nots. **This fuels the distaste for Wall Street Crony Capitalism.**

Markets tend to go toward realizable, short-term rewards that require little capital.

That tends to favor pure-play software companies like Airbnb, Dropbox, and Uber that have global reach and network effects in which a service becomes much more valuable as more people use it. If more capital naturally flowed toward deep tech, conventional wisdom would say this is a good thing for the world. But you do have SpaceX, you do have Tesla. Deep tech isn't that starved for capital.

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Venture Capital Evolution

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Bill Gates Thoughts On Venture Capital

Bill Gates is the richest man in the world and one of its biggest philanthropist. In a recent interview with Rolling Stone, Gates was critical of what he sees as a double standard when it comes to development.

Giving people access to something as basic as a working toilet can materially change their lives. Doing that kind of work on a large scale is very possible, but people still criticize development efforts for not doing enough. That needs to change, Gates says:

We take things like TV or Internet or a microwave or a refrigerator for granted, but moving people from basic lives to decent lives requires a lot less than that. You know, development sometimes is viewed as a project in which you give people things and nothing much happens, which is perfectly valid, but if you just focus on that, then you'd also have to say that venture capital is pretty stupid, too. Its hit rate is pathetic. But occasionally, you get successes, you fund a Google or something, and suddenly venture capital is vaunted as the most amazing field of all time. Our hit rate in development is better than theirs, but we should strive to make it better.

Bill Gates says the success rate on venture capital is "pathetic" compared to development

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Venture Capital Evolution

WSJ Reported That 3 of 4 VC Start-Ups FAIL

It looks so easy from the outside. An entrepreneur with a hot technology and venture-capital funding becomes a billionaire in his 20s.

But now there is evidence that venture-backed start-ups fail at far higher numbers than the rate the industry usually cites.

About three-quarters of venture-backed firms in the U.S. don't return investors' capital, according to recent research by Shikhar Ghosh, a senior lecturer at Harvard Business School.

Compare that with the figures that venture capitalists toss around. The common rule of thumb is that of 10 start-ups, only three or four fail completely. Another three or four return the original investment, and one or two produce substantial returns. The National Venture Capital Association estimates that 25% to 30% of venture-backed businesses fail.

His findings are based on data from more than 2,000 companies that received venture funding, generally at least $1 million, from 2004 through 2010.

THE WALL STREET JOURNAL.

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SMALL BUSINESS

The Venture Capital Secret: 3 Out of 4 Start-Ups Fail

By DEBORAH GAGE
Updated Sept. 20, 2012 12:01 a.m. ET

It looks so easy from the outside. An entrepreneur with a hot technology and venture-capital funding becomes a billionaire in his 20s.

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COMING SEPT. 27

The Next Big Thing

Compare that with the figures that venture capitalists toss around. The common rule of thumb is that of 10 start-ups, only three or four fail completely. Another three or four return the original investment, and one or two produce substantial returns. The National Venture Capital Association estimates that 25% to 30% of venture-backed businesses fail.

Mr. Ghosh chalks up the discrepancy in part to a dearth of in-depth research into failures. "We're just getting more light on the entrepreneurial process," he says.

His findings are based on data from more than 2,000 companies that received venture funding, generally at least $1 million, from 2004 through 2010.

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Crowdfunding Overview

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Crowdfunding Overview

Simply put, **crowdfunding is a method for financing projects** by raising money **from a large group of individuals,** i.e. **"the crowd."**

Although **crowdfunding** has recently gained main street popularity, it actually **has a long history in America** and can be traced **as far back as the 1700's.** In fact, the construction of the **Statue of Liberty was partially crowdfunded** by thousands of small donations from around the world, a campaign organized by Joseph Pulitzer using his newspaper, The New York World.

Before we dive into its history, let's first review the **two main types of crowdfunding.**

Equity Crowdfunding

Equity-based crowdfunding **allows a large number of individuals to invest in a project and receive compensation,** often in the form of partial ownership. Equity crowdfunding has most commonly been used to fund startups.

Equity-based crowdfunding efforts tend to be highly regulated by the Securities & Exchange Commission as they involve the selling of securities.

