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Title: Crowdfunding: An international comparison and analysis of the constraints and opportunities for implementing it in Portugal

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Abstract

Crowdfunding, as we know it today, is a very recent activity that was born almost accidentally in the end of the 90's decade. Due to the advent of the internet and the social networks, entrepreneurs are now able to promote their projects to a very large community. Whether it is composed by family, friends, acquaintances or simply people that are interested in the same topic or share the passion, the community is able to fund new ventures by individually investing modest amounts of money. In return, the entrepreneur can offer symbolic rewards, shares or other financial returns. New crowdfunding platforms are born almost every day all over the world, offering a new way of raising capital for their projects or a new way to invest their money in innovative ventures. Although crowdfunding is still finding its place in the financial services, successful cases such as Kickstarter demonstrate the power of the crowd in boosting creativity and productivity, financing thousands of projects by raising millions of dollars from thousands of investors. Due to regulatory restrictions, the most prominent model for now is reward-based crowdfunding, where the investors are prized with symbolic returns or privileged access to the products or services offered by the entrepreneurs. Other models such as peer-to-peer lending are also surging, allowing borrowers access to capital at a lower cost compared to so-called traditional financial institutions, and offering lenders a higher rate of return. But when it comes to offering shares to investors, i.e. using equity-based crowdfunding, entrepreneurs face regulatory obstacles in almost every country, where legislation was passed decades ago with the objective of promoting financially-capable ventures and protecting investors. Access to capital has become more difficult after the global economic recession of 2008, and for most countries it will not get easier in the near future, leaving start-ups and small enterprises with few options to start or expand their operations. In this study we attempt to answer the following research questions: how has equity-based crowdfunding evolved since its creation? Where and how has equity-based crowdfunding been implemented so far? What are the constraints and opportunities for implementing equity-crowdfunding in the world, and more particularly in Portugal? Finally, we will discuss the risks of crowdfunding and reflect on the future of this industry.

Key-words: Crowdfunding; Equity-based Crowdfunding; legal framework; Portugal

Table of Contents

List of Figures

List of Tables

1. Introduction

Collecting voluntary financial contributions from the general public for entrepreneurial purposes is not a very modern concept. According to some authors, at the end of the 19^{th} century the Statue of Liberty was financed by the French people, while the pedestal was funded by the Americans. In 1874, Frédéric-Auguste Bartholdi, the French sculptor who designed the statue, founded the Franco-American group, which was responsible for raising the money necessary for the statue. The group relied on the generosity of the general populace in order to raise the required capital. Bartholdi is said to have organized a lottery in France, while in the U.S., Joseph Pulitzer, publisher of the *New York World* newspaper at the time, asked his readers to contribute to the construction of the pedestal on Liberty Island [1]. Endless examples can be found throughout the history of mankind.

Crowdfunding as it is known today is not very different. The goal is to raise money from as many people as possible in order to carry a given project. However, the promoters of such projects now have access to a range of tools that allows them to reach a very large number of potential supporters. These tools also allow the promoter to target specific populations or communities, according to their interests, geographic location or other demographic information. With the advent of internet, entrepreneurs are able to do this and much more, in a very short period of time and with extensive reach. Social networks, blogs, do-it-yourself websites and other instruments can be used to promote virtually anything, and can be accessed by billions of people. According to the Internet World Stats website, in March 2011, there were more than two billion internet users in the world, equivalent to roughly one third of the world's population. Based on this enormous potential, crowdfunding platforms have emerged all around the world to help entrepreneurs fund their projects. These websites are centralized marketplaces where entrepreneurs and artists promote their enterprises and where the general public is able to easily invest in their favourite projects.

There is not a unique, formal definition of crowdfunding. This term derives from "Crowdsourcing", a recent concept coined by Jeff Howe in his article "The rise of Crowdsourcing" in Wired magazine (Howe, The Rise of Crowdsourcing, 2006). The author defines crowdsourcing as follows: "Crowdsourcing is the act of taking a job traditionally performed by a designated agent (usually an employee) and outsourcing it to an undefined, generally large group of people in the form of an open call." (Howe, A definition of Crowdsourcing, 2006) There are several methods to take advantage of the wisdom of the crowds. Now more than ever, people have easy and cheap access to a practically unlimited amount of information. A person with a hobby like photography, for example, is capable of rapidly learning professional techniques for high quality pictures. Amateurs are competing more and more with professionals. In the case of photography, the famous website iStockphoto is a perfect example. Anyone can submit their photos to be sold through the website, which can then be used by the public or companies for any purpose (websites, advertising, newsletters, etc.) Prices are affordable and, needless to say, royalties paid to photographers are significantly smaller than those of a professional photographer - but proportional to the quantity

[1] http://www.statueofliberty.org/Statue_History.html

of sold pictures, which can be very large. Crowdsourcing companies have grown in number and size in the recent years to tap the knowledge and experience of unqualified labor from the general populace. Many assign small tasks to a very large population to draw on their ability to complete colossal amounts of work in a relatively short time (some examples include document translations, voice transcripts, digitalization of entire libraries, etc.)

Crowdfunding is a form of crowdsourcing, where entrepreneurs call on the generosity of individuals to help them fund their projects. Similarly to crowdsourcing, small contributions from a very large population or community are able to amass large amounts of capital. Wikipedia defines it as "the collective cooperation, attention and trust by people who network and pool their money together, usually via the Internet, in order to support efforts initiated by other people or organizations".[2]

Lambert and Schwienbacher (2010) extend the definition of crowdsourcing provided by Klemann et al. (2008), by describing crowdfunding as "an open call, essentially through the Internet, for the provision of financial resources either in form of donation or in exchange for some form of reward and/or voting rights in order to support initiatives for specific purposes". There are several ways to reward an investor, ranging from a simple "thank you" to private shares of a company. These crowdfunding models are discussed further below in this document.

The remainder of the introduction presents the history and evolution of crowd-funding (1.1.), a discussion of crowdfunding models (1.2.) and a description of the research methodology (1.3.). Chapter 2 discusses the issue of raising funds for start-ups and SMEs. Chapter 3 presents the restrictions for equity-based crowd-funding in the world (.3.1) and Portugal (3.2.). Chapter 4 presents an overview of the efforts in the United States to regulate the industry (4.1), equity-based crowdfunding companies that operate in different countries (4.2) and possible workarounds for Portugal (4.3). Finally, the challenges, the evolution and the future of crowdfunding are debated in Chapter 5.

1.1. History and Evolution of Crowdfunding

Modern crowdfunding started with the British rock group Marillion. In 1997, when the band scheduled a European tour to promote its new album, keyboardist Mark Kelly posted a message on the Internet saying that the band would not tour the United States because of a lack of record company support. American fans raised 60,000 USD through an online campaign in order to fund the band's tour to the US. The key facilitator of success in Marillion's story was the Internet.

Although the band did not intentionally begin this initial campaign, it decided to use crowdfunding later in their career to fund the recording and marketing material of several albums. This support has enabled Marillion to step outside the conventional music industry and find its own path. (Spellman 2011)

[2] http://en.wikipedia.org/wiki/Crowd_funding

In 2004, film producers in America and Europe were able to raise hundreds of thousands of dollars to allow them to shoot their movies. In the United States, French producers Benjamin Pommeraud and Guillaume Colboc from company fr:Guyom Corp. successfully raised approximately $50,000 in three weeks, while in the United Kingdom, Spanner Films raised £900,000 during a period of five years.[3]

These informal online fundraising techniques eventually turned into centralized crowdfunding platforms. The most popular example is New-York based Kickstarter, founded in 2008 by Perry Chen. According to an interview for the online magazine Inc., Chen had been struggling to raise money to take two Austrian DJs to the U.S. when he came up with the idea of opening a website that would allow fundraising on the internet to support creative ideas. Contrary to other online fundraising and peer-to-peer lending websites, Kickstarter allowed the posting of videos, images and more. (McCarthy, 2008) In only two years, Kickstarter has become a worldwide model for crowdfunding, with two million USD pledged by users each week. (Cortese, 2011) Several other platforms followed, some of them specializing in particular types of projects: arts, music, science, the environment, etc. In 2011, according to crowdsourcing.org, there were 344 crowdfunding websites across the globe.[4] According to a study by Gartner (figure 1), Crowdfunding should be in the 'Technology Trigger' period, between the 'First-generation products, high price, lots of customization needed' and the 'Early adopters investigate' milestones. We are therefore experiencing the very beginning of the crowdfunding concept, where companies propose their own crowdfunding model hoping that it will be the winning design. What is the future, if any, for the crowdfunding industry?

