

Alternative Ways to Raise Capital for Small Business

Issue:

- Minimum stock offering for the New York Stock Exchange is \$40 million
- Under current law, only "accredited investors" can participate in the stock market without a number of costly financial hoops
- Accredited investors include high-net-worth individuals, banks, and other large corporations and finance companies.
- In the U.S., high-net-worth individuals earn at least over \$200,000 a year and have a net worth of over \$1 million
- Other people with stocks must go through brokers or finance companies that take commissions to buy or sell
- This means the stock market is really for only large companies and wealthy individuals.

Problem: If you are a smallish business and need to raise capital to launch or grow your business, what are your options?

<p style="text-align: center;">Bank Loan</p> <p style="text-align: center;">- SORRY -</p> <p>Many banks won't loan to small businesses, especially after the 2008 financial crisis.</p>	<p style="text-align: center;">Venture Capital</p> <p style="text-align: center;">- SORRY -</p> <p>Wealthy folks usually want to make 10-20% in a few years and that's not going to happen with a small business.</p>	<p style="text-align: center;">Kickstarter?</p> <p style="text-align: center;">- YES, but -</p> <p>Crowdfunding options like Kickstarter don't provide a financial return. You get samples or a t-shirt or some other benefit.</p>	<p style="text-align: center;">Direct Public Offering</p> <p style="text-align: center;">- YES, but -</p> <p>Registering this with federal government costs 10-15% of the stock value. Too expensive for most businesses</p>	<p style="text-align: center;">Local Stock Market</p> <p style="text-align: center;">YES, but</p> <p>Local stock markets are only legal in a few states and require a critical mass of sellers and buyers to get off the ground.</p>
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Latest developments:

- A number of states (including CO) are passing laws that allow state registration of DPO's making it much cheaper to get started
- DPOs usually only offer a non-guaranteed 3-5% return on the investment and limit the amount any individual can invest
- Most states limit the amount of money you can raise through a DPO to \$1 to \$2 million dollars
- Problem is that if someone buys shares they ideally need a place to sell them quickly for cash if they want or need to
- Michigan just passed a law that allows local stock markets, which would give people a place to sell their DPO shares