

Streaming numbers in the clouds

Pelle Braendgaard, Economi.co

Funding small businesses is
hard

2

Crowdfunding is a solution

3

But can be risky due to
information asymmetry

Crowdfunding is not new

5

The crowds has been able to
fund things since the 1600s

6

What is new is the crowd now
will have access to funding

7

Lets go back in history...

8

Crowd funding 1.0

9

The first companies were
setup to conquer and tax

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Maona di Chio e di Focea

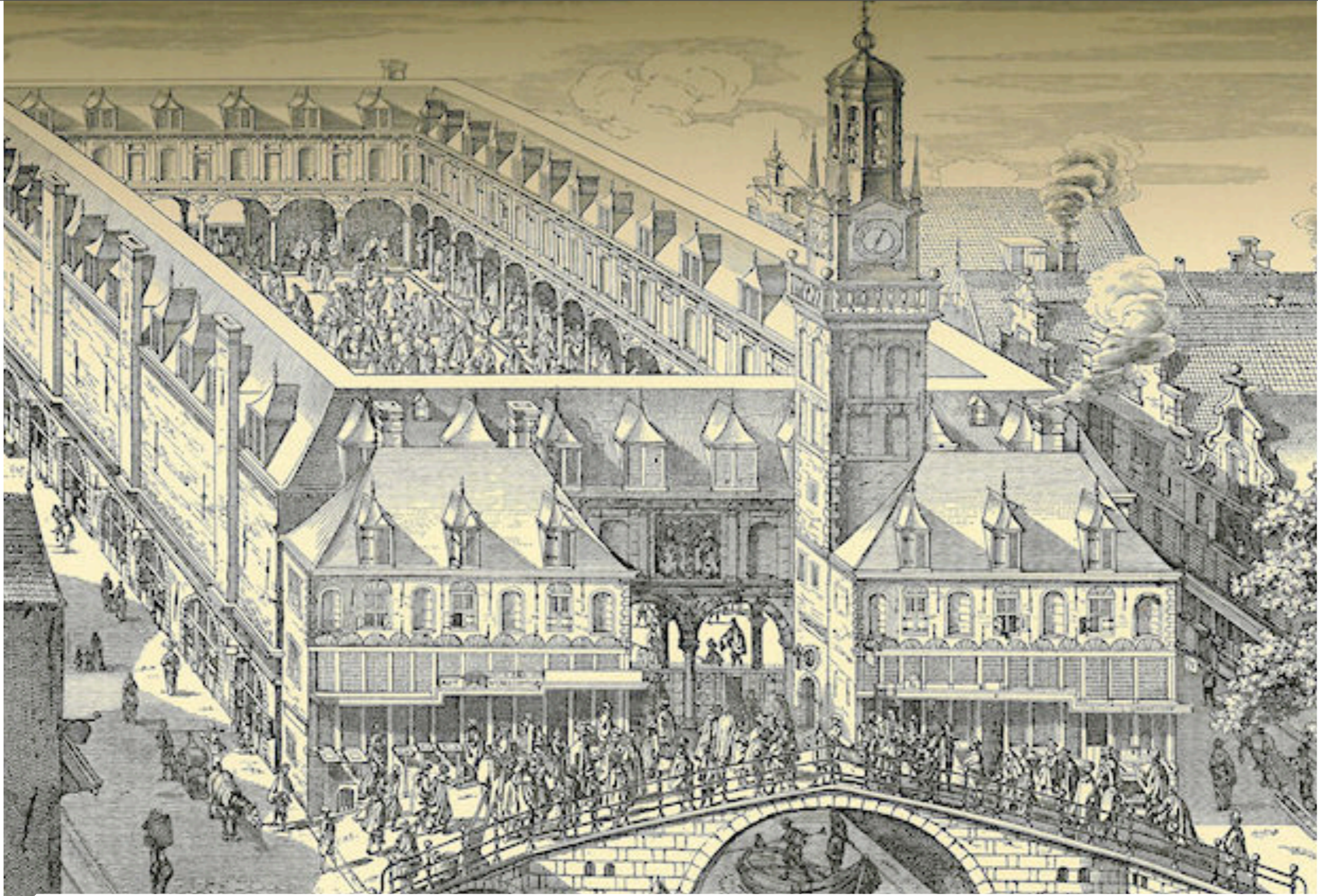
Then came exploration and
trade,

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exchanges ...

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... and bubbles and fraud

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Mississippi Bubble

Gossip...

Traders were booted from
London Royal Exchange to
the coffee shops



The Course of the Exchange and other things

John Castaing started writing down trades and created the first data feed

(1)

The Course of the Exchange, and other things.

London, Tuesday 4th January, 1698.