[3] http://en.wikipedia.org/wiki/Crowd_funding
[4] http://www.crowdsourcing.org/editorial/an-introduction-to-crowdfunding-infographic/8263

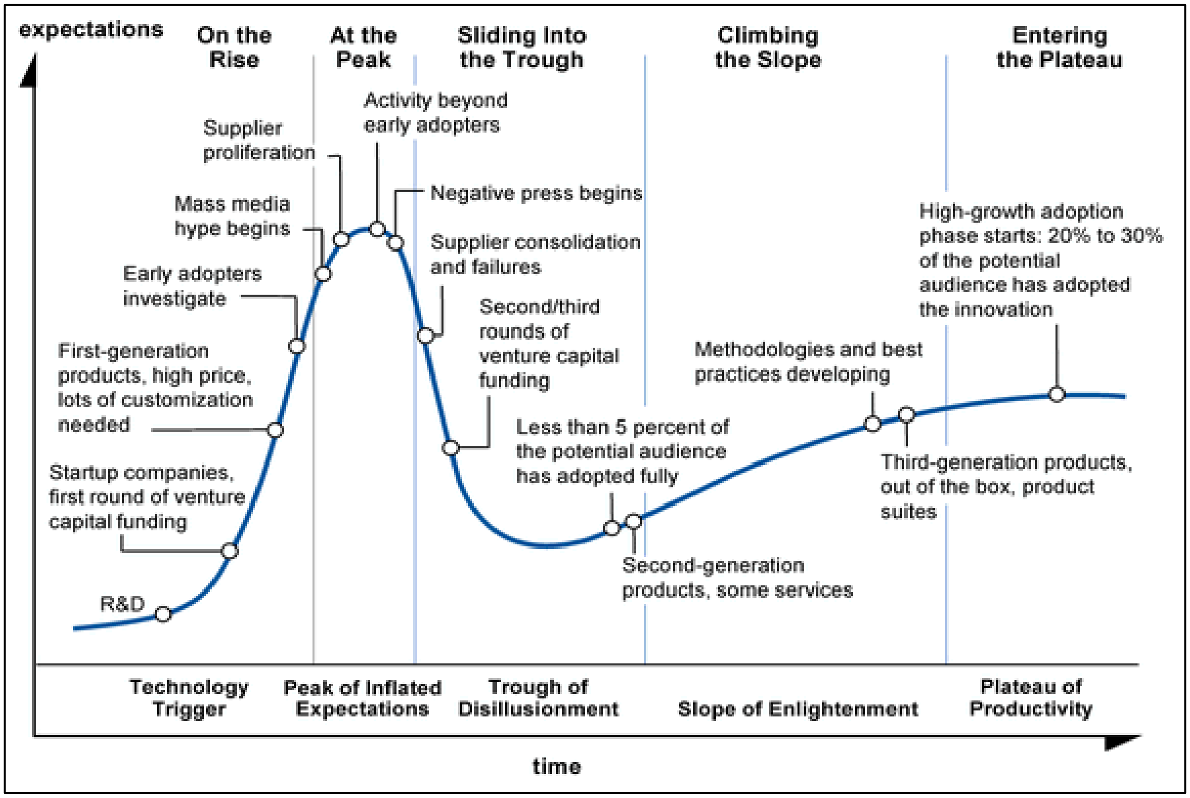

Figure 1: Technology evolution (Gartner, 2011)

1.2. Crowdfunding models

Reward-based

As mentioned earlier in this document, people who invest in projects posted in crowdfunding platforms are usually rewarded for their support. This is what differentiates crowdfunding from charity or philanthropy. Most of the crowdfunding websites around the world have adopted the reward-based model, due to legal restrictions discussed below in this document. In this case, the people who post their projects on the website (founders) promise to reward their supporters (funders). Rewards are not financial. Usually the funder supports the project because it is already in an area of his interest. And very often, founders propose rewards that are directly related to this interest, many times under the form of insider perks. For example, a band that is raising money for recording an album offers CDs, concert tickets, private concerts and other goodies to its fans, in exchange for their support. Founders usually request small amounts of money through these platforms, averaging roughly 2,000 USD in Kickstarter.[5] Nevertheless, the number of projects funded through this website is significant, and results in considerable turnover: “Kickstarter users are pledging funds at a rate of two million USD a week.” (Cortese, 2011)

This model is especially interesting for companies that want to test new products or services. By posting the project on a crowdfunding site, they benefit from the considerable exposure that the

[5] http://www.crowdsourcing.org/editorial/an-introduction-to-crowdfunding-infographic/8263

most popular websites have. They will attract the 'early adopters', i.e. the users that are most keen to try the product, but also the ones that are the most knowledgeable about it. If the products are attractive enough to the users, they can potentially become evangelists, and further promote the product in order to fund the project. On the contrary, if the product is not well received by the users, the project will not get funded and the lesson will have been learnt at a very low cost, since crowdfuning platforms usually do not charge upfront payments from solicitors. By offering pre-sales of the product, companies can also extract the price that the consumers would be willing to pay in case the product hits the market. All the marketing advantages brought by crowdfunding are of great interest but outside the scope of this document.

P2P Lending

Peer-to-peer or person-to-person (P2P) lending is now considered a form of crowdfunding, although this practice was born before crowdfunding. Put simply, P2P lending is when one individual lends money to another individual or business. In return, the investor gets their investment back and, depending on the model, also receives compensation from a previously agreed upon interest rate between the lender and the borrower. The amounts required by businesses or individuals are usually higher than those by the founders that use reward-based crowdfunding websites.

The offered interest rates are usually very interesting for both parties. Access to capital is cheaper for the borrower, and he gets to benefit from the eagerness to invest of the crowd rather than having to negotiate with banks or other financial entities. The interest rate in return for the lender is frequently higher than that of a savings or deposits account in a bank. Again, it is a win-win model for all stakeholders. This is a very popular model in some countries, and have significant turnover.

"The year-old Funding Circle, a business-lending site based in London, raises more than $2.3 million each month for small businesses from individuals who can invest as little as $30 and earn an average yield of roughly 7.3 percent after fees." (Cortese, 2011)

Equity

Start-ups and businesses that are looking to raise capital can also post their projects in equity-based crowdfunding websites. Usually the amounts required using this model are higher than in the two models discussed above. In return for their investment, funders are offered a percentage of the companies' shares. For example Sue Acton, the owner of a body care company named Bubble&Balm, wanted to raise £75,000 to expand her business. She offered 15% of her company in return. She attracted 82 investors and became the first success case on the British website crowdcube.com. The call for investment is not limited to accredited investors, and as such any individual can become co-owner of a company.

