**CROWD SOURCED FUNDING EQUITY RAISING**

Crowd Sourced Funding Equity Raising for small proprietary companies is now available in Australia without requiring a proprietary company to convert to an unlisted public company.

The UK, Europe, USA, Canada and New Zealand have been allowing their private companies to utilise crowd source funding equity raising for around six years. Australia has now caught up.

This is great news for company directors and shareholders of small medium enterprises who would like to expand their businesses, achieve new heights and achieve their dreams.

Eligible companies will have group annual turnover of less than $25 million and will have group assets valued at less than $25 million and will not be listed on a stock exchange or a financial market anywhere in the world.

There is no stipulated age requirement to raise crowd sourced funding equity raising nor is there any specified industry classification to be able to utilise crowd sourced funding equity raising.

Eligible companies will be able to raise up to $5 million during a twelve month period from the public – if the public is prepared to support the company and its capital raising activities.

The first thing to identify will be whether your company is likely to fit one of the characteristics of companies that might be interested in trying to raise crowd sourced funding equity raising. We have identified eight characteristics including:

1. A fast-growing ambitious business!
2. A business that wants to expand!
3. A company that wishes to acquire other businesses!
4. A company with a “big audacious idea” that could be very successful but the directors will need to ensure that a Business Plan, Budget and Cash Flow Forecast has been prepared for the “audacious idea” and that the deal “stacks up”!
5. The company may have large debts that have been financed on other people’s assets e.g. “mother-in-law’s” house. The benefactor may require the title deed back – the company could consider raising capital to pay out the loan, return the title deed and save interest payments and the “tension” that utilising someone else’s asset to borrow funds for a business can cause.
6. The company may have a succession problem because the founder has reinvested all of the company’s profits back into the business over the years with the very little been contributed to a superannuation fund. The founder probably had a view that his/her business was their “superannuation fund”. However, the strategy now might be to encourage a son, daughter or other family member to take over the business but there is insufficient funds available to give the founder access to money. Raising capital via a crowd sourced funding equity raising process may be the answer for the company to acquire some money that could be utilised to enable the founder to retire with dignity.
7. The company may have developed new products processes or services but is unable to present itself as a company that might be able to raise capital as an Early Stage Innovation Company because of the company’s age (over three years), expenditure (over $1 million in the last twelve months) or income (over $200,000 in the last twelve months). In this case raising capital as a crowd sourced funding company could be a solution.
8. A company with a CEO who has an exciting vision and the determination to implement that vision.

There could be other key characteristics of companies that could make those companies attractive candidates to be able to raise crowd sourced funding equity raising.

The journey will not be easy – “no gain without pain”. Most companies will require advice from an accountant who has familiarised himself/herself with all aspects of the crowd sourced funding equity raising processes (and the accountants who subscribe to ESS BIZTOOLS [www.essbiztools.com.au](http://www.essbiztools.com.au) are able to assist in this process) and a lawyer to guide the company through the legal processes relating to the preparation of the Crowd Sourced Funding Offer Document.

The opportunity to raise capital as a small proprietary company commences from 19 October 2018.

We will supply you with details of the information that you will need as a company director / shareholder to undertake this journey over the next few weeks.

A complete overview of the process for a company to utilise crowd sourced funding equity raising will be presented in the Corporate Governance Network Webinar/Workshop series commencing with Webinar/Workshop Number 3 which is being presented on **Monday, 22 October 2018** with the recorded version of the webinar being available from **30 October 2018**. For more information on the Corporate Governance Network please [click here](https://www.esssmallbusiness.com.au/index.php?option=com_content&view=article&id=2015&Itemid=739).

If you require any further information on Crowd Sourced Funding Equity Raising as it applies to small proprietary companies or small public companies please contact us: