

The Crowdfunding Revolution: What Investors Should Know



Featuring:





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Agenda

- 1 About Entrust
- 2 Self-Directed IRA Basics
- 3 What Equity Crowdfunding is and How it Works
- 4 Comparing Campaign Types
- 5 The Importance of Reg A+, Reg CF, Reg D, Reg S
- 6 Q&A Time

Meet Your Hosts

Rachel Tokuoka

B2B Relationship Manager
The Entrust Group



Years at Entrust



Onboard and educate new B2Bs



Passionate about building relationships
and positively impacting those around me

Tony Unkel

Business Development Manager
The Entrust Group



Years in the retirement industry



Educating investors and professionals on
tax-preferred retirement accounts

About Entrust



\$4B

Assets Under
Administration



22k

Active
Accounts



40

Years of
Service



1

Point of
Contact

About Entrust



- Self-Directed IRA administrators
- Knowledgeable staff with CISP designations
- Nationwide offices
- In-person events and virtual webinars
- National Continuing Education program for other credentials
- Bi-annual IRA Academy

What is a Self-Directed IRA?



A retirement account in which the individual investor is in charge of making all investment decisions



Greater opportunity for asset diversification outside of traditional stocks, bonds, and mutual funds



All securities and investments are held in a retirement account administered by a regulated custodian or trustee

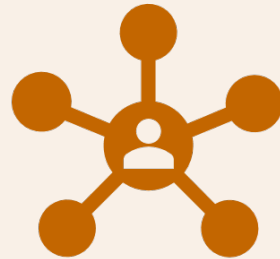
Let's Take a Poll: How Familiar Are You With Self-Directed IRAs?

1. Very - I have a Self-Directed IRA.
2. Somewhat - I'm interested in using a SDIRA but need to learn more first.
3. Not - I am here to learn about SDIRAs.

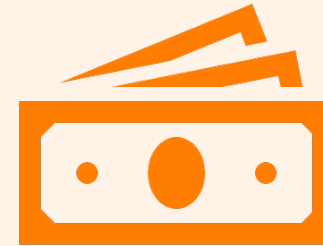
Benefits of Self-Direction



Take Control



Diversification



Tax Benefits

Introductions



Michael Golomb

FanVestor, Founder & CEO

4 successful Exits, 2 IPOs, 5 publicly traded companies; Co-Founder Mayak RE (JV with Morgan Stanley); DZSI (NASDAQ); Trimble (NASDAQ); RGI (AIM); CFO at Sistema Hals — \$2.1B IPO @LSE; Entegrity Solutions (S1 NASDAQ); Founding Member & CFO/Board Member at BitFury

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Syreeta Mitchell

FanVestor, Campaign Operations

Certified Project Manager with 10+ years in B2B and B2C for brands like Acumatica, Microsoft, and Bank of America; Recipient of the Houston Business Journal Top 40 Under 40 Award

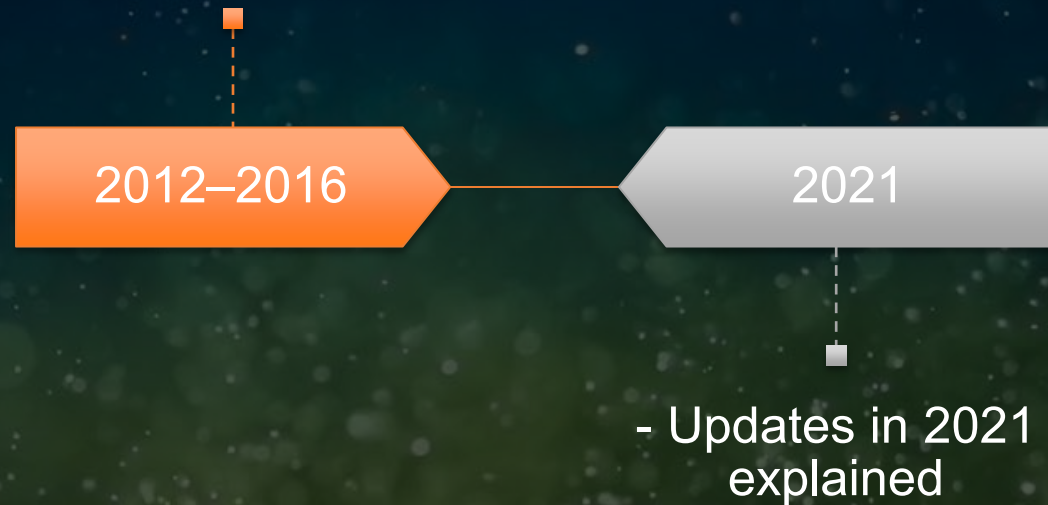
syreeta.mitchell@fanvestor.com

Let's Take a Poll: How Familiar Are You With Equity Crowdfunding?

1. Very - I invest in crowdfunded projects.
2. Somewhat - I'm interested in crowdfunding but need to learn more first.
3. Not - I am here to learn about crowdfunding.

Regulations CF and Regulations A+

The JOBS Act & Crowdfunding for Securities



What is Equity Crowdfunding: Reg CF and other

- In May 2016 the SEC's Regulation Crowdfunding (Regulation CF) went into effect, and updated in May 2021:
- This regulation permits public offerings of securities to be made without registration with the SEC under Section 4(a)(6) of the Securities Act of 1933, which was added by Title III of the JOBS Act.
- If you are planning to crowdfund your company, you need to comply with these SEC rules.
- Small businesses and startups allowed to raise up to \$5 million a year from non-accredited and accredited investors including their friends, family and fans in a 12-month period.
- Campaigns w/\$10 million in assets and 2,000 holders (or 500 non-accredited holders of a class of equity securities to register that class with the SEC and become a fully-reporting company (SPV).
- "Conditional exemption" available for new startups with less than \$25 million in assets, yet must maintain maintain annual C-AR filings and engage a registered transfer agent
- All offerings must be conducted through FINRA-regulated "intermediaries" (online investment platforms)

Reg CF: Eligibility

- Companies making offerings under Regulation CF must be organized under the laws of a US state or territory.
- Unlike Regulation A, there is no requirement that the company's primary place of business be in the United States, but if the US company is merely acting as a "front" for fundraising by a non-US company and the funds raised by the offering would be used by a non-US company, that non-US company would likely be treated as a "co-issuer" that would not be eligible to use Regulation CF.
- Note the "issuer aggregation" rules.
- The \$5 million annual offering limit applies not just to the issuer filing but to all other companies under "common control" with it.

