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Crowdfunding beckons to budding filmmakers

By CATHERINE LACKNER

The Internet has changed the face of nearly every business, and now people are connecting online in a way that can create new opportunities for budding filmmakers and other arts entrepreneurs.

Crowdfunding is the process of raising small sums of money from many people. Joseph A. Spiriti Jr., an attorney with the Caserta & Spiriti firm, told an audience at this year's Miami International Film Festival.

"It's very different from having a physical sponsor," said Mr. Spiriti. "It's fast. You are raising small amounts of money from many people."

Entrepreneurs create a concise pitch for their project on popular sites like EarlyShares, Kickstarter, IndieGoGo and Fundable. For contributors, there is usually some sort of tangible return. Someone who invests a small amount might get an M3 or a DVD of the finished work, while a backer with deeper pockets could get have an onscreen part written in.

"Crowdfunding forces you to focus on your story, because if you can't sell your project, it's probably not going to work," said Andy Shefter, a producer and director who is an adjunct professor at the University of Miami.

The money reaches the entrepreneur in different ways.

In the "all or nothing" approach, money is only taken

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from investors if a fundraising goal is met on schedule.

In the "keep it all" model, all pledged money (minus commission) reaches the recipient, whether or not the fundraising goal is met. If he or she can't finish the project, the investors might or might not get their money back.

The "bounty" method is simpler — the money is given to whoever can complete the project.

"An investment via crowdfunding is no different than any other type of business investment," said Richard Wolfe of Wolfe Law Miami P.A. "There has to be some kind of document that spells out the terms, spells out the nature of the business partnership.

"The whole idea of crowdfunding is to make a much broader appeal to include many more investors who are going to invest small dollars," he explained. "The reason it came about is that it used to be so expensive to prepare documents that would pass muster with the Securities & Exchange Commission. This eliminates the costs and the procedure that a promoter would have to undertake before he or she can get the money."

For now, crowdfunding may just be for startups and cash-strapped entrepreneurs. Mr. Wolfe said in his own entertainment law practice, "people have talked about it, but no one has seen anyone successfully complete a project this way."