Amsterdam	35	9a 10	
Rotterdam	35	11a 36	
Antwerp	35	9a 10	
Hamburgh	35	2a 13	
Paris	47	$\frac{1}{4}$	
Lyons	47	$\frac{1}{4}$	
Cadiz	51	$\frac{1}{4}$ 251	
Madrid	51	$\frac{1}{4}$	
Leghorn	52	$\frac{1}{4}$	
Genoua	51	$\frac{1}{4}$	
Venice	49	$\frac{1}{2}$	
Lisbon	5	7 $\frac{3}{4}$	
Porto	5	6 $\frac{3}{4}$	
Dublin	16	$\frac{1}{4}$	
Gold		4 l. 00 s. 6 d.	
Ditto Ducats		4 . 5 6	
Silver Sta.		5 s. 1 d. $\frac{1}{2}$ a 2 d.	
Foreign Ears		5 3 $\frac{1}{4}$	
Pieces of Eight		5 3 $\frac{1}{4}$	
	Saturd	Monday	Tuesd.
Bank Stock	85 $\frac{1}{8}$ a $\frac{1}{4}$	86 $\frac{1}{2}$ a $\frac{1}{4}$	85 $\frac{3}{4}$
India	53 $\frac{3}{4}$	53 $\frac{3}{4}$	53 $\frac{3}{4}$
African	11 $\frac{3}{4}$	11 $\frac{3}{4}$	11 $\frac{3}{4}$
Hudson Bay	110	110	110

JONATHAN'S COFFEE HOUSE or an Analysis of CHANGE ALLEY
With a Group of Characters from the Life - *Inscrib'd to Jacob Henriques.*

