

# CROWDFUNDING CATEGORIES

	Rewards-Based	Equity-Based	Debt-Based
<b>CHARACTERISTICS</b>	Offers backers something of limited value, such as pre-order of a new product or advance copy of a book or film	Offers investors ownership interests in a company, such as corporate shares, LP or LLC interests in exchange for the investor's capital contribution	Offers promissory note and lien or a fixed, priority return, in exchange for cash; may require a personal guarantee and sufficient financial net worth to support the investment
<b>WHAT YOU GET</b>	Cash to advance the project or cause with no strings attached	Cash to fund a project with an expectation that: a) the investment will provide an eventual return of capital and return on investment, or b) for an indefinite investment, that the investment will yield a return on investment over time sufficient to repay capital plus a return on investment	Cash to fund a project (principal) with an obligation to make periodic interest payments and to repay principal within a finite period of time; generally includes a legal remedy against the borrower if the borrower doesn't repay the loan (foreclosure of collateral, enforcement against a personal guarantee)
<b>WHAT INVESTORS EXPECT</b>	A token gift or non-monetary reward	Investors expect periodic distributions and financial reports, and an eventual return of capital	Lenders typically have a secured interest in the company or property giving them foreclosure rights if the borrower fails to pay as agreed
<b>VOTING OR MANAGEMENT RIGHTS</b>	No voting rights or management control	Large investors may want some voting rights and may also want management control or takeover rights	Lender has no voting rights or management control unless the issuer defaults and the lender forecloses and takes control of the asset
<b>DISADVANTAGES</b>	Good for raising smaller amounts of money, developing a prototype, or launching a startup until venture capital can be found. Not good for raising large amounts of money. No control over how long it takes to fund the project.	The issuer gives up management control and a share of profits	Borrower could lose the company/project if unable to perform as agreed; borrower's credit could be affected and could still owe the unpaid principal even after foreclosure
<b>MINIMUM INVESTMENT</b>	As little as \$1	\$5,000 to \$50,000 or more	\$5,000 to \$50,000 or more
<b>WHERE CAN YOU ADVERTISE?</b>	Funding portal registered with the SEC	Anywhere, including the issuer's website, a commercial crowdfunding platform or portal	Borrower's own website, a crowdfunding platform or portal