Defining the Securities Sold in Crowdfunding Offerings & Securities

Equity Crowdfunding Offerings

- Reg CF, Reg A+, Reg S, Reg D(506C) etc.

Types of Securities

- Straight Common Stock
- Convertible notes
- Preferred Stock
- SAFEs

Global Crowdfunding Market Opportunity

Creator economy is 50M+ creators strong and growing @ CAGR 11%

Equity Crowdfunding

- Global Equity Crowdfunding market was valued at **\$13.92 billion** (USD) in 2019 and is expected to reach **\$40 billion** (USD) by the end of 2026, growing at a Compound Annual Growth Rate (CAGR) of 16% between 2018 and 2025.
- Transaction value expected to reach **\$12 billion** by 2023.

Social Commerce

- Social media referrals traffic to online stores has increased 100x in the last two years.
- In 2020, the global social commerce market will increase by 34% YOY.
- E-Sales will exceed \$735 billion by 2023.

NFT

- NFT sales volume surges to **\$2.5 bln** in **2021 first half** (20x QoQ in 2020)
- In **2020**, the global NFT market did **\$335M** in transaction volume
- Global collectible market (physical trading cards, games, toys, etc - **\$370B** - **more than 1,000x bigger**
- Young market and some don't realize that many **NFTs are securities**

US Equity Crowdfunding Trends

- Equity Crowdfunding has been slowly gaining adoption since the [SEC also announced final rules in Q4 2020](#) that will increase the Reg CF campaign limit from \$1.07 million to \$5 million, among other major changes that are expected to further accelerate adoption of equity crowdfunding by both investors and issuers.
- **\$214.9M raised in 2020** (105% growth from 2019) from **1035 new companies** (91% growth from 2019)
 - Compared to \$104.7M raised in 2019 from 541 companies
 - [Crowdfund Capital Advisor \(CCA\) dataset](#) shows over \$225M raised from 1148 companies in 2020, vs. \$137M raised from 713 companies in 2019
- **Reg CF surpassed \$514M total raised since 2016**
 - \$194M raised in 2016-2018 (source: [CCA 2018 report](#)), \$104.7M raised in 2019 (source: Kingscrowd), \$214.9M raised in 2020 (source: Kingscrowd) – see chart below
- **~\$275,000 average raised** for 2020 successful companies
 - Note: does not include failed campaigns. 256 campaigns were not funded or removed in 2020, with over a third of those being on MainVest
- 2020 saw over **358,000 investors in Reg CF**, a 75% increase from 2019 according to a [CCA press release](#)
- **48 Reg CF companies that launched in 2020 raised the maximum \$1.07M** (assumes the maximum was met if they raised at least \$1M)

Due Diligence Reg CF – Form “C”

Purpose of the Form C?

- Reg CF Rule 21 requires businesses to show public they value compliance and transparency.
- Our partners offer Form C preparation, due diligence, and compliance services which include:
 - Drafting of the Form C and filing it with the SEC.
 - Guidance for company through the disclosure process
 - Standardized subscription documents (or client can bring their own)
 - Review of all the offering materials (a video script) that will be used on the platform, and
 - Detailed company due diligence report on the company
 - Summarized findings in due diligence report, which, can be included with client's offering
 - Background checks and Bad Actor Reports on up to three covered persons
 - Fact-checking all material assertions being made in the Form C and offering page

Reg CF: Increased Raise = Increased Compliance

Raises less than \$107K

- Federal tax returns
- Accuracy of its financial statements certified by its CEO

Raises between \$107K - \$535K

- Review report from an independent CPA is required

Raises between \$535K - \$1.07M

- 2yrs reviewed financial statements required

Raises between \$1.07M - \$5M

- 2yrs audited financial statements

Reminder:

- General rules above apply to first time Issuers
- For first-time issuers seeking over \$535,000 but less than \$1,070,000, reviewed financial statements are allowed.
- If more than \$535,000 is sought by the issuer in any 12-month period, then an audit is required from an independent CPA.
- Through August 2022, certified financial statements may be used for offerings of less than \$250,000 within 12 months, as part of the SEC's Covid relief.

Top Questions Investors Ask

Investor Questions

Who can participate in this type of offering?

How much may I invest as a non-accredited or accredited investor?

When may I have access to my funds?

Why is it so important to understand the diligence process for issuers?

How may I participate with FanVestor in the future?

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What's New?



Want SDIRA management on the go?

➡ Download Entrust's new app in the App Store



Curious which projects others are investing in?

➡ Visit Entrust Connect for recent postings



Wondering which resources we have for you?

➡ See what's new in the Resources section of our site

What's Next?



Next Webinar: Preparing Your IRA Beneficiaries

➡ Register & join us on November 11!



Have feedback or topic suggestions for us?

➡ Complete our brief webinar survey



Need more information on SDIRAs?

➡ Visit our website and Learning Center



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Time for Questions



Stay Connected

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“

An **investment in knowledge**
pays the best interest.

- *Benjamin Franklin*