The objective of crowdfunding is to ease the access to capital for start-ups, and provide it at a lower cost. Therefore, companies that post their projects on these sites should not be required to be public or to register with the local securities commission. But because soliciting investment from the general public is considered to be equivalent to an IPO, which requires a very strong proven track record, underwriters, state and SEC filings and result in significant expenses which are not suitable for nascent businesses looking for seed financing. Due to the open, unregulated nature of a crowdfunding project, equity-based platforms have been banned in the United States, although there has been recent development in this country to allow this kind of activity in the near future, as discussed further in this document. In other countries, such as England or the Netherlands, companies have found workarounds for this model or are working together with the local authorities in order to regulate the crowdfunding industry. These examples will also be discussed below in this document.

1.3. Research Methodology

In this thesis we perform several case studies of equity-crowdfunding around the world with the ultimate objective of informing the possible implementation of equity-crowdfunding in Portugal.

Case study is a good choice when a holistic, in-depth investigation is needed (Feagin, Orum and Sjoberg, 1991). The unit of analysis is a critical factor and is typically a system of action rather than an individual or group of individuals. Case studies tend to be selective, focusing on one or two issues that are fundamental to understanding the system being examined. In this case we focus on the national legal framework and constraints to implementing equity-based crowdfunding.

Case studies are a multi-perspectival analysis, which means that we consider not just the voice and perspective of the actors, but also of the relevant groups of actors and the interaction between them. This one aspect is a salient point in the characteristic that case studies possess.

2. Raising funds for start-ups and SMEs

2.1. The importance of Small Businesses

Since 14 July 2005 through 2009, 131,619 businesses have been created through the "Empresa na hora" program [6]. In 2008, there were about 350,000 small and medium enterprises (SMEs) in Portugal, employing more than two million people, with a turnover of 202 billion (thousands of millions) Euros, according to IAPMEI [7]. Companies with less than 10 employees accounted for 95.6% of all non-financial enterprises in Portugal in 2009 [8]. These numbers show how important SMEs are for job creation and the Portuguese economy.

Thanks to a simplification in the Portuguese legislation, it is now possible to register most companies with small amounts of required capital. In fact, many companies can be registered with equity of as low as 1 Euro. However, any business requires capital to operate, and it is almost certain that an initial investment is required for technology, accounting services, legal counselling,

[6] http://www.cuttingredtape.mj.pt
[7] http://www.iapmei.pt
[8] http://www.pordata.pt

salaries, etc. Until recently, these companies had to resort to what is now called "traditional" financing methods: founders' savings, family and friends, bank loans, business angels or venture capital.

Sources of financing exist in the form of debt and equity. Small businesses rarely can access debt finance, as they do not possess the collateral or cash flow asked by financial institutions, as exposed below. When angel investors and venture capitalists invest in companies, they receive a percentage of shares and some sort of control on the company, and typically do so for bigger projects. Usually entrepreneurs rely on bootstrapping, trying to find as many alternative resource for cash as possible. Schweinbacher considers crowdfunding to be some sort of bootstrapping, as one of the alternatives to look for financing. (Schwienbacher & Larralde, 2010) We present an overview of the "traditional" ways of financing in the next sections.

2.2. Bank Loans

Bank loans have been more difficult to obtain since the economic recession of 2008. Loose credit concessions and significant leverage of the banks have made some of them default and others bailed-out by governments, consequently tighter credit limits are being imposed. Banks need to deleverage to meet certain capital goals. In Europe, the so-called Basel III regulation calls for capital target ratios of 8%, to be reached by 2019. This will provoke a higher cost of capital, according to a McKinsey report. (Härle, 2010) In Portugal, interest rates averaged 6.15% in July 2011, compared with 4.26% in July 2010 (Agência Lusa, 2011)

According to the Federal Reserve Bank of San Francisco (FRBSF), 93% of small businesses used some form of credit in 2003. (Laderman & Gillian, 2011) Sources of credit other than bank loans were also used, but this type of loans still accounts for 60%.

"The repatriation of funds by euro-zone banks might explain why the euro has been remarkably stable against the dollar in recent weeks, despite the zone's internal convulsions. But businesses and householders at home will also soon be hurt by scarcer credit and rising interest rates, as the banks' higher funding costs are passed on." (The Economist, 2011)

2.3. Business angels

Business Angels, or Angel Investors, are by definition "Informal Investors". They usually organize in groups or networks in order to share research and manage their investment capital.[9]

According to Francisco Banha, President of the National Association of Business Angels in Portugal (FNABA), angel investors need an international platform that allows Portuguese projects to gain visibility abroad in order to attract investment. (Banha, 2011). Mr. Banha more recently stated in a renowned newspaper in Portugal, *Jornal de Negócios*, that he believes crowdfunding to be a good instrument for developing prototypes and perform a market test to validate the acceptance of new products and trends. (Canivete, 2012)

[9] http://en.wikipedia.org/wiki/Angel_investor

"Brian Lamb of Satarii, which sells a device that helps people film themselves with their iPods, raised around $25,000 through IndieGoGo. Their successful online campaign helped attract a further $650,000 from sophisticated "angel" investors" (The Economist, 2011)

2.4. Venture capital

Venture capital (VC) is defined by Investopedia as "Money provided by investors to startup firms and small businesses with perceived long-term growth potential. This is a very important source of funding for startups which do not have access to capital markets. It typically entails high risk for the investor, but it has the potential for above-average returns." [10]

However, VC investment usually occurs after the seed funding round. This funding source is still attractive for companies that are not able to raise equity publicly in the market. However, VC will very rarely invest less than $1 million in a company, and requires the company to have a proven track record of growth of at least 5% for a given amount of time. In Europe, the average investment per company averaged 9 million Euros in 2010 (EVCA Research Team, 2011).

3. Restrictions for an equity-based Crowdfunding

3.1. In the world

In most countries, where financial markets are regulated, equity-based crowdfunding encounters legal barriers. Generally speaking, soliciting investments from the general public without registering with the local securities regulatory authority and following costly procedures is illegal. Companies that wish to raise capital by selling shares to the public through an open call are obliged to fulfill a number of requirements, such as complete audited financials and state filings. Businesses also need to publish a prospectus, i.e. a document with mandatory information regarding the company and the investment opportunity. Additionally, the shares from these companies are offered to the public through an "underwriting syndicate", a group of underwriters that agree to purchase the shares to then sell them to investors.[11] Examples of regulatory authorities include the Securities and Exchange Commission in the U.S., the Ontario Securities Commission in Ontario, Canada, the Autorité des Marchés Financiers in France or the Financial Services Authority in the U.K.

Although the definition of an investment can vary from country to country, it is generally considered a financial transaction and is therefore regulated to protect the interests of the stakeholders involved in the transaction. In the U.S., the Howey Test is used to determine if a given transaction is considered a security, based in the following criteria:

- "an investment of money has been made,
- in a common enterprise and

[10] http://www.investopedia.com/terms/v/venturecapital.asp#axzz1hqvbW5Qs
[11] http://www.sec.gov

- the investor has the expectation of profits, which profits are expected to arise solely, or substantially, from the efforts of the promoter or third party." (Blomberg & Forcier, 2005)

Under these norms, if crowdfunding investors only support businesses through capital input in exchange for profits obtained by the efforts of the funder (through shares, equity or revenue sharing), these crowdfunding transactions would be considered securities offered in an open solicitation, and thus illegal, if founders have not registered their companies with the local authority. Each country has its own particularities, however. In the United States, there are some registration exemptions directed to small businesses. Their importance in the economy and job creation is widely recognized and as such, small businesses looking to raise capital exclusively from sophisticated investors in a private manner or exclusively to accredited investors. According to Hazen, "both sections are conditioned on the absence of a general solicitation of investors and thus are not suitable for crowdfunidng offerings." (Hazen, 2012) As a consequence, action is being taken by several political figures in order to create specific rules to allow crowdfunding in the country, since at this date no equity-based crowdfunding is operating. These bills are analyzed in more detail below. In other countries such as the Netherlands, France or the United Kingdom, equity-based crowdfunding platforms have managed a way to work around the local regulation, as detailed further down in this document. The regulation in Portugal is decribed more precisely in the next section. To this date, no equity-based crowdfunding platform has been launched in this country.