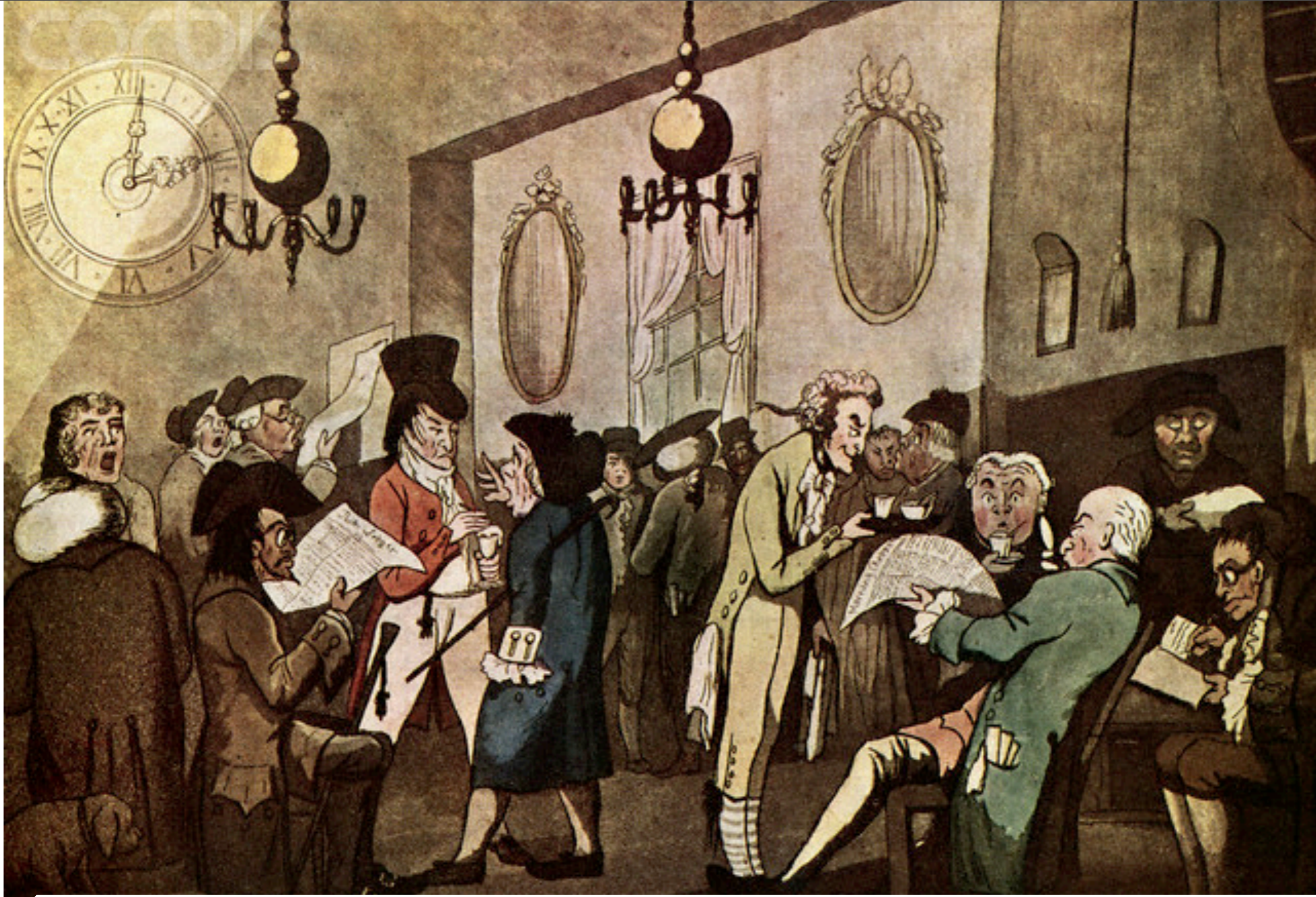


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Jonathan's Coffee House



London STOCK EXCHANGE



Lloyd's Coffee House



Lloyd's of London

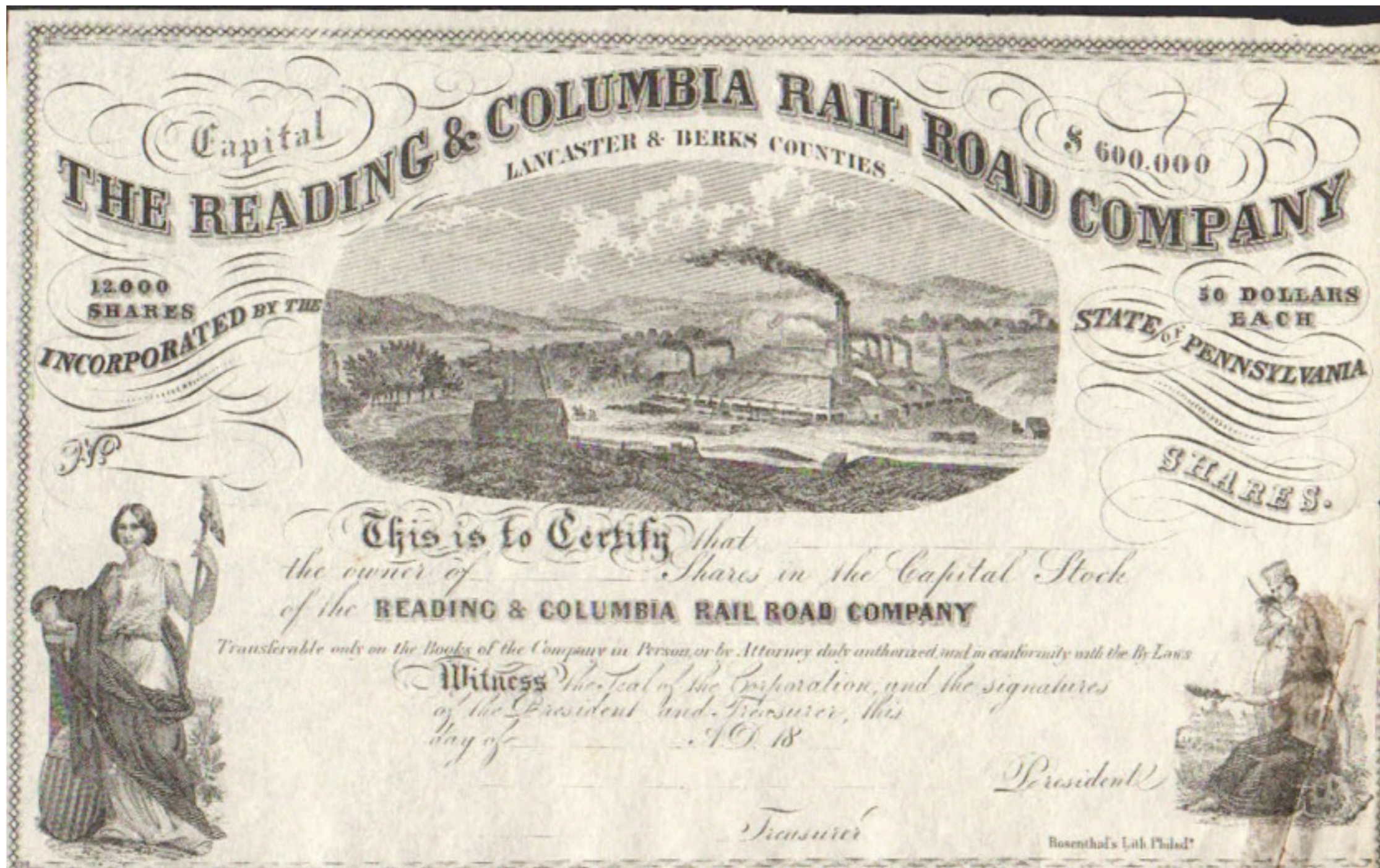
Information sources for Crowd Funding 1.0

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- “The Course of the Exchange and other things”
- Gossip

Crowd funding 2.0

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The industrial revolution

Smaller projects

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- Local train lines
- Mills
- Mines
- Factories

More projects

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Good information became
harder to obtain

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It also brought innovations in
company law

