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STAND OUT IN THE CROWD

How Women (and Men) Benefit From Equity Crowdfunding

Geri Stengel President / Ventureneer

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STAND OUT IN THE CROWD

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ABOUT THE AUTHOR AND VENTURENEER

Geri Stengel

"A baby boomer with the heart and soul of a millennial" describes me best. I grew up believing that dedicated, thoughtful people can change the world by working together.

I'm a believer still. I'm even more committed to the possibility of meaningful change because we have a huge, untapped resource: women! Give them the funding they need and they create jobs, innovate, and drive economic growth. So, for the last few years, I have researched and written about the challenges women face in the entrepreneurial world and the success factors that help them break through barriers, whether starting or scaling a business.

My passion to get women on the radar as leaders of mega-firms led me to write *Forget the Glass Ceiling: Build Your Business Without One,* commissioned by Dell. Now, I've completed another research project, aimed at helping women entrepreneurs get the funding they need through crowdfunding. Never one for theorizing, I've walked the walk. I undertook the crowdfunding challenge myself. I love hands-on research because it provides the best insights for solving problems.

I also love collaboration, the keystone of both crowdfunding and entrepreneurial success. It's why I've taught entrepreneurship at The New School, facilitated Kauffman FastTrac courses for entrepreneurs, researched best practices in social media for businesses, and founded a company that provides online resources to women who want to break through the $1 million revenue level. It's why I was a board member of the NYC chapter of the National Association of Women Business Owners (NAWBO) for eight years.

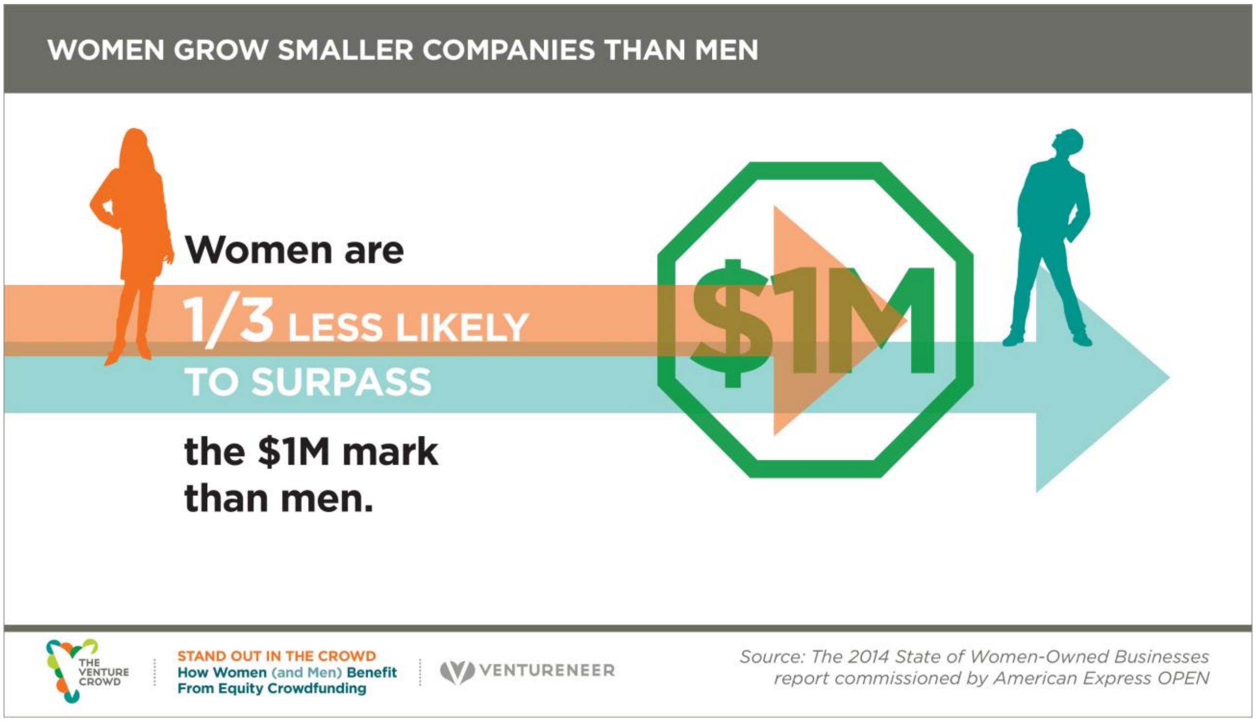
I'm a questioner and a builder who is passionate about eliminating barriers that slow down the economy.

Ventureneer

Ventureneer is a digital media and market research company providing education and training for small businesses. For corporations that want to reach these organizations, Ventureneer provides branded marketing and social media opportunities that generate visibility, thought leadership, and brand loyalty.

A troubling disparity

The number of women starting businesses has jumped from 740 a day in 2013 to more than 1,200 in 2014.[1] Women have discovered that growth-oriented entrepreneurship is personally satisfying. In fact, these women are the happiest people in the world.[2] Yet, women are one third less likely to surpass the $1 million revenue mark than men.[3]



This is a missed opportunity for them and for us. If their businesses could generate more revenue and be more profitable, the U.S. GDP would be 7 to 9 points higher[4] and 6 million more jobs would be created in five years.[5]

Money is the key ingredient needed for companies to grow. Yet women entrepreneurs who aspire to grow their businesses are 50% less likely to seek outside funding than their male counterparts.[6]

EXECUTIVE SUMMARY

The media are awash with stories about the underfunding of women entrepreneurs by venture capitalists and how women face overt sexual harassment, unintended bias, and an unwelcoming environment toward women raising equity financing by both VCs and angels. No wonder women entrepreneurs aren't seeking capital to the same degree as men! But our economy and your portfolio need women entrepreneurs to find a way around these roadblocks.

Opportunity knocks, women are slow to answer

Technology that centralizes, streamlines, and makes the process of raising money more transparent has the potential to level the playing field for anyone raising and investing money, but its impact may be the greatest on under-represented groups, such as women and minorities.

On September 23, 2013, Rule 506(c) of Regulation D of Title II of the JOBS Act went into effect. It allows entrepreneurs to advertise their securities offerings to accredited investors (a.k.a. wealthy people). Equity crowdfunding pools money from a group of investors via internet platforms, using social media. Entrepreneurs can market their securities offerings through websites such as AngelList, CircleUp, Crowdfunder, and Portfolia.

Skip ahead to early 2015: Women entrepreneurs are underutilizing this new way of raising money. Only 18% of companies raising equity through crowdfunding are women-led companies and 16% are women-owned companies, according to Crowdnetic, which maintains an equity crowdfunding database. Of the companies seeking angel investments offline, 23% are women-owned companies.

Success rates for companies in general and women-led companies are the same: 23%, according to Crowdnetic's database.

Women-led companies which raise financing through equity crowdfunding publicly from angel investors are achieving a higher success rate than those raising financing offline: 23% versus 19%, respectively.

- Paige Cattano, cofounder of Wonder Technologies, learned that raising money via crowdfunding provided a methodical and focused approach to funding in a concentrated period of time. Wonder Technologies enables credit cards to be used as gift cards by merchants.

- Wendy Strgar of Good Clean Love not only found money and business expertise through equity crowdfunding, but also investors who are aligned with her values. Good Clean Love makes all-natural, organic intimacy products.

The world is better with the innovations of women

If women aren't creating products and services, only half the population is contributing to innovation. Innovation doesn't just happen. It is the result of unexpected insights based on life experiences. And women's experiences are different from those of men.

- Cynthia Schames' company, AbbeyPost, developed an algorithm that, with just a few measurements, enables the creation of attractive, well-made clothing that fits plus-size women.
- Laura Wagner, of Digitzs, plans to disrupt the virtual payment processing industry with a service that meets the needs of freelancers and professionals such as accountants and lawyers.
- Sheri Atwood, a divorced parent, developed SupportPay to automate and coordinate child support payments that make things easier for divorced moms and dads.

Two cities are crowdfunding standouts

Silicon Valley venture capitalists may not have much to be proud of in terms of their treatment of women, but the Valley's angel community is another story. By far, San Francisco/Silicon Valley is the #1 city for equity crowdfunding. More women-led and women-owned companies seek and receive equity crowdfunding.

Austin is fighting well above its weight. Ranked 35th in terms of population, it's #6 in terms of the number of women-led businesses seeking equity crowdfunding. "The Austin tech scene has just had one of its best years ever, with the number of women entrepreneurs surging," said Jan Ryan, partner at Capital Factory and founder of Women@Austin. "Female founders still experience single-digit funding percentages from VCs, but Austin women are not waiting around. They are actively seeking and closing alternative means of funding."

Misperception clouds crowdfunding reality

Why are women entrepreneurs holding back when it comes to raising equity financing publicly? It is the misperception among entrepreneurs and the professional advisors they rely on that the rules are still being ironed out, that it is complicated and expensive to do.

Verifying accreditation of investors is not complicated. Financial reporting is pretty simple – financial statements from whatever software system you're using will suffice. Yes, you will have to spend money on the crowdfunding platform, but the benefits are that you raise money faster and have the added value of increasing awareness of your products. You can manage small investors by organizing them into a Special Purpose Vehicle (SPV) so you have a single point of contact for these investors.

She's got skills

The prerequisite skills for success include project management, marketing, storytelling, communicating clearly – without jargon, projecting revenues realistically, aligning words with actions – meeting milestones, being frank when mistakes happen and, of course, being excellent at followup. In general, women excel at these things.

These skills are serving women well. In rewards-based crowdfunding, which has been around longer than equity crowdfunding, women outperform men, according to research conducted by Hebrew University, the Kauffman Foundation, and UC Berkeley. CircleUp, an equity crowdfunding platform, reports that women-led businesses closed their rounds successfully at a 21% higher rate than men on the platform. That's an enticing trend and one that I think will continue as more women take the crowdfunding plunge. I also think this success rate will be reflected on other platforms as well.

Emerging best practices include building your network before you need it, making a compelling video, emphasizing traction – which could be customers, partners, or media mentions – and showing momentum.

Women need to ante up

Women have decision-making power over $11.2 trillion or 39% of all investable assets in the United States, according to *Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth*, a report by the Center for Talent Innovation.

Only 19% of all angels are women, according to the Center for Venture Research. So why are so few wealthy women stepping up as angel investors? Chalk it up to self-doubt. Women doubt their financial knowledge yet it is virtually on par with men's. As it turns out, women on average are better investors than the average man, according to LouAnn Lofton, author of *Warren Buffett Invests Like a Girl − And Why You Should, Too.*

Some women do step up to the plate. While it may not be well known, women have always relied on each other to raise money in the offline world. When Billie Dragoo of RepuCare had trouble raising institutional money to expand her healthcare staffing company into onsite wellness and healthcare risk management, she turned to another successful entrepreneur: Carol Curran of Phoenix Data Systems, whom she knew through the National Association of Women Business Owners (NAWBO). Curran, who had never been an angel investor, not only provided money for the expansion but also invested when Dragoo wanted money to purchase another company.

Building on her own experience, Dragoo has helped forge a strategic alliance on behalf of NAWBO with Portfolia (an equity-based crowdfunding platform) to facilitate women investing in women. They are piloting a program in five cities.

Men need to take off their blinders

While some of the responsibility for women's less-than-representative funding lies with women, the rest falls squarely on men's shoulders. Men represent the vast majority — 81% — of angel investors, which has huge implications for women entrepreneurs.

Put aside conscious bias. Unconscious bias alone is significant. Even a woman's voice turns off investors, according to research conducted last year by a team from Harvard, MIT, and

Wharton.

For Adam Quinton of Lucas Points Ventures, the failure of other investors to consider women-led businesses gives him more investment opportunities. Jamie McIntyre of Rewire Capital and David Steakley of the Houston Angel Network, who have invested in women-led companies via crowdfunding platforms, reported that women entrepreneurs make realistic projections and align words with actions — women are more likely to meet their milestones, and are more frank when mistakes happen.

Explore all your fundraising options

Don't just focus only on 506(c) financing. Explore raising money privately, both online and offline as well as rewards-based crowdfunding. *Stand Out In the Crowd: How Women (and Men) Benefit From Equity Crowdfunding* shows how women are using rewards-crowdfunding as a stepping stone to other types of financing.

- Sara Andrews, Bumbleroot Foods, raised money through a rewards-based campaign so she could do a large manufacturing run and distribute her drink. She then raised equity financing privately via crowdfunding.
- Julie Bombacino, Real Food Blends, raised money through a rewards-based campaign to cover the costs of the production, distribution, and marketing. She credits her successful rewards campaign with helping her raise an additional $550,000 offline.
- Kara Goldin, Hint Inc., showed how a growth company that hit a dead end trying to raise institutional money to expand her e-commerce model could raise $2 million in 10 days by reaching out to her most avid fans – employees of technology companies in Silicon Valley. She did this privately via a crowdfunding platform.

Crowdfunding is an opportunity for women to raise women to scale their companies and an opportunity for investors – male and female – to create wealth and improve the prosperity of the economy.

The full *Stand Out in the Crowd* report provides tangible and actionable information, including industry benchmarks, case studies, key insights from subject matter experts, and advice from successful women entrepreneurs and investors.

Footnotes:

1. *The 2014 State of Women-owned Businesses Report,* commissioned by American Express OPEN
2. *2013 Global Entrepreneurship Monitor (GEM) U.S. Report,* issued by Babson College and Baruch College
3. *The 2014 State of Women-owned Businesses Report*
4. Sallie Krawcheck, a former investment analyst and chair of Ellevate, a global professional women's network, on Bloomberg TV
5. Babson College
6. Access to Capital by High-Growth Women-Owned Businesses, a report by the National Women's Business Council

EXECUTIVE SUMMARY

HOW WOMEN ENTREPRENEURS ARE CLOSING THE FUNDING GAP		
	Use of Financing	
METHOD OF FUNDING	START-UP COMPANIES	GROWTH COMPANIES
Rewards-based Crowdfunding	Manufacturing/production Other benefits: • Customer engagement • Debt-and equity-free money • Market research -- pricing and features • Market validation • Marketing	*As growth companies come to realize that the reasons for using and benefits of rewards-based crowdfunding are not limited to startups, they will start using it too.*

Angels
• Privately offline
• Equity crowdfunding*
  • 506 (b) – privately raising
  • 506 (c) – publicly raising
	Distribution
	Equipment
	Manufacturing
	New hires
	Research & development
	Sales & marketing
		Company acquisition as well as other purposes listed under start-up companies
		
		For consumer-oriented companies that have trouble raising venture capital or private equity, raising money from angels is a viable alternative. Over time crowdfunding platforms will play an increasingly more important role in facilitating this for growth companies.

EXAMPLES OF HOW WOMEN ENTREPRENEURS ARE CLOSING THE FUNDING GAP

Rewards-based crowdfunding

START-UP COMPANY

Sara Andrews, Bumbleroot Foods, makes drinks and snacks from wild harvested, super nutritious fruits from Africa. She raised money through a rewards-based campaign so she could manufacture and distribute her drink. The rewards-based campaign showed product traction that enabled her to raise equity crowdfunding.

Julie Bombacino, Real Food Blends, makes nutritious meals from real foods packaged in a pouch for feeding tubes. She raised money through a rewards-based campaign to cover the costs of production, distribution, and marketing. She credits her successful rewards campaign with helping her raise an additional $550,000 offline.

Erin Bagwell raised $104,000 -- nearly double her goal -- to fund the production of a documentary: Dream, Girl provides role models for women entrepreneurs.

Angels privately offline

START-UP COMPANY

Julie Bombacino, Real Food Blends, raised $550,000 from angels. She used this money for manufacturing, distribution, and research and development.

Sheri Atwood, a divorced parent, developed SupportPay to automate and coordinate child support payments that make things easier for divorced moms and dads. Atwood raised $1.1 million privately from angels offline. She is using the money to drive customer growth, brand awareness, and referral network expansion, as well as for internal team growth and continued platform improvements.

GROWTH COMPANIES

Billie Dragoo, RepuCare, wanted to expand her healthcare staffing company into onsite wellness and healthcare risk management. She hit the wall at financial institutions. She raised money from friends, family, and another women-owned business that had never done angel investing. Carol Curran also invested when Dragoo acquired a company.

EXAMPLES OF HOW WOMEN ENTREPRENEURS ARE CLOSING THE FUNDING GAP – cont'd

Title II of JOBS ACT Reg D Rule 506 (b)

START-UP COMPANY

Cynthia Schames' company, AbbeyPost, developed an algorithm that, with just a few measurements, enables the creation of attractive, well-made clothing that fits plus-size women. Schames raised $625,000 including $100,000 via Portfolia.

Sara Andrews of Bumbleroot Foods' successful rewards-based campaign gave investors the confidence they needed to invest. She raised equity financing privately via crowdfunding so she could include unaccredited investors. She used this money to mass produce the product and for distribution.

Cybele Pascal turned her expertise in creating delicious recipes for people with allergies into a line of products you can get at the grocery – Cybele's Free to Eat. She raised money via Series A financing to expand her customer base.

Jenny Lewis and her cofounder have created a craft brewing company, Strike Brewing, that caters to people with active lifestyles. They raised money for capital equipment acquisition.

GROWTH COMPANY

Kara Goldin, Hint Inc., makes flavored water with no added sweetener. She hit a dead end trying to raise institutional money to expand her e-commerce model. But she raised $2 million in 10 days by reaching out to her most avid fans – employees of technology companies in Silicon Valley. She did this privately via a crowdfunding platform.

Title II of JOBS ACT Reg D Rule 506(c)

START-UP COMPANY

Paige Cattano is one of the cofounders of Wonder Technologies, which has developed patent-pending technology that enables credit cards to be used as gift cards by any merchant. It raised $400,000 for product development and marketing/customer acquisition.

Tawnya Falkner created Le Grand Courtage, a line of sparkling wines. Her company raised $400,000 for inventory and marketing. Last year her company's revenues grew 450%.

GROWTH COMPANY

Wendy Strgar of Good Clean Love needed money to produce inventory so she could expand distribution for her all-natural, organic intimacy products. She not only found money for inventory, but also business expertise and investors who are aligned with her values.

Courtney Nichols Gould and her husband have grown SmartyPants Vitamins by 200% annually since it launched five years ago. It's the TOMS Shoes of vitamins. For every bottle sold, it distributes a bottle of vitamins to people in need. In May 2014 SmartyPants closed a $2.2 million financing.

Footnotes:
*Title II created an exemption to the 1933 Securities Act: Rule 506 of Regulation D. The Rule 506 exemption allows private companies to raise an unlimited amount of capital via crowdfunding platforms from:

- an unlimited number of "accredited investors" and up to 35 non-accredited investors. The company CANNOT advertise its securities offering to investors. Rule 506(b)
- an unlimited number of accredited investors by broadly soliciting or advertising its securities offering. Rule 506(c)

Source: *Stand Out In the Crowd: How Women (and Men) Benefit From Equity Crowdfunding*

Jump-starting funding for women-led companies

Entrepreneurship boosts the economy. It doesn't matter what the entrepreneur looks like; the economy is better off if a new business starts and grows. Yet, many entrepreneurs – mostly women with big dreams – don't get the funding they need to maximize growth and profitability and create economic prosperity, jobs, and innovative products and services. "If women were as economically engaged as gentlemen in the economy, our GDP would be 7 to 9 points larger," said Sallie Krawcheck, a former investment analyst and chair of Ellevate, a global professional women's network, on Bloomberg TV.

For more than 80 years, it has been illegal for privately owned startups and small businesses to advertise that they were raising capital from investors. The ban was initially put in place to protect inexperienced investors from fraud, but it had the unintended consequence of limiting funding to startups and small businesses.

On September 23, 2013, Title II of the Jumpstart Our Business Startups (JOBS) Act went into effect, lifting the ban on general solicitation so private companies can advertise through social media, email, or even by placing a sign on the street corner that they are raising money – as long as the funds are invested through a crowdfunding platform and investors are verified as accredited, that is, wealthy enough to invest.

The hope was that by centralizing, streamlining, and making processes more transparent, investments in startups and small businesses would increase. This would level the playing field for under-represented groups, such as women and minorities, when they set out to attract investment.

"Access to capital for women entrepreneurs has been an historic problem," said Amanda Brown, executive director of the National Women's Business Council (NWBC), which is an independent, non-partisan advisor to the President, Congress, and the U.S. Small Business Administration on economic issues that impact women business owners and entrepreneurs. As recently as 1988, some states required women to have a male relative co-sign for a loan! The same law that struck down this requirement for individual states in 1988 also created NWBC and Women Business Centers, which provide education to women who own businesses, and made it easier to collect accurate data on their success.

An analysis of the first year's data after Title II went into effect revealed that a lower percentage of women were raising money publicly online than privately offline. Title II was not living up to its potential to level the playing field for women who wanted to raise money.

"Women entrepreneurs are interested in equity crowdfunding, but they want to know how to do it effectively," said Brown. "Education is key."

Why me?

To me, the fix for the underfunding of women entrepreneurs is to educate both sides of the equation – women entrepreneurs and investors.

I've been part of the women's entrepreneurship scene since the late '90s. I was on the board of the New York City chapter of the National Association of Women Business Owners for eight years. I cofounded an educational conference company in the early 2000's to help women pass the $1 million mark in revenue (which women reach at one-third the rate of men). For the past three years, I've written about the success factors for women entrepreneurs in *Forbes,* and I wrote *Forget the Glass Ceiling: Build Your Business Without One.*

Perhaps in recognition that these companies have the potential to go public, NASDAQ lit its tower in Times Square with my ambition to ignite interest in equity crowdfunding among women.

Entrepreneurship is the path to happiness for women

Entrepreneurship holds the promise of fulfilling women not just professionally, but personally. It's a way for us to control our own destinies.

However, few women entrepreneurs start companies with employees or that are growth-oriented. Women-owned businesses represent 30% of all firms, but only 16% of firms that have employees and 10% of high-growth firms, according to *Economic Hope: Women's Entrepreneurship,* a report by the Kauffman Foundation.

FEMALE-OWNED BUSINESSES DISPARITY

Yet, women entrepreneurs who do have employees and are growth-oriented are among the happiest people in the world, according to the *2013 Global Entrepreneurship Monitor (GEM) U.S. Report,* issued by Babson College and Baruch College.

