

Florida Embraces Innovation, Entrepreneurship, and Crowdfunding

August 25, 2014

by [Adriana Gardella](#) Central Florida is home to a thriving entrepreneurial community that increasingly benefits from crowdfunding. This trend, and crowdfunding's evolving forms, including equity crowdfunding, will be among the topics discussed during the September 2 GrowFL event, "Innovation, Entrepreneurship and Crowdfunding Today." GrowFL, an economic development program focused on Florida's second-stage companies, has gathered some of the state's crowdfunding leaders for the discussion, which will be moderated by Carlton Fields shareholder Seth Joseph. Mr. Joseph noted that equity crowdfunding is a relatively recent phenomenon made possible by the SEC's October 2013 reversal of a regulation that barred companies from soliciting funds absent a pre-existing relationship with the prospective investor. He said the change made "more than \$1 trillion of sidelined investment capital accessible to earlier stage companies that weren't ready to go public and trade on a securities exchange." Companies able to "tap the power of social media have had great success, fueling crowdfunding's growth," he added. In a recent conversation that has been edited and condensed, Mr. Joseph got a preview of the upcoming discussion from event panelists Heather Schwarz Lopes, chief strategy officer and co-founder of EarlyShares, a crowdfunding platform; and Elton Rivas, co-founder, One Spark, The World's Crowdfunding Festival, based in Jacksonville, Fla. **Q. Why has crowdfunding become so popular?** **Ms. Lopes:** It represents a huge step forward for the private finance market. Now that the ban on public advertising of private investment opportunities has been lifted, entrepreneurs have access to a previously inaccessible source of capital: individual accredited investors. **Q. How many projects/businesses presented at this year's One Spark event in Jacksonville, and how many received funding?** **Mr. Rivas:** At and immediately following One Spark 2014, 11 of the 609 showcased projects received funding of over \$10,000, and 320 projects received a portion of funding from the \$200,000 crowdfund that was distributed by popular vote. Showcased projects were in one of our five major categories: art, innovation, music, science, and technology and in multiple stages of development, including an idea written on a napkin, early-stage startups seeking venture capital, and even established small businesses launching new products. **Q. EarlyShares is an equity crowdfunding platform. What exactly**

does that mean, and does it differ from Kickstarter-style rewards-based crowdfunding? **Ms.**

Lopes: With equity crowdfunding, private companies and other entities raise funds online from accredited investors. Unlike rewards-based crowdfunding, equity crowdfunding enables investors to receive ownership and an economic interest in the ventures raising funds. The stipulation is that investors must be verified as accredited investors – they have to meet certain income or net worth thresholds set by the SEC. **Q.**

What kinds of companies are raising funds this way? **Ms. Lopes:** The three main types of private ventures raising capital through equity crowdfunding are growth companies, real estate projects, and investment funds. **Q.**

Do companies that successfully crowdfund have anything in common? **Ms. Lopes:** At EarlyShares, we've found that investors are most attracted to companies with experienced management teams, prior rounds of capital raised, existing customers and partners, and other evidence of traction. We screen companies to ensure that they possess these elements before we post their offerings to our platform. **Mr. Rivas:** There are a few elements found in projects and teams that successfully obtained funding at One Spark in Jacksonville over the past two years. These include a market-tested idea/business, a team of multiple founders with complimentary skill sets, a simple but effective business plan, and a concise, quality pitch.

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