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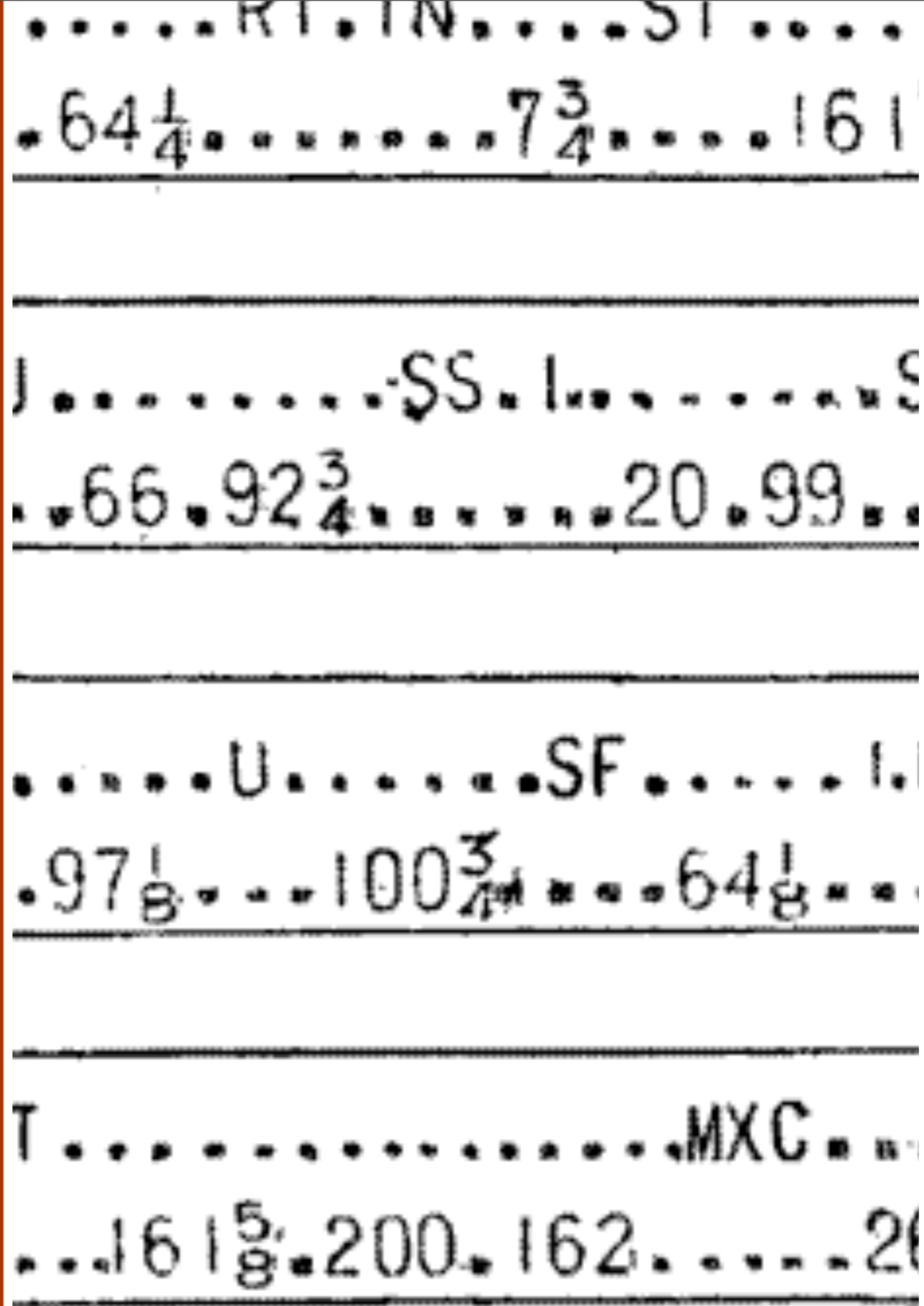
Legislation to protect investors

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- Central registry
- Reporting requirements
- Public directors list
- Requirements for Annual Reports

First live data feeds

In 1863



Information sources for Crowd Funding 2.0

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- News papers
- Ticker feeds
- Government Records
- Annual Reports
- Auditors
- Gossip

Crowd funding 3.0

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Post 1929 Panic Reaction

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Stricter laws on public offerings

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- Limits on who can invest in private offerings
- Quarterly reporting for public companies
- Easier to invest in public companies
- Harder for small companies to be funded

Economics of funding smaller companies doesn't work

37

- Due diligence before investing is expensive
- Managing existing investments is time consuming
- It is often not economical for a VC to invest less than \$500k

Accelerators hack this

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- Small amount of funding
- Small amount of equity
- Short batched application/interview process
- Batches companies together
- Relies on community and short sessions to manage investments

Information sources for Crowd Funding 3.0

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- Live trade feeds
- Live news feeds (Dow Jones, Reuters etc)
- Internet
- Quarterly filings for public companies
- Costly due diligence for investors in private companies

Crowd funding 4.0

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[FAQ](#)

[Kickstarter School](#)

[Guidelines](#)

[Style Guide](#)

Stats

Kickstarter Stats

This page is updated at least once a day with the raw data behind Kickstarter. Metrics include funding success rates, dollars pledged, and trends of successfully and unsuccessfully funded projects. Statistics are available for the site overall as well as each of the 13 project categories. Check out [our blog](#) for more on Kickstarter's data.

