

How do I get the funded?

By now almost all of us have heard the story of Karen Klein, the 68-year-old bus monitor who was taunted and insulted by a group of middle school students on the bus she was assigned to. The enterprising young man who sought to raise \$5,000 for her to take a vacation from that scene never would have believed that the fund would grow to over \$600,000! While one of the simple takeaways from this event is the phenomenon of something going “viral,” there is another, more subtle, lesson here. That is, the concept of “crowd-funding.”

Wikipedia’s very broad definition of crowd-funding is “the collective cooperation, attention and trust by people who network and pool their money and other resources together, usually via the Internet, to support efforts initiated by other people or organizations. Crowd-funding occurs for any variety of purposes, from disaster relief to citizen journalism to artists seeking support from fans, to political campaigns, to funding a startup company, movie or small business.”

While crowd-funding has been around for a while it wasn’t until the Jumpstart Our Business Startups (JOBS) Act was signed on April 5, 2012, that it could be used by for-profit enterprises. What we want to look at this time is the funding of startups and small businesses.

There are a number of sites that enable crowd-funding. The one at the focus of the Karen Klein story is Indiegogo but other top sites include GoFundme, Kickstarter and OnSetStart. The National Crowd-funding Association has more than 500 members and is growing quite rapidly, so the possibilities are endless. In the scheme of funding your start-up or small business, crowd-funding fits in with the friends and family phase before moving on to angel investors or venture capitalists.

So who invests in crowd-funding? Typically it is not an investor looking to make a killing. There are limits on how much any single investor can contribute, from as little as \$2,000, up to a maximum of \$100,000 for the very rich among us. Crowd-funding investors are typically drawn to the idea, product or entrepreneur, or may just have a desire to see some succeed.

However, the process is not quite as simple as it sounds. Depending on the amount of funding your venture needs you may be required to submit your financial statements for review, or you may even need an audit if you are looking to raise more than \$500,000. Then there is the issue of ownership, as the instruments you issue to your funders will be either “covered securities” or “restricted securities.”

Are you intrigued yet? Could you perhaps use some extra funding to help your business expand or improve? There is a lot of information about crowd-funding on the Internet, and Amazon.com lists more than 50 books on the topic. But there is an even easier way to learn more.

On Monday, July 23,

The Small Business Development Center (SBDC) at College of the Canyons and Ryan Azlein, of Stubbs, Alderton & Markiles, will be presenting a free 90-minute workshop on how to access crowd-funding beginning at 3 p.m. Monday, July 23, in the Dr. Dianne G. Van Hook University Center, located on the college’s Valencia campus.

For more information, or to register to attend please visit <http://tinyurl.com/7wh9yry> or contact the SBDC at (661) 362-5900.

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