“It is no surprise to me that growth-oriented women entrepreneurs are so happy,” said Marsha Firestone, founder and president of the Women Presidents’ Organization (WPO), a peer advisory organization for women who own multi-million dollar businesses. “Entrepreneurship is the great equalizer for women.” Women have control of what they pay themselves, how much influence and power they have, and their time. “They thrive on entrepreneurial endorphins that are produced when they are 'creating the box' rather than operating inside or outside the box," said Amy Millman, president of Springboard Enterprises, an accelerator for women-led businesses in technology, media, and life sciences.

Women supporting women

Women may not have all the power, influence, and money they deserve but they now have enough to make things happen for each other. For some women, helping each other is about social justice and fairness; for others it's about the bottom line – investing in higher-performing companies owned by women means a better return on investment. As you will learn in this report, men tend to support other men, so it's up to women to support other women.

To become a high-growth business leader, start with a foundation of people who care about you and are in your corner. Their message is, like the song says, "Lean on me…I'll help you carry on."[1] They are the women who help you through tough times and cheer you on during good times. But you also need the support of advisors and mentors who can be sounding boards and provide insight. To climb even higher and make your business high-growth, you need to build relationships with women who have clout and influence, who can open doors for you to customers, partners, or funders. These movers and shakers advocate on your behalf and make things happen. Finally, at the top are those women who can fund your business, either as angels or venture capitalists.

As Billie Dragoo and Carol Curran demonstrate in the chapter "New Opportunities to Find Investors," women have always supported each other. By systemizing and streamlining this kind of help via crowdfunding platforms, women could exponentially expand funding for women entrepreneurs.

Men supporting women

Support of women entrepreneurs needs to move beyond just women helping women. We live in a world with both men and women. Men still control the vast majority of wealth and power. Most men don't mistreat women, but they often do misread them. It isn't deliberate, but this lack of insight is hurting their portfolios. Many don't understand the business models women entrepreneurs are creating.

Sure, male venture capitalists and angels have been successful by funding other men, but opening up funding to products women create could make them even more successful. Adam

Quinton of Lucas Point Ventures sees the lower level of funding for women-led, high-growth companies as a market failure. But, while other investors are ignoring this market, he is happy that he has more opportunities to invest.

The focus of the report

Money is a key ingredient to growing companies. Yet, only one woman raises equity financing for every nine men that do, according to *Access to Capital by High-Growth Women-Owned Businesses,* a research report by the National Women's Business Council.

I want to change that. I want all businesses, no matter who is running them, to flourish with more sales, higher profits, and more employment opportunities. This report provides tangible and actionable information, including industry benchmarks, case studies, key insights from subject-matter experts, and advice from women entrepreneurs who have successfully used crowdfunding.

When I started researching *Stand Out In the Crowd: How Women (and Men) Benefit From Equity Crowdfunding,* I thought I would be writing about start-up and small businesses raising money publicly – Rule 506(c) of Reg D of Title II of the JOBS Act. But, by focusing on only one way to raise money, I was not making entrepreneurs aware of all the funding options available to them. So I expanded my research to include raising money under Rule 506(b) of Reg D[2] as well as raising money from angels offline and reward-based crowdfunding.

The report will help women entrepreneurs:

- determine which financing option is right for them
- choose the right equity crowdfunding platform
- build a network of influencers and investors
- market their company effectively
- leverage social media
- get past their self-doubt

I also want to focus the attention of America's investors on a lucrative market that's too often overlooked. This report will help investors determine if crowdfunding is the right investment vehicle for them.

This is a definitive report that provides a roadmap for women seeking equity financing and – if it's right for you – exactly how to do it.

Thank you to our sponsors and contributors

Two corporate sponsors, Dell Inc. and Ellenoff, Grossman & Schole (EGS), commissioned Ventureneer to write this report. Both are committed to unleashing the economic power of women entrepreneurs. Dell does this through:

- Dell Women's Entrepreneur Network (DWEN) and its associated annual Summit, which together connect and support female entrepreneurs across the globe.
- Dell's Supplier Diversity program, which has spent more than $4 billion annually on minority- and women-owned companies – making it one of only a handful of companies that are so committed.
- Global Women Entrepreneur Leaders (GWEL) Scorecard, which measures and ranks conditions needed for high-potential female entrepreneurship to thrive, identifying strengths and weaknesses with a view to informing change and progress.

EGS has a tradition of supporting women – 30% of its equity partners are women, well above the industry average in the United States, which is only 20%, according to the National Association of Law Placement (NALP). Three of the last three partners named are women. Recognizing equity crowdfunding's potential to be a game-changer for women starting and scaling high-potential companies, EGS made a commitment last year to expanding its thought leadership in this area.

I also raised money through a rewards-based crowdfunding campaign on Plum Alley for four reasons:

- to gain firsthand experience in the pain points of a crowdfunding campaign
- to demonstrate that women entrepreneurs have an appetite for financing their businesses
- to build interest in the report before its release
- to raise additional funding needed for the report to become a reality

Terminology

Throughout the report, you'll see references to a number of terms. The terms entrepreneur and founder are used interchangeably. Other terms are:

- Women-owned refers to companies that are at least 51% owned by women.
- Women-led means that the CEO of the company is a woman or that a woman is on the leadership team. It is used to talk about companies that have equity investors.
- Woman entrepreneur is a general, all-encompassing term.

Whatever term applies, women aspire to found, lead, and build high-potential companies. Their companies contribute much to the economy and could contribute much more. I hope this report inspires the needed changes to mindsets and social norms.

Geri Stengel

Footnotes:

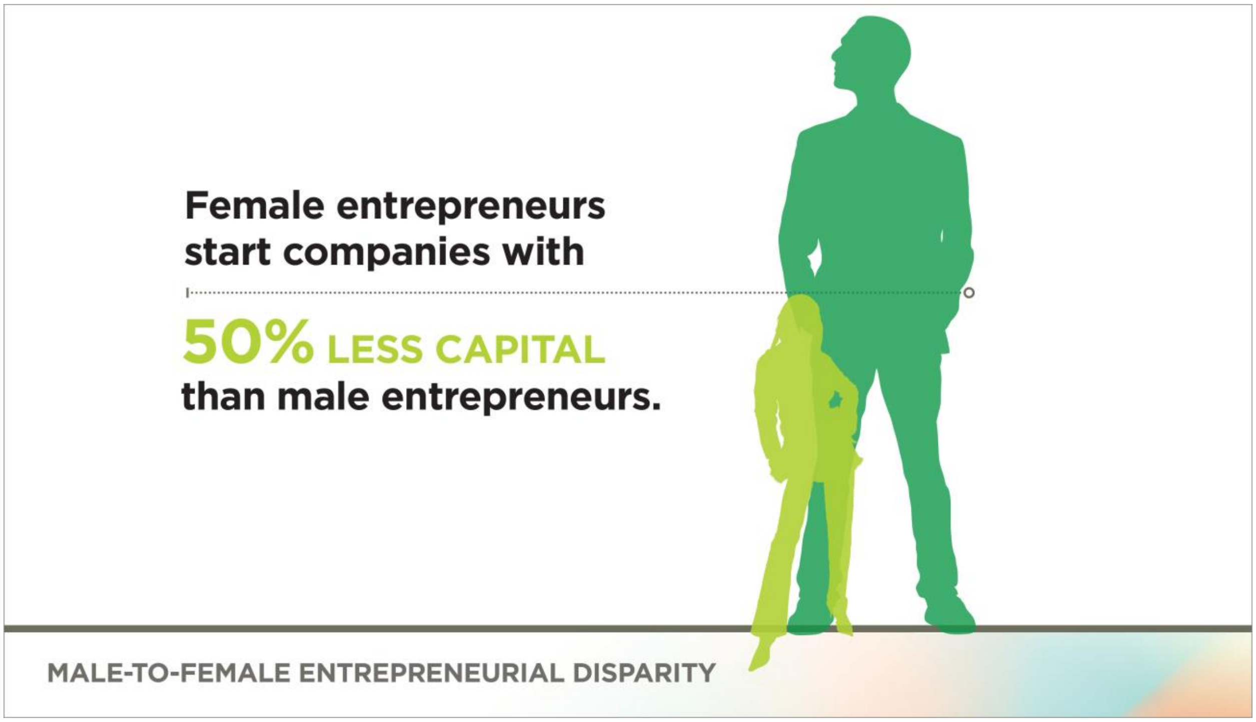
1) "Lean on Me" is a song written and recorded by American singer-songwriter Bill Withers.
2) Rule 506(b) of Reg D of Title II of the JOBS Act: Businesses may raise money in exchange for shares in the company from an unlimited number of accredited investors and up to 35 other purchases. They may not advertise the opportunity.

A troubling disparity

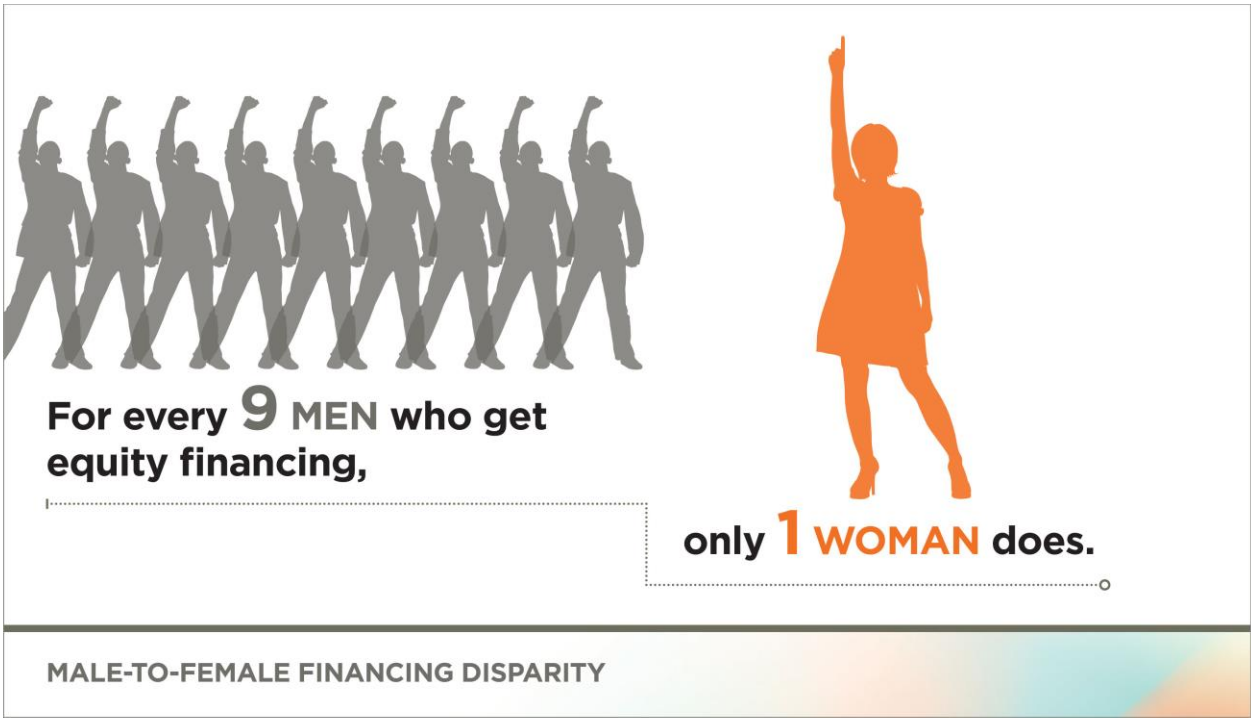
Women entrepreneurs are more likely than their male counterparts to deliver a high return on investment, according to research by Dow Jones VentureSource, Illuminate, the Kauffman Foundation, and the Small Business Administration. Yet, male-led businesses reach $1 million in revenue three times more often than those run by women, according to *The 2014 State of Women-owned Businesses Report* commissioned by American Express OPEN.

If they are more likely to get a high return on investment, what's holding women back from breaking the $1 million revenue mark and soaring on?

Maybe it's because growing a business sometimes requires outside funding, and if you can't get the money you need, you raise a runt. Undercapitalized companies have lower sales and lower profits, and they generate fewer jobs. Women are 50% less likely to seek outside funding, according to *Access to Capital by High-Growth Women-Owned Businesses,* a report by the National Women's Business Council*.* And when they do seek it? They are less likely than men to get what they need.



For every nine men raising equity financing to start and scale their businesses, only one woman does. That sucks!



Women face greater fundraising challenges than men

Fundraising for your company is hard, even for men, but women face greater challenges.

- ***Overt sexual harassment*:** Ripped from the headline: stories in *Newsweek, Forbes,* and *Wired* about women being lured by male investors to meet them under the pretense of listening to pitches for funding, only to receive unwarranted sexual advances. One of the most sensational stories last year was Whitney Wolfe who, in a sexual harassment and discrimination suit against the dating app Tinder, accused her boss of repeatedly calling her a whore and stripping her of her cofounder title because she is female. The suit was settled out of court. While most men are not like this, far too many still are. And even a few can make women doubt themselves.

- ***Unintended bias*** that is a result of pattern recognition. Like it or not, the scientific facts show that people are more likely to invest in those who are like them. It's called homophily, said Alicia Robb, senior fellow at the Kauffman Foundation, which advocates for and researches entrepreneurship. People of the same gender, race, and/or ethnic group tend to associate and bond with each other. Gender is the strongest bond. So the good ol' boys network isn't just a saying, it's a fact.

CASE STUDY: ENTREPRENEURS

Track record overlooked because of gender and age

Leonora Valvo is an example of what has got to stop. Even with a track record of bootstrapping multi-million-dollar businesses to success in the travel and event industries, it took Valvo 18 months to get past the 20-something male gatekeepers at venture capital firms in order to raise $2.75 million for etouches, a cloud-based events software company. They didn't think that a mature woman could conceptualize a tech startup.

Now, because she knows angels and VCs, she has more quickly raised money for her latest venture, insightXM, which uses big data to improve experiential events from all perspectives: the attendees, event producers, and sponsors.

- ***Not a woman-friendly environment:*** "Business plan competitions were created by testosterone driven men who love to compete," said Jeanne M. Sullivan, cofounder of StarVest Partners, a venture capital firm. "Most women weren't raised this way. It's out of their comfort zone." Presenting at pitch competitions and to venture capitalists is about bravado and making ridiculous projections. Men excel at this. Women tend to be more conservative.

CASE STUDY: ENTREPRENEURS

Investors limit returns by ignoring demographics

Innovation doesn't just happen. It is the result of unexpected insights by entrepreneurs who see things differently. Investors limit their opportunities when they invest only in things they experience themselves.

As the child of divorced parents and a divorced parent herself, Sheri Atwood, founder and CEO of SupportPay understands just what a pain it is to coordinate child support and expenses. More than 39 million parents live apart in the United States, and they coordinate $200 billion in child support and expenses, according to SupportPay estimates based on U.S. Census Bureau, Infostats, and FamilyStats. Atwood's innovation automates child support payments and related expenses.

"If I were a young guy, pitching a service targeting college kids sending each other nude pictures via their cells, I would have raised money faster," said Atwood. "Few investors want to invest in solving the problems of people over 35, especially if the founder is a woman. Investors didn't relate to the problem. They kept asking me for more proof," she continued.

Currently 12,000 users have signed up for the free service. When SupportPay crosses the 30,000 user mark, it will charge $9.99 per month.

Atwood ultimately raised $1.1 million privately. Investors include Draper Associates – Tim Draper's angel investment fund, which led the round – joined by TEC Ventures, Broadway Angels, Aspect Ventures, RPM Ventures, and Salesforce.com, as well as several other influential angel investors.

Venture capitalists are in the hot seat

The venture capital sector took a well-deserved pounding in 2014 for its gender imbalance at the partner level – only 4% of the top 100 on the 2014 *Forbes* Midas List are women. The list measures best-performing venture capitalists. Women represent only 4% of senior partners in venture capital firms with portfolios of $200 million or more, according to a Fortune analysis of data from Pitchbook, a venture capital research firm.

The proportion of women partners in U.S. venture capital firms was small in 1999 – 10% – and it was downright miniscule in 2014 – 6%, according to *Women Entrepreneurs 2014: Bridging the Gender Gap in Venture Capital,* a report by Babson College. The impact on women cannot be overstated. Venture capital firms with female partners are two and one half times more likely to invest in companies with women on the management team (34% vs. 13%).

Ellen Pao, former venture capitalist and now CEO of Reddit, lost her gender discrimination suit against her former employer, Kleiner Perkins Caufield & Byers. However, "even with her loss in the case, Ms. Pao's suit succeeded in prompting debate about women in technology and venture capital," said Deborah Rhode in *The New York Times*. Rhode is a law professor at Stanford University. "This case sends a powerful signal to Silicon Valley in general and the venture capital industry in particular. Defendants who win in court sometimes lose in the world outside it."

Change happens, despite resistance

Of course, sometimes change occurs just because things are going so well that people are willing to take a chance – by, say, investing in someone who doesn't look like them. During good times, industries and institutions are more open to diversity and inclusion initiatives. Such is the case for the venture capital sector.

2014 was a banner year for venture capital, climbing to new highs: Nearly $88 billion of venture capital invested globally, according to PitchBook – more than any other single year. And, as the good times roll, the industry is accepting that it must change. Yup, the National Venture Capital Association (NVCA) formed a Diversity Task Force in 2014 to facilitate that change. Its leader, Bobby Franklin, is making it his personal mission to improve gender and racial diversity in the sector. Finally, recognition that diversity improves innovation, productivity, company performance, and the overall economy!

Some are dubious about the seriousness of NVCA's intention, according to an analysis by USA Today.

NVCA is not alone in advocating change. Others are stirring the pot, too. The National Women's Business Council and the Small Business Administration Office of Investment and Innovation are holding a series of roundtable discussions throughout the country to identify strategies to increase the participation of women on the funding side of the financial services industry.

That 4% of venture investment partners industry-wide who are women won't be 50% anytime soon, as Kirsten Green, the founder of Forerunner Ventures, noted in *The Wall Street Journal.* However, she is delighted that potential co-investors for a current client of hers are dominated by qualified, sharp women with rising influence inside their firms and among founders.

Angels light the way for women entrepreneurs

Angels are wealthy individuals who invest their own money in start-up companies in exchange for a piece of the business. For the most part, angels focus on early stage companies, such as seed and Series A companies, while venture capitalists invest in later stage companies, such as Series A and beyond, with big, fast returns.

While the percent is still low — only 20% of all angel-backed companies were women-led in 2013 — a record number of women-led companies received angel funding, according to Jeffrey E. Sohl, director of Center for Venture Research, which researches trends in angel investments. That's year two of an upswing in angel funding for women-led companies.

Homophily is the tendency of people to invest in those who are the same gender and race as they are. It is a stumbling block when getting angel funding, just as it is when pitching a VC. For more women to get funded, more women need to become angels (and more men need to recognize and overcome this unconscious bias towards investing only in other men).

More about how homophily gets in the way of smart investing, and a deeper dive into angel investing in a later chapter.

Opportunity knocks, but women are slow to answer

Title II of the JOBS Act, which took effect in September 2013, had the potential to change the underfunding of women by allowing entrepreneurs to advertise that they are looking for investors via crowdfunding platforms. But, more than a year later, the percent of women-led companies raising money publicly is only 18% of all companies, and women-owned companies are at 16%, according to Crowdnetic, which maintains an equity crowdfunding database. That is less than the 23% of women entrepreneurs who raise money privately.

CASE STUDY: ENTREPRENEURS

Leave the bravado at the door so ideas and talent shine through

Paige Cattano and her cofounders are passionate about making it easier and less costly for local merchants to do business. Their company, Wonder Technologies, has developed patent-pending technology that enables credit cards to be used as gift cards by any merchant. Wonder successfully raised a few hundred thousand dollars from angels privately. Then it followed up by raising capital publicly through crowdfunding on Crowdfunder.

Cattano read everything she could about pitching. Everything she read recommended an aggressive style – which was not hers, and probably not the style of most women.

For Cattano, crowdfunding changed the style of the initial pitch. With crowdfunding, you do a big push through online marketing, social media, and networking to drive people to the crowdfunding platform, but your online marketing material (company description, bios, and video) make the actual pitch. Honing their marketing message upfront was critical.

The crowdfunding campaign provided a methodical and focused approach within a concentrated period of time to work existing connections and their connections. The vast majority of investors — 90% — were people the Wonder cofounders knew or knew people they knew.

Putting more capital in the hands of entrepreneurs

Need less than $5 million to make your business dream a reality? Good luck with that! Banks regard startups as risky – unless you put your home up as collateral. A loan for growing your company? Not unless the bank thinks you can pay the monthly interest payments. And for most venture capitalists, a company raising less than $5 million isn't worth their time.

Equity crowdfunding can fill the gap for those of us who don't have any 5-percenters (people wealthy enough to be accredited investors) in our immediate circle.

"Historically, only a tiny percentage (less than 1%) of new businesses in the United States have raised capital from venture capital. Crowdfunding, however, serves all 100%, both the 99% who gain access to capital through crowdfunding when locked out of or not yet ready for venture capital, and the 1% who are now using gatekeeper-free crowdfunding," said Danae Ringelmann, founder and chief development officer of Indiegogo at Startup GRIND, a conference for entrepreneurs. Crowdfunding augments traditional venture capital, generating additional capital for startup and growth companies.

Crowdfunding pools money from a group of people via the online platforms, using social and traditional media. It levels the playing field for anyone raising and investing money, but its impact may be the greatest on underrepresented groups, such as women and minorities.

"Crowdfunding will enable qualified entrepreneurs, both men and women — and particularly women — to raise capital from their community of historic relationships, that is, people who know, respect, and trust them, in a more efficient and transparent manner than previously available," said Douglas Ellenoff, partner, Ellenoff Grossman & Schole, a leading securities and crowdfunding law firm.

Small businesses have three crowdfunding options:

- ***Lending-based crowdfunding:*** Small businesses pitch their credit needs via online platforms, such as Lending Club and Prosper, to investors who will lend money for interest, rather than for a piece of the company.
- ***Rewards-based crowdfunding:*** Funders receive a tangible item or service in return for their money. Some businesses collect the cost of the item from customers before the product is manufactured, beta test products, or raise money in exchange for a token gift.

Websites, such as Indiegogo, Kickstarter, and Plum Alley, coordinate the transactions.

- ***Equity-based crowdfunding:*** Investors receive a stake in the company. Currently only friends, family, and accredited investors (a.k.a. wealthy people) in the United States can invest in a company for equity. They can do so through websites such as AngelList, CircleUp, Crowdfunder, and Portfolia. More about this in a bit.

Crowdfunding in North America is a $9.46 billion industry, up 145% from 2013 to 2014, according to Massolution's 2015CF Crowdfunding Industry Report. It is projected to grow 82%, to $17.25 billion in 2015. Business and entrepreneurship is the most popular crowdfunding category, representing 41% of total crowdfunding volume in 2014. Equity-based crowdfunding tripled in size to $787.5 million from 2013 to 2014.

Other signs that crowdfunding has arrived:

- Venture capitalists invested in platforms to the tune of $250 million in 2014.
- The sky high valuation – $8.5 billion – of Lending Club after its initial public offering.
- Big name companies such as Coca-Cola, Nike, General Mills, and Chrysler are using crowdfunding platforms not to raise money but for insights into consumers.

"Even women with substantial track records as business leaders have had trouble raising money from venture capital firms," according to Tamar Donikyan, partner, Ellenoff Grossman & Schole. "The women that I speak with about crowdfunding are excited by the prospect of raising money without having to resort to traditional sources of debt, like commercial loans that may not be available to small or startup companies. They are intrigued by the possibilities of raising money from their immediate network, extended network, and even people they don't know in a systematic way."

CASE STUDY: ENTREPRENEURS

Networks fund small businesses

Billie Dragoo is a successful small business owner in Indianapolis. So successful that she wanted to expand RepuCare, her healthcare staffing company, into onsite wellness and healthcare risk management. She needed to raise money for the expansion but hit the wall at financial institutions: Women, it seems, didn't have what it takes to scale a business. Or at least that's what the VC she talked to said.

Dragoo has held top volunteer leadership positions in the National Association of Women Business Owners (NAWBO) nationally and locally. She raised $285,000 from friends and family. But Dragoo needed more. She reached out to another successful NAWBO member, Carol Curran of Phoenix Data Systems, to see if she would invest. Curran was successful enough to be an angel investor, but had never done it. She invested $100,000.

Dragoo made her case with a business plan and investor deck. Not only did Curran invest in the first funding round, but she also invested an additional $125,000 in a follow-up round when Dragoo needed money to acquire a complementary company, Spectrum Health Systems – which, coincidentally, was co-owned by another NAWBO member, Sally Stephens.

Only then was Dragoo able to secure an institutional investment of $125,000.

Systemizing informal networks to make them more effective

Dragoo's experience highlights the power that women have to help each other. So it should come as no surprise that Dragoo has helped forge strategic alliances on behalf of NAWBO with Indiegogo (a rewards-based crowdfunding platform) and Portfolia (an equity-based crowdfunding platform) to facilitate women investing in women. NAWBO and Portfolia are piloting a program in five cities, including Indianapolis, to develop investment circles. The program enables NAWBO members with the wherewithal to learn about investment opportunities. Dragoo is making it easier for women who are part of a community, in this case NAWBO, to invest in each other.

Members of Women Presidents' Organization (WPO) already fund each other at the chapter level, said Marsha Firestone, founder and president of WPO, a peer advisory organization for women who own multi-million dollar businesses. "Investing via a crowdfunding platform allows WPO members and other successful women entrepreneurs to spread the risk by investing a smaller amount with a larger group of people. It makes it easier for them to fund other women entrepreneurs." Another benefit that Firestone pointed out is that women are more likely to invest in consumer-oriented companies, which traditionally get fewer angel and venture investment dollars than technology companies get.

A little history on companies raising equity financing

From post-Depression efforts to protect investors to modern efforts that encourage investment in small businesses, legislation has affected how entrepreneurs get funding.

In 1933, the Securities Act was passed in the United States. It banned the general solicitation – advertising investment opportunities – by private companies to the general public. The law was intended to reduce fraud among inexperienced investors, but it had the unintended consequence of limiting fundraising opportunities for small business owners and entrepreneurs.

In 1996, the Securities Exchange Commission (SEC) began allowing accredited investors to view private investment opportunities on password-protected websites.

On April 4, 2012, the JOBS Act was signed into law. The Act requires the SEC to write rules and issue studies on capital formation, disclosure, and registration requirements. It is the SEC's responsibility to establish the rules and regulations that inform the law.

On September 23, 2013, Title II of the JOBS Act went into effect. It allows private companies to publicly advertise that they are raising investment capital via an equity crowdfunding platform to "accredited investors." Accredited investors are individuals whose net worth is greater than $1 million (excluding a primary residence) or whose individual income exceeded $200,000

($300,000 for couples) for the past two years with the expectation for that income to continue in the current year. Companies must take reasonable steps to verify that investors are accredited through an attorney, CPA, investment advisor, or broker-dealer.

Prior to that, fundraising from the general public was the exclusive domain of larger companies that could afford to spend the millions of dollars it takes to become listed on stock exchanges, like the NYSE and NASDAQ.

How can entrepreneurs currently raise money on equity crowdfunding platforms?

Title II created an exemption to the 1933 Securities Act: Rule 506 of Regulation D. The Rule 506 exemption allows private companies to raise an unlimited amount of capital via crowdfunding platforms from:

- an unlimited number of "accredited investors" and up to 35 non-accredited investors. The company CANNOT advertise its securities offering to investors. Rule 506(b)
- an unlimited number of accredited investors by broadly soliciting or advertising its securities offering. Rule 506(c)

Equity crowdfunding is not living up to its promise for women entrepreneurs

Through the end of March 2015, more than $507 million has been committed[1] to companies publicly raising money – 506(c) companies – on crowdfunding platforms since Title II of the JOBS Act was approved on September 23, 2013, according to Crowdnetic, which aggregates data from nearly 20 equity crowdfunding platforms. This is a drop in the bucket – it is only 2% of the amount of money raised by entrepreneurs from angels.

Nearly 5,400 companies are seeking equity crowdfunding, of which only 18% are women-led companies and 16% are women-owned companies. Of the companies seeking angel investors offline, 23% are women-owned companies.

CASE STUDY: ENTREPRENEURS

Women do as they're told

By 2012, Alyssa Martina had bootstrapped three successful local media companies. One she sold. Two others are now being run by others. She and Alexis Bourkoulas, a partner in her other businesses, developed the idea for an online digital platform, Memloom, that connects businesses to their customers through storytelling. Later, they were joined by Anna Podvalkova. Martina raised $800,000 from angels privately. She wants to raise an additional $200,000 to close the seed round.

Martina is cautious by nature and training – she is a lawyer. Another lawyer cautioned that the rules and regulations regarding compliance, reporting, and transparency were not clear. Not wanting anything to jeopardize existing investor relationships and distract her from developing a great service, she chose not to raise money publicly.

One entrepreneur, who didn't want her name to be used, was warned by her largest investor that she should remove her company's profile from a crowdfunding platform because listing it would jeopardize future investments. Sheri Atwood, founder and CEO of SupportPay, an online child support payment service, and Julie Thomas, of counsel and head of supplier diversity at Paygevity, an online prompt-payment service, expressed similar concerns regarding compliance and regulations. Atwood was already raising money privately when Title II was implemented. She chose not to change course. The folks at Paygevity, who will be raising money in the near future, sought expert advice. Their fears were assuaged. They will raise money publicly.

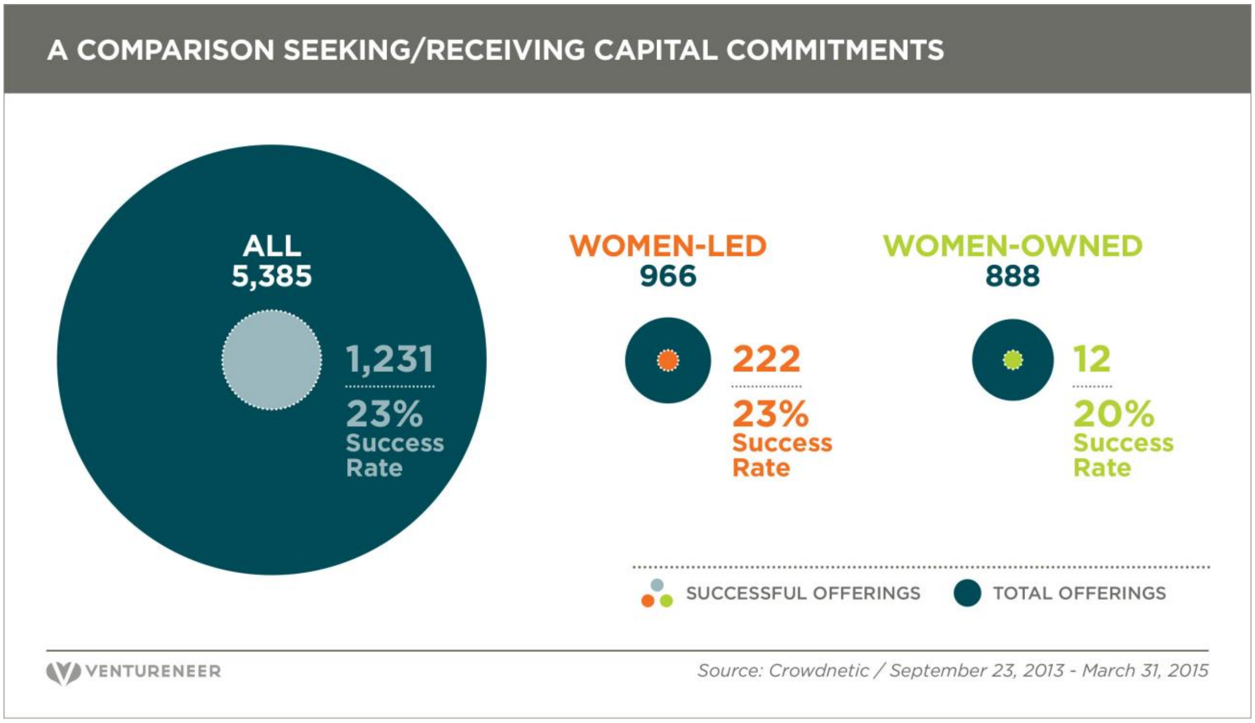
Not even lawyers who specialize in working with startups have expertise in Title II. It pays to work with firms that understand the ins and outs of the rules and regulations. It's not as complicated as those who have been standing on the sidelines are making out.

"I chose not to raise money through Title II because there were gray areas and I thought it would be expensive," said Atwood. She raised $1.1 million in a seed round privately offline, which took from June 2013 until May 2014 to close. The gray area Atwood is referring to is the verification that accredited investors are indeed wealthy people, who earned $200,000 per year individually, or had a joint income of $300,000, in each of the last two years and expect to reasonably maintain the same level of income or have a net worth exceeding $1 million.

An attorney, CPA, investment advisor, or broker-dealer can do this. Douglas Ellenoff, partner at Ellenoff Grossman & Schole, recommends that broker-dealers do the verification process because they have a better understanding of the risks and ramifications of not doing it correctly. Some platforms verify investors as part of the services they provide. Or you can hire a third party to do the verification for you.

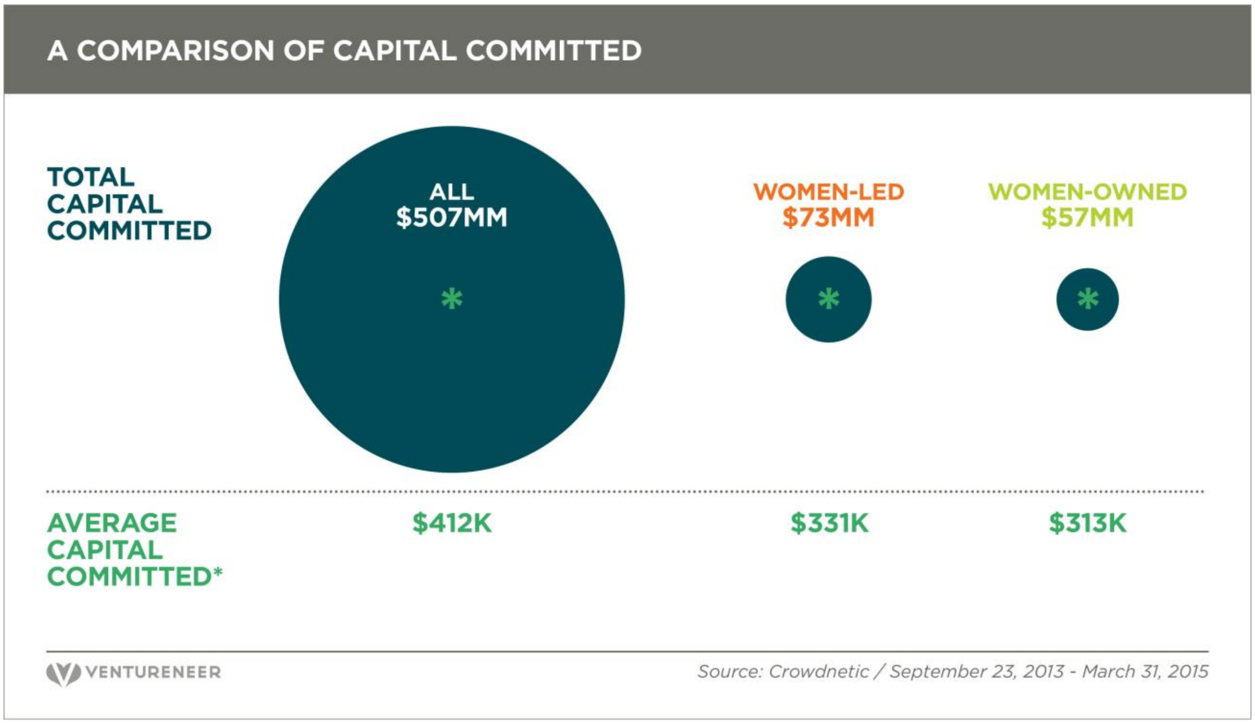
"Crowdfunding is still so new. There is a lot of confusion around general solicitation and a lot of unknowns regarding legal fees and what makes a good campaign," said Amanda Steinberg, founder and CEO of *DailyWorth.*

Success rates for all companies meeting their capital goals through equity crowdfunding and women-led companies are 23%, according to Crowdnetic's database. Fundraising success rates fluctuate from year to year, but women-led companies who adopted crowdfunding early were more successful than those who raised money privately – only 19% of women entrepreneurs were successful, according to the Center for Venture Research. CircleUp reports that women entrepreneurs are more successful than their male counterparts. "As of 2014, women-led businesses closed their rounds successfully at a 21% higher rate than men on the platform," said Ryan Caldbeck, founder and CEO of CircleUp.



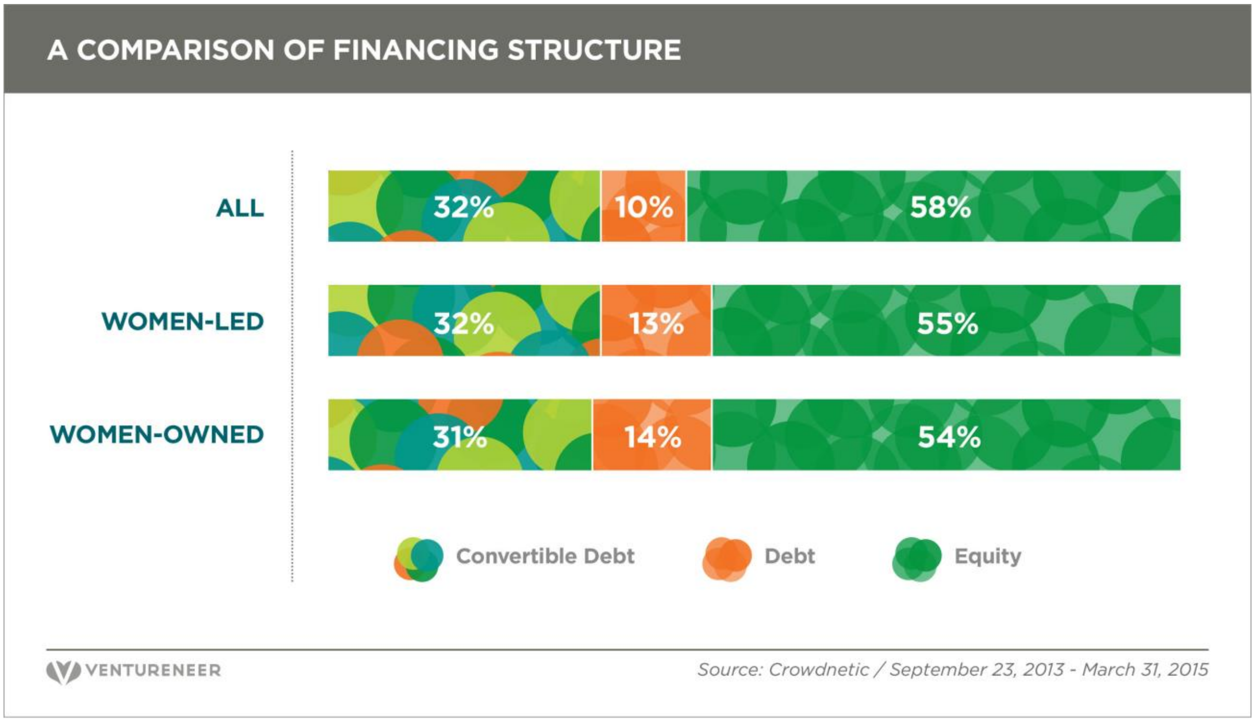
As is typical with other sources of financing, women are raising less than men for their companies. On average, companies with women on the founding team raise less money than all-male teams ($331,000 vs. $412,000, respectively) and even less if the business is owned by women ($313,000).

But take note: “The Kauffman Foundation reports that women build capital-efficient companies, generating 12% more revenue on one-third less capital,” said Kay Koplovitz, chairman and cofounder of Springboard Enterprises, an accelerator for women-led businesses in technology, media, and life sciences. “[Think] how much more productive they could be if they raised capital on a par with men!”



Type of security used

Issuing stock or equity is the financing structure that a majority of entrepreneurs pursue no matter their gender. Nearly one third of entrepreneurs choose a convertible note. This allows them not to set an equity valuation at the time of the investment, or to simply pay back the money within a set period of time prior to taking in permanent equity capital. Far fewer companies have the revenue or assets to secure a loan. There are two other financing structure options – revenue share/royalty and simple agreement for future equity. A SAFE is contract between an investor and a startup in which the investor provides capital to the startup company, and the startup provides a warrant to issue stock to the investor at a later time. Percentages for these options were negligible to nonexistent.



Equity crowdfunding follows patterns of traditional entrepreneurial activity

It's no surprise that the top city for equity crowdfunding activity and deals is San Francisco/Silicon Valley for entrepreneurs in general, women-led companies, and women-owned. In second place is New York City.

It takes a village to build a growth company. San Francisco/Silicon Valley has a long tradition of supporting high-potential entrepreneurs, not just with capital but with expertise and connections to customers, talent, and vendors, etc. The result is an above-average success rate in general for entrepreneurs seeking capital and an even higher success rate for women.

But the coasts don't win in all categories: Chicago women have an exceptionally high success rate and, on average, raise more per company than any other city.

ALL COMPANIES	Offerings	% of Total in City Offerings	Successful Offerings	Success Rate	Capital Commitments
San Francisco Bay Area (including Silicon Valley)	750	100%	194	26%	$ 87,531,301
New York City	485	100%	99	20%	$ 36,232,976
Greater Los Angeles	382	100%	64	17%	$ 25,975,479
Chicago	149	100%	32	21%	$ 16,996,460
Atlanta	115	100%	19	17%	$ 12,522,423
Austin	111	100%	27	24%	$ 6,707,300
San Diego	100	100%	19	19%	$ 9,149,555
Washington, D.C.	98	100%	12	12%	$ 2,251,000
Boston	92	100%	15	16%	$ 6,326,250
Las Vegas	89	100%	19	21%	$ 16,334,958

WOMEN-LED COMPANIES	Offerings	% of Total in City Offerings	Successful Offerings	Success Rate	Capital Commitments
San Francisco Bay Area (including Silicon Valley)	134	18%	43	32%	$ 17,625,825
New York City	105	22%	19	18%	$ 6,242,253
Greater Los Angeles	73	19%	11	15%	$ 5,956,000
Chicago	24	16%	9	38%	$ 9,222,000
Washington, D.C.	24	24%	4	17%	$ 971,000
Austin	21	19%	3	14%	$ 202,500
Atlanta	20	17%	4	20%	$ 145,800
San Diego	20	20%	2	10%	$ 13,500
Las Vegas	17	19%	3	18%	$ 890,500
Seattle	15	22%	0	0%	$ -

WOMEN-OWNED COMPANIES	Offerings	% of Total in City Offerings	Successful Offerings	Success Rate	Capital Commitments
San Francisco Bay Area (including Silicon Valley)	128	17%	42	33%	$ 17,415,825
New York City	105	22%	19	18%	$ 6,242,253
Greater Los Angeles	66	17%	6	9%	$ 391,000
Chicago	23	15%	8	35%	$ 9,202,000
Austin	21	19%	3	14%	$ 202,500
Washington, D.C.	21	21%	1	5%	$ 260,000
Atlanta	19	17%	4	21%	$ 145,800
San Diego	18	18%	2	11%	$ 13,500
Seattle	15	22%	0	0%	$ -
Las Vegas	14	16%	2	14%	$ 290,500

Source: Crowdnetic, September 23, 2013 - March 31, 2015. Data excludes real estate development, real estate investments and funds.

Austin is fighting well above its weight. Ranked 35th in terms of population, it's #6 in equity crowdfunding for women-led entrepreneurs seeking funding. "The Austin tech scene has just had one of its best years ever, with the number of women entrepreneurs surging," said Jan Ryan, partner at Capital Factory and founder of Women@Austin. "Female founders still experience single-digit funding percentages from VCs, but Austin women are not waiting around. They are actively seeking and closing alternative means of funding. In the last month alone, I have spoken to a dozen women leaders who are exploring crowdfunding as an alternative source of capital. I believe this trend will continue throughout 2015."

Boston, typically known as an entrepreneurial hub, is falling short in terms of raising equity by crowdfunding. The comment of one Boston-based entrepreneur, who just closed her first institutional round of funding, may be reflective of an overall Bostonian attitude that the current law is too complicated and limiting. "Instead of new and potentially complicated ways to fund a business, female entrepreneurs need greater access to the type of professional investment capital that is proven to work," said Rochelle Nemrow, CEO and founder of FamilyID, an online registration and payment site for kids' activities.

To carpe diem or not

Before you go in search of equity crowdfunding, ask yourself if you really need outside funding in order to scale. If you can grow quickly and profitably without outside money, there's no reason to give up a percent of your company to others. "Know what you're worth — consult with professional angels and VCs to get an idea of what might be the market valuation and terms for the investment opportunity you are proposing," said Erica Duignan Minnihan, managing director at DreamIt Ventures, an acceleration program with a track called Athena that's specifically for female founders.

"There are many options for partners in the equity crowdfunding game," continued Minnihan. "Get to know the people behind the platform you choose, and find out about the experiences of those who have successfully and unsuccessfully raised money on the platforms you are considering."

In addition, make sure you have what it takes to catch the eye of an angel. Here are some guidelines:

- Remember, investing in early stage companies is risky: 50% of investments will have no return, so investors need to make a high and quick return on investment (ROI) from those that do succeed. They want to get back about 10 times their initial investment in just five to eight years, so make sure:
    - You're addressing a large market.
    - Your product solves a major pain-point.
    - You have a defensible competitive advantage.
    - You know how you'll exit, whether that is achieved by going public, being acquired, or something else. It has to be a real and well-articulated possibility to attract investors.
- Investors are looking for a management team that can deliver. Team, not just an entrepreneur. While the leader is critical, no one can do everything. Early stage companies are not expected to have their team built out, but know what skill sets you'll need to acquire in order to scale. Even better, identify specific people you'll bring on once you have funding.
- You and your investors are going to be together for a number of years, so you want to have chemistry. Make sure your values and goals are in sync.
- Investors also look for coachability. You don't have to take all the advice you're given, but you do have to listen without being defensive.

Springboard Enterprises, an accelerator for women-led businesses seeking equity financing, has a worksheet that will help you determine if raising equity financing is right for your company.

How you raise money is a strategic decision. Know your options

There is no one size fits all approach to raising money. Knowing who you want as investors can influence the way you raise money. Working with professionals who understand fundraising in general and Title II of the JOBS Act specifically will ensure that you are raising money in the right way for your company.

CASE STUDY: ENTREPRENEURS

Some investors will not go through the verification of accreditation

After Kara Goldin's third child was born, she was having trouble losing the weight she'd gained. She had been drinking Diet Coke for 20 years, but just didn't feel good. Goldin went on a rampage and tossed out everything in her pantry containing ingredients that didn't seem healthy, including all that Diet Coke. Despite knowing the benefits of plain water, Goldin didn't drink much of it because the taste was too bland. So she started cutting up fruit and throwing it into pitchers of water. When she couldn't find a similar product on grocery store shelves, she started Hint Inc. in 2005 and the rest, as they say, is history.

Venture capital and private equity folks weren't getting her triple revenue model of selling through conventional grocery stores, food service operators, and e-commerce (an online subscription service delivers hint on a periodic basis).

Goldin took a counterintuitive approach to raising money via equity crowdfunding. Instead of raising money on a crowdfunding platform that catered to investors interested in consumer packaged goods, she chose one that served the tech-savvy crowd, AngelList, because techies are among her most loyal customers. Facebook, Google, Pinterest, and Square all offer hint to their employees in their offices.

She is lucky enough to know some pretty big-name angel investors. Asking these folks to go through the accreditation verification process would have been awkward. So Goldin raised money privately, not publicly.

It worked! Goldin raised $2 million in just 10 days to expand her e-commerce operation.

The Future: Reg A+

On March 25, 2015, the Securities and Exchange Commission approved rules for the implementation of Title IV of the JOBS Act, known as Regulation A+. Startups and small businesses can conduct small Initial Public Offers not just from accredited investors, but also from the general public. The rules will go into effect in about 60 days.

Reg A+ offerings include non-accredited investors and sets two tiers for soliciting investment:

- Tier I allows companies to fundraise up to $20 million within a 12-month period. Tier I offerings will not have state preemption (no state coordinated review with SEC filings). Tier I raises are not required to perform formal audits and annual reporting as required.
- Tier II allows companies to fundraise up to $50 million within a 12-month period. These offerings do not have to register in each state in which the securities are sold. Tier II requires more robust initial and ongoing reporting. However, to protect these less experienced investors, they are limited to investing a maximum of 10% of their income/net worth per year.

Chris Tyrrell provides a nice chart comparing the two tiers in TechCrunch.

“This is overwhelmingly good news, as it opens up a new path for small private companies to raise money directly from their communities, customers, and followers, and a new way for members of the general public to invest in startups, local companies, and new kinds of investment without being 'accredited investors,'" said David Pricco, editor of CrowdExpert.com in an article in Mashable.

The Future: Title III

Currently, companies raising equity investment publicly are still limited to accredited investors. The possibility of raising money will be far greater when Title III of the JOBS Act – allowing unaccredited investors to invest in small business via crowdfunding platforms – takes effect. When it does, funding for small business may explode. “Now that most of the provisions of the JOBS Act have been implemented, without much of the anticipated investor protection advocate concerns being realized, we are excited that the SEC will now focus on finalizing the Title III provisions, which ought to disproportionately assist women's entrepreneurship and facilitate their raising capital," said Douglas Ellenoff, partner, Ellenoff Grossman & Schole.

Publicly raising money via crowdfunding already gives nearly nine million accredited-investor households in the United States the opportunity to support private companies, according to Luan Cox, founder and CEO of Crowdnetic, which aggregates data from equity crowdfunding platforms. Millions of unaccredited investors are waiting in the wings. Half of that as yet untapped wealth is owned by women.

The SEC is still developing the rules that will allow a company to raise up to $1 million within a 12-month period from the general public (accredited and non-accredited investors alike), using a crowdfunding platform. The SEC has indicated that it would like to finalize the rules and regulations related to Title III by October 2015. However, it will take an additional 60 days before the regulations become law. So the best-case scenario is that Title III will go into effect in 2016.

The hope is that both Title II, Title III and Reg A+ will provide increased access to capital for private companies and increased access to opportunities for investors. The three "democratize" financing both for entrepreneurs who are seeking funding and investors who want a return on their money. A more open market gives people more choices.

However, out of frustration with the time it has taken the SEC to roll out the new regulations regarding Title III, some states have adopted their own rules that allow intrastate trading (e.g., Georgia residents investing in Georgia businesses). Alabama, Colorado, Georgia, Idaho, Indiana, Kansas, Maine, Maryland, Massachusetts, Michigan, Mississippi, Oregon, Tennessee, Texas, Vermont, Washington, and Wisconsin have also implemented their own rules as well as Washington D.C. States that are in the process of enacting or debating legislation about an intrastate crowdfunding exemption .include Alaska, Arizona, California, Hawaii, Illinois, Iowa, Kentucky, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New Jersey, North Carolina, South Carolina, Utah, Virginia and West Virginia.[2].

Footnote:

1) The SEC requires companies to indicate the number of dollars that are committed by funders. However, just as not all engagements end with a wedding, not all promises to fund end with dollars in a company's bank account.
2) CrowdfundingLegalHub.com

Successful women and their investments

Women have decision-making power over $11.2 trillion or 39% of all investable assets in the United States, according to *Harnessing the Power of the Purse: Female Investors and Global Opportunities for Growth,* a report by the Center for Talent Innovation. More women than men graduate from college and women make most purchase decisions, so why not investment decisions as well, asks Chance Barnett, in an article for *Forbes*. Barnett is CEO of Crowdfunder, angel investor, and catalyst in equity crowdfunding legislation and the JOBS Act.

Social norms and expectations have held that women aren't good with numbers, finance, and investing. "Women have been taught that it's not feminine to be engaged with money and to let men take care of it for them," said Amanda Steinberg, founder and CEO of *DailyWorth,* a financial and career advice website for women.

Nothing could be further from the truth. In many households, women are the primary investment decision makers, according to *Harnessing the Power of the Purse*.

- 75% of female breadwinners (40% of women out-earn their spouses, according to Pew Research) and business owners are primary decision makers for investments
- 66% of female inheritors are primary investment decision makers
- 43% of women whose spouses created the wealth are primary investment decision makers

To understand what female investors want, Tom Huvane, senior vice president, wealth management wealth advisor at UBS Financial Services, conducted a series of focus groups. His research was cited in *Harnessing the Power of the Purse*. What he found surprised him. Women focus on outcomes, not tactics, he said. Women situate their investments within the larger framework of what they want to achieve for themselves, their careers, their families, their communities, and causes they care about, he said.

CASE STUDY: INVESTORS

Turnkey portfolio diversification

When Elizabeth Kraus received an inheritance, it opened up new opportunities. Since her husband earned a good living, she decided to become an angel investor so she could share her insights from starting her own entrepreneurial venture.

She read *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist* by Brad Feld and Jason Mendelson, both well-known venture capitalists and active angel investors. She joined an angel group, then started one focused on impact investing, which is now part of Investors' Circle. She's made 33 investments, ranging from $5,000 to $50,000.

Kraus likes crowdfunding because it allows her to diversify her portfolio quickly by investing smaller amounts of money in more companies. She invests in syndicated deals on a crowdfunding platform such as AngelList, in which she invests alongside a notable angel investor, such as Brad Feld or Tim Ferriss. However, when she invests in these deals, she's not providing mentorship. It's just an investment. Her preference is to invest in people she has met and with whom she has made a personal connection. She is likely to invest more money in these entrepreneurs and share her expertise with them.

Kraus didn't start out with a focus on investing in women but, over time, she realized that many of the best performing companies in her portfolio were run by women. To increase the number of women-led startups, she recently started an accelerator, MergeLane, based in Boulder, Colorado.

Women have purpose

For women, it's not just about wealth for wealth's sake; it's about what they can do with wealth, according to *Harnessing the Power of the Purse.* Women are more likely to focus on making a positive impact. They want their time and their money to advance the causes that are important to them. It's a way of fulfilling their own dreams and those of others, which includes investing in startups headed by women.

"I belong to several exclusive networking groups for executive women. The women I interact with are looking for a way to invest in women-owned businesses," said Kathleen Godfrey, president of Godfrey Financial Advisors.

Women don't have confidence

So why are so few wealthy women stepping up as angel investors? Chalk it up to self-doubt. American women have astoundingly low confidence in their financial ability despite their financial savviness compared to women in other countries, according to *Harnessing the Power of the Purse*. The more women doubt their financial knowledge – which is virtually on par with men's – the less likely they are to take action on their desire to make an impact. When women believe they understand the risk involved, they're comfortable taking it.

"Women feel like they know less than the average investor but men feel they know more than the average investor. Men lean into the investment conversation and women may tend to lean out of the conversation," said Michael Liersch on CNBC. Liersch, head of behavioral finance at Merrill Lynch, was citing *Women and Investing: a Behavioral Finance Perspective,* a report based on research that he conducted. "Confidence can become overconfidence; caution can become timidity. What matters is how each person puts his or her natural tendencies to work in the pursuit of personally meaningful financial goals."

As it turns out, women are better investors than the average man, according to LouAnn Lofton, author of *Warren Buffett Invests Like a Girl – And Why You Should, Too.* Women spend more time researching their investment choices, tend to take less risk than men do, and hold on to their investments longer. Women are also more likely to seek out information that challenges their assumptions.

Women innovate

"Women spend time and money making a social impact through philanthropy," said Barbara

Clarke, angel investor. “Angel investing allows women to make an impact in the marketplace, from the way children are educated to what people eat.”

Want to unlock innovation? Diversity is the key, according to *Diversity and Market Growth*, research undertaken by the Center for Talent Innovation. The research reveals that diversity is a critical factor in market growth. While workforce productivity gains always improve earnings, continued innovation is required to increase market share and open new markets.

Innovation doesn’t just happen. It is the result of making unexpected connections based on things we already know. That’s why life experiences are so important. Without diversity, the life experiences we bring to addressing problems in the market are limited.

“Many people describe entrepreneurs as scratching their own itch. So the more diverse our entrepreneurs are, the more innovative the companies they start,” said Freada Kapor Klein, partner, Kapor Capital, in an interview at FOCUS100 Conference.

CASE STUDY: ENTREPRENEURS

From payment systems to champagne to beer: Women innovate

Payment systems: Laura Wagner has a track record of uncovering niche opportunities in the payment space. For 20 years, she has developed innovative methods for merchants to process credit card and check payments. Her clients have included McDonald’s, Neiman-Marcus, and Priceline.com.

Companies like Square and Stripe have disrupted the virtual payment processing industry by allowing merchants who don’t swipe cards or use shopping carts to access credit and debit customers. Wagner’s company, Digitzs, serves a different segment – consultants and professionals such as lawyers, associations collecting dues, and municipalities collecting fines for parking tickets. Merchants can get started in minutes instead of days, choose the fees they pay – from 0% to 3% – and get next-day deposits, even on a Sunday.

Digitzs raised its goal for its initial seed round in a short span of two days. A public-facing equity crowdfunding campaign will launch May 2015 on Crowdfunder with a notable celebrity as the lead investor.

Champagne: Tawnya Falkner realized that champagne was expensive and a little too dry for American taste. She created Le Grand Courtage, a line of sparkling wines from Burgundy, France – not from the Champagne region – that blends French elegance with American sass and grape varietals.

Falkner launched the company two and a half years ago after abandoning her career as an architect and real estate developer to pursue her passion for winemaking. She learned everything she could from the French, who are known for producing fine wines, then raised a small amount of money from friends and family to launch the company. When she needed capital to fund inventory, Falkner launched a crowdfunding campaign on CircleUp focused on her network's extended connections rather than on online marketing and social networking.

Courtage now boasts an array of well-known corporate customers, including Virgin America, Omni Hotels, and Cost Plus World Market. Her niche is award-winning wines that are affordable, not just for Valentine's Day and other special occasions, but every day.

Last year her company's revenues grew 450%.

Beer: Jenny Lewis and her cofounder, Drew Ehrlich, started working on their idea for a craft brewery in 2008. Lewis quit her full-time job to get an MBA in 2009, and Ehrlich learned about the beer market and the commercial brewing process. They officially launched Strike Brewing Co. in 2011 and contracted the brewing out until they opened their own plant in 2014.

While overall sales of beer are dropping, craft brewing sales are growing. The craft beer market grew 42% from 2013 to 2014. As former athletes, Lewis and Ehrlich focused their marketing on people with active lifestyles. You know, the kind of people who don't sit on the sidelines getting drunk. Drinking a beer is a reward for job well done, whether that is finishing a marathon or taking the dog for a walk. Strike raised $70,000 privately on CircleUp.

Women know what consumers want

Women make more than 80% of consumer purchasing decisions. “Yet they’re largely overlooked as potential investors and market-makers,” said Trish Costello, founder and CEO of Portfolia, a crowdfunding platform aimed at consumer products. They have the ability to identify winning products based on their own needs.

Male angels and venture capitalists don’t get this opportunity. “VCs are woefully under-informed about how the female consumer works, thinks, and behaves,” Joyce Kim of Freestyle Capital said at the Launch Festival last year. “Right now, capital is concentrated in the hands of a few decision makers who determine who gets money and how much they get,” said Darren MacDonald, founder and CEO of Ingress Capital, a crowdfunding platform and an angel investor who has invested in women-led companies. “They invest in what they are familiar with. There’s no telling how much more successful they could be if they invested in opportunities that address the needs of diverse markets.”

CASE STUDY: ENTREPRENEURS

Women want an array of products to meet their needs and those of their families and friends

Allergen-free food: Cybele Pascal’s son is allergic to the top eight food allergens. At the time of the diagnosis, she couldn’t even find recipes, let alone food products, that her son could eat. Out of her own need, she started creating recipes for her son and went on to write three best-selling cookbooks. She was a guest on *The Martha Stewart Show*, which led to writing a column for Stewart’s magazine. She also wrote columns for other websites.

As a thought leader in the space, she was constantly being asked about foods that people could buy off the shelf. None existed. Pascal stepped in to fill the void. She used some of her money and that of friends and family to start Cybele’s Free to Eat. But when it came time to do a Series A round, she turned to CircleUp, a crowdfunding platform focused on consumer packaged goods. She chose to raise her money privately.

Bridal dresses: Sonali Lamba and Nicole Staple met the first day of business school at Kellogg School of Management. Lamba was planning her wedding and pointed out a major pain point for brides – coordination of shopping for and purchasing the bridesmaid dresses. Demographic Intelligence, a market research company, projects there will be 2.2 million weddings in 2015. On average, brides have four to five bridesmaids in their bridal party, according to TheKnot.com, a one-stop wedding planning website.

Lamba and Staple created Brideside, which provides a carefully curated collection of dresses, fit guide videos, and the services of a stylist and also sends three dresses of the bride's choosing to try on at home. They are using crowdfunding to help fund sales and marketing. Early on, they bootstrapped the company. Later, they received money from the incubator program DreamIt Ventures. They are raising money from angels, including some via Ingress Capital, a crowdfunding platform specializing in Consumer Technology, Media & Entertainment, and Consumer Products.

Plus-size clothing: The plus-size market grew 5% from 2013 to 2014, generating $17.5 billion in sales, according to NPD Group, a market research company. Women spend a lot of money in that market yet they can't find attractive, well-made clothing that fits plus-size women well. That's why 40% of the market shops online. Cynthia Schames, a serial entrepreneur with more than 10 years of enterprise software sales, was hell bent on making sure all women looked good, no matter what their size.

Being an e-marketplace for attractive, well-made clothing wasn't enough, so in 2013 AbbeyPost morphed and provided made-to-measure clothing. Based on a few measurements, such as height, bust, hip, and waist, an algorithm calculates 200 other measurements to ensure a perfect fit. In November 2013, Schames won the Women 2.0 PITCH Competition, which brought with it in-kind services and meetings with big name investors. She was also accepted into the 500 Startups Accelerator program in April 2014. Schames raised $625,000 including $100,000 via Portfolia.

Short e-books: Light bulbs went off when Laura Fraser and Peggy Northrop, two veterans of print and digital publishing from the editorial side, attended a journalism conference at UC Berkeley Graduate School of Journalism in November 2010. “Women consume every form of paid media at a much higher rate than men, yet every business idea discussed at the conference was by men,” said Northrop. A whopping 82% of women read at least one book in 2013 compared to 69% of men, according to the latest Pew Center Research Report. On average, women read 14 books per year versus 10 for men. Use of e-readers is on the rise and women outpace men in their use.

Fraser and Northrop pulled together a concept for a subscription, short e-book service, Shebooks, in which books would be written by women for women. They understood the realities of women’s lives – that while we love to read, we don’t always have time for a full-length book. The concept won a grant from the New Media Women’s Entrepreneurial Fund at the Journalism Lab at American University. They recruited Rachel Greenfield, a print and digital publishing expert from the business side. The founders contributed money, and they raised money from friends and family. Later they raised $557,000 from angels, including $100,000 on Portfolia and $57,000 from a Kickstarter campaign. Subscription models are very expensive so Shebooks is taking some time to morph its concept.

Angels give more than just money

Angels play an important role in funding early stage growth companies. Only a small percentage – less than 3% – of the accredited investors who qualify to become angel investors actually do so. Accredited investors are defined as those who have a net worth that is greater than $1 million (excluding a primary residence) or have earned more than $200,000 per year ($300,000 for couples) for the past two years with the expectation for that income to continue in the current year. It should be noted that the Securities and Exchange Commission (SEC) is revisiting the accredited investor definition to better protect investors.

According to the Angel Capital Association, accredited investors become angels to:

- help entrepreneurs by applying their own skills and experiences
- give back
- participate in an active, not passive, form of investing
- join boards of directors, especially true for women

Angels are successful entrepreneurs and business people who tend to invest where they live and in what they know. They provide contacts, advice, talent recruitment, strategy, and additional funding.

CASE STUDY: INVESTORS

Increased convenience and deal flow, and improved transparency

Barbara Clarke worked on strategy for multinationals at KPMG and PricewaterhouseCooper, and led a nonprofit startup and a turnaround. She wanted to return to the for-profit world, but wanted the flexibility to take vacations when she wanted for as long as she wanted.

Clarke had been doing some mentoring of for-profit startups and became interested in learning about angel investing. When she searched online for an angel group to join, she found that most were dominated by white men. Eventually, she stumbled across Pipeline Fellowship, a training program aimed at women interested in investing women-led socially responsible companies.

Clarke has invested in 13 companies in the course of two years. All have at least one woman involved in running the company. Working with different entrepreneurs who face different challenges is intellectually very fulfilling to her.

Now Clarke is on a mission to demystify angel investing for other women. She joined Astia, a nonprofit that identifies and propels high-potential women-led companies by providing expertise and money. She also writes for *DailyWorth* about angel investing.