3.2. In Portugal

A private company in Portugal is a corporation in which the equity is represented by shares which are typically distributed among few shareholders. If a person wishes to buy shares from one or more shareholders, he will have to convince them to sell part or all of their shares and record the transaction in the corporation's book. These shares, unlike the shares of a public company, are not traded in a stock exchange or over-the-counter market. Private company shares are therefore to be sold privately, i.e. it is forbidden to publicly advertise their offering, distribute prospects to the public, and the like. A private company is not registered with the Comissão do Mercado de Valores Mobiliários (CMVM), the Portuguese regulatory agency.

Public offerings to the generality of investors must be registered with the CMVM and companies have to submit information in documents called "prospecto" and "anúncio de lançamento". This information will be made available in the CMVM website for all potential investors to consult. These documents must mandatorily be prepared by a financial intermediary.

According to the "Código dos Valores Mobiliários" of Portugal, article 108, an offering is considered public when financial securities are offered, partly or in its totality, to undetermined recipients. An offering is also considered public when they are directed:

- To undetermined recipients, preceded or together with investors information, advertising or collection of intention of investment
- To the totality of the shareholders of a public company

- To more than 200 people

A crowdfunding platform is a website where the entrepreneurs promote their project and call on the public to invest in their company in exchange for a number of shares or equity, and is generally accessible to anyone having internet access. Individuals are given all the information considered relevant by the entrepreneur to convince him to invest in his venture. When the funding goal is achieved, every investor will become a shareholder of the company that rose funding. This action might be regarded as a public offering by the regulatory authorities, and therefore be banned by the local regulatory authority.

3.3. Euronext Alternext

There have been recent efforts in certain countries to ease the access of small and medium enterprises to raise capital from the financial market. The New York Stock Exchange-Euronext (NYSE Euronext) created Alternext in May 2005 in order to ease the access of small and medium firms to the stock market through streamlined listing requirements and trading rules that makes it an exchange regulated market with a lighter regulatory regime. Additionally, Alternext offers companies with listing sponsors to help them throughout their time on the exchange. Listing sponsors can be compared to underwriters in the regulated market, and usually are investment banks or advisory firms such as accountants or corporate finance boutiques. To this date, the Netherlands, Belgium, France and Portugal are participant countries of this initiative.[12]

Despite the lighter requirements to be listed on the NYSE Alternext, it has set four different standards for companies to be eligible. These standards are clearly not suited for start-ups, as seen in the table below.

Requirements	Standard 1	Standard 2	Standard 3	Standard 4
Stockholders' equity	$4 million	$4 million	$4 million	N/A
Total Market Capitalization	$50 million	N/A	N/A	$75 million or Total Assets and Revenue over $75 million for past 2 years
Distribution	(i) 800 public shareholders and 500,000 shares in float or; (ii) 400 public shareholders and 1 million shares in float or' (iii) 400 public shareholders, 500,000 shares in float and avg daily trading volume of	(i) 800 public shareholders and 500,000 shares in float or; (ii) 400 public shareholders and 1 million shares in float or; (iii) 400 public shareholders, 500,000 shares in float and avg daily trading volume of	(i) 800 public shareholders and 500,000 shares in float or; (ii) 400 public shareholders and 1 million shares in float or; (iii) 400 public shareholders, 500,000 shares in float and avg daily trading volume of	(i) 800 public shareholders and 500,000 shares in float or; (ii) 400 public shareholders and 1 million shares in float or; (iii) 400 public shareholders, 500,000 shares in float and avg daily trading volume of 2,000 shares for

[12] http://www.euronext.com/landing/equitiesOP-21363-EN.html

	2,000 shares for previous 6 months	2,000 shares for previous 6 months	2,000 shares for previous 6 months	previous 6 months
Market Value of Public Float	$15 million	$3 million	$15 million	$20 million
Pre-Tax Income	N/A	$750,000 in last fiscal year or in two of the last three fiscal years	N/A	N/A
Price	N/A	$3.00	$3.00	$3.00

Table 1: NYSE Alternext Standards [13]

4. Overview of equity-based Crowdfunding initiatives in the world

4.1. Exemption in US

At the end of 2010, Michael Migliozzi and Brian Flatow created a website, BuyaBeerCompany.com, to solicit investment from the general public. Their goal was to raise $300 million to acquire the Pabst Blue Ribbon brewery. In exchange, investors would get a stake in the company and beer. They were able to raise $200 million in 7 months, from almost 5 million individuals. On June 2011, the Securities and Exchange Commission forces the executives to stop the campaign as they failed to register the offering.[14] This is the perfect example to illustrate the difficulties faced by start-ups trying to raise funds for bigger investments using crowdfunding.

Many believe that the outdated regulatory system needs to be modernized, and a number of bills have been proposed to this end. The exemption initiative was started by Sherwood Neiss, Jason Best and Zak Cassady-Dorion, a group of entrepreneurs who experienced the difficulties in raising capital for their own ventures. They have raised a total of more than 100 million dollars and perfectly understand the process, rules, risks and points of view from both the investor and entrepreneur side. According to the exemption initiative website, after the 2008 crisis, “the media made it seem like there were lots of loans, grants, programs, and private (Angel, PE & VC) money available to small business/entrepreneurs.” (Neiss, 2011) But when these entrepreneurs explored these options, they faced lack of private funds, resistance in lending from banks and complicated incentives programs. They wondered why they couldn’t use today’s technology to raise funds to create a business, just as artists or other entrepreneurs do in KickStarter, IndieGoGo or Kiva.

Based on this petition, Representative Patrick McHenry, a Republican from North Carolina, submitted a draft of an amendment to the legislation to the House of Representatives in October 2011. This bill is also known as the Entrepreneur Access to Capital Act (H.R. 2930), which seeks to modify the Securities Exchange Act of 1933 which requires businesses to register with the SEC in

[13] http://gopublicpros.com/amexlistingrequirements.html
[14] https://www.gplus.com/Infographic/INFOGRAPHIC-Drawing-a-Crowd-The-Crowdfunding

order to promote general solicitation, limiting the number of "unsophisticated" investors to 35 and sophisticated investors to 500 before having to register.

Shortly afterwards, a second bill was introduced by Senator Scott Brown which sought to establish a lower individual investment limit of 1,000 dollars and a maximum of 1 million dollars investment offering. The senator called this bill the "Democratizing Access to Capital Act" (S.1971).

A third bill called the "Crowdfund Act" (S.1970) debuted in the Senate in December, 2011. Although the offering limit is set to 1 million dollars, it provides a more complete framework. It seeks to include amendments to the existing legislation, by establishing investment limits according to the individual investor earnings. It also looks to require crowdfunding platforms to register as brokers or intermediaries, to provide investors with information about the opportunities as well as disclosures related to risks and to run due diligence on the businesses offering investment opportunities, among other requirements. Issuers would also have a number of obligations, related to the offering, such as information about the company and its financials.

A fourth bill was written by the North American Securities Administrators Association (NASAA), similar to the first bill but which seeks to preserve regulatory authority for the states. (Esposti, 2012) For a comparison table between the bills, see Appendix "Comparison table of crowdfunding bills".

The "Entrepreneur Access to Capital Act" passed in the House of Representatives by a large majority: 407 in favor against 17, on November 3rd, 2011. Although the Obama administration, having experienced the success of online fundraising during his presidency campaign, is supportive of crowdfunding, (Cortese, 2011) the proposal is now being carefully analyzed by the Senate, which is concerned about the implications of such capital formation bills, if passed, such as the possible fraud and lack of investor protection. The risks of the crowdfunding industry are explored more in detail further down in this document, in the Risks section. For a comprehensive timeline of the crowdfunding bills in the United States, please refer to the appendix "U.S. Crowdfunding bills timeline".

4.2. Equity crowdfunding in Europe

In Europe, a similar movement was born in the second half of 2011. Led by the European Association of Development Agencies (EURADA), it has drafted a document, called the "Bielsko-Biala" declaration. This document proposes "general guidelines for the support of crowdfunding by Member States, Regions and Cities in order to fully realize the potential of that funding source" (EURADA, 2011). Although no specific amendments or requirements are proposed, it is a first step toward encouraging the European Commission to develop a framework and information exchange system and promote the adoption of this alternative method of raising capital in the European Union. Please consult the full version of the document in the appendix.

While this initiative is being studied and marks the beginning of a new trend in Europe, some companies have taken a head start and have found workarounds to the legislation in order to implement equity-based crowdfunding platforms. With the approval of the local regulatory authorities, these companies have successfully helped small and medium businesses raise capital from the crowd. Some of the most successful cases are analyzed below: Symbid in the Netherlands, Crowdcube in the United Kingdom, MyMajorCompany and Wiseed in France.

4.2.1. Symbid in the Netherlands

Symbid is an equity-based crowdfunding platform established in the Netherlands. Its founders, Korstiaan Zandvliet, Robin Slakhorst and Maarten Timmerman partnered with Frank van Rijn and several entities, including a lawyers firm (AKD) and a financial consulting Firm (BDO). Together, they came up with a mechanism that allows any company to raise capital online from a large number of investors, sophisticated or not. The amount to be raised is limited to 2.5 million Euros. This limit is established by the Netherlands Authority for the Financial Market (AFM), where businesses offering investment up to this amount are not required to register with this body or prepare a prospectus. Investors can also invest up to this sum. Symbid uses cooperative entities to perform the transactions.

A cooperative model is an autonomous association of persons that meet common economic, social and cultural needs. A cooperative can be seen as a jointly-owned, democratically-controlled enterprise. To be member of a cooperative, individuals must purchase memberships, and there is no limit regarding the number of members. Should there be any profits resulting from the activity of the cooperative, these are 'reimbursed' to its members proportionally to their investment.

The use of cooperative memberships is the way that Symbid has managed to work around the legislation. Because the trading of financial securities is restricted to financial institutions, Symbid has decided to trade cooperative memberships instead, which are not considered to be securities in the Netherlands. Also, the investment opportunity is intended for the members of the Symbid cooperative, and therefore is not considered a public investment offering. Thanks to this mechanism, small and medium enterprises do not need to follow the restrictions imposed by the AFM to raise capital.

How does Symbid work?

The entrepreneur signs up and submits a pitch on the platform, with whatever resources he sees fit, but it must be complete. He must determine the amount requested from the crowd, and the percentage of equity he will give in exchange. Depending on the value requested, Symbid and its partners run due diligence on the company. Once the project is approved, the pitch is published on the site.

On the investor side, the user must sign on the platform. If she is interested in investing in one or more projects, she must buy cooperative memberships, in multiples of 20€. She is now a member of the parent cooperative. When investing in projects, she will be allocating these credits to the projects. These have no effect until the project is funded at 100%.

Once the project has reached 100% of the requested amount, a new cooperative is created. Members of the parent cooperative who have allocated credits to this project are transferred to this new cooperative, along with the amount of credits every member has allocated. The newly created cooperative will act as a single investor on the company. The cooperative will get the agreed percentage of equity or shares of the company, and will transfer the capital to it.

Profits or dividends yielded by investment in the company can be distributed among the cooperative members, according to their level of contribution, following standard cooperative rules.

One great advantage of this model is that members of these cooperatives can trade their memberships at any time. The owner of the membership will set the price and try to find an owner that is willing to pay this price, just as with any good that an individual is looking to sell in the marketplace. He is free to try and sell his membership to the other members of the cooperative. However, if he desires to sell his membership to a third party, he needs to have the unanimous agreement of the members of the cooperative to do so. Symbid provides an online platform that allows members to easily contact each other and make decisions that are in the interest of the cooperative.

Another exit strategy for investors appears in situations when the company they supported experiences a liquidity event. For example, a software-developing company raises capital through crowdfunding and, some years later, is bought by one of the major software companies in the world. The shareholders will get their share of the deal, which typically will be significantly larger than the sum initially invested. Other exit strategies for companies are acquisitions by Private Equity companies or the access to the financial market, usually through an IPO. Again, if these companies reach these milestones, their market value will be meaningfully higher than it was at the time of the crowdfunded investment, meaning substantial returns for the investors. These are the same exit strategies that any Business Angel would like to benefit from.

The graph below shows how the transfer of capital and knowledge between investors and the start-up company takes place.

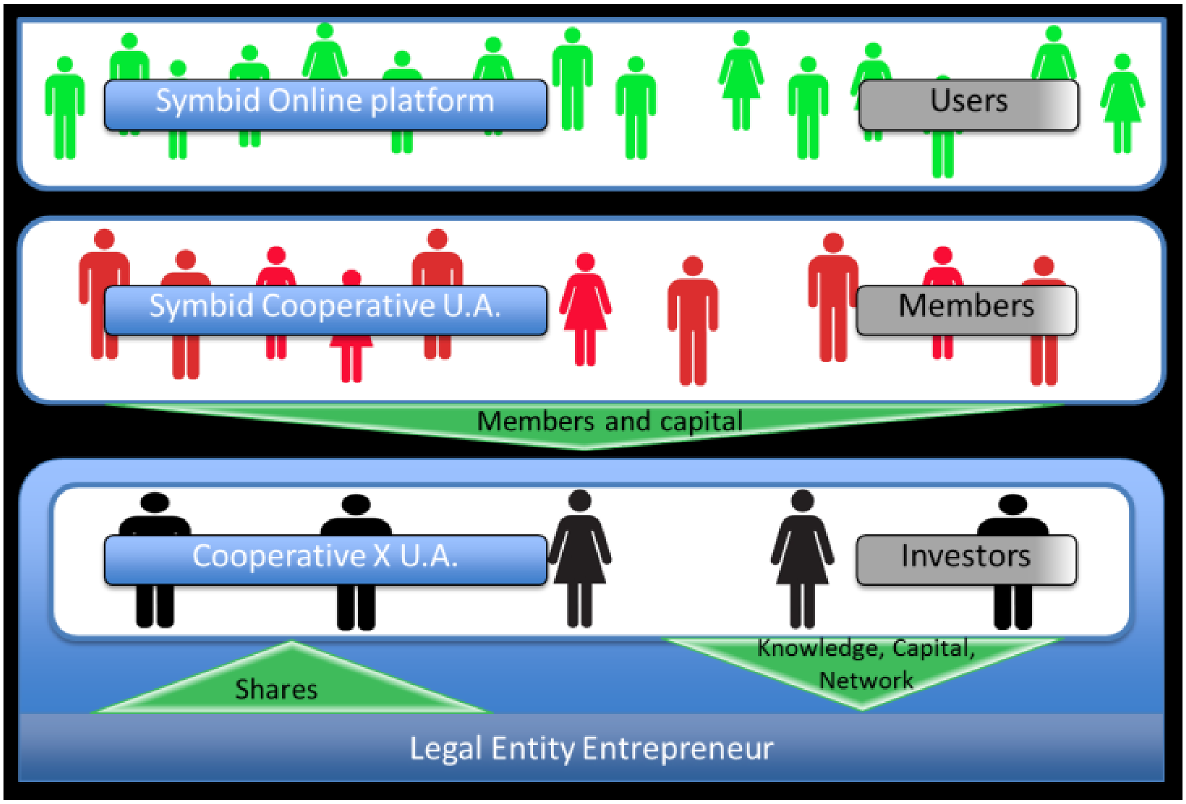

Figure 2: How Symbid works [15]

Success case

Thanks to the support of 372 investors, sustainable business developer Enviu was able to raise 100,000 Euros through the Symbid platform, with an average of 269 Euros invested per person. Enviu collaborates with young entrepreneurs, senior executives and partners in order to bring innovative and sustainable ideas to the market, and has stated that the capital raised will be invested in new start-ups funded by the company. This is the company that, to this date, has raised the most capital via crowdfunding in the Netherlands.[16]

4.2.2. Crowdcube in the UK

Crowdcube[17] is the first equity-based platform to be established in the United Kingdom in 2011. In just a few months, Crowdcube has been able to successfully fund several projects, ranging from 25,000 to 1,000,000 British pounds. Crowdcube founders Darren Westlake and Luke Lang have even raised capital for Crowdcube itself, reaching 300,000 pounds from 162 investors in ten days.

[15] http://www.symbid.com
[16] http://www.crowdsourcing.org/editorial/symbid-sets-new-crowdfunding-record-with-infographic/10055
[17] http://www.crowdcube.com

In return for their investment, companies offered a percentage of their equity which varied from 9 to 23%.

The details of the operations of this platform are not publicly available, but this case is worth mentioning due to the accelerating success its experiencing in its short lifetime. The company follows some of the same principles as Symbid: only registered members of Crowdcube can access the information of the projects that are listed on the website, meaning that the offer is directed to Crowdcube investors. However, it does not make use of the cooperative entity. Instead, investors are directly buying equity from the companies they invest in, and look for an exit strategy in the mid-term.

Success case

The Rushmore Group, an established owner and operator of three private bars and clubs in London, successfully raised 1,000,000 pounds. In return, they have ceded 10% of the equity of the company, shared among 143 investors. The funds were destined to acquire, refurbish and launch a new bar in Soho. The company was able to amass the desired quantity in one month.

4.2.4. Wiseed in France

As with the other platforms mentioned above, Wiseed users need to register in order to have access to the list of proposed projects. The investor can then invest in the projects he is interested in, starting from 100 Euros. In order to secure the transactions, Wiseed creates a holding company for each project once the desired target amount has been successfully raised. The holding company issues the securities and invests the capital raised in the start-up, and as such the investor is a shareholder in the holding. The holding is the sole investor of the start-up and gets a percentage of the start-up's equity. The holding companies are managed by Wiseed, and all relevant information is passed through this service to the investors. Shares for any project are previously priced, meaning that investors have to invest in multiples of this amount. Wiseed has successfully helped secure financing for 18 start-ups, for a total of more than 5 million Euros. Details about the percentage of equity ceded or number of investors are not publicly available, but the amounts raised range from 50,000 to 1,200,000 Euros.[18]

4.2.3. My Major Company in France

This platform [19] uses a slightly different model than the ones described above. It is based on revenue-sharing, which means that the artists will share part of their revenues with their supporters. In big success cases such as Grégoire, this can mean significant return for the investors. The website is very transparent about its *modus operandi*. Artists post their project on the website, and must be able to raise 100,000 Euros in an undetermined amount of time. As soon as they reach their goal, a contract is established between the artist and MyMajorCompany (MMC). MMC will then produce the album and will be responsible for its commercialization. The artist will earn 20% of the net revenues generated by the sales of the album. On the other hand,

[18] http://www.wiseed.com
[19] http://www.mymajorcompany.com

investors will also cash in a percentage of net revenues, depending on the total of net revenues that sales produced. If these are comprised between 0 and 250,000 Euros, they will earn 40%. If they are greater than 250,000 euros but lesser than half a million, they are entitled to 30%. Finally, they will make 20% of net revenues if these are greater than half a million euros.

The success of MMC in the music industry has led the company to explore the UK market with MMC Music, as well as other industries, such as comic books and books in France.[20]

Success case

French singer Grégoire successfully raised 70,000 Euros in this French, music-specialized crowdfunding website, in 2008. The funds allowed this young artist to record his first album, which sold more than one million copies in 2009. Funders saw a return of almost 20 times the amount they initially invested, according to an article published in the *Capital* magazine (Lévy, 2010). According to the website, more than 5 million Euros have been pledged, with 44 artists successfully funded.

4.2.5. Equity-based crowdfunding in Portugal

At the moment, there are no equity-based crowdfunding platforms operating in Portugal. Crowdfunding was introduced in the country in the summer of 2011, under a reward-based model. PPL.com.pt is an example of such platforms, and has helped finance six projects as of January 2012 for a total of more than 15,000 Euros of capital raised.

The legislation in Portugal is quite broad, and essentially any business offering investment opportunities to undetermined recipients are considered to be performing a public offering, as stated above in this document, and as such are subject to certain costly, inadequate requirements for start-ups. However, existing crowdfunding platforms have been contacted by the local regulatory authority, CMVM, in order to better understand the nature and potential of the business. The regulatory body is positive about the impact of such initiatives for job creation in the country, and is currently studying the best possible way to regulate the industry in order to better protect all stakeholders involved. At the time this paper is being written, it is still too soon to know what will be the outcome of such study, but the government has shown signs of supporting initiatives that would promote entrepreneurship in the country, especially in the global recession context of 2012.

There could potentially be workarounds to implement crowdfunding initiatives in Portugal. Similarly to what is observed in countries like the United Kingdom and the Netherlands, Portuguese crowdfunding companies might explore the use of special investment vehicles such as cooperatives. As detailed below, the transaction of cooperative memberships would not be considered a transaction of securities, and would therefore be out of scope of CMVM's regulation. Although the maximum amount of offering a company can make without having to submit a prospectus seems to be set at 40,000 Euros, crowdfunding initiatives could eventually explore the

[20] http://www.mymajorcompany.com

methods used abroad, such as allowing access to the offering only to registered users of a platform or members of a cooperative, making the offer public rather than private. These solutions have not yet been validated from a legal point of view, and would require the authorization of the local authorities to operate in a perfectly legal manner.

But the path is unclear, and it seems evident that there is a long, tortuous way for crowdfunding advocates to make to come to a perfectly viable, legal solution. Like in the United States, an amendment to the current legislation would be the best possible solution, as long as the proposition is carefully drafted and takes in consideration the protection, liabilities, obligations and rights of the issuers, intermediaries and investors that are involved. According to an estimate given by CMVM to the PPL team, amending the current legislation will take no less than one year, at best.

One of the options available to crowdfunding businesses is requesting a financial intermediary license. In this case, these enterprises would be able to act as an underwriting institution, which would be able to place the securities in the market, register the operation with CMVM and elaborate the prospectus needed for such transactions.

Another option is to establish a partnership with a crowdfunding platform that is operating abroad. Because companies would be soliciting investment abroad, and the transactions would take place under the rules of the country the offering is being made, the whole operation would be under the supervision of the country in question. It is nevertheless crucial to validate the operations with the local authorities before initiating activities.

5. Main conclusions and discussion on the present and future of Crowdfunding

Regulatory authorities in countries with financial markets have the duty to both facilitate investment but to protect investors. Opponents of crowdfunding state that uneducated investors might be led to support fraudulent schemes and incur irrecoverable losses. However, information on investing, on individuals and on companies is more available than ever before, certainly more than in 1930 when the regulations were written. The proposed bills in the United States all suggest limiting the amount of money that an unaccredited investor can spend. Additionally, a number of investors will previously have strong ties to the business owner who is raising capital, since friends and family are main targets to whom an entrepreneur will direct his offer. Undetermined investors also tend to establish a personal connection with the promoter and do their own personal verification of his trustworthiness. Sherwood Neiss offers a list of measures to be taken by crowdfunding platforms which could reduce fraud risk, such as mandatory, verifiable personal information as well as credit card information.

The real risk, according to Kevin Lawton, is not fraud but default of the funded businesses. In effect, businesses can thrive but can also fail to prove its model and default, causing the loss of the investment of an investor. Whether it was financed by the crowd, business angels, venture capital or is part of the S&P500 index, businesses are permanently exposed to bankruptcy risk. Crowdfunding should not bring additional risk in this area, but because the general populace, often people with little understanding of financial investments, can now invest in new ventures, it should also be of the responsibility of the crowdfunding business to inform investors about the risky nature of their investment. Methods such as quizzes to warn investors about potential risks and drawbacks are considered by Mr. Neiss as effective against investor misinformation. Kevin Lawton also offers a simple rebuttal: no one is going to invest his lifetime savings in one single project. The key will be, as in any other investment method, to diversify. (Lawton, 2011)

Addressing the concern that businesses would benefit more from the experience and knowledge of an angel investor or venture capitalist rather than simply capital from the crowd, M. Lawton believes that the crowd's ideas can be extremely useful for the entrepreneurs. Additionally, the crowd itself could help in running the due diligence on the issuers. "Now imagine a rating system for entrepreneurs combined with a crowdsourced mechanism which incentivizes (i.e. pays) people to dig up and confirm every possible piece of relevant information on entrepreneurs. […] Add to that another layer which reaches out to expertise within the crowd to hone in on vetting the business idea and product space." (Lawton, 2011)

Skeptics also believe that regulation with looser requirements might result in dishonest behavior from promoters. Currently, issuers must have a reasonable belief that the investor is capable of understanding the nature and risk of his investment, i.e. that he is financially sophisticated. For example, a former financial analyst with a mental disease should not be accepted as a shareholder by the issuer. If the latter knew that the investor was not financially sophisticated, he could be held liable for illegal sale. But if the investor has passed the test and turns out to not be sophisticated in fact, the issuer cannot be held responsible for any potential losses that the investor incurs. The proposed crowdfunding bills, as mentioned above, suggest that a quiz should be enough to ensure that the investor understands the nature of his actions. This means that even if the issuer knows that he is in fact not sophisticated, he could nevertheless accept his money and not face legal action against him. "The absence of the reasonable belief requirement ensures that less scrupulous issuers can accept a passing score on the test even with actual knowledge that the investor is not financially sophisticated." (Bullard, 2011) The author compares this scenario to the moral hazard observed in subprime mortgage brokers.

Another concern about the current bills is liability of the crowdfunding platforms. When will these be held responsible for fraud committed by issuers? The proposed amendments state that issuers and intermediaries (in this case crowdfunding companies) should take "reasonable measures to reduce the risk of fraud with respect to such transaction." The implication, aggravated by the requirement of the intermediary to conduct a background verification of promoters, is that crowdfunding businesses will be found to be guilty of not having taken enough measures, thus responsible in case of fraud. There are a number of requirements that need clarification, such as the powers of the SEC over intermediaries and issuers or what the crowdfunding intermediaries are required and not required to do, and that could eventually generate a number of litigations and interpretation issues. According to Bullard, it is in the interest of the new-born industry to pay close attention to the way the legislation is passed.

As of today, crowdfunding is still in its experimentation phase. Entrepreneurs all around the world are establishing crowdfunding companies, and almost every platform is different in the way it operates and engages with the community, trying to find the winning design. Whether it's lending, equity-sharing or another form of raising capital, crowdfunding is gaining roots globally. The United States is leading the way with specific legislation already in process for the industry, while European companies have taken the lead in implementing crowdfunding in the boundaries established by the regulatory authorities.

In any case, crowdfunding seems to be proving a successful tool for raising capital and promoting entrepreneurship. As one crowdfunder supporter states in an online article of the New York Times, "isn't this the type of innovation we should be encouraging? Unlike exotic derivatives and super-fast trading algorithms, crowdfunding generates capital for job-creating small businesses." (Cortese, 2011) How many people's lives crowdfunding will be impacted in the future, only time can tell.

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Appendix

1. Personal note about the author

Yoann Nesme is a co-founder of PPL Crowdfunding Portugal, the crowfunding platform of reference in Portugal. Together with two International LisbonMBA colleagues, Paulo Silva Pereira and Pedro Domingos, and a professor from Universidade Católica Portuguesa, Pedro Oliveira, he founded Orange Bird, the company that would launch a reward-based crowdfunding platform in August of 2011. Since then, six Portuguese entrepreneurs have successfully financed their projects, for a total of more than 15,000 Euros of capital raised. To give one of the most recent examples, Maria Pereira dos Santos was able to print and display portraits she had photographed in Mozambique. The inauguration took place at an iconic palace in Lisbon, the “Sede Cultural do IADE”, a historic building owned by an University dedicated to exhibitions, seminars and other events, mostly related to culture and design. Maria amassed more than 1,800 Euros from approximately 60 backers. [21] The exhibition was still, at the date this document was written, open to the public and has drawn the attention of the local media, including televised news and written press.

The team engaged with the international crowdfunding community from the very beginning, and consolidated their knowledge about the industry even before creating the company. Shortly after beginning operations, PPL organized the first international event about crowdfunding in Portugal, hosted by Fundação Gulbenkian, an international charitable foundation that promotes culture, education and science, based in Lisbon but with international exposure. The audience, that counted more than 600 registered attendees, was given the opportunity to learn from the experience of two international renowned figures such as Korstiaan Zandvliet, founder and CEO of Symbid, and Darren Westlake, founder and CEO of Crowdcube. Pedro Oliveira and Paulo Silva Pereira shared their vision about the origins, evolution and future of crowdfunding in the world and Portugal.

After five months of operation of the reward-based platform, the team has acquired great knowledge and experience about the mechanics of the crowdfunding process, including elaborating an appealing pitch with adequate description, video, supporting documents and rewards, improving the user experience on the website, creating and engaging with an ever-increasing community and promoting a new concept in a challenging economic climate. Orange Bird is now looking to implement equity-based crowdfunding in Portugal, and after having finished the MBA program in December, Paulo, Pedro D. and Yoann are now 100% dedicated to this entrepreneurial venture.

[21] http://ppl.com.pt/pg/casos-sucesso-31

2. Comparison table of crowdfunding bills

	Startup Exemption[1,2]	H.R. 2319 (passed)	S. 1791 (proposed)	S. 1970 (Proposed)	NASAA[3] (concept)
Max. Offering	$1,000,000	$1,000,000[4]	$1,000,000	$1,000,000	$500,000
Individual Limit[5]	$10,000 or 10% AGI[6]	$10,000 or 10% AGI[6]	$1,000	$500/$2k to $5k/$20k[7]	$1,000
Intermediary[8]	Required	Optional	Required	Required	Optional
Role of Intermediary	Limited[9]	Limited[8]	Limited[8]	Active or Passive[10]	Active
State Filings	One-touch filing[11]	None	1 to 2 states	Info available to states[12]	One stop filing[13]
SEC Filings	One-touch filing[8]	Yes[14]		Yes	
Disclosures	Yes[15]	Yes[16]	Yes[17]	Yes[18]	Yes[19]
Escrow to close	Yes, till 100% is raised	Yes, till 60% is raised	No	Yes, till 100% is raised	Yes, till 60% is raised
Resale of Stock	Nontransferable	Must hold 1 year	Must hold 1 year	Must hold 2 years	Unknown
Disqualifications	"bad actors"	"bad actors"[20]	"bad actors"	Bad actors	Criminals[21]
Users	Small Biz	No mention	No mention	No mention	No mention
Pre-Incorporation Required	No	No	Yes	Yes	Yes
Type of Shares	Common Stock or Revenue Based Financing	No mention	No mention	No mention	No mention
500 Investor Rule	Eliminate it for the exemption	No mention	No mention	Eliminate it for the	No mention

source: http://www.startupexemption.com/wp-content/uploads/2011/12/Comparison-Chart1.png

3. The Bielsko-Biała Declaration

Maximising the Opportunities offered by Crowdfunding

Crowdfunding initiatives have recently started to be in place in order to provide funding to commercial, creative and social projects in some countries and regions. Experiences seem to be very promising for innovative people and enterprises to access new sources of funding or new types of investors.