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Crowdfunding Revolution

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Donation & Rewards-Based Crowdfunding

Kickstarter and Indiego are popular examples of donation-based crowdfunding platforms, where participants give money to further a project, with very few strings attached.

Though equity is not distributed and donors don't receive financial benefits directly from the success of a project, there are often rewards or perks given out. Actor Zach Braff famously offered a filmmaking symposium to anyone who donated $2,500 to his campaign to raise funding for the production of an independent film.

Rewards-based crowdfunding has become so popular that companies have emerged dedicated entirely to the fulfillment of rewards that have been promised.

The Evolution of Modern Crowdfunding

1997: Music Fans Come Together

British rock band Marillion funds a US tour by raising nearly $60,000 via online donations from fans.

This successful campaign would lead to the creation of ArtistShare in 2000, the first platform entirely dedicated to crowdfunding.

2000: Charities See Increase from Online Fundraisers

Charities begin to tap into the potential for online fundraising from the crowd. Non-profits see an uptick in fundraising from smaller, grassroots donors.

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Crowdfunding Revolution

"Challenge fundraising" – the use of the Internet to **"challenge"** supporters to give to individual, goal-focused campaigns—also emerges, most closely resembling the way crowdfunding looks today.

2005: Microlending & Peer-to-Peer Lending Takes Hold

Kiva launches in 2005 and becomes the first platform to facilitate lending to developing areas across the world.

Today, Kiva is one of the most successful micro-lending platforms, having raised over $165 million through crowdfunding, with a 98.83% repayment rate.

2006: Crowdfunding Gets its Name

The term **"crowdfunding"** is coined by entrepreneur Michael Sullivan.

Sullivan uses the term to help explain the launch of his project fundavlog, a failed attempt to create an incubator for emerging video blogs and other projects.

2008: Crowdfunding Gains Momentum in the Political Fundraising World

Barack Obama's 2008 campaign shows the world the power of the Internet to drive both fundraising and voter turnout.

By lowering the barrier to donation, campaigns start to see an increase in voter turnout—if you donate to a candidate, even just a dollar, you are far more likely to turn out on Election Day.

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Crowdfunding Revolution

2009: Kickstarter Launches

Kickstarter, launches as a place for entrepreneurs to raise funds for companies and campaigns.

Kickstarter reports that $1,261,961,419 has been pledged on its site and more than 67,000 projects have been successfully funded, as of August 2014.

2010: Giving the Crowd Equity

GrowVC launches as the first-ever equity crowdfunding platform aimed at connecting startups and investors.

Since its inception, GrowVC has facilitated connections for more than 9,000 entrepreneurs, investors and experts from 200 different countries.

2010: Fundrise Introduces First Real Estate Crowdfunding Model

Co-Founders Ben and Dan Miller create Fundrise with the goal of giving everyone the opportunity to invest in and benefit from real estate development.

To date, Fundrise has given more than 20,000 members the opportunity to invest in 30+ real estate projects around the country.

2012: The JOBS Act

Congress passes and **President Obama signs the Jumpstart Our Business Startups (JOBS) Act into law. The JOBS Act** allows for **equity crowdfunding** and legalizes private companies to publicly solicit funds.*

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2014: Crowdfunding Potato Salad?

Beginning as a joke with an original goal of $10, Zach Danger Brown famously raises $55,492 from 6,911 backers to fund… potato salad.

What's Next For Crowdfunding?

Now a multi-billion dollar industry, crowdfunding is just beginning to hit its stride.

While several equity crowdfunding platforms have already emerged, we believe that things are just getting started.

As the JOBS Act moves forward and intrastate crowdfunding exemptions emerge around the country, the industry will continue to grow at a faster and faster pace, sparking interest from donors, investors, and fund seekers around the world.

2015: Equity Crowdfunding Is Brand New And For Real

June 19, a new provision of the 2012 **Jumpstart Our Business Startups Act** kicks in allowing startups to raise up to **$50 million from non-accredited investors.**

October 30, The Securities and Exchange Commission adopted final rules to permit companies to offer and sell securities through crowdfunding. The Commission also voted to propose amendments to existing Securities Act rules to facilitate intrastate and regional securities offerings. The new rules and proposed amendments are designed to assist smaller companies with capital formation and provide investors with additional protections.

