



Online Public Offerings and Everything You Need to Know

Presented by

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Ron Miller, CEO –

Ron is an entrepreneur's entrepreneur having visualized, founded, built and sold five companies through management buyouts, private equity firms, private investors and public markets. Ron's success has been publicly recognized as a four time Inc. 500/5000 Award recipient and as an Ernst & Young Entrepreneur of The Year Award Finalist. As a Venture Partner, Ron brings his deep expertise as a leader and operator at many companies which he has taken to exit.

He is especially passionate about cause-based entrepreneurship and holds the trademark for "Doing Well by Doing Good."



Benji Jones, Partner —



Benji Jones, is a Partner with Smith Anderson Law Firm – one of the largest business and litigation law firms in North Carolina. Benji has close to 20 years' experience advising private and public companies in a variety of corporate and securities law matters.

Over the past few years she's been focusing her practice on crowdfunding and fin-tech financings. Benji played a critical role in the recent passage of North Carolina's intrastate crowdfunding exemption (NC PACES). As counsel to the only platform offering peer2peer real estate loans under Regulation A and to other Regulation Crowdfunding issuers, Benji is on the forefront of crowdfunding offerings in North Carolina.





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Roy Morejon, CEO —

Roy Morejon brings over 20 years experience in delivering integrated marketing services for startups, helping transform companies by increasing online visibility and brand awareness through targeted digital marketing, corporate communications and data-driven marketing campaigns.

He is an expert at digital strategy, analytics, search engine marketing and crowdfunding.

As a trusted advisor to dozens of global startups, Roy and his team have helped raise over \$100 Million for their crowdfunding clients over the past 6 years.



Elio Motors Alter The Course

The Entrepreneur:

Paul Elio

The Dream:

Alter the course of transportation by building a low-cost, highly fuel-efficient vehicle



The Raise:

\$16.92M raised from over 6,600 investors



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Online Public Offerings and Everything You Need to Know

Online Public Offering

Advantages

1. Set Your Own Terms/Retain Company Control
2. Create Brand Ambassadors
3. Simultaneously raising capital, marketing company and proving traction

Disadvantages

1. Transparency - public financials
2. Not easy; takes complete focus and effort



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The JOBS Act: The Great Gift of the Great Recession

- Allows companies to advertise broadly (including use of the internet) that they are selling shares of stock in their companies
- Allows both accredited and **non-accredited** investors the chance to purchase shares



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The JOBS Act: The Great Gift of the Great Recession

- **Title III (Reg CF):** Allows companies to raise up to 1MM, with specific disclosures, but does NOT require preliminary authorization from the SEC.
- **Title IV (Reg A+):** Allows companies to raise up to 50MM, but requires preliminary authorization from the SEC before shares can be sold.



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Costs: Time & Opportunity

- **Regulation Crowdfunding - Up to \$1M Raise**
 - Upfront costs ~ \$15-\$30K (legal, accounting & marketing)
 - StartEngine takes 5% of raise after round closes
 - \$2.50/investor 3rd party escrow fees
 - 2-3 months from start to finish
- **Regulation A+ - Up to \$50M Raise**
 - Upfront costs ~ \$100-\$150K (legal, accounting & marketing)
 - StartEngine takes \$50/investor + warrants
 - \$15/investor 3rd party escrow fees
 - Execution Broker Dealer Fee - \$15K & 1% of total raise
 - 4-6 months from start to finish



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How Does it Work?

- Complete required paperwork (legal & financial)
- Create campaign messaging - Why factor
- Produce message - video & written content
- Distribute message - PR, social media, paid media

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How is an OPO Different from a Kickstarter or Indiegogo Campaign?

- Traditional crowdfunding campaigns are donation or rewards based
 - You give people a thing for the money they contribute (i.e., a t-shirt or a product or a good feeling)
- An OPO involves offering the crowd a **security**
 - You accept monetary “investments” in your company in exchange for some form of promise or expectation of a return on that investment
 - Highly regulated -- it involves the offer and sale of securities



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How Does This Work?

- Instead of registering with the SEC, there are **new exemptions** for OPOs
 - **Regulation Crowdfunding** = up to \$1M in 12 months
 - Start-ups, Small Businesses
 - **Tier 2 of Regulation A** = up to \$50M in 12 months
 - Larger, More Established Companies

Special RULES to follow in each case



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Overview of Legal Requirements

- Available for all U.S. companies (and Canadian issuers for Regulation A)
 - No 1934 Act “reporting companies”
 - No “investment companies”
 - No “bad actors”
 - No delinquent reporters
- Use of the Internet (e.g., with StartEngine)
 - Required to use a “funding portal” for Regulation Crowdfunding OPOs
 - Can be essential key for successful Regulation A OPOs



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Limits on Types of Securities

- No limits in Regulation Crowdfunding
- Only equity, debt and convertible debt in Regulation A

But OPOs are typically
COMMON STOCK offerings



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Anyone Can Invest (subject to caps)

- Between \$2K-\$100K per person across all Regulation Crowdfunding OPOs in 12 months
- Non-accredited investors can invest a maximum of 10% their annual income/net worth in 12 months, depending on which is greater



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Disclosure and Reporting

- Must file disclosure documents with the SEC
 - Form C for Regulation Crowdfunding (filed with SEC but not reviewed). Need reviewed or audited financials if you raise \$500K or more.
 - Form 1-A for Regulation A (filed with SEC and subject to review). Need audited financial statements.
- On-going reporting obligations
 - Annual reports for Regulation Crowdfunding
 - Annual and semi-annual, and current reports for Tier 2 Regulation A



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Restrictions on Resales by OPO Shareholders

- One year (or immediately to accredited investors and related persons) for Regulation Crowdfunding
- No restriction for Regulation A (typically the security is listed)



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When and How to Advertise

- Regulation Crowdfunding has very strict rules.
 - Do not condition the market before offering.
 - After filing Form C, all deal-related advertising must be through the funding portal.
 - Can use a tombstone-like ad or say “Hey I’m doing an offering” but must link to the funding portal.



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When and How to Advertise

- Tier 2 Regulation A OPOs are more flexible.
 - Can “test the waters” before filing materials with the SEC (but these materials will ultimately be filed)
 - Flexible offering procedures once filing made, as long as they include legends and are accompanied by disclosures

ANTIFRAUD LIABILITY ATTACHES TO EVERYTHING

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Crowdfunding Marketing

- Complete required paperwork (legal & financial)
- Create campaign messaging - Why factor
- Produce message - video & written content
- Distribute message - PR, social media, paid media



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Marketing a Startup

- Campaign Messaging Requires Consistency:
 - Who is your audience?
 - What is the narrative?
 - Why should they invest?

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Pre-Launch Marketing

- Pre-Campaign
 - Lead-Generation
 - Early Support is critical
- Build a Database
 - Targeted advertising
- Create the Crowd
 - Grow and nurture a community

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Marketing Messaging

- Campaign Video:
 - WOW Factor
- Campaign Pitch Deck
 - Why should they invest?
- Campaign Content
 - Website, Investment Page, Social Media, Video, Printed Materials, Webinars, Events, PR



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Marketing Content Distribution

- Campaign Website:
 - Consistent copy
- Social Media
 - Why they should share?
- Public Relations
 - Why should they care?

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Q & A

Thank you

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