

# THE MONTH END

## EPISODE 14 ForecastEasy



## SHOW NOTES

ForecastEasy 

### SPEAKER BIO

Marc Levit is the founder of [ForecastEasy](#), a cloud-based forecasting tool founded in early 2021. ForecastEasy can guide strategies and goals for business owners and help them generate detailed reports for shareholders, banks, and potential investors.

### TAKEAWAYS

#### Equity Crowdfunding 101

What is Equity Crowdfunding?

Equity crowdfunding is selling real securities of your company. It's selling the future cash flows, or the future value of your company, in exchange for some ownership stakes today. *That*, in exchange for cash.

It's the same thing you do with friends and family, it's just that it's a wide group of folks that are starting to be called *investors*. They're often your investors, and they're either your new customers, your existing customers, or potential customers.

## **TAKEAWAYS (Cont'd)**

### **Equity Crowdfunding 101 (Cont'd)**

**Why is it so popular now?**

The most notable reason is that the size of the raise has been expanded from a million dollars maximum, to five million maximum per year. It allows for a full raise to happen at once, since around three million is usually the sweet spot that many brands are looking for. Also, the reporting is much simpler now. The entire investment pool can be put on the cap table as a single line item.

**What does Regulation CF mean?**

The simplest way to describe it is it's up to five million raise at one given point in time, or throughout a 12 month period of time.

**Why would we use equity crowdfunding versus using the other avenues?**

Most companies that can raise from friends and family will continue to do so. It's absolutely a great avenue, especially right at the beginning.

Oftentimes, people are investing in you, not necessarily a business or a product. In this case, you know you can get some pretty preferred terms, and some very patient capital. Private equity and venture capital are typically looking to write bigger checks, so there's sort of a white space of, "I either don't have friends and family, or they're tapped out and I'm not big enough or ready enough for private equity." Equity crowdfunding is one of the only options for those in between companies.

**What about legal formation considerations related to how you need to be set up as an entity type?**

For almost all companies, they either are or become C-Corps. Depending on how much money you're raising, I think there's a half a million dollar, million dollar, and then \$5 million threshold. You'll need different types of either audited or reviewed financials by your own person who does the books, an external person, or a full on review audit.

## TAKEAWAYS (Cont'd)

### Equity Crowdfunding 101 (Cont'd)

What are the key websites, or the apps or the locations to go to learn more about this? Who's facilitating this type of process and workflow?

It seems like there's a new one every day that's popping up, but where I'll coach your listeners to go are probably the four that are largest and most consumer brand oriented. That's the [StartEngines](#) of the world, the [WeFunders](#), [the Republics](#), and the [SeedInvests](#). Each one has their own nuance to it that make each interesting and different. I've put a lot of research into this, and ultimately, at the end of the day, I suggest to folks they should be going to the biggest ones.

What does it cost?

There's typically two fees; one is a percentage of capital raised, six and a half to eight and a half - somewhere in that range. Some sites will take a percentage or two of equity as well. What's good about that, is you've set the valuation.

Typically, there's some cash costs of \$10,000 to \$25,000 from a little bit of legal a little bit of financial investments up front. Some sites have you pay a starting fee; some of them will take that starting fee out of dollars distributed to you, so you don't have to pay cash. With marketing, I would think about \$10,000, to just kick off your campaign with some marketing assets to help drive in the first folks.

## TAKEAWAYS (Cont'd)

### Equity Crowdfunding 101 (Cont'd)

What are the three things I should think about in my head to do and to start executing on or to start to do today in order to properly be successful with crowdfunding equity?

1. The first thing I think about is storytelling. It's the digital assets, it's the video, and it's the visuals and the story. For better or for worse, a lot of these investors don't care about the valuation similar to, you know, the Robin Hood and the mean stocks we were talking about. You have to tell your story in a really appealing visual way that brings the folks along with you. Get your digital assets to be top notch. That's first and foremost.
2. Second, talk to your accountants and lawyers and make sure that everything you're putting out there is right and representative of your business.
3. Third - instead of just telling the story of the digital assets, and the brand and what's great about it, you've got to find a way to tell the story of the future: where we can go, and how we can get there, and who's going to help us get there, and what the exit might look like one day. Not necessarily dollars in values, but sort of "who would buy this?". For example, if we're a nut butter company, who are the players out there that would be really interested in it?

## NOTABLE SHOW QUOTES

### **From Marc on why many companies are using equity crowdfunding:**

“It's a very approachable way to raise capital for a lot of companies.”

### **From Brad on timing and what you need in place before equity crowdfunding:**

“The biggest thing with this is time considerations; like audits, reviews, whatever your requirements are for financials to begin the process, that takes time. So it's not always money considerations, a ton of time considerations come into place when you're doing something like this.”

### **From Marc on giving gifts with equity crowdfunding:**

“I would suggest little things to sweeten the pot would probably be helpful. But you don't need to go over the top here. People want to be a part of the brand.”

### **From Marc on equity crowdfunding:**

“This is Robin Hood, on the micro level.”

### **From Marc on three things to focus on before equity crowdfunding:**

“Digital assets, get your financials and legal in order, and then tell a great story about the future and who might be able to buy it.”

## CROWDFUNDING SITES MENTIONED:

- StartEngine
- WeFunder
- Republic
- SeedInvest

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