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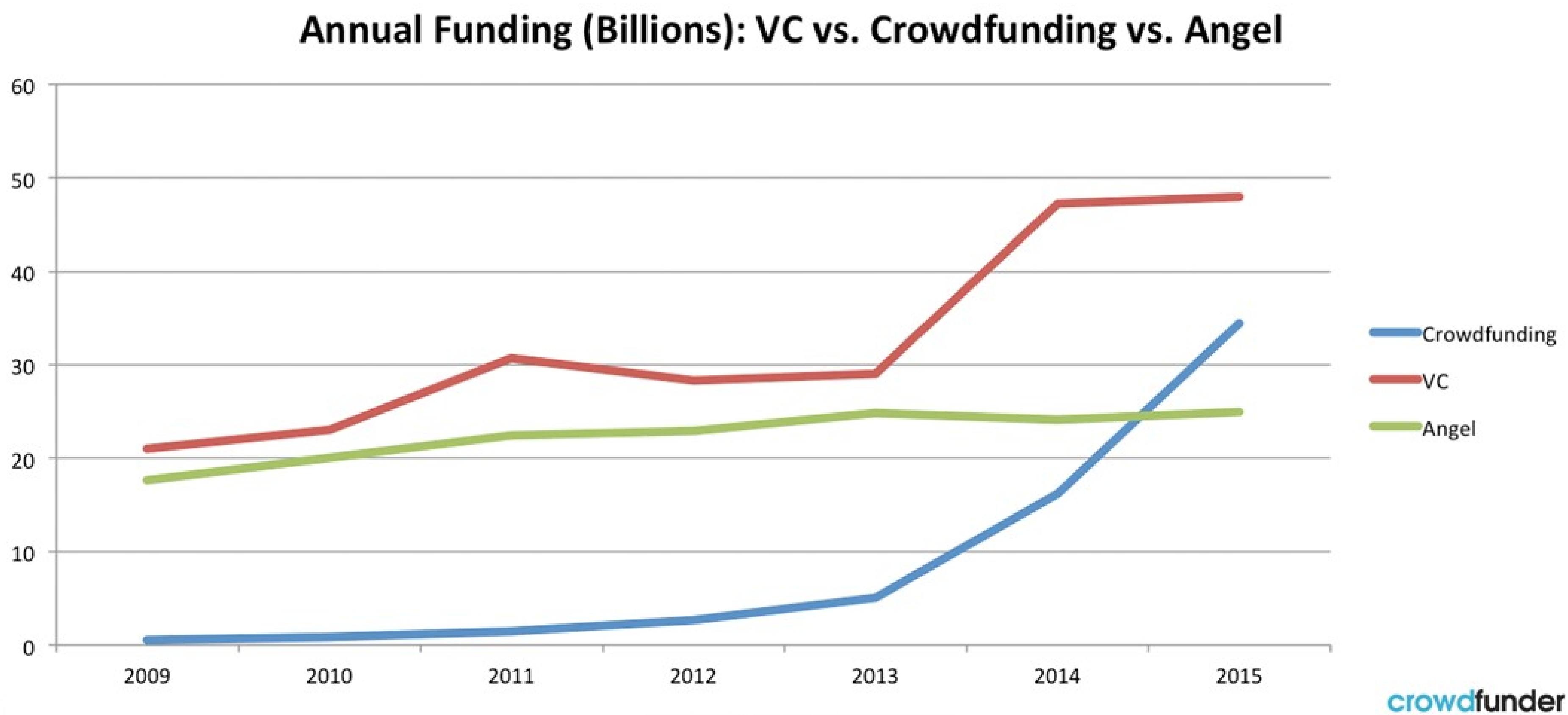
Crowdfunding Trends UP

2015: The Global Crowdfunding Industry Raised $34.4 Billion In 2015, And Could Surpass VC In 2016



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Crowdfunding Trends UP

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2015: The Global Crowdfunding Industry Raised $34.4 Billion In 2015, And Could Surpass VC In 2016