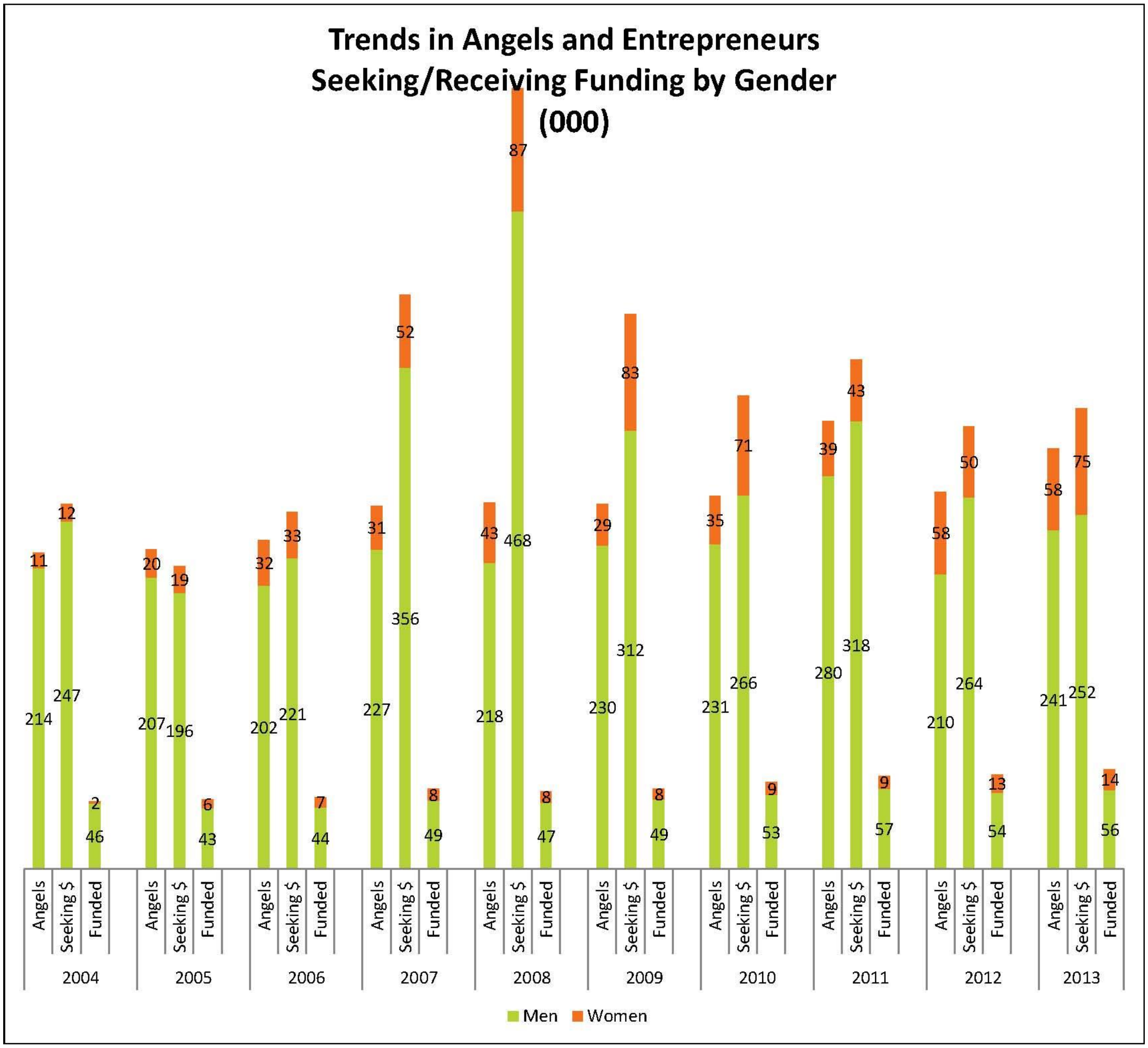
> "Women aren't going to invest in a company after playing a round of golf with you," said Clarke. "They are going to learn about the market, the company, its leaders, and its other investors."
>
> "Many angels have a bias against equity crowdfunding," said Clarke. "They don't understand its value. It's about increased deal flow, convenience, and transparency. Many angel groups use online platforms, but a lot of the due diligence is done through email, and things get lost. With equity crowdfunding platforms, everything is centralized, all in one place. I can look at it when it is convenient for me. I think it's important that people know what I invest in so I share that on AngelList."

The Center for Venture Research started tracking female angels in 2004. From that year through 2013:

- The number of male angels has grown 13%, but the number of female angels has grown an impressive 415%.
- The number of male entrepreneurs seeking funding grew by only 2%, and the number of female entrepreneurs seeking funding has exploded by 518%.
- The number of angels backing all-male teams has grown 21%, and the number of women-owned, angel-backed companies has jumped a whopping 839%.

The numbers clearly show that it's not just women investing in women. Men too are seeing opportunities in investing in women.

While the numbers are certainly something to cheer about, before you say our work is done, it should be noted that the reason for the spectacular increases is that the base in each case is so tiny.



Become a risk-astute angel investor

Angel investing is not for the risk averse. It is for the risk astute. To determine if angel investing is for you, Susan Preston of the Angel Resource Institute and Clean Energy Angel Fund suggests you ask yourself a series of questions. She knows the questions to ask because she trains people to become angels through Pipeline, Angel Capital Association, and her own initiative.

The first questions to ask are financial:

- Do you have the income or have the assets to be an angel investor?
- Can you afford to lose your investment without impacting your lifestyle?
- Do you have money to do multiple deals? Success in angel investing is based on the law of averages. No single investment is a guaranteed winner, but by investing in a portfolio of a minimum of 10 companies or, ideally, 20 companies, the odds are that you'll succeed. It takes an average of five to eight years to get a return on your investment.

The second set of questions relate to commitment:

- Do you have the 40 to 50 hours and sometimes 80 to 100 hours per company needed for the due diligence? Even if you share the analysis work with other angels, you still must spend time evaluating every potential investment. Statistics have shown that the more time you spend on analysis, the more likely you are to get a good return on your investment.
- Are you willing to give more than money to the company in which you invest? It may be that your expertise and connections are even more valuable for the up-and-coming entrepreneur. This is an important additional value angels can add.

Lastly, ask yourself about your motivation:

- Do you want a return on investment? If you don't, make a donation to a nonprofit instead.
- Do you want to be useful in a variety of ways? Mentoring, advising, and connecting entrepreneurs can accelerate the target company's development and be very rewarding to the investor.
- Do you want to give back to the community? Angels play an important role in funding high potential start-up companies.
- Do you like the entrepreneur and want to see her succeed?

"Invest no more than 10% of your portfolio in private companies and don't do it all at one time," said Preston. "Invest over a period of time. Know that some of your companies will strike out, some will be singles, doubles, and even triples. A rare few will be home runs."

CASE STUDY: INVESTORS

Streamline the funding process for investors

David Steakley was a technology consultant in the financial services industry who became an angel investor. He invested for five years before he found out that he wasn't doing enough due diligence – looking critically at the team, the market size, the product, and plan for scaling. When he first began angel investing, he was reactive – investing in deals that came to him in a haphazard way. Now he is proactive – seeking out good deals.

Steakley learned to do angel investing after joining an angel group, the Houston Angel Network. There he met people with whom he enjoyed doing due diligence. Most people like to invest in what they know. Steakley likes learning about new industries.

While Steakley met Jenny Lewis of Strike Brewing through networking (the deal was processed through CircleUp), he appreciates the value that a full-service crowdfunding platform provides. This includes deal flow, not needing to hire a lawyer to write the terms sheet, and some degree of vetting of the entrepreneur and her company.

Working with entrepreneurs is really enjoyable for Steakley. "When I invest in a public company, my expertise and connections don't have an impact on its success," said Steakley. "I really enjoy helping entrepreneurs become successful." He introduced Lewis to 10 investors.

Steakley doesn't see a lot of deals from women-led companies, but when he does, he likes some of the character differences he sees. In general, he finds that women undersell their companies while men are prone to wild financial projections. Women don't tend to tell you that they're going to be able to do something unless they're absolutely sure they can.

Angel investing is VERY risky: one or two of every 10 investments brings most of the return, according the Angel Capital Association. If a company gets VC funding later, angel investments are often diluted. Depending on the motivation of the investor, angels are looking for a 10 to 30 times return on their investment.

"Education helps make risk-averse women risk astute," said Natalia Oberti Noguera, founder and CEO of Pipeline Fellowship, a training program aimed at women interested in investing women-led socially responsible companies. Educational initiatives are increasing.

Women, it turns out, enjoy learning together in a nonjudgmental setting while "men will find the information on their own and go ahead and make a decision based on that," said Tahira Hira in *Bankrate.* She is a Certified Financial Professional (CFP) and professor of personal finance and consumer economics at Iowa State University. "Men are more self-directed learners," says Cazilia Loibl, CFP and associate professor in the department of consumer science at Ohio State University, in the same article. "Women rely more on personal networks with friends, family, [and] financial planners, and [they] take a networking approach to gathering information."

Recognizing the trends in women's wealth, angel groups are increasingly looking to attract women by offering training, said Preston. Others are offering training as well. Pipeline started in 2011 in New York City and is now in 23 cities in the United States. Other training programs for women interested in angel investing include 37 Angels, women investors who invest in early-stage male- and female-led companies. Preston is spearheading a new initiative called Women First Enterprises. It is a project of the Angel Resource Institute focused on educating and training women entrepreneurs and angel investors in the United States and globally.

"I've raised over $5 million in venture capital and pitched probably 1,000 investors," said Steinberg. "Even when women become educated about angel investing, they typically invest smaller amounts of money, require more discussions with the entrepreneur, and are more likely to say 'no' after the initial interest." Women tend to be thorough in researching an investment, take more time, and are less impulsive when making investment decisions, according to research conducted by LPL Financial.

Women need to ante up

The potential for women to raise money from other women is enormous and untapped.

Women's interests and expertise are diverse, so they can be a source for funding for business-to-business companies as well as for business-to-consumer ventures. Women have a propensity to find answers and connect online. Equity crowdfunding is a natural fit.

Women angel investors may do more than crack the glass ceiling that prevents women from getting the capital they need. Women angels may help them fly right through it. Women are not only more likely than men to invest in women-led companies, some will sit on the boards of the companies they invest in, according to the Kauffman Foundation. As those companies grow larger, women will get the experience needed to sit on larger company boards. Increasing the percentage of women on a corporate board of directors has been linked to improved financial performance, corporate social responsibility, and an increased number of women in other high-level positions. Yet, the percentage of U.S. publicly traded companies with women on their boards has remained stubbornly low: 19%.

Like it or not, the reality is that people are more likely to invest in people who are like them. It's called homophily, said Alicia Robb, senior fellow at the Kauffman Foundation, which advocates for and researches entrepreneurship. So angels are more likely to invest in startups founded by entrepreneurs who are of the same gender and race, according to research conducted by John Becker-Blease of Washington State University and Jeffrey E. Sohl, Center for Venture Research at the University of New Hampshire.

In order to get more women funded, more women need to become funders. Since the amount of wealth controlled by women is on the rise, the outlook for women entrepreneurs is good, as long as those women step up and invest.

Retiring baby-boomer women will adopt and then dominate crowdfunding, just as they dominate most social and e-commerce networks, predicts Lauren Flanagan, managing director of BELLE Capital USA LP, an early stage angel fund of women investors who invest in women-led tech companies. Women investors will make a huge impact on early stage funding and open doors for women entrepreneurs. New products and services will come on the market that will make the world better for all of us.

To get started, Steinberg suggests investing small, with a $10,000 investment in 10 companies each. Ultimately, however, if you really want to help an entrepreneur, bigger checks are needed, said Steinberg. Learn the terminology, be analytical – but also use your intuition.

Before investing in an entrepreneurial venture, Kraus advises observing 30 companies. “You'll see patterns without pressure,” she said. Or use an equity crowdfunding platform to make small investments. Identify your investment style. One style isn't better than another. For example, some people make larger investments and provide their expertise within an industry they know well. They do a lot of due diligence before investing in a company. Other people invest alongside people they know and trust and don't spend time advising the company.

If you're new to angel investing, Steakley recommends joining an angel group and attending the Angel Capital Association annual meeting.

Men need to take their blinders off

Research conducted last year by a team from Harvard, MIT, and Wharton found identical business plan videos narrated by a man were more than twice as likely to be chosen than if the plan had a female voice over.

With men representing the vast majority — 81% — of angel investors, this has huge implications. Homophily be damned! Investing in women can increase the return on investment for male angels.

There could be a silver lining, according to Michael Norton, a management professor at Harvard. Warren Buffett has proven this investment strategy works. Men like Brian Cohen, Rob Delman, Dave McClure, Nnamdi Okike, Adam Quinton, and Dave Rose all know this. They invest in women-led companies.

It's not just hurting the bottom line for men, it's stunting the growth of the country. “There is a lot of money out there to be invested in great ideas and innovations. The only thing that holds us back is not having the key to open up the coffers,” said Amy Millman, president of Springboard Enterprises, an accelerator for women-led businesses seeking equity financing.

CASE STUDY: INVESTORS

Saving time from start to finish

Jamie McIntyre is an experienced investment professional, having cofounded a wealth management firm which managed $8 billion in assets, and a technology platform for independent financial advisors, which he sold to LPL. He formed Rewire Capital to fund startups and leverage technology to disrupt industries.

McIntyre invests through AngelList, CircleUp, and SeedInvest; he has also invested in SeedInvest itself. He loves providing mentorship, connections, and resources to entrepreneurs. “Platforms that curate and vet investment opportunities reduce the work in finding compelling investments,” said McIntyre. “Platforms that do accreditation, some level of due diligence, document approval and money transfers online save me a lot of time.”

McIntyre not only invests in companies in the industries he knows but also in product-based companies, such as Good Clean Love. While he doesn’t specifically target women-led companies, McIntyre appreciates some of their character traits. On the whole, he finds women more honest and forthright. They more readily talk about their weaknesses. On the other hand, men are more likely to hide their weaknesses and inflate their companies. He is less about investing in a company that claims it will have a whopping return and more about investing in a passionate entrepreneur who is doing something purposeful and whose values align with his own, but that doesn’t mean he isn’t looking for a solid return.

Investors build skills via crowdfunding platforms

Crowdfunding platforms are making it easy for investors to meet each other and learn from each other, points out Trish Costello in an article in *Forbes.* She is founder and CEO of Portfolia, a crowdfunding platform aimed at consumer products. This bodes well for women who like to learn in a collaborative environment and are more likely than men to use the internet and social media.

E CHOOSING AN EQUITY CROWDFUNDING PLATFORM

Develop your selection criteria

Although equity crowdfunding is newer than rewards-based crowdfunding, you already have a lot of platforms from which to choose. That number is likely to grow as crowdfunding platforms launch to meet the needs of specific sectors, such as biotech and technology, predicts Luan Cox, founder and CEO of Crowdnetic, which aggregates data from equity crowdfunding platforms. And with states now allowing intrastate crowdfunding, expect more geographically focused platforms, she continued. Once Title III is implemented – hopefully in early 2016 – we'll see more platforms launch and a consolidation among existing ones.

Whether you are an entrepreneur or angel investor, it is important that you research which platform will best accomplish your goals. As an aid to your decision-making process, use the framework that follows to guide you through your evaluation of equity crowdfunding platforms. Narrow the list of platforms to the most likely candidates, then do a detailed analysis that weighs criteria based on what's most important to you. No one answer or platform is right for everyone. You just need to find the one that's right for you.

Compensation: Platforms charge for their services in many different ways, including flat fee, profit participation, points, and success, notes Joanna Schwartz, CEO/cofounder of Early Shares.

Deal structure: You can own shares in the company directly or through a Special Purpose Vehicle (SPV). An SPV is a legal entity (usually a limited liability company) that groups and represents the interest of the crowdfund shareholders. The benefit of an SPV to the investors is the ability to speak with one unified voice. The entrepreneur benefits by having a single point of contact for all the investors.

Due diligence: Some platforms have criteria that companies must meet in order to be listed. The platform may vet potential companies by reviewing financials and management team credentials, and conducting background checks and onsite visits, etc. While investors should always do their own due diligence, this curation gives investors some confidence that the platform has better quality deals.

Exclusivity: "An important question entrepreneurs need to ask is whether the platform requires exclusivity," said Katie Fitzgerald, business development manager at CircleUp. A lot of entrepreneurs have their own network of investors from whom they will be raising money, in addition to the crowdfunding platform. Does the platform require these investors to use the crowdfunding site? Processing everything on one platform centralizes all your fundraising, but you may pay an additional fee for this ability. The platform may also require investors that the entrepreneur brings in to go through a vetting process. In the offline world, angels do not have to be vetted. For some investors, this may be a turnoff.

Another question about exclusivity is whether entrepreneurs can market themselves on other platforms.

Industry focus: Whether you are an entrepreneur or investor, you will want to know if the platform specializes in a particular industry, said Melinda Moore, Crowdfunder's CMO. Some may be focused on a single niche and others may cut a wide swath, according to Schwartz.

Industry-based platforms offer the opportunity for entrepreneurs looking for expertise in addition to money to come together with investors who want to provide advice. The result can be that you both find the right fit more quickly.

However, sometimes a counterintuitive approach can work. It did for Kara Goldin of hint, fruit-flavored water with nothing else added. Rather than using a platform focused on consumer packaged goods, she sought capital from avid fans of hint. Many of these folks work in technology companies in Silicon Valley where hint has been provided to employees for years.

Minimums and maximums: Platforms differ in the minimum amount of money that can be invested, but many will allow the founder to choose. Some platforms will allow the founder to specify the maximum number of investors in each round.

Products: Platforms can offer a variety of different ways for an investor to make money including debt, equity, or royalty, said Schwartz. *Stand Out In the Crowd* focuses on equity.

Regulation compliance: How a platform complies with regulations is very important, said Fitzgerald. It's not just important to know if a platform verifies investor accreditation. It is also important to understand how they verify accreditation. An attorney, CPA, investment advisor, or broker-dealer can do this. Douglas Ellenoff, a partner at Ellenoff Grossman & Schole, recommends that broker-dealers do the verification because they have a better understanding of the risks and ramifications involved. If a platform doesn't verify accreditation of investors, you can hire a third party to do it for you.

E CHOOSING AN EQUITY CROWDFUNDING PLATFORM

Regulatory profile: Before you go shopping for a platform, determine what kind of investors – accredited or not – and how many investors you want to approach. If some of the people you want as investors are not accredited, you must be sure that the platform keeps your raise private in order to comply with rule 506(b). This section of the JOBS Act allows an unlimited number of "accredited investors" and up to 35 non-accredited investors, but you CANNOT advertise these securities offerings to investors.

If you do a general solicitation and advertise publicly, then the platform must comply with rules and regulations related to rule 506(c). This allows a private company to raise money from an unlimited number of accredited investors by broadly soliciting or advertising its securities offering.

Self service vs. full service: "There is a huge variation in what people want from a platform," said Schwartz. "Some of you will want everything done for you and will be willing to pay for that. Others of you will want to do things for yourself. Match what you want with what platforms deliver. Everything, from marketing support to customer service to due diligence, can be evaluated across a spectrum."

Stage of company: Platforms may not work with companies in every stage of growth.

- ***Seed financing*** is the relatively small amount of money raised early on to get the company started. Typically, the company is in concept stage. The money is used to help figure out the product, understand the market, and determine the customer base. Seed money is a more high-risk investment and generally comes from friends and family as well as angels who specialize in companies in this stage.
- ***Series A*** money is typically used to build your customer base. You may have a product that works in a local market, and you want to adapt it to other markets, perhaps rolling out nationally or worldwide. Or you launched with a product aimed at the luxury market but now see possibilities in the mass market. You may also need to fine tune your revenue model. For example, you created an app that has lots of users but you haven't figured out how to monetize the app.
- ***Series B*** refers to second stage financing, usually when a business scales. Typically, your products have traction with customers. Venture capitalists may want to get involved. This is the stage you're in when you need money to buy other companies.

E CHOOSING AN EQUITY CROWDFUNDING PLATFORM

- ***Series C*** is for accelerating growth, which might include international expansion or acquiring other companies. Each successive venture round follows alphabetically down the line (e.g. C, D, E ...).

Syndicates: Both entrepreneurs and investors may be interested in a platform that offers syndication. Syndicates allow investors to invest alongside notable angels or venture capitalists. If a syndicate wants to invest in your company, a larger amount of money can be raised more quickly than if you have only one point person. Some investors like to have a seasoned and sophisticated investor picking their investments, so they look for these opportunities. When working with syndicates, the entrepreneur only deals with the lead investor. Syndicates charge a carry fee to members and, of course, even the best stock picker sometimes gets it wrong. A more detailed analysis of the pros and cons of syndicates can be found in an article by Ed Roman in PandoDaily.

Tools: Making connections to capital or to opportunities is important but so, too, is being efficient with your time. Whether you are an entrepreneur or investor, determine how the platform can help you communicate and centralize information-gathering, said Fitzgerald.

- Can you screen interested investors by criteria that matter to you? As an entrepreneur, you might be looking for just one or two large investors or investors with industry experience or socially responsible investors aligned around values that are critical to you.
- How does the platform protect and share information? You may want to share an overview with all potential investors but share more detailed information only with serious prospects.
- How are introductions made and what tools does the platform offer to integrate with your campaign marketing plans, including social media and email?

E CHOOSING AN EQUITY CROWDFUNDING PLATFORM

CASE STUDY: ENTREPRENEURS

Finding like-minded investors

Good Clean Love uses natural ingredients to create a healthier and more enjoyable love-making experience. The company was created by Wendy Strgar, who found that products made from petrochemicals made her sick. As it turns out, these products increase the likelihood of getting vaginosis, STDs, and HIV.

"Good Clean Love is the Seventh Generation of intimacy products," said Strgar. Both companies are part of a movement to use sustainable ingredients and conserve resources. After a bad experience with an outside investor, Strgar had been gun-shy about raising money again, but she needed money to fund inventory so she took the risk. Raising equity financing via CircleUp allowed her to find investors who were aligned with her values, which was critical to her. Investors also provided expertise and connections.

Track record: Can the platform successfully introduce entrepreneurs to investors, and vice versa? "Ask what is the likelihood of closing your financing based on the past performance of the platform," said Fitzgerald. "Also ask what was the average length of time to close the round." As with all criteria, nothing is black and white. A newer platform may not have a track record, but it may be focused on your market sector. Weigh what is most important to you.

- ***Value added:*** What else does the platform do that adds value for the entrepreneur? Does it have strategic partnerships with large companies that might provide mentorship or offer an incubator program? Major corporations aren't looking to buy early stage companies, said Fitzgerald. But they may be looking for insights into new trends that are catching fire. In exchange for this insight, these companies offer knowledge and resources.

If platform team members have worked in your industry, they may give useful advice or provide valuable connections for you. Ask other entrepreneurs who have used the platform how much value the platform added to their funding efforts.

Now comes the list – changing frequently – of the equity crowdfunding platforms, excluding real estate. As you can see, it is lengthy, so knowing what you need can save a lot of time. And don't look just at these platforms. Do your own research to find out what platforms have sprung up or disappeared since this report was published.

Partial List of Equity Crowdfunding Platforms

- AgFunder
- Alchemy Global
- AngelList
- angelMD
- BlazeFund
- CircleUp
- CrowdAlliance
- Crowdfunder
- DarcMatter
- EarlyShares
- EquityNet
- fairstreet
- FlashFunders
- Fundable
- FundersClub
- Ingress Capital
- JoinVestor
- JumpStartFund
- MicroVentures
- OneVest
- OpenRound
- OurCrowd
- PennStarter
- Portfolia
- Retire America
- SeedInvest
- Seedups
- Slated
- StartupValley
- Sterling Funder
- VentureHealth
- WeFunder

F THE CONNECTION BETWEEN REWARDS-BASED CROWDFUNDING AND EQUITY CROWDFUNDING

The benefits of rewards crowdfunding

It's a rare entrepreneur who can raise money from investors with just an idea. But crowdfunding based on rewards can provide seed money, stretching the pot of money that founders, friends, and family provide.

Women have already proven that their social capital can be converted to real capital via rewards-based crowdfunding, in which supporters receive a tangible item or service instead of shares in a company. Rewards-based crowdfunding has been around for six years. Women make up about 35% of the project leaders and 44% of the funders on Kickstarter, according to research conducted by Hebrew University, the Kauffman Foundation, and UC Berkeley. Women had a 70% success rate in reaching their goals vs. 61% for men, with further analysis showing that it was not women's more modest financial goals that accounted for their higher rate of success.

"Women are succeeding on Indiegogo as well, where 47% of campaigns that reach their funding goal are run by women," said Danae Ringelmann, founder and chief development officer of Indiegogo.

Most investors want proof of concept before they ante up. A successful rewards raise impresses loan officers, angel investors, and venture capitalists. But a rewards campaign doesn't just provide seed money. It can also be used when a company is launching a new product. Additional benefits of a rewards raise include:

Equity free: You don't need to give up a piece of your company in exchange for money.

Market research: Shows who your customers are, refines product features, and tests pricing.

Social proof: Demonstrates the value of your social connections in a direct and tangible way.

CASE STUDY: ENTREPRENEURS

Successful rewards-based campaign provides the social proof investors need to jump on board

AJ Bombacino was placed on a feeding tube when he was 6 1/2 months old. Commercial formulas made him sick, and he started losing weight. When medical professionals couldn't provide a solution, his mother, Julie Bombacino, went online. She found a community of people who recommended pureeing real food in a blender. Once AJ began getting real food through the feeding tube, he gained weight.

After cooking and pureeing food for AJ while on vacation, Bombacino decided there had to be a better way. Realizing that medical advancements mean more people of all ages rely on feeding tubes, she recognized a business opportunity. The market is growing at a clip of 6% annually and is expected to reach nearly $6 billion in the United States alone by 2020, according to Grand View Research.

Using personal savings, Bombacino worked with nutritionists and food scientists to develop a process to make nutritious meals from real food for tube feeding. The meals also needed to have a stable shelf life for storage in a pouch. She raised $16,000 on Indiegogo, which covered the costs of the first production run for Real Food Blends and the distribution of free meals to kids at St. Jude's and Lurie Children's Hospitals, as well as increasing awareness of the product.

Bombacino credits her successful rewards campaign with helping her raise $550,000 offline from startup and healthcare angels. "It's easier to get investors when you have sales," she said. This money is being used to increase distribution in hospitals and care facilities via the largest medical supplies distributor in the United States.

Validation: Whether you meet or exceed your goal, the number of backers, pre-orders, or media mentions all show, in different ways, that your product has traction.

CASE STUDY: ENTREPRENEURS

Evidence that the market wants the product

Amy Cross has an itch: She's passionate about creating a fair and just world for women. She believes many women feel as strongly about social justice as she does. Women are the more philanthropic and socially responsible gender. Cross wants women to become an even more powerful force for good by helping them use their purchasing power to buy products from companies that operate in women-friendly ways. BUY UP Index rates parent companies of consumers' favorite brands in four categories:

- gender diversity in the boardroom and C-Suite
- workforce practices, such as maternity leave or flexibility and leadership programs
- philanthropy and corporate social responsibility
- advertising and marketing that portrays inclusiveness

She's also developing an app so consumers can check corporate brand ratings when shopping. Top companies can reach these activist consumers with special promotional offers. A consumer can reach out through the app and send emails to poorly rated companies, telling them exactly why she will no longer buy their products. Cross is now seeking funding from her crowd as a way of demonstrating that consumers are willing to pay for her service before the service is available.

A big reason Cross wants to raise money publicly is to demonstrate that the market wants her service. This will be important in attracting corporations to use the service. She will first do a rewards-based crowdfunding campaign, followed by an equity campaign.

Customer engagement: Build engagement with early adopters who will provide feedback and are more likely to become loyal customers, even though a product still has some flaws.

Marketing: A rewards raise is a marketing campaign that translates into spending less money testing whether customers really want your product. You don't have to guess how much to produce. The crowd tells you. If your campaign is a success, you've also got a good start on building consumer awareness and customer loyalty.

CASE STUDY: ENTREPRENEURS

A successful rewards campaign builds founder's confidence to do future raises

Erin Bagwell's confidence and self-esteem were eroded when she was verbally harassed at work. Frustrated by the media's failure to showcase female role models who could inspire and guide her, she decided to find such models herself and make their stories available in a powerful medium: video. Bagwell decided to create a documentary – *Dream, Girl* – that provides relatable role models. "It's a film that deals with trusting your inner voice and taking risks on yourself," said Bagwell.

She raised $104,000 – nearly double her goal – on Kickstarter. While she won't be seeking equity financing for this project, she might for future ones. Her fundraising success was a result of waging a relentless marketing campaign that included social media (blogging, Twitter, Facebook, and Instagram), phone calls, in-person networking events (attending nearly 80), and media outreach.

It's easy to know what's working and what's not when you can see the dollars increase online. With mentions in *Elle, Fox Business, Huffington Post,* and *The Washington Post,* Bagwell raised awareness of the issue but did not raise money. It wasn't big-name press coverage that got her funding. It was a mention in Marie Forleo's e-newsletter. Forleo is an author, web television host, and business coach. The response to this woman-to-woman mention was almost instantaneous. Face-to-face meetings also proved to be extremely effective.

The downside of rewards crowdfunding

Nothing is perfect. Managing rewards-based (and equity) crowdfunding campaigns are time-consuming, requiring planning and a huge amount of personal outreach. And, of course, the campaign could fail. But so can a full-on product launch, which is far more costly. Oddly, the other risk of crowdfunding is that you become so successful you can't fulfill orders in timely fashion, as was the case with Pebble Watch, This can erase any good will the campaign builds.

Success that morphs a reward raise into an equity raise or the acquisition of the company can also create backlash.

- Oculus Rift, a crowdfunded virtual reality headset, raised $2.5 million on Kickstarter. Oculus VR (the parent company) was later bought by Facebook for $2 billion, much to the dismay of its original backers. Contributors felt betrayed that such a cool game technology could be bought by a company that wasn't in the gaming space and one they thought was outdated.
- Zach Braff is best known for his role in the television series *Scrubs* and writing, directing, and starring in *Garden State*, an independent film. He took heat for his Kickstarter campaign to raise money for his film project, *Wish I Was Here*. After exceeding his campaign goal of $2 million, he sold equity in the film to institutional investors. Fans were told upfront that he was raising money from three sources: a Kickstarter campaign, his own money, and pre-selling foreign theatrical distribution. They received rewards, such as special early screenings and after-parties for their contributions. But they still felt cheated.

Media, such as *The New York Times* and *Bloomberg View*, cried foul in both cases. But no foul play was involved. Fundraisers had made it clear what contributors would get in exchange for their contributions, which wasn't stock. Equity crowdfunding and reward crowdfunding are still misunderstood. But that doesn't mean you should avoid them. It only means you need to do your homework.

G PREPARING FOR AN EQUITY CROWDFUNDING CAMPAIGN

Make a good first impression

Whether you're raising money publicly or privately, equity crowdfunding platforms give you the opportunity to pitch your company to investors and close the deal, all in one place with a single link. These platforms may also give you the opportunity to do "pitch calls" with investors. Each allows you some control over how much information you reveal and when to reveal it.

The first glimpse of your company you give investors online may be a video, the management team's bios, press coverage, and funding goal. Once you've measured investors' level of interest and done some due diligence to find out about them, you can provide more confidential information, such as financial projections, key customers and partners, Q&A with investors, and term sheets. Some founders provide their investor deck to everyone. Others provide only to vetted investors.

The beauty of equity crowdfunding platforms is that they make the fundraising process seamless from the initial contact through closing the deal. The platforms make it easy to pitch and update investors; share investor Q&A; distribute, sign, and store legal documents; and process and dispense funds.

Your chance of meeting your funding goal is about one in four. To increase your odds, everything written, recorded, and spoken has to be clear, credible, compelling, and consistent.

"Your goal is to interest investors enough so they want to know more about you and about your company," said Amy Millman, president of Springboard Enterprises, an accelerator for women-led businesses in technology, media, and life sciences. "Crowdfunding platforms provide access to capital and a foot in the door, but you still need to convert that opportunity into a follow-up. And to do that, you need to present a compelling business case that makes them believe not only that your company will generate significant returns on their investment, but also that you have the capability to execute that vision."

For more than 15 years, Springboard has been helping women raise financing from venture capitalists and angels. Here are highlights from their Creating Your Pitch tips:

- Be bold: Grab attention when you open.
- Be concrete: Provide real-life examples of the problem and your solution.
- Size the market, show your understanding of it, and quantify the part of the market you will

address.

- Describe how you make money and the metrics that will drive that success.
- Shine a light on the team's expertise, experience, and achievements.

A stitch in time saves nine

Seek legal and financial counsel who are knowledgeable about publicly raising capital via crowdfunding platforms to prepare the legal agreements and financial statements. They will guide you in some of strategic decisions regarding choosing the platform, the specific offering you'll make, and how you will make it. In the long run, you'll save time and money if you choose a lawyer and accountant who are knowledgeable about the JOBS Act.

"In addition to helping negotiate, a great lawyer can help focus the entrepreneur on what really matters," write Brad Feld and Jason Mendelson in their book *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist.* "A bad lawyer, or one inexperienced in VC financings, can do you a world of harm. In addition to getting out-negotiated, the inexperienced lawyer will focus on the wrong issues, fight hard on things that don't matter, and run up the bill on both sides."

When you raise money from people you don't know, you are required to take "reasonable steps" to verify that your investors are accredited. An accredited investor:

- Has earned an individual income of more than $200,000 per year, or a joint income of $300,000, in each of the past two years, with a reasonable expectation of the same income in the current year.
- Has a net worth exceeding $1 million, either individually or jointly with a spouse, excluding the primary residence.

A registered broker-dealer, an SEC-registered investment adviser, a licensed attorney, or a certified public accountant can do the verification, which includes:

- For income: reviewing copies of Internal Revenue Service forms reporting a purchaser's income for the two most recent years and obtaining the purchaser's written representation that the purchaser has a reasonable expectation of continuing to earn enough to qualify.
- For assets: bank statements, brokerage statements and other statements of securities holdings, certificates of deposit, tax assessments, and appraisal reports issued by

independent third parties; and for liabilities: a credit report from at least one of the nationwide consumer reporting agencies.

Some crowdfunding platforms are broker-dealers and can do this for you, or you can use a third party.

Companies that rely on Rule 506(c) of the Securities Act must file a Form D Notice of Exempt Offering of Securities with the SEC within 15 days of the first sale in the offering.

To save money, many entrepreneurs use online incorporation templates, such as those from LegalZoom. You may save money in the short term, but you get locked into default general provisions that don't take into account your long-term business goals. A lawyer who understands the lifecycle of a company can provide more options that may be better suited to the way an entrepreneur will raise money to grow her company.

For example, there are situations when an S or C corporation would be better than an LLC. An online service is not going to advise you on this. These online incorporation documents do not anticipate that communicating with shareholders via email is both time- and cost-efficient. Template agreements specify that shareholder notification be made by postal mail.

A lawyer who understands Title II of the JOBS Act knows that compliance is straightforward and financial reporting is limited for Rule 506(c) of Reg D. This is also true for Rule 506(b) of Reg D if your investors are accredited. The rules are clear about verification of accredited investors – an attorney, CPA, investment advisor, or broker-dealer can do it. Some platforms do this for you. Or, you can use a third party to do it. The gold standard for verifying accreditation is to use a broker-dealer, according to Douglas Ellenoff, partner at Ellenoff Grossman & Schole, a leading securities and crowdfunding law firm. When investors are friends and family, no special financial reporting is required.

Demystifying the term sheet

A term sheet is a non-binding agreement, setting forth the basic terms and conditions under which an investment will be made. A term sheet serves as a template to develop more detailed legal documents. Once the parties involved reach an agreement on the details laid out in the term sheet, a binding agreement or contract that conforms to the term sheet details is drawn up.

A term sheet lays the groundwork for ensuring that the parties involved in a business transaction are in agreement on most major aspects of the deal, thereby precluding the possibility of a misunderstanding. It also ensures that expensive legal charges involved in drawing up a binding agreement or contract are not incurred prematurely.

The term sheet generally covers the more important aspects of a deal, without going into every minor detail and contingency that will be covered in a binding contract.[1]

Usually, the term sheet covers the amount of money invested, number of shares, valuation, liquidation preference, and dividends. You would also indicate the names of the people involved, board of directors, and what happens in future rounds. If you are just starting your company, determining the valuation can be arbitrary so this is typically deferred to a later time.

“If drafted properly, the term sheet may be a non-binding agreement and does not need to be prepared by a lawyer, although having it reviewed by one is always advisable,” said Tamar Donikyan, partner at Ellenoff Grossman & Schole. “The agreement can be as simple as taking notes from a conversation about the business arrangement between the entrepreneur and the investor.” To understand term sheets better, look at the example provided by Sam Altman, president of Y Combinator, an accelerator program for start-up companies.

“It is not uncommon for a sophisticated investor to have her own template for the term sheet,” said Donikyan. “This document may be one-sided or heavily leaning toward the benefit of the investor. Founders should have their lawyer review this document.”

Below are definitions of common words used in a term sheet:

Anti-dilution: A provision in an option or a convertible security. It protects an investor from dilution resulting from later issues of stock at a lower price than the investor originally paid. Also known as an "anti-dilution clause." [1]

Capitalization or cap table: A spreadsheet or table that shows ownership stakes in a company, typically a startup or early stage venture. A capitalization table is a record of all the major shareholders of a company, along with their pro-rata ownership of all the securities issued by the company (equity shares, preferred shares, and options), and the various prices paid by these stakeholders for these securities. The table uses these details to show ownership stakes on a fully diluted basis, thereby enabling the company's overall capital structure to be ascertained at a glance.

Dividends: Typically there are dividends. However, dividends are rarely declared. If they are declared, the amount is usually nominal. In a financing where you may lose control of your board, this provision takes on more importance.

Liquidation preference: Specifies which investors get paid first and how much they get paid in the event of a liquidation event, such as the sale of the company.

Option or employee pool: The amount of the shares reserved for future issuance to employees.

Pay-to-play: Provides a strong incentive for investors to participate in future financings. It requires existing investors to invest on a pro-rata basis in subsequent financing rounds or they will lose some or all of their preferential rights (such as anti-dilution protection, liquidation preferences, or certain voting rights).

Preferred stock: A type of stock that is typically issued to investors in private companies. It comes with a series of preferences, such as the right to receive the proceeds of an exit before holders of common stock.

Valuation: There are two types of valuations: pre-money and post-money. The pre-money valuation is what the investor is valuing the company at today, before investment. The post-money valuation is simply the pre-money valuation plus the investment that is about to be raised.

Vesting: Typically, stock and options vest over four years. This means that entrepreneurs and employees have to be around for four years to own all of their stock or options.

Other terms you should know:

Convertible notes are often used by investors who wish to fund businesses without establishing an explicit valuation of the company in which they are investing. When an investor purchases equity in a startup, the purchase price of the equity implies a company valuation. For example, if an investor purchases a 10% ownership stake in a company, and pays $1 million for that stake, this implies that the company is worth $10 million. Some early-stage investors may avoid placing a value on the company in this way, because this, in turn, will affect the terms under which later-stage investors will invest in the company.

Convertible notes are structured as loans at the time the investment is made. The outstanding balance of the loan is automatically converted to equity when a later equity investor appears, under terms that are governed by the terms set by the later-stage equity investor. An equity investor is someone who purchases equity in a company.[2]

"As an early supporter of the company, these investors typically receive a 20% discount on the share price when valuation is set," said Donikyan. "Convertible notes are good for friends and family. However, they do obligate the entrepreneur to pay back the loan if the company doesn't make a go of it within a set period of time."

Simple agreement for future equity (SAFE) is a contract between an investor and a startup in which the investor provides capital to the startup company, and the startup provides a warrant to issue stock to the investor at a later time. Convertible notes are debt instruments backed by the equity of the company. SAFEs typically have an option to acquire equity under various conditions but are not a debt instrument, and there is no maturity date.[3]

"A SAFE tends to be complicated for really early-stage companies – when you're raising money from friends and family," said Donikyan. "You tend to see it used when dealing with more sophisticated investors."

Special Purpose Vehicle (SPV) is a legal entity (usually a limited liability company) that groups the shareholders and represents their interests. The benefit of an SPV to the investors is the ability to speak with one, unified voice. The entrepreneur benefits by having a single point of contact for all the investors.

Determine your funding goal, investor minimum, and structure of the deal

You need to determine how much capital you want to raise, what it will be used for, and during what period it will be spent. Determine your funding needs by estimating the related costs for this particular phase of your business. Estimate the revenue as well. Determine over what period of time the money will be spent. Include contributions and milestones for the phase.

Don't forget to consider fees and expenses related to raising money. You will typically pay a fee of approximately 5% to 8% of the total raise to cover costs associated with hosting the campaign on the platform plus any marketing expenses you have. In addition, you may also be charged success fees as well as fees for the services provided, including due diligence, vetting, and background checks.

When determining the minimum investment, consider that a smaller commitment has a lower perceived risk to the individual investor, which will increase your investor pool. You don't have to worry about managing a lot of small-ticket investors. Equity crowdfunding solves this problem by aggregating them into a mini-fund, which invests as a single entity.

Equity, convertible note, or other? There are several ways entrepreneurs can structure their financing round. Based on your business goals, your accountant and attorney can advise you on what is appropriate for your company. Typically, startups doing their first raise postpone setting the valuation for a later time. Instead, they offer a convertible note or SAFE that allows them to defer setting valuation for a later equity round. Investments are automatically converted to equity at a discounted rate during a later funding round.

Create a powerful investor presentation

Be brief: Your overview presentation should be no longer than 12 to 15 slides. You may think it's impossible to condense your message. It's not only possible – it's critical.

Arouse interest immediately: Investors make their decision in the first few seconds of viewing your slides. Make sure you cover the market potential, the need for your product or service, the ways in which your business will transform that need into a business opportunity and your competitive edge.

Provide substance:

- ***Define the market and its potential:*** Investors want to know that you understand the market and that the market has big potential. Describe its size, characteristics, growth potential, and trends.
- ***Solve a problem:*** Avoid sounding like a solution in search of a problem; you must solve a serious business problem. Venture capitalists and angels don't fund companies that

provide nice-to-have products and services. They must believe the target market can't live without you.

- ***Turn the problem into opportunity:*** Every problem offers the opportunity for a solution. Once you've presented your prognosis, lay out your prescription. Boil down the unique elements of your approach.
- ***Analyze your competition and state your advantage:*** Nothing irritates an investor more than hearing you say that you have no competition, or discovering an unmentioned competitor during due diligence. (Frankly, having no competition usually means that there is no market.) Explain who your competitors are, explore their strengths and weaknesses, and detail your sustainable competitive edge. Describe your ownership of any patents, copyrights, proprietary processes or technology, exclusive licenses or agreements. Discuss core competencies that would be cost-prohibitive for the competition to develop. If you have a first-mover advantage, trumpet it.
- ***Describe the business:*** Outline the features, capabilities, and revenue streams of your product or service.
- ***Describe your marketing strategy:*** Describe the strategies you'll use to reach the target market – positioning, pricing, distribution channels, sales, advertising, and publicity. Include strategic alliances that help you penetrate the market faster.

Project solid management expertise: The strength of your management team is absolutely critical to your success and to your ability to raise venture and angel financing. VCs and angels invest in people, not just ideas on paper. They want to be sure that your team can deliver. Highlight management's experience, industry knowledge, and functional skills. Quickly mention your corporate and advisory boards.

Conclude with a call to action: Always end your pitch with the ask: the amount of money you want. You build to this conclusion by telling investors how you plan on spending the money, how much money you're going to make, and when you will be profitable. Be sure to include the investor's exit strategy.

Make your presentation tangible: Throughout your pitch, talk in specifics – not abstractions. Keeping it tangible means using plain English that the man on the street can understand. Avoid industry buzz words and MBA- and tech-speak. They're useful as shorthand, but they're also a way of excluding people who don't happen to know the terms.

Make your slides readable:

- Use bullets.
- Make your points concisely.
- Choose a type size large enough to be read at the distance the audience will be from the screen.
- Use all uppercase letters sparingly. For the most part, use upper and lower case letters for easier readability, especially on the body text of your slides.
- Use a type color that stands out from the background color to further increase readability. Light type such as lemon yellow (not bright true yellow) on a dark background such as midnight blue works well. Dark type on a light background can also look good.
- Make your slides more interesting with graphics, but don't overload the slide.

Footnote:

1.) Source: Investopedia
2.) Source: http://lexicon.ft.com/
3.) Source http://businessdictionary.com

Investor relations start before you ask for money

Investor relations is a key component of any business, whether public or private. For a public company, investor relations includes knowledge of finance, communication, marketing, and securities law compliance to enable two-way communication between a company, the financial community, and other constituencies. It's the department devoted to handling inquiries from shareholders and investors, as well as others who might be interested in a company's stock or financial stability.

Investor relations are no different for a private company that raises equity capital. However, since the responsibility for investor relations primarily falls to the founders, they need to understand just how much work is involved. They need to know that it includes finding, courting, and marrying investors, then maintaining good relations for the duration of the relationship. It also includes marketing and selling, using both old and new techniques.

A crowdfunding campaign is just one aspect of effective investor relations. Let's begin with an overview of the things needed by any company raising money, then the guidelines for marketing your crowdfunding campaign.

GENERAL INVESTOR RELATIONS TACTICS

Build your network before you need it

When searching for investors, the size of your network matters. The larger and more diverse it is, the more likely your business is to grow big – and the more likely you are to have investors already within your network or people who can refer you to them. It may come as a surprise that women, who tend to be better at collaborating and communicating, have smaller networks than men.

Women tend to build deep and narrow networks while men build wide and shallow ones. In general, women don't like to ask their network for favors, whereas men have no problem doing so. The weaker ties built by casting a wide networking net are the greatest source of new ideas, information, and opportunities, according to Mark Granovetter, a sociologist who wrote *The Strength of Weak Ties*.

Joining a business association can accelerate network growth, if you join the right group. Australian researcher Athena Vongalis-Macrow outlines four things to look for in a professional networking group:

- Who is in the group (people who can provide resources, information, and knowledge, and are willing to share)?
- How does the network communicate (frequency and professionalism of interaction)?
- What's the substance of the communication (support that enables you to overcome difficulties)?
- What level are the people in the group (movers and shakers)?

If you plan to raise money, start building these relationships at least six to twelve months in advance. Building some of these relationships can take upwards of two years to develop, so start early. Specifically look for people with warmth, gravitas, and a willingness to help, said Judy Robinett, author of *How to Be a Power Connector: The 5+50+100 Rule for Turning Your Business Network into Profits.*

Add influencers to your circle

You don't want just anyone investing in your company. Decide whether you want investors who add value by providing good advice and connections and/or those who are silent. If you know who you are looking for, you'll find them faster. Targeting the right people and building relationships takes time and effort. Social media help you build these targeted relationships.

Investors measure you by the company you keep, so you want to be among the noted-and-quoted in your sector. This requires becoming a thought leader, with credibility and visibility. You can become a thought leader by seeking opportunities to be cited by the media, speaking at conferences/events, blogging/podcasting, and tweeting. You earn that reputation step-by-step but once you do, said Lena West, founder, CEO, and chief strategist for Influence Expansion:

- Journalists, analysts, and conference producers will seek you out and put you in the spotlight.
- Respected people in your industry will connect with you.
- Investors will open their doors and respond to your outreach.

As you build your own reputation, you'll want to connect with other influencers in your sector. To do so, you need to know who they are. Clay Hebert, founder of Crowdfunding Hacks, provides 12 tips for finding influencers, which I've summarized:

- Find books relevant to your business by keyword-searching on Amazon. Visit a bookstore or library to find out which influencers wrote the testimonial blurbs on the jacket covers.
- Search Twitter for keywords and find who is tweeting.
- Review tweets of influencers to better understand who they are.
- Check the Twitter influencers' lists and the lists influencers are on for additional influencers.
- Source Twitter chats by searching for #hashtags. Join in these chats to meet influencers.
- Track names in a spreadsheet.
- Host your own events.
- Host a dinner series.
- Ask for advice, not a meeting.
- Impress an influencer after you've met her by sending her a book she will love.
- Attend a talk by an influencer. Add value by taking a great photo and tweeting it or curating tweets on Storify.
- Comment on a blog.

Expand your reach with social media and networks

Social networks are a great way to magnify your message and connect with an audience of like-minded thinkers and build your network. Women have come to dominate social media. It's high time women also dominate social networking, but so far they don't. Women are less likely to use

LinkedIn than men, according to *Gender GEDI Index,* research commissioned by Dell, which measures and ranks conditions for high-potential female entrepreneurship in 30 countries around the world. LinkedIn is a powerful way to build your network and do business.

"Women are underestimating the potential of this powerful tool," said Marc Halpert, Connect2Collaborate, a LinkedIn training and coaching firm. "LinkedIn, unlike other social media, is about telling the story of WHY ME to a business-oriented reader."

Some women are LinkedIn power-users. I profiled two in my book, *Forget the Glass Ceiling: Build Your Business Without One.* Lili Hall, CEO of Knock Inc., a full-service creative agency that provides advertising, branding, digital, and strategy, loves LinkedIn and turns to it as soon as she needs help. Having a good reputation on the platform helps get quick responses to those needs, she said. Luan Cox, founder and CEO of Crowdnetic, which aggregates data from equity crowdfunding platforms, concurs. She started using LinkedIn when it first came out and hasn't stopped relying on it.

LinkedIn makes it easy to find out who your connections know so you can ask for an introduction. You can ask for a referral, but other communication – email, phone call, or face-to-face – can be even more effective.

LinkedIn may not be the best way to contact everyone. To find out which social media platform will engage an influencer or investor, West advises, Google them. "Social media is also a great way to amplify your voice and build thought leadership," she said.

When you or the folks in your network don't know a venture capitalist or angel investor, "don't just email them out the blue," said Hebert. "Many have blogs. Comment on their blogs [and podcasts]. If they're not blogging, then retweet, reply, and engage on Twitter. It does take time to build relationships this way, but it is very effective. Then, at the right time, you can say, 'I've been following you for a while, I'd like to tell you about my startup.'"

How and what you communicate matters

By analyzing the pattern of corporate communications and content, Laura Rittenhouse has documented, on Rittenhouse Rankings, that public companies valuing candor and communicating openly outperform companies that do not. Analyzing words is as important as analyzing numbers, she found.

Rittenhouse's rules can be a guide for those who invest in private companies and for founders developing their communication strategy. Her research is based on two principles:

- Trust is the necessary foundation for long-term business success.
- Candor is the language of leaders who choose to be trusted.

Investors can deduce the culture of an organization by carefully reading communications from the founder. The values of founders direct the behavior of people and guide employees in making decisions that are moral as well as practical. If the culture is open and trustworthy, the company's financial reports are likely to be trustworthy as well. Investors will also be able to find companies aligned with their own views.

The flip side is that, as a founder, you must communicate that you are trustworthy. Do so by being candid and open in all your communications, from blogs to e-newsletters to tweets. Let investors know what your values are so you attract investors who are a good fit for your company.

Communicate clearly

"Investors should look for founders who explain complex ideas simply, balance strategic actions with vision and aspirations, and can engage audiences with empathy and straight talk," said Rittenhouse. "People act with integrity when their words and actions are aligned."

If investors can't understand what a CEO is saying, they've already gotten vital information, said Rittenhouse. "If the communication doesn't make sense or is full of spin, ask yourself: Does the CEO not understand the business, or is she hiding something?" Rittenhouse coined an acronym for offending communications – FOG – which stands for fact-deficient, obfuscating generalities. This includes statements that are spin, clichés, jargon, and platitudes. Other clues to FOG-y communications include:

- confusing and incomplete information about vital business concepts and results
- contradictions

- excessive hyperbole
- Orwellian nonsense

Founders must make sure their communications are devoid of FOG. Instead, make your communications original, thoughtful, and not formulaic. Disclose what is needed so investors can make responsible, informed decisions and omit what is unessential.

When mistakes happen, "do founders offer a frank report about mistakes that were made and challenges that were met, or do they report only successes? Communications reveals the character of the CEO," said Rittenhouse.

Rittenhouse provides communication guidelines that both entrepreneurs and investors can use. She advises entrepreneurs to:

- Write simple, but not simplistic, statements.
- Report on innovative ideas, practices, and results.
- Tell stories that entertain and teach.
- Display emotional intelligence – the capacity to be aware of, control, and express one's emotions, and to handle interpersonal relationships judiciously and empathetically.
- Articulate a convincing corporate purpose and mission.

Choose social media platforms strategically

- ***One size doesn't fit all in communication strategy:*** Choose your platform wisely, then nurture relationships regularly to keep investors informed about your company and interested in it. Don't forget about doing an e-newsletter. It's a real workhorse.
- ***Be strategic:*** You don't need a blanket presence on social media. Pick the ones where your investors and supporters are likely to be.
- ***Match platform to purpose:*** Use LinkedIn for its ability to update your connections. You can also post a blog. Use Twitter when you want to update many people at once. No matter which media you use, make sure you communicate frequently and that your message is clear.

Due diligence via social media is a two-way street

Investors and entrepreneurs should conduct due diligence on each other. Just as you will check out investors online, a potential investor will search for you on Google. If s/he finds nothing, it's as if you don't exist.

LinkedIn has become the place to check out people's business backgrounds. If you want people to fall in love with you at first glance, make sure that your headline, summary, and every section following are not only smart and professional, but have personality, said Halpert. Don't miss the opportunity to go into more depth by creating company and showcase pages, which can highlight your crowdfunding campaign.

CROWDFUNDING TACTICS

Get organized

You can save a ton of time by using contact management software (CMS) that centralizes and categorizes all of your contacts from all sources to ensure that an important contact doesn't fall through the cracks. Using CMS allows you to quickly segment your lists in useful ways. If you already use CMS, start thinking about how you might want to segment your list so contacts get messages tailored to their interests.

Make a plan, just as you would for any other marketing effort.

- What are your overall business goals? For example: what is your exit strategy; do you need to grow before competitors emerge; in order to be profitable do you need to scale?
- What are your financing needs? For example, how much do you want to raise, and over what period of time will the money be used?
- Who is your target? Who do you think will buy in early so you can show momentum?
- What marketing tactics will you use to reach them?
- When will you implement each tactic and how frequently?

- What are your communication messages?
- How are you branding your company (e.g. logo, stationery, PowerPoint template, social media skins)? It doesn't have to be fancy, but it does have to be professional.
- What is your marketing budget?

Who you gonna ask for money?

Advertising that you are raising capital from accredited investors significantly expands a company's traditional investor pool, but the reality is that the vast majority of funds raised come from the founders' networks and their connections. Campaigns may go viral, but that is rare. Crowdfunding is young, and investors are just getting comfortable with this new form of investing. They still want to invest in people they trust, people with whom they have a connection. Crowdfunding companies will get the most bang for their buck by cultivating the relationships they already have rather than launching expensive advertising campaigns designed to attract new potential investors.

Some of the people in your network will be great at spreading the word about your crowdfunding campaign through social media. Others may be able to connect you to people with money. Your highest priority is targeting those people who have money and are likely to understand the risks and benefits of angel investing. If the business fails, you do not want the failure to impact your relationships with family and friends.

This is an educational process. "Your first step may be as simple as educating people that you've started an entrepreneurial venture," said Kim Wales, a thought leader in the crowdfunding industry. She is founder and CEO of Wales Capital and CrowdBureau. Begin by telling people why you've started the venture, what it is, and how the product/service works. Not everything has to be done in person. An e-newsletter is great for this.

"Treat people from your network as professionally as you would a professional angel or venture capitalist," said Wales. You will have developed your pitch, investor deck, financials, etc. for the crowdfunding platform. Use them when you meet with these folks. "Understand their comfort level in making an investment and what motivates them in making the investment," she continued. "For some, the investment may not be driven by profit, but simply to support you, to give you the runway you need to get lift off for your business. If profit-driven, ask questions about how much profit they are looking for. Be prepared to answer questions any professional investor would ask.”

Tell a good story

“When you’re trying to influence, persuade, or convince people, nothing is more powerful than a good story,” said Donna Cravotta, CEO of Social Sage PR.

“People don’t buy what you do, they buy why you do it,” says Simon Sinek, speaker and author of *Start With Why: How Great Leaders Inspire Everyone to Take Action.* Your story and your passion make you stand out in a crowd and help you connect with like-minded people – the kind of people who will support you even when times are tough.

Investors are not all about PowerPoints and spreadsheets. What investors really want to find is people who are aligned with their beliefs and values. PowerPoints and spreadsheets don’t convey this – stories do. Whether you’re talking with a potential investor, customer, or employee, it’s the story behind your “why” that will hook them. Reel them in with your projections and implementation plan. Paint a picture of the dream – the vision of where you’re going. Investors want to know why you and your team are the right people for their investment.

Tell your story in a clear, engaging manner that allows people to get to know you, feel your excitement, and want to become part of it.

The power of video

Video is a powerful way to tell your story. How much a video can improve your chances of a successful raise through crowdfunding isn’t a hard number, but it does improve the odds. First and foremost, a video is a chance to tell your story – convey your grand plan, why you started this venture, who is behind the company, how you will use the money raised. Make the most of the moment.

- Grab the listener's attention immediately.
- Make sure the video is professional, clear, and concise – about two to three minutes long.
- Speak in plain English: Talk in tangibles, not abstractions.

- Tell a story that is consistent with the other materials you provide.

A good video makes your heart race and shows the fire in the belly of the entrepreneur and her passion to succeed.

CASE STUDY: ENTREPRENEURS

Telling a compelling story with a great video is powerful

Sara Andrews wanted to make the world a better place by developing a business solution to poverty in developing countries. She had focused on agricultural trade issues when she worked on Capitol Hill, did strategy work at global consulting firm AON, and volunteered for TechnoServe, a nonprofit that helps farmers in Africa become more competitive.

Andrews wants to help farmers in the developing world earn a consistent and livable wage. Her solution is to develop drinks and snacks that use wild harvested ingredients (indigenous fruits and herbs that grow naturally under existing conditions) by farmers. These ingredients are also highly nutritious superfoods, such as the immune-boosting baobab fruit. Bumbleroot Foods chefs create delicious and wholesome beverages and snacks that are jam-packed with antioxidants, vitamins, and minerals.

Initially, Andrews bootstrapped her company; that is, she used her own money. When she needed money to fine-tune her first product – a drink – and do a large production run so she could start selling in stores, she raised $10,000 on Indiegogo, a rewards-based crowdfunding platform. The campaign expanded her reach beyond her own network and those connected to her connections. Her fans engaged with her, especially on Facebook. She surpassed her goal.

Andrews did a private equity offering on CircleUp. For this seed round of investment, she wanted to raise money from accredited and non-accredited investors. For non-accredited investors she was limited to 35 people or less. It was important to Andrews to offer early supporters who were not accredited investors the ability to have an ownership stake in the company. This can be done under Rule 506(b). Some investors thought the company was too young for their portfolios but asked that she keep them abreast of the company's progress. With persistence, she was able to raise $30,000 from others. An additional benefit was that she received lots of good advice along the way. Andrews is likely to do a public equity crowdfunding raise.

How to handle the pitch call

It may not feel natural to do a pitch "virtually," but it comes with the territory. When the stakes are high, as they are when you are pitching people for an investment in your business, you can't afford to be less than perfect. Even great ideas can fall flat if they're not presented well. Just as you've become expert at presenting in person, you can become expert at putting together an online presentation that is clear, credible, and compelling.

Stand up: Body posture influences the way your voice projects. "Sitting behind a desk can restrict and restrain you, which will impact the quality of your voice," said Karen Palmer, a presentation and leadership consultant. "Stand up, roll your shoulders back," said Sam Horn, presentation coach, pitch consultant, intrigue expert, and author of *Got Your Attention?: How to Create Intrigue and Connect with Anyone*. "Tower instead of cower. Stand with your feet shoulder-width apart. Instead of holding your hands in fig leaf position, hold them like a basketball player – shoulder-width apart."

Visualize your audience: "In your mind's eye, imagine that your audience is intently listening to your every word," said Horn.

Talk – don't read: Nothing is more boring than listening to someone read a script. It's stilted, not conversational. "Write out your key points, but don't script them," said Palmer. "Make your presentation conversational."

Control your voice: "Don't sound meek and weak by ending sentences with an upward inflection," said Horn. "Ending with a downward inflection adds authority and confidence to your voice."

Command the room: "You want to command the virtual pitch room in the same way you would command a room if you were presenting in person," said Palmer. "You want people to stop multitasking and focus on what you have to say."

Grab them immediately: Whatever the amount of time you're given to present, the reality is you have 60 seconds to grab attention or lose your audience completely. Horn recommends opening with three "Did you know?" questions. She helped one of her Springboard Enterprises' clients, Kathleen Callender of Pharma Jet, win funding and the Nokia Health Award. *Businessweek* also named her one of America's Most Promising Social Entrepreneurs in 2010. Here's how Callender nailed it:

- Did you know there are more than 1.8 billion vaccinations given every year?
- Did you know up to half of those are given with re-used needles?
- Did you know we are spreading and perpetuating the very diseases we are trying to prevent?
- Imagine if there were a painless, one-use needle available for a fraction of the current cost.
- You don't have to imagine it; we've created it.

Ensure Q&A: Assume there will be questions by leading the witness. "Instead of asking 'Do you have any questions?' ask 'What are your questions?'" said Horn. Direct investors to specific areas they might want more information on. If you didn't have enough time to cover specifics in your presentation, guide the investor to ask questions such as "What would you like to know about our financial projections or the business drivers of our success?"

Make your close count: "This may sound obvious, but remind people of your name and the company," said Horn. "Provide three action options that move up in importance." For example, you could end with an offer:

- For a sample or product demonstration, ...
- For a copy of our financials, ...

- To schedule a one-on-one call, ...

Practice: Record a run-through of your presentation. Listen to it with a critical ear. Keep practicing until you're happy with how it sounds.

Think beyond the crowdfunding raise when seeking publicity

People view the media as a source of unbiased information. A media mention gives your company and product more visibility as well as credibility. It allows you to tell your story in a longer form than is possible in an ad or a tweet. Combining PR with other marketing activities provides clarity, consistency, and increased impact in a cost-efficient manner.

When starting or growing a business, make every penny count. Sure, you can do a one-time press release about your crowdfunding campaign and then move on to other tasks, but that may not give you what you need. A better strategy is to implement a campaign that lasts several months and focuses on the product and your company, according to Ilana Zalika, owner and cofounder of Resound Marketing.

While media coverage is great for your crowdfunding campaign, the reality is that coverage is hard to get. "Doing an equity crowdfunding campaign is no longer considered newsworthy," said Beth Silver, managing director of Doubet Consulting, a management and marketing consulting firm. "Think bigger than just the crowdfunding raise," she advises. Get the media interested in how your product or service fits in with what's happening in the world at the moment. Is your product innovative or are you doing something in a novel way? Perhaps it's something about how you market, manufacture, or deliver the product?

First, identify your audiences and what motivates them. Then identify the media your funders and customers pay attention to. "Think beyond the business and technology press," said Zalika. "If your market is women, parents, millennials, or small businesses, think through what they are likely to be reading, listening to, and watching." Don't just think journalists, think bloggers.

"Most of the time, you're not going to get massive coverage unless your product is unique and cutting-edge," said Ariel Hyatt of CyberPR, a digital PR and social media strategy firm. "This is why the blogosphere is a magical place and this is where you can get publicity." Target bloggers who cover your industry.

Bloggers are often influencers. Erin Bagwell of *Dream, Girl* found that a post on an influential blog generated more contributions to her rewards-based campaign than articles in big-name media. You can read more in "The Connection Between Rewards-based Crowdfunding and Equity Crowdfunding" chapter.

"Distributing a press release via wire service reaches thousands of websites, which has SEO [search engine optimization] value," said Silver. "iReach and microlists from PR Newswire are powerful tools for entrepreneurs doing PR themselves."

"Research what kinds of stories the journalists and bloggers write about, and tailor your pitch," said Zalika. Journalists and bloggers are busy and have lots of stories already in the pipeline. "Start two weeks before you'd like to be in the media," said Silver.

Show momentum

If you want to succeed at crowdfunding, you have to show support from the get-go. Investors are likely to stay on the sidelines until they see that others have anted up. Before you launch, identify the people you think are likely to invest. These include family, friends, colleagues, customers, and suppliers. Target them even before the campaign begins. That way, you establish that all-important momentum and are more likely to succeed.

Investors will be attracted to your deal because other people they respect and trust are involved. These people could be on your team, other investors, advisors, board members, or fans. The most powerful enticement to investors is a well-known, well-respected person as the lead investor.

Turn fans into super fans

You'll raise money from your network, the people you know personally, and their connections. Fans are social media connections you may not know personally. They share your interests but aren't likely to reach into their pockets. Their value is that they can be your advocates and provide social proof and traction for your product. "It's about getting these people to rally around you," said Cravotta. Not everyone will invest, but fans can show potential investors that they support your venture.

"When you begin to drill down into your social media communities, you realize you have three very distinct tiers," said Hyatt. "You have your super fans who respond to everything you post. Next, you have your engaged fans who interact periodically. The third tier are ambient fans, who are people in your circle but they don't interact. The goal of a crowdfunding campaign is to move the engaged fans up into the super fans tier and to move ambient fans into the engaged fans, and that takes a lot of one-on-one communication."

"Don't count on the crowdfunding platform marketing your campaign," said Hebert. "It's great if they do, but plan on driving traffic to the crowdfunding platform yourself. You've got to hustle and work your network."

Make the ask and ignore rejection

We call it crowdfunding, but the truth is that it's a sales campaign. You have to understand the rules of selling. You're not asking for pocket change. Don't expect social media to seal the deal. Use face-to-face meetings, your own hosted events, and phone calls to do the ask.

Don't think that your relationships will connect the dots and provide you what you need. You need to, literally, speak up and ask for what you need. "Women tend to be very subtle in their ask, if they ask at all," said Patty Lennon, a crowdfunding consultant, business coach, and motivational speaker. While women excel in building social connection through social media, they have a harder time than men cashing in on their social equity. "Start building the 'ask' muscle before you need it," she continued. Lennon recommends reading *The Art of Asking: How I Learned to Stop Worrying and Let People Help* by Amanda Palmer.

Lennon trains people to do their own rewards crowdfunding campaign. Both men and women ask her to do campaigns for them. As a trainer, not an implementer, she declines the projects. "Men will contact me six, seven, eight times," Lennon said. "For women, 'no' means 'no.'" Women handle rejection differently than men. The way women ask and handle rejection isn't genetic, it's cultural.

When seeking investors, you can receive hundreds of "nos." You have to learn to keep going.

When it comes to conducting a successful crowdfunding campaign, persistence is the name of the game. "There's a lot of fear around 'I don't want to ask too many times,' 'I already sent my email out,' 'I don't want anyone to get upset or unsubscribe,'" said Hyatt. "If they're going to unsubscribe because you're pushing heavy for 30 days or whatever period of time you're doing it for on a crowdfunding campaign, that's okay."

The devil is in the details

- Make sure you have a nice-looking, high resolution photo and use it consistently on every social platform.
- Use a consistent and professional voice in all your marketing including your website, e-newsletter, and social media platforms.
- Make a spreadsheet for your marketing outreach. List all the tactics by market segment (e.g. angels, venture capitalists, media, customers, colleagues, friends, and family) and timing.
- Don't limit your tactics to social media. Think email, phone, and in-person meetings.
- Keep your investors and supporters updated on the progress of your campaign, whether through an e-newsletter, blog, or social media. Let them know how they can help you get the word out about your campaign. Keep them engaged.
- Success is proportional to the amount of work you put into your campaign. Follow-up, follow-up, follow-up! In order to get what you need, you're going to have to give, perhaps even more than you get.

How quickly you close your round depends on a number of factors, such as your funding goal, the completeness of materials and supporting documentation, and your ability to preempt investors' questions with your materials, as well as how they conduct due diligence. "On average, we are seeing successful raises take about four to six months," said Luan Cox, founder and CEO of Crowdnetic, which aggregates data from equity crowdfunding platforms.

CASE STUDY: ENTREPRENEURS

A highly focused coordinated fundraising effort

Courtney Nichols Gould wanted all kids – not just those from wealthy families – to have access to preventive health. Her solution was a delicious gummy vitamin without a lot of junk in it. For a taste-driven product, a crowdfunding platform that delivered samples of the product to potential investors was really important. SmartyPants Vitamins has grown at 200% annually since it launched five years ago. It's the TOMS Shoes of vitamins. For every bottle sold, Vitamin Angels, a strategic ally, distributes a bottle of vitamins to at-risk populations in need, such as pregnant women, new mothers, and children under five.

In May 2014 SmartyPants closed a $2.2 million financing round from 19 investors in four months on CircleUp, bringing its total raise to $4.7 million. It is one the largest raises on CircleUp to date and its first followup round.

Doing a campaign on a crowdfunding platform streamlines the fundraising by centralizing and automating processes. It concentrates offline and online networking and marketing activity on fundraising, allowing entrepreneurs to close rounds faster.

Tawnya Falkner of Le Grand Courtage closed a round of crowdfunding in December 2014, after 10 months of work. Falkner admits that if she had used online marketing and social networking, she might have been able to shorten this timeframe.

As best practices emerge, the time it takes to do an equity crowdfunding raise will shorten. It did for rewards campaigns, which went from 60 to 90 days as the typical length of a campaign, to 30 days.

How to use this report to ramp up your campaign

When I started researching *Stand Out In the Crowd: How Women (and Men) Benefit From Equity Crowdfunding*, I thought I would be writing about start-up companies raising money publicly – Reg D 506(c) of Title II of the JOBS Act. But, by focusing on only one way to raise money, I was not making entrepreneurs aware of all the funding options available to them. So I expanded my research to include raising money under Reg D 506(b) as well as raising money from angels offline and rewards crowdfunding.

I also thought that business goals were the only factors in fundraising choice. Of course, goals are a factor but so, too, are investors' attitudes toward the nascent fundraising vehicle. A lot of entrepreneurs are reluctant to raise money publicly.

- If you're targeting big name investors, the verification process of accreditation may be a stumbling block. As a result, Kara Goldin of Hint Inc. chose to raise money privately online, taking advantage of Reg D 506(b).
- Rather than embracing a new form of financing, some investors are snubbing and even blocking companies from raising money through rewards and equity crowdfunding. One entrepreneur told me that her largest investor would not do any follow-on investment if she listed her company on a crowdfunding platform. These investors invest in entrepreneurs who see opportunities where others don't, yet when it comes to the way entrepreneurs raise money, these investors aren't willing to look at new opportunities.

Forewarned is forearmed.

I raised money for *Stand Out In the Crowd* in two ways: sponsorships and a rewards campaign. The rewards campaign – *The Venture Crowd: Everything Ventured, Everything Gained* on Plum Alley– gave me firsthand experience in the pain points of a crowdfunding campaign. No surprise, the two pain points that rewards and equity crowdfunding campaigns share are the amount of time and money it takes to do a campaign well. I'm lucky; I received many services for a reduced fee, barter, or free. You could be just as lucky if you ask. Many service providers will work with startups in this way.

A third pain point applies only to equity crowdfunding: the lack of knowledge regarding Title II of the JOBS Act. Getting information about Title II is like playing telephone – one person tells someone something, who tells another, who tells another, and so on. Lots of inaccuracies accumulate as the message is passed on. Don't play that game. Work with people who have firsthand knowledge of Title II.

Select a good lawyer

Surround yourself with people who, like you, see opportunities. In particular, you need a lawyer who understands what you can do, rather than one who only sees problems. Good startup lawyers advise you on what you can't do, what you can do, and how to do it within the letter of the law.

Lawyers who understand startups can advise you where you can save money by preparing a document, such as a term sheet, yourself, and will even provide samples to guide you. While you may use an online service to incorporate, a good lawyer will let you know the limitations of these online forms and know how to work with them. While not an accountant, your lawyer will be able to advise you on the financial reporting necessary for companies that are raising money through Reg D. For 506(c) Quickbooks will do. And with no set frequency. Yes, really.

For 506(b), if you have non-accredited investors, financial reporting is more onerous. Lawyers knowledgeable about Title II can also advise you on which crowdfunding platforms might be a fit for your needs.

Put together your marketing team

Know your abilities and when you need to, supplement them. Two of Shebooks' founders, Laura Fraser and Peggy Northrop, are skilled editorial writers, but they outsourced the creation of their rewards campaign to an expert marketer. The Equal Writes Campaign took a feminist tone that resonated with contributors and media. At a time when most crowdfunding campaigns fall on deaf ears with the media, Shebooks' campaign received a fair amount of coverage. But the two women did not take a feminist tone when appealing to investors. That appeal is about the return on investment. Shebooks rewards-based campaign surpassed its fundraising goal. Bumbleroot, *Dream, Girl*, Real Food Blends, and The Venture Crowd also used professional videos for rewards-crowdfunding campaigns.

PUTTING IT ALL TOGETHER

Companies that publicly raise equity crowdfunding also use professionally produced videos. You can take a look at Wonder Technologies.

Branding (including campaign name, logo, graphics, communications messages, and video) started about four weeks before The Venture Crowd launched. All were fine-tuned as the campaign progressed. It took a village – well maybe not a village, but a team, including a creative director/graphic designer, digital agency, a copy editor, social media/crowdfunding campaign coaches, and me to make my campaign a success.

Get a handle on your social media

During the five years I've been tweeting, my following has organically grown to about 7,000. Once I made the decision to crowdfund a portion of the funding for *Stand Out In the Crowd*, I started growing my following aggressively. Eventually, I found someone who could do this for me in an extremely cost effective way. By the time I launched the campaign, I had 15,000 followers. While few Twitter followers converted to contributors, my activity there built a buzz about the report. Entrepreneurs are waiting to read it.

Depending on what you do, social media can be a huge time suck. Email, blogging (articles on *Forbes* and LinkedIn Pulse), and Twitter were the most effective for The Venture Crowd campaign. Marketing was a shared responsibility with my team. Because I struck a very personal tone with my articles, I did most of the writing myself, but I had others edit my work. Tweeting and posting on Facebook, Google+, LinkedIn, and Pinterest was done by someone else on my team. For Twitter, I handled the personal chit chat.

Get over yourself

My campaign had the necessary traction early on so I was confident that I would be successful. With success likely, I didn't do the hardest part of crowdfunding: Making personal phone calls. These are highly recommended by every expert but they carry with them the possibility of rejection. Like most people, I don't like that possibility so I skipped an important part of the process. My funding goal was small -- only $7,500 -- so I could get away with this lapse. But it was a lapse.

I was too overloaded to do a lot of in-person networking during the campaign. Both in-person networking and calling were extremely effective for Erin Bagwell's rewards campaign for *Dream, Girl*. Her funding goal was much greater than mine – $57,000, which she nearly doubled. Bagwell's tenacity is a lesson for anyone raising money, whether through rewards or equity. Follow-up by phone and, if the investor is local, in person, is critical in an equity campaign.

Build marketing frequency and effectiveness

The number of "touches" – contacts you need to "sell" an investor – is anyone's guess. Research on the number of touches for marketing in general suggests that anywhere from three to 12 touches are necessary.

By understanding each marketing component's strengths, you'll be able communicate with the needed frequency while minimizing costs.

- PR tells your story in depth and increases credibility as well as visibility, but you can't count on being mentioned in the press and you can't control the message.
- Social media and email allow you to control the message and frequency of messaging in a cost-efficient way.
- Direct contact, whether by phone or in person, makes the sale for equity investments. It's unlikely that an email or social media post will seal the deal with an investor.

Get organized

I consider myself organized, but doing a crowdfunding campaign taxed my project management skills. During the past few years, when I've needed to organize my contacts, I've done so manually in an Excel spreadsheet.

Throughout this campaign, I sent highly targeted email messages to different segments of my list. These eblasts were extremely effective. However, building segmented lists via Excel spreadsheets was time intensive when I had no time to spare. A more productive use of my time would have been phone calls and in-person networking. Ideally, you have a marketing automation system or contact management system that integrates with your email marketing service. Many of these systems also have project management tools built into them. Again, I relied on an Excel spreadsheet to keep track of campaign tasks and responsibilities.

Marketing automation systems or contact management systems could also be used to manage any investor communications that you need to do later.

Women have what it takes to succeed

Early-adopter women raising money publicly are succeeding at a higher rate than women raising money privately: 23% of women-led companies raise money publicly versus 19% privately, according to Crowdnetic and The Center for Venture Research.

Research has shown that women are better than men at rewards-based crowdfunding. I believe that, over time, women will also prove that they are better at equity crowdfunding. While I'm speaking in broad generalities, women have the skills to succeed, which include:

- being organized and diligent
- being good marketers, whether using social media, email, or traditional media
- telling stories that convey purpose and why they are so passionate about the business
- communicating clearly without jargon
- skipping over-hyped projections
- aligning words with action – meeting milestones set
- being frank when mistakes happen
- following up

Bypassing barriers

There is nothing inherent about a man that makes him better than a woman at high-growth entrepreneurship, said Teresa Nelson, Ph.D., professor of strategic management and entrepreneurship at Simmons College. Social norms, expectations, and early training direct men and women down different paths.

Confidence matters as much as competence, write Katty Kay and Claire Shipman in their article “The Confidence Gap” in *The Atlantic.* Women entrepreneurs have plenty of the latter and not so much of the former. By underestimating our abilities, we’re putting self-imposed limits on how big we dream and how aggressively we pursue those dreams.

“There are culturally learned barriers that we, as women, have to overcome,” said Gloria Feldt, cofounder and president of Take the Lead Women, and author of *No Excuses: 9 Ways Women Can Change How We Think About Power*. “The good news is that they are learnable and teachable skills.” So how have successful women closed the confidence gap?

Seek role models

Seeing is believing. “Being around other women who think bigger, who think differently, and who have the courage to go for it, changes how you think,” said Ali Brown, founder and CEO of Elevate/Ali International, dubbed “the entrepreneurial guru for women” by *Business News Daily.* Knowing other entrepreneurs plays an important role in directly enhancing the aspirations of women who want to start their own businesses, and in supporting their growth by providing access to ideas, opportunities, and resources, according *Gender GEDI Index,* research commissioned by Dell.

“One of the biggest hurdles, I think, is self-doubt, and I think women probably suffer from that a heck of a lot more than men,” said Erika Bliss, family physician and CEO at Qliance, in *Forget the Glass Ceiling: Build Your Business Without One.* “Just meeting and seeing other women in very powerful positions reminds you that it’s possible and you can become that, too,” she said.

“It’s not just success stories. We need stories about women who have fallen down many times and have gotten back up,” said Brown. Examples of women’s resilience will show how women pick up the pieces and move on after failure. Picking up and moving on builds confidence.

Don’t do it alone

Lots of people talk about how lonely it is being an entrepreneur. If I learned one thing from the 10 women I interviewed in *Forget the Glass Ceiling,* it is that highly successful women don’t do it alone. These women reach out and ask for help when they need it. They turn to cofounders, professional advisors, and their employees. They also turn to their peers, other entrepreneurs who have been there and done that. Many of the entrepreneurs they turn to are women.

The greater challenges women face in the business world bond them to each other. “Only other women can understand the challenges I face,” said Luan Cox, founder and CEO of Crowdnetic, in *Forget the Glass Ceiling*. “It really helps to get their perspective.”

Entrepreneur peers are like-minded people who inspire, help, encourage, and push one another to accomplish more. Peers provide the feedback needed to confront obstacles and seize opportunities. They also provide a fresh perspective on options and can open doors for you. The value of entrepreneurial peers has been confirmed by research, reported in *Force multipliers: 3 adaptations to help women entrepreneurs scale big,* and conducted by EY Entrepreneurial Winning Women, a program that accelerates the success of women entrepreneurs.

You can develop a base of entrepreneurial peers either informally or formally. Reaching out to other entrepreneurs on an occasional basis builds informal peer support. Most people are flattered when you reach out and ask for advice.

More formal examples include:

- ***Form a posse:*** Develop a group of people you can contact any time. They ride with you and help you out at a moment’s notice. And you do the same for them.
- ***Join a peer support group:*** Also known as Mastermind groups and CEO roundtables, these groups include organizations such as Entrepreneurs' Organization, Vistage, Women Presidents’ Organization, and Young Presidents' Organization. In them, entrepreneurs come together to solve problems and brainstorm their day-to-day challenges and opportunities under the guidance of a trained facilitator.

Sharing with peers can have a direct impact on your bottom line. The companies whose leaders participate in these groups out-performed those who didn’t, according to research conducted by

Vistage. The study showed a 12% increase in annual revenue during the economic downturn years of 2007-2012 for companies that participated in peer advisory groups, compared with a 5% increase for businesses in general.

Use purpose to move you past self-doubt

Your company's purpose, and your own passion, can motivate you to conquer mountains. Your reason for starting the business – your why – also attracts other people to your company, including employees, customers, partners, investors, etc. When you're surrounded by like-minded people, who believe in what you believe in, they become part of your cheering squad when you hit a rough patch.

"If you're just in your business for personal gain, when you hit roadblocks, it's really easy to give up," said Marie Forleo, author, business coach, and founder of Marie Forleo International, B-School, and MarieTV. "More women start businesses to make a difference," said Brown. And that can make a difference in their ability to conquer self-doubt.

When you're on a mission, you can move mountains and overcome self-doubt. Danae Ringelmann, founder and chief development officer of Indiegogo, has been steadfast in her desire to "democratize" crowdfunding. That purpose got her past 90 "nos" from potential investors before she and her cofounders heard "yes." Eventually, the money did flow. They've raised $56.5 million, including $40 million in January 2014, in the largest venture investment for a crowdfunding platform.

Conquer your fear

"Many girls learn to avoid taking risks and making mistakes," write Kay and Shipman in in their article "The Confidence Gap." "This is to their detriment: Many psychologists now believe that risk-taking, failure, and perseverance are essential to confidence-building. Boys, meanwhile, tend to absorb more scolding and punishment and, in the process, they learn to take failure in stride." Adjusting your mindset can help you overcome fear. Geoffrey James, author of *Business Without the Bullsh*t,* shares three ways he has overcome fear.

- ***Be courageous:*** If you cling to playing it safe, you can't take the big leaps forward. Make a conscious decision to value courage. "It's about taking action," said Forleo. If you listen to that voice telling you that you can't do it, you will be paralyzed. "Disengage from the voice in your mind and put your full attention to whatever is in front of you, which could be making a call, sending an email, or making a pitch."

- ***Balance being fearless with prudence:*** Get rid of irrational and unreasonable fears, but use sound judgment so that you're not reckless.
- ***Use fear as motivation:*** When fear is outside your control – like an economic downturn – use it to spark the development of an action plan.

Come back from a setback

Remember, no one bats a thousand. Despite that, you'll still feel bad when you don't get the win. Here are ways to come back from a setback.

- ***Take the long view:*** "One way I overcome fear is by thinking about the reward that comes from doing something that makes a difference for other people," said Feldt. In general, women have an easier time pushing themselves when they are doing it for others.
- ***Conquer your fear of failure:*** "Ask yourself, 'What's the worst thing that can happen?'" says Forleo. There's no shame in not succeeding. Instead, share the valuable lessons you learned. Reframing your fear as an opportunity for growth will help you move forward.
- ***Just do it:*** Confidence turns thoughts into action, according to Richard Petty, a psychology professor at Ohio State University, who has spent decades focused on the topic. If you believe you can do it, you will do it. By taking action, it bolsters your belief in your ability to succeed. Through hard work, success, and even through failure, confidence builds. "There is no secret formula for deciding to be confident," said Brown. "You know the cliché, 'Feel the fear and do it anyway.'" Sometimes, you just have to go for it.

If we keep trying, we can make our brains more confidence-prone.

"I don't think you should totally overcome your fear of failure," said Feldt. "One of the reasons that having more women in leadership in the business world means more success is that women are less inclined to take risks that are foolish." There is an upside to women being more risk-averse than men.

Move out of your comfort zone

Playing it safe is easy, but as they say, no pain no gain. Sure, it's scary going out on a limb, but it's an important part of growing your business and your own skill set. Entrepreneurship is a bumpy road, with lots of twists and turns along the route to success.

- ***Be curious:*** It opens you up to doing new things and makes you less fearful.
- ***Make it a habit to mix things up:*** Changing smaller routines will open you up to changing bigger things.
- ***Take small steps:*** You don't need to go all in. Stretching your comfort zone slowly can be less frightening. "If you really do have a lot of fear about something, start small," said Feldt. Find something where you have that same fear but the stakes are not so high and try it out as practice.
- ***Do a little research:*** Learning the ropes before you attempt something can reduce many of the fears you have.
- ***Accept that it will be uncomfortable:*** Knowing that growth is uncomfortable makes it easier to tolerate.

Whether it is an online pitch call, pitch competition, or investor meeting, "Women can channel their 'inner bold' to win the day," said Jeanne M. Sullivan, cofounder of StarVest Partners, a venture capital firm. She should know! She's judged hundreds of pitch competitions. "Confidence, backed by clear articulation of the product or service, along with a Big Vision is what investors are looking for," she said.

K CONCLUSION

If you can measure it, you can improve it

Because we have metrics for women-led and women-owned companies that raise capital publicly via crowdfunding platforms, we can quantify where we are today and where we need to go. The data very clearly show that equity crowdfunding is not living up to its potential for women entrepreneurs. To change that we need to do two things: Build awareness, and educate both women entrepreneurs and investors.

Increasing awareness

Women's empowerment organizations play a big role in making entrepreneurs aware of this new way of raising equity financing. My thanks to the many organizations that have agreed to distribute *Stand Out In the Crowd: How Women (and Men) Benefit From Equity Crowdfunding*.

- 37 Angels
- 40% and Rising
- Astia
- Babson: The Center for Women's Entrepreneurial Leadership
- Cocktail CEO
- Digital Undivided
- Early Growth Financial
- Ellevate
- Girls Raising
- Hello Fearless
- Inforum
- National Association of Women Business Owners
- National Women's Business Council
- Pensco
- RealtyCrowdTV
- SheEO
- She Speaks
- Springboard
- Stamford Innovation Center
- The Refinery
- The Vinetta Project
- Womancon
- Women Advancing
- Women First Enterprise
- Women President's Organization
- Women's Startup Lab

K CONCLUSION

Media can tell stories regularly about successful women, which is an important way women learn. Media are 40% less likely to write about women and the small businesses they run than they are to write about their male counterparts, according to an analysis Ventureneer did using Factiva. That's not good enough!

I have and will continue to write about this report in *Forbes,* where I'm a contributor, but to expand my reach, I've partnered with other media organizations.

- Business Women Experts
- Enterprising Women
- Small Business Trends
- Smart Women Smart Ideas
- The Next Women
- What Now What Next
- Women 2.0
- Working Women Report

You can read all the articles I've written about *Stand Out In the Crowd* here. You can also subscribe to Ventureneer's e-newsletter so you receive articles on a semi-monthly basis.

While Ellen Pao unsuccessfully sued her former employer, Kleiner Perkins, for gender discrimination, the public's attention focused on the daily inequities in venture capital, Silicon Valley, and technology. The long-term value of the suit is that it made people aware that women are less successful, not because they are inherently less able but because men make bad judgments. Even really good guys unconsciously make bad judgments about women that aren't based on facts. Those judgments impact the bottom lines of their investment portfolios just as much as they impact the women's careers.

It is my belief that we can change the behavior of individuals faster than we can change institutions, which is why I have focused on equity crowdfunding. As more male angels see the financial benefits of investing in women-led companies, they will rethink their decision process, and that will have a ripple effect on male venture capitalists.

This report provides media with the ammunition they need – industry benchmarks and real-life examples of women and their choices when raising money for their companies. It also has best practices for both entrepreneurs and investors.

Education is key

While equity financing is not a new way to raise money or to invest, using crowdfunding platforms and marketing is. By centralizing, streamlining, and making processing more transparent, it is possible more money will be invested by accredited investors. Very soon, unaccredited investors will also be able to get in the game, which will increase the pot of money available to entrepreneurs starting and growing companies. The lessons learned from accredited investors using crowdfunding platforms will be applicable to non-accredited investors.

As *Stand Out In the Crowd* shows, public equity crowdfunding is not the solution for everyone. It's an option to be explored, not a panacea. The report doesn't cover debt financing, another option. It highlights areas of confusion about equity crowdfunding and sets the record straight on key areas: verification of accreditation, financial reporting, and expense. That knowledge needs to be shared.

It took six years to demonstrate that women have the right stuff when it comes to raising money through rewards-based crowdfunding. Women's skills are also well-suited to equity crowdfunding. Through education, we can make that apparent in less than six years.

As Austin, Texas, demonstrates, the local ecosystem has a huge role to play in encouraging the use of equity crowdfunding. Because it has a supportive ecosystem, it is fighting well above its weight class when it comes to its entrepreneurs using equity crowdfunding. For areas without the infrastructure, online education will play an important role.

Even though publicly raising equity financing online is nascent, best practices are emerging and need to be refined periodically. I hope you will help me build the infrastructure. I hope you will come along for the journey.

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How Women (and Men) Benefit From Equity Crowdfunding

Geri Stengel President / Ventureneer

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