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ABOUT THIS RESEARCH

This research report provides an in-depth analysis of crowdfunding market trends and composition, and an overview of Crowdfunding Platforms (CFPs) that explains their functionality and the different models at play.

The report is based on two sources of data; the Crowdfunding Industry Survey, conducted in the first quarter of 2012 by Crowdsourcing.org with analyses conducted by Crowdsourcing LLC’s research and advisory business, massolution; and significant research conducted via other reliable sources to complete the profiling of the global crowdfunding industry. This research is the first in a series of reports aimed at providing reliable and factual information on the global crowdfunding industry.

We received over 170 responses to our industry survey where we selected participants from Crowdsourcing.org’s Directory of Crowdfunding Sites which contained 452 active crowdfunding platforms at the time the survey was conducted. As the basis for the analyses, we selected 135 submissions from CFPs that we determined were comprehensive and of high-integrity. The 135 submissions provided extensive data relating to CFPs crowdfunding volumes, operations and key constituents (e.g., Funders and Fundraisers) for the calendar years 2009, 2010 and 2011. Our analyses of this rich data set has resulted in this research report on the crowdfunding industry.

THE REPORT CONTAINS FOUR SECTIONS:

1. An overview of massolution’s methodology for data gathering and analysis.
3. An overview and categorization of crowdfunding models.
4. An analysis of the value proposition, functionality and approach.
FOUNDING RESEARCH SPONSOR

Ellenoff Grossman & Schole LLP is a New York City-based law firm consisting of 60 professionals; 35 of which are Securities Lawyers. We represent nearly 50 public companies and numerous private companies in various industries. We are proud to be the Founding Sponsor of Crowdsourcing.org and are institutionally committed to the Crowdfunding industry and being part of its success.

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Over the history of the Firm, we have developed an expertise in establishing novel securities programs (like SPACs, Registered Directs, PIPEs and Reverse Mergers) and we expect to make a similar impact on Crowdfunding.

Our industry expertise includes: information technology, software development, biotechnology, medical devices, financial services, alternative energy, consumer products, and business services throughout the world. We represent portals and entrepreneurs, investment managers, broker dealers, hedge funds, investment banks, real estate developers (leasing, financing, and buy/sell) and work on numerous corporate and partnership tax issues. The Firm also has a strong commercial litigation department that supplements our other practice areas. The Firm has clients throughout the world including Greece, England, the Netherlands, China and India and Israel.

In 2011, EG&S was ranked #1 in PIPEs/Registered Directs (agent’s counsel); #1 in SPAC Practice (total offerings and business combination representations) and #4 for IPOs (issuer counsel).

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GATE Technologies, LLC is an innovative technology company that creates new market infrastructure for the financial service industry. By developing fully integrated electronic marketplaces, GATE has created a complete end to end solution by combining a regulatory compliant transactional platform, settlement and clearing services with global connectivity, enabling investors and institutions to trade the most complex alternative assets with confidence. GATE seeks to improve capital formation for lower middle market issuers and social enterprises while bringing a broad range of market participants access to impact investments and information.

GATE Technologies gives market participants the transparency, efficiency and liquidity they need to view all market activity, ensuring regulatory oversight while standardizing processes in which transactions and settlement occur. [www.gatetechnologies.com](http://www.gatetechnologies.com)

GATE Impact LLC is the impact investing-focused subsidiary of GATE Technologies, LLC. GATE Impact offers utility and infrastructure to the rapidly emerging crowdfunding industry, providing market infrastructure and related services for the emerging impact investment industry – public and private investments with a substantial social and/or environmental component that also generate a healthy rate of financial return. GATE Impact builds on the technology foundation of the GATE Platform, a regulatory-compliant market infrastructure for the transacting of restricted, illiquid and alternative assets. The technology was developed to meet or exceed all regulatory standards and is easily adapted to handle both primary and secondary transactions in new asset classes. [www.gateimpact.com](http://www.gateimpact.com)

The GATE Platform is a sophisticated yet user friendly technology that is uniquely positioned to exploit the rapidly emerging opportunity to bring transparency, price discovery, and liquidity to illiquid/alternative asset classes globally.
J.H. Cohn has been actively monitoring the marketplace’s reaction to the 2012 Jumpstart Our Business Startups Act (“JOBS Act”), including Crowdfunding. Through the progression of the JOBS Act, the Firm has participated in dialogue with market innovators and interested investors. For companies following this migration with interest, we offer updates, insight on how companies can prepare to take advantage of all aspects of the JOBS Act, and access to organizations and market leaders spearheading the movement to develop this alternative capital source.

One of the leading accounting and consulting firms in the United States, J.H. Cohn LLP specializes in audit, accounting, tax, and business consulting services for public and private companies and not-for-profit organizations. Since 1919, the Firm’s philosophy has remained constant: to provide a highly personalized approach to each client, with intelligent guidance and solutions driven by technical and industry expertise that positively affect client profitability and growth. J.H. Cohn has cultivated a reputation for strategic insight, proactive leadership, unwavering integrity, and a genuine concern for clients and their businesses.

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516-336-5501
We would like to thank the participating companies for an unprecedented response and for providing extensive data.
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PARTICIPATING CFPs

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The Early Stage Marketplace
PARTICIPATING CFPs

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IdeaVibes
EarlyShares
Ekjaa
FirstGiving
CineCrowd
RicebowlProject
Respekt.net
fondomat
Moodle
faithfunder
GreaterGood
Schrijversmarkt.nl
CrowdCulture
Idea
INTERACTOR
KEY MESSAGES

1. INTRODUCTION AND METHODOLOGY

We analyzed a statistically significant data set based on direct submissions from 135 CFPs, equating to 39% of the market on a funds-raised basis. Secondary research provided an additional 56% of the market estimate and further extrapolations of the remaining 5% provided the total market estimate.

2. MARKET GROWTH AND COMPOSITION

As of April 2012, based on Crowdsourcing.org’s Directory of Sites, the most complete database of crowdfunding sites, there were 452 crowdfunding platforms active worldwide. The majority