Projects and Dollars

Category	Launched Projects	Total Dollars	Successful Dollars	Unsuccessful Dollars	Live Dollars	Live Projects	Success Rate
All	67,966	\$326 M	\$275 M	\$34 M	\$17 M	3,650	44.02%
Film & Video	19,474	\$83.84 M	\$69.21 M	\$12.02 M	\$2.61 M	835	39.51%
Music	15,993	\$50.61 M	\$45.09 M	\$4.09 M	\$1.44 M	764	54.34%
Games	2,799	\$49.72 M	\$42.35 M	\$3.04 M	\$4.34 M	276	33.93%
Design	2,355	\$48.47 M	\$41.75 M	\$4.02 M	\$2.70 M	162	36.25%
Technology	1,336	\$19.61 M	\$15.11 M	\$1.65 M	\$2.86 M	70	30.65%
Publishing	7,374	\$15.96 M	\$12.78 M	\$2.54 M	\$640.97 K	490	31.42%
Art	6,259	\$15.07 M	\$12.46 M	\$1.97 M	\$642.96 K	322	48.49%
Food	2,147	\$10.79 M	\$8.51 M	\$1.65 M	\$629.63 K	168	40.83%

US JOBS act opens market for equity crowd funding

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Many crowd funding
exchanges popping up

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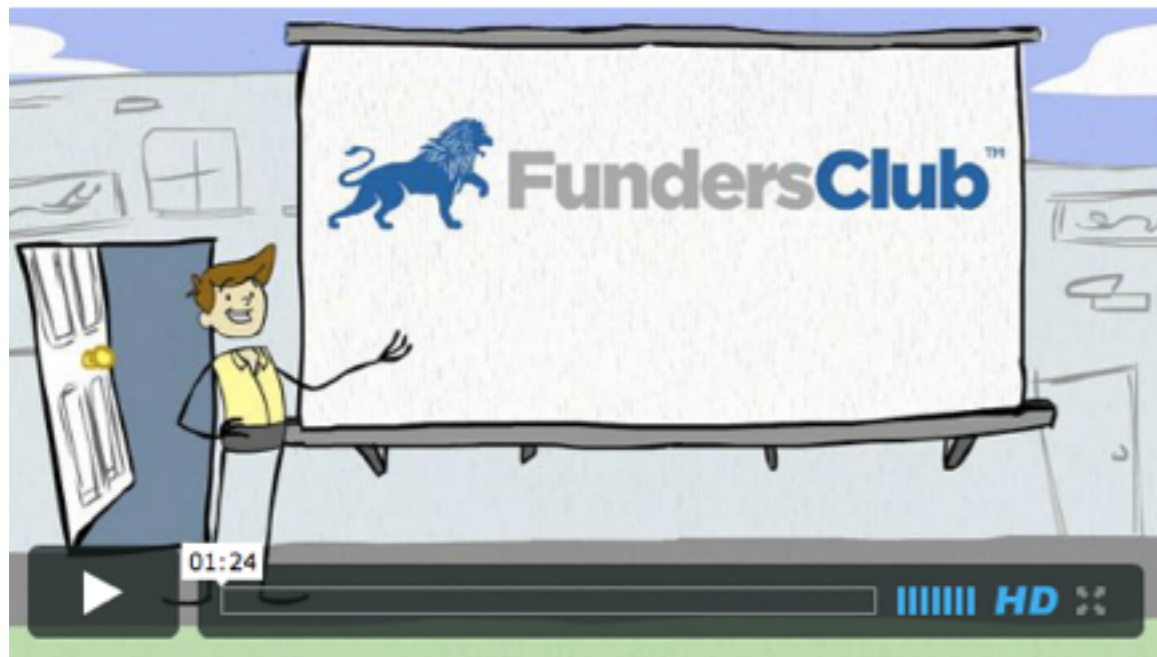


EarlyShares

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EarlyShares

The best way to invest in startups.