Innovators, artists, entrepreneurs and social enterprises can now access investors offering non-bureaucratic and non-conventional funding opportunities "on purpose" or "on defined needs".

This should be analysed in detail as a future new early stage funding for innovative enterprises as well as for local societal projects.

With a view to boosting and better exploiting the future potential of crowdfunding for supporting innovative projects, the participants in the Agorada 2011+ Conference held in Bielsko-Biała ask the EU administration, Member States and Regional Authorities to consider the following six recommendations and principles to design and support the development of crowdfunding sources:

1. The primary aim of a crowdfunding mechanism is to provide to any types of projects, with a relevant emotional drive, the financial means to leverage entrepreneurship when implementing an innovation, whatever nature it is. Crowdfunding can indeed be tailored to financial requirements from the creative industry (movies, music CDs, design,…), micro-credit seekers, peer to peer lenders, entrepreneurs, to requirements for loans and equity and to social/societal projects (in the form of donation).

2. Public authorities should be interested in seeing the development and launch of such a tool in all regions as it meets the needs of a lot of stakeholders either in the private or in the social sector. The main public purpose should be to give, to all would be entrepreneurs, the possibility to demonstrate commitment, involvement and market grid, to access to later stages of investment. To allow this, the needs of other investors/stakeholders that could intervene in a second stage, must be taken into proper consideration.

3. EU and national administrations have to ensure a minimum of professionalism and regulation for crowdfunding activities, but to avoid some of the constraints of any Financial Act (drafting and publicizing a prospectus, …). The selection by a public tender of managing bodies with the capability of selecting potential fast growing and impactful projects is suggested. They also have to ensure and facilitate the development of transnational deal flows and to promote the creation of a favorable legal framework that allows transnationalcrowdfunding deals. Moreover if a regulation is needed, public authorities should put in place measures that keep the transaction costs as low as possible, mainly during the launch phase. The administrative procedures and control mechanisms should be proportional to the size and type of the funding required.

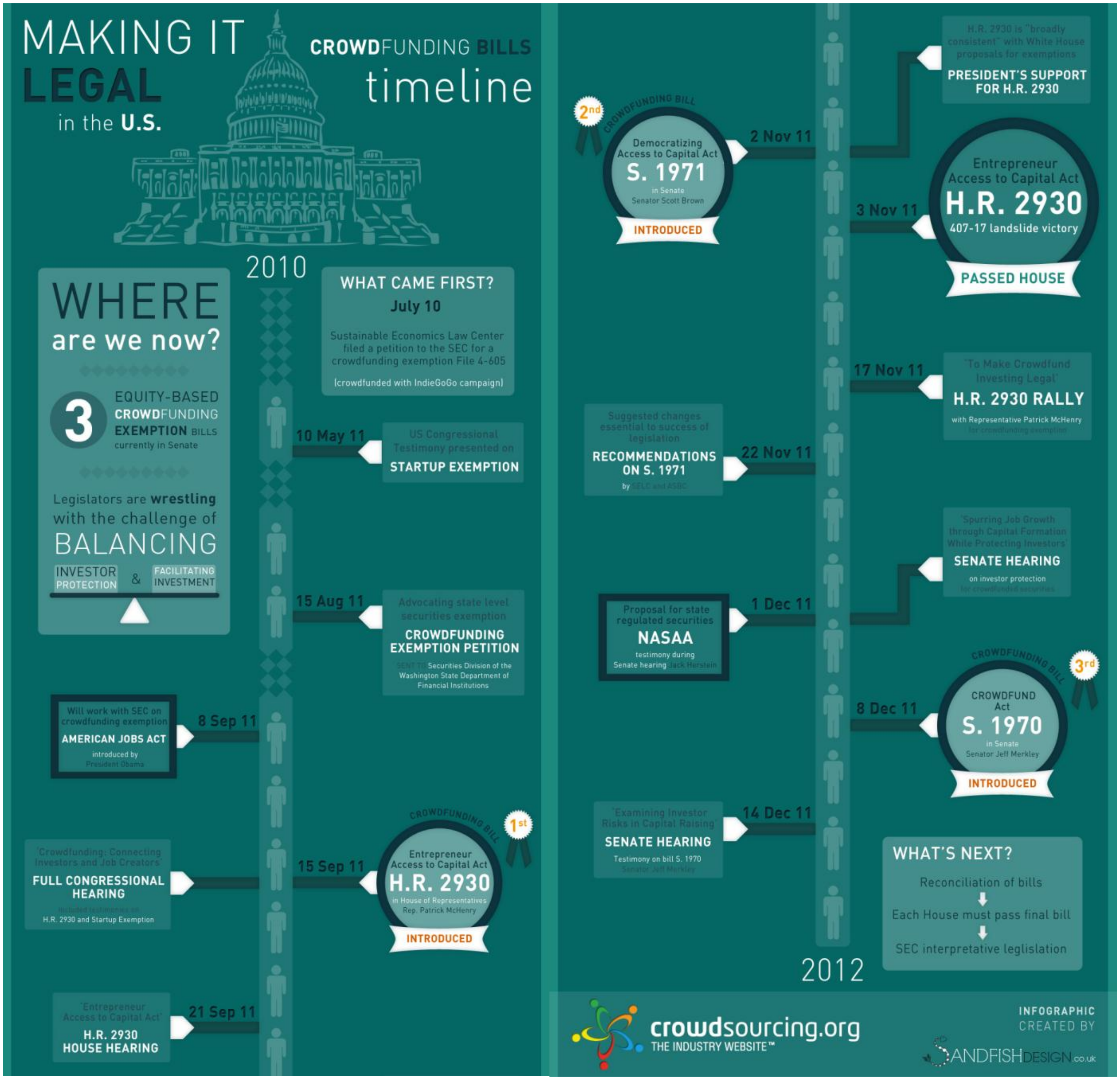
4. Crowdfunding initiatives should be better understood to facilitate a large acception. This new sector should be subject to regular surveys intended to collect information regarding the take up of this funding mechanism in Member States, by sectors and types of funding (microcredit, loans, equity, donations). Such data will be useful to demonstrate the importance of the initiatives and to set up benchmarks at national/regional and at crowdfunding provider level.

5. Crowdfunding initiatives should be welcome at European, national, regional level as they aim at answering a wide spectrum of demands and needs of innovative stakeholders. The European level can play a role in avoiding the adoption of disturbing framework conditions by national authorities as well as in pointing out national and regional relevant practices to support a wide dissemination of the concept and its benchmark.

6. Member States, regions and cities are invited to consider the wider use and promotion of crowdfunding with the objective of supporting all forms of creativity and innovation with a strong societal impact in a cost-efficiency way, especially projects with small size or local interest, and reducing the asymmetry of information and matchmaking opportunities between innovators and would be entrepreneurs on the one hand and between investors, sponsors or donors on the other hand.

The participants in the Agorada 2011+ Conference held in Bielsko-Biała invite the European Commission to support this declaration by nominating a unit to monitor and ensure the spin-off of initiatives in the field of crowdfunding.

4. U.S. Crowdfunding bills timeline



Source: http://www.crowdsourcing.org/editorial/timeline-of-the-us-crowdfunding-bills-infographic/9929