There is a new 'buzz' going around in the investment game—crowdfunding investment. Though crowdfunding is a relatively new investment practice, existing businesses, individual, and startups are increasingly looking to raise funds through this method. Let's examine some facts and figures to understand the **crowdfunding sector has progressed over the years:** Juniper suggests that the **crowdfunding industry has seen an "accelerated growth", especially in the equity crowdfunding sector.** According to Massolution **crowdfunding report 2015,** the global crowdfunding industry grew immensely in 2014—**expanded by 167%** to reach $16.2 billion, up from $6.1 billion in 2013. **The industry has raised more than double once again and reached to $34.4 billion, in 2015.**

Further, Massolution adds that the **consistent growth in 2014 was due to a spike in crowdfunding projects from Asia; the Asian crowdfunding volumes grew by 320%, to $3.4 billion** raised from various projects. This puts Asia ahead of Europe with $3.26 billion as the second-largest region by crowdfunding volume. **North America** took the lead position in the world in terms of crowdfunding volumes, **growing by 145% and raising a total of $9.46 billion in 2014.** Business and entrepreneurship were the most popular crowdfunding category, collecting $6.7 billion in 2014, adds Massolution.

Closing in on the equity crowdfunding sector, a Forbes analysis claims that venture capital averaged to roughly $30 billion per year; and in 2014 accounted for roughly $45 billion in investments, whereas angel capital averages roughly $20 billion per year invested. Equity crowdfunding was opened to the public in the U.S on September 2013, under the JOBS Act. But, it was restricted to 'accredited investors only'; even then there was a $1 billion investment made online through equity crowdfunding while 2015 is estimated to have over $2.5 billion in total crowdfunded equity investments basically on par with Venture Capital Fundings.

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Crowdfunding Set To Jump

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Huffington Reports Regulation A+ is a Game Changer

The newly approved Regulation A+ fixes the provisions of Regulation A. First, by raising the maximum ceiling from 5 million to 50 million dollars and secondly, eliminating the state compliance requirement. Most importantly, the new rules set by SEC for Regulation A+ now expand the pool from which these funds can be raised, from just accredited investors, as provided by Regulation D, to the general public.

This means that startups and small businesses can now hold small Initial Public Offers not just from accredited investors, but also from the general public. This will surely be a game changer in the way businesses access capital going forward.

Why Regulation A+ is Important for the Industry

Approval of Regulation A+ is important for the crowdfunding industry because it does not only open new opportunities but it also addresses key industry concerns.

THE HUFFINGTON POST

THE BLOG

Crowdfunding Industry Set to Explode as SEC Approves Regulation A+

03/27/2015 03:34 pm ET | Updated May 27, 2015

David Drake
Chairman, LDJ Capital

On Wednesday, 25th March, 2015, the Securities and Exchange Commission (SEC) approved the final rules to activate implementation of Regulation A+ which is Title IV of the Jumpstart our Business Startups Act, or JOBS Act. The approval of Regulation A+ is a major breakthrough in the crowdfunding industry as it allows startups and small businesses to raise a maximum of 50 million dollars through crowdfunding under this law.

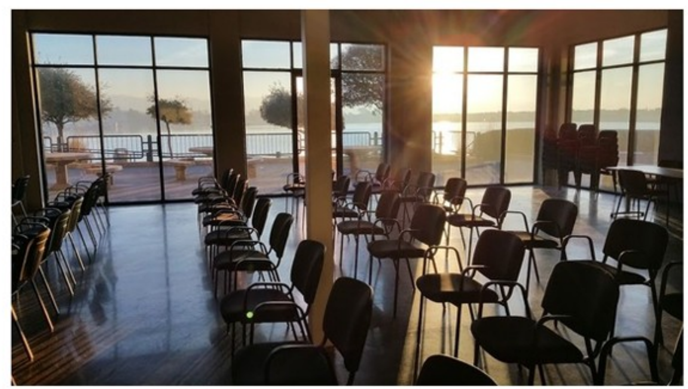

Photo credit: www.VictoriaGlobal.co

Regulation A+ Background

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What The Billionaires Think

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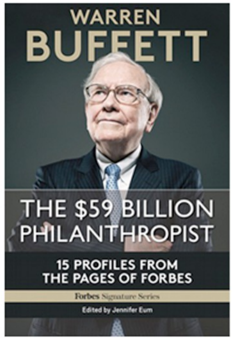
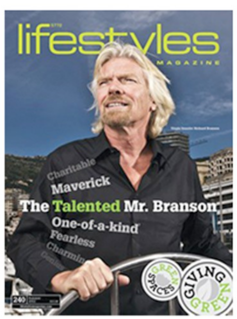


"It is much easier to learn from a crowdfunded investment than it is a Coca Cola or a Wells Fargo".
- Warren Buffett

"This solution (Crowdfunding) helps close the gap for potential and promising, but unfunded projects,"
- Bill Gates



"Is crowdfunding going to change the world? It is an area that is transforming the way entrepreneurs can do business, and one I'm taking a keen interest in".
- Sir Richard Branson

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How To Start Crowdfunding Your Idea TODAY !

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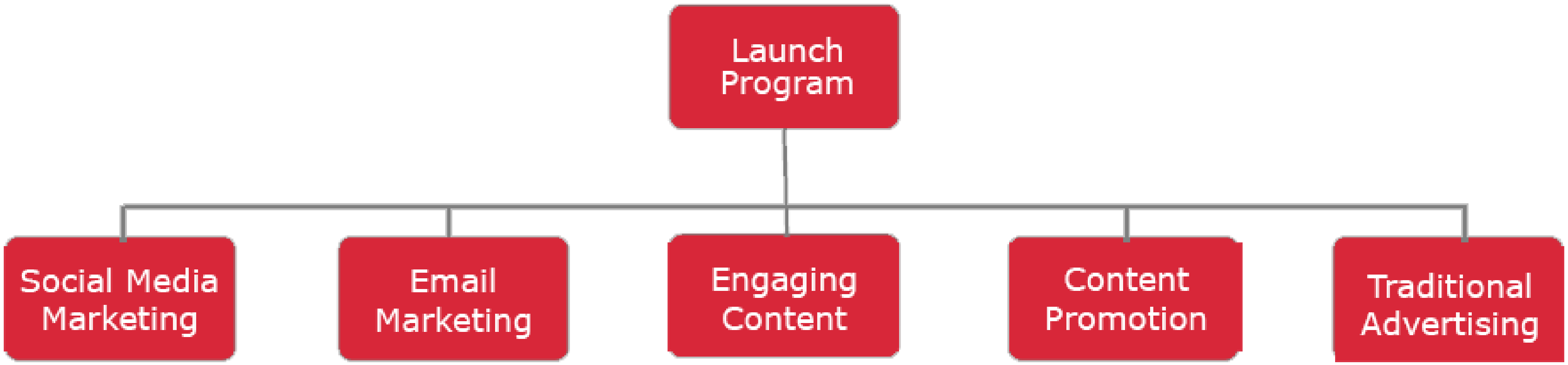
Integrated Ad Campaign



The Crowd Pitch is a product of SSL9 Agency, the 1st agency dedicated to the new world of Equity Crowdfunding. The The Crowd Pitch is a first of its kind fully integrated Advertising and Funding portal that successfully engages consumers and investors in the target channels that best matches your product(s) and/or service(s) ideas.

The key to achieving your desired success is pin point planning, testing, analyzing, then executing by implementing a strategically targeted advertising program utilizing strict mathematics with a unique blend of tactics to successfully meet your **company's goals and objectives.**

An integral part of this proposal involves working closely with your team to make sure there is seamless integration and execution across the campaign.

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Integrated Ad Campaign

We believe in taking your Launch, integrated into multiple mediums, thus creating maximum crowdfunding campaign awareness, while generating key backer momentum thus successfully exceeding your funding goals/objectives:

- **Identify and secure positive opinion among key influencers.**
- **Create strong buzz within targeted audiences.**
- **Drive traffic to Your Page on TheCrowdPitch.com platform.**
- **Achieve campaign funding momentum right from the start.**
- **Successfully meet and exceed the equity crowdfunding campaign goal.**

How to get ahead in
Crowdfunding

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Social Ad Integration
To Your Targeted Audience

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Dream Up ↑ Team Up
With The Crowd Pitch Today !!!

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