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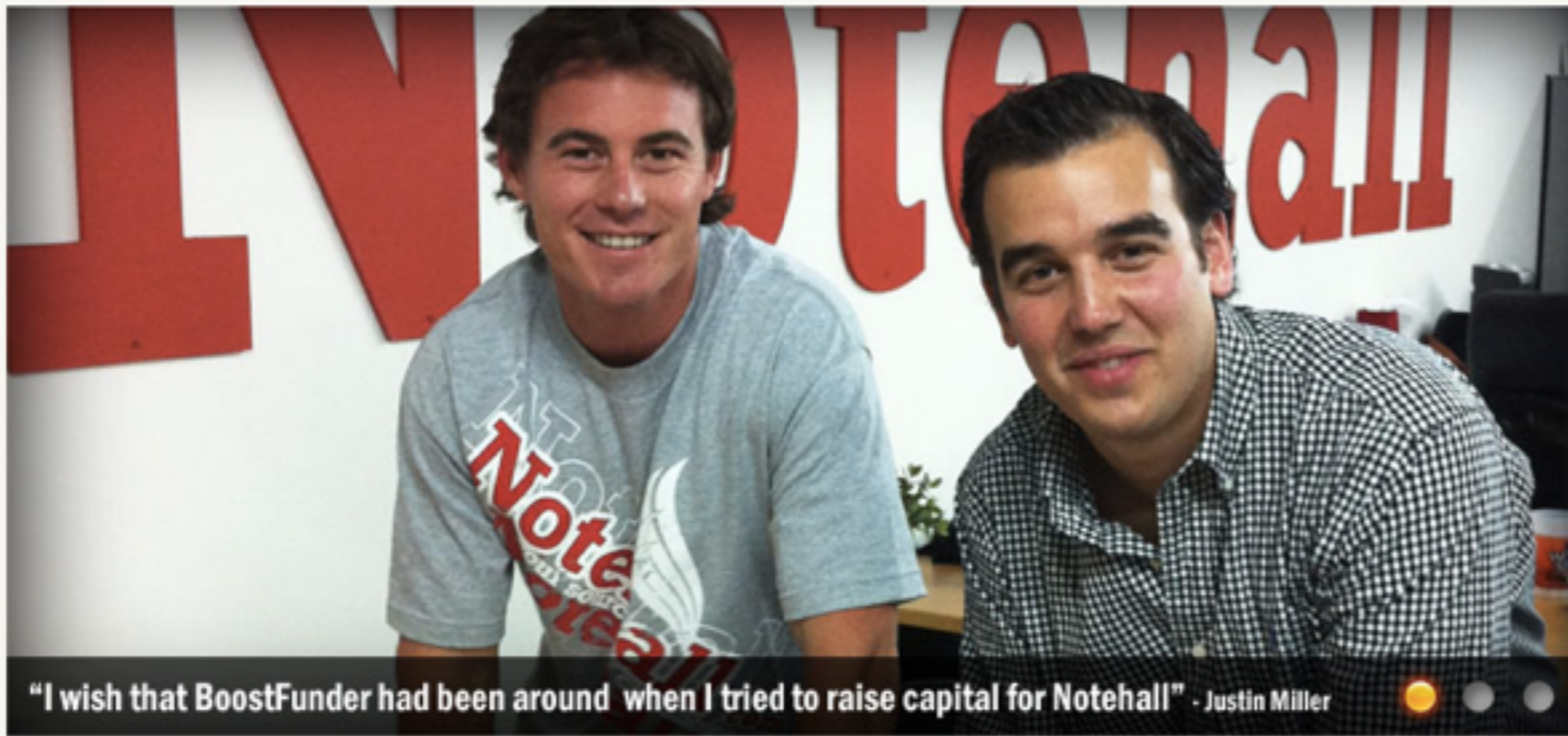
[How FundersClub Works](#) | [About Us](#)

FundersClub

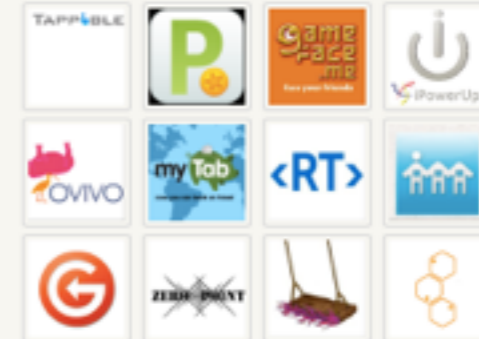
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Startup Signup

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BoostFunder

Plenty of marketplaces and communities

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Not enough useful information

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Information sources for Crowd Funding 4.0

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- Twitter
- Marketplace web sites
- Tech News
- Blogs
- All realtime, but all subjective

Marketplace due diligence?

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- VC like heavy due diligence?
- Short application/interview process?
- Batch like Accelerators
- Open to anyone?



The Mystery of Capital

Hernando de Soto

Imagine a country where nobody can identify who owns what, addresses cannot easily be verified, people can not be made to pay their debts, resources cannot conveniently be turned into money, ownership cannot be divided into shares, descriptions of assets are not standardized and cannot be easily compared, and the rules that govern property vary from neighborhood to neighborhood or even from street to street.

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Hernando de Soto

Much of this is true for small businesses crowd funding

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- No instant way of verifying ownership of a startup
- No way of verifying revenue and claims by the startup
- No way of comparing multiple startups
- Using legal system is too expensive for small investors
- Different Crowd Funding sites have different rules

Copying how things are done
in public or venture funded
companies wont work

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We seek bottom-up reforms that are derived from an understanding and recognition of existing extralegal systems and customs.

55

Hernando de Soto

We need a bottom-up approach to solve the information issue for Crowd Funded companies

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On-line, verifiable and
streaming information

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As on-line startups we already
do this for our services

58

We can do this for our legal
and financial structure

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Legal due diligence

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- All incorporation documents should be on-line and verifiable
- On-line share register
- How many shares owned by insiders
- Realtime updates

Due diligence services

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THE CROWDFUNDING DUE DILIGENCE COMPANY

We're here to help entrepreneurs seeking crowdfunding and people interested in making crowdfunding investments.

The most important way we'll do this is by doing "due diligence." It's the technical term for kicking the tires before you make an investment. Making sure that the company exists, that the managers are who they say they are and that they are operating their

FOLLOW
CROWDCHECK



Crowd Check

Financial data

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- Live sales data
- Link with banks
- Live P/L
- Live Balance sheet

Sales analytics

64

- Subscriptions
- In app purchasing sales
- Estimated Lifetime Value of Customers
- Most startups already do this

Advertising analytics

65

- Whats your click through rate?
- Whats the cost per click?
- Tie in with Sales analytics

Usage analytics

66

- Google Analytics
- MixPanel
- etc.

Different valuation formulas based on streaming data

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- Marketplace valuation
- Businesses internal valuation
- Investors can calculate own
- 3rd party analysts can calculate and sell valuation formulas

Making it more attractive to
invest

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Remember dividends?

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- Most small companies should focus on revenue
- Dividends don't fit VC's grow, grow, grow strategy
- Maybe good match for Crowd Funding
- Dividends can be verified with live financials
- Paid out automatically

Design A Loan

SKIP THIS STEP

Step One:

Enter your revenue from the last three months

Revenue from July

\$20,000.00

Revenue from June

\$19,000.00

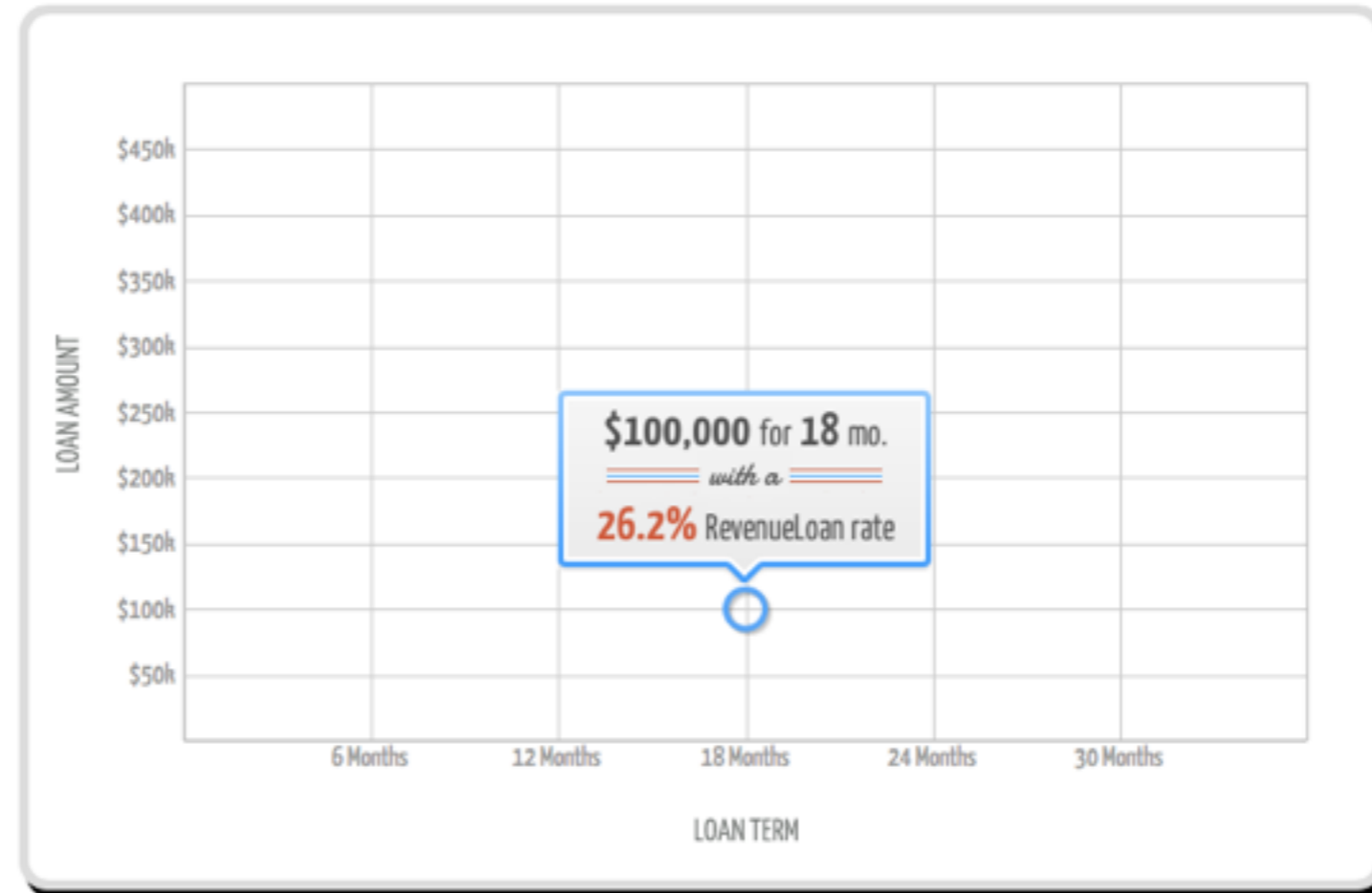
Revenue from May

\$18,000.00

CALCULATE

Step Two:

Line up your cursor with the amount and loan length you are looking for, and click to see your RevenueLoan Rate!



Revenue Loans

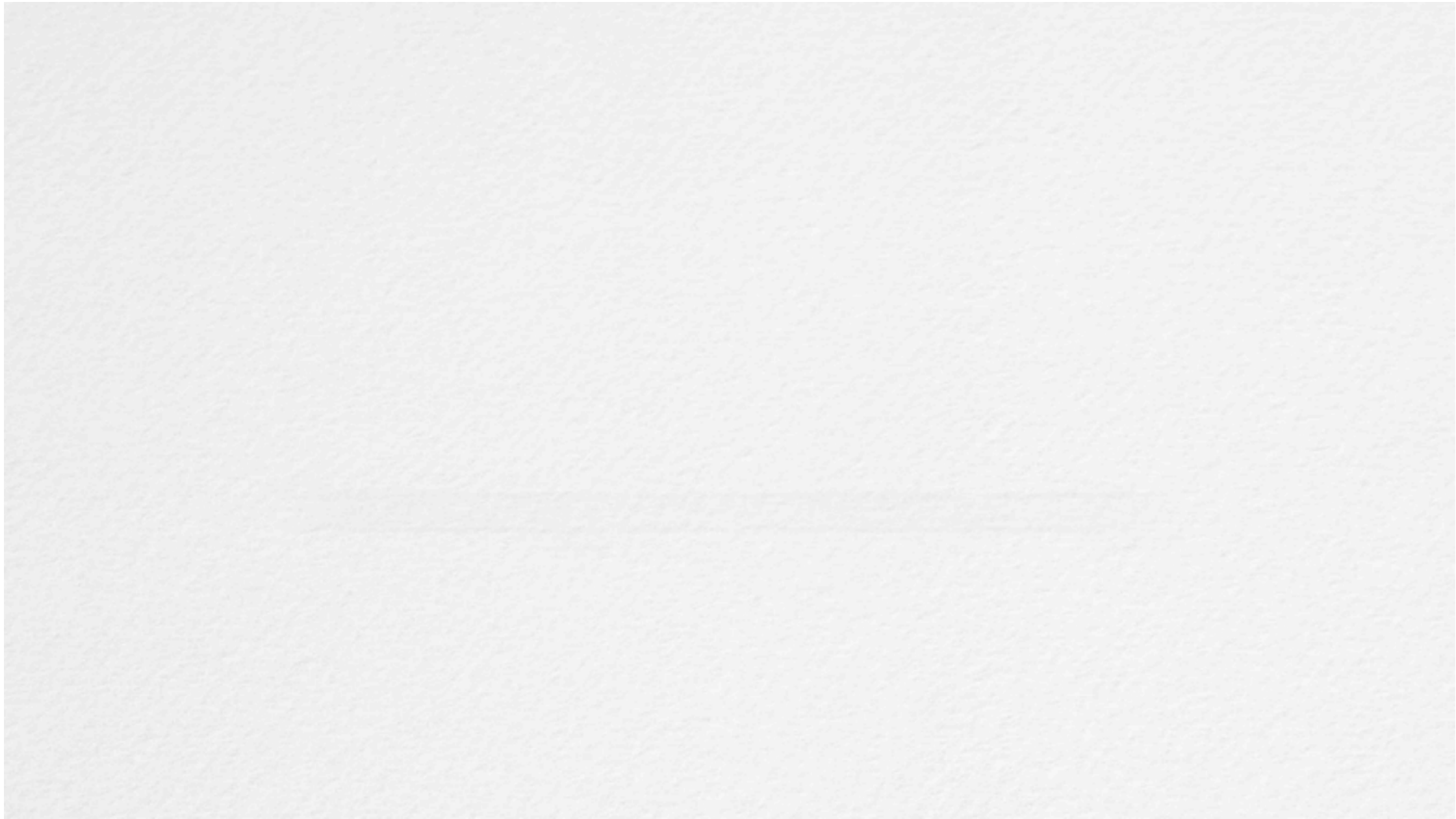
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- Not equity
- Combined loan/revenue share
- Much simpler than equity/dividends
- Could be useful for Crowd Funding

Pre-sell credits to your customers

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- Reduces regulatory issues
- Sell to existing customer base
- Sell to new customers with due diligence in place



ClearBon



ClearBon helps local food businesses expand

74

Model can be expanded in to
web based businesses as well

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Conclusion

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Regulatory issues is only one
problem

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To create a successful new
crowdfunding eco system...

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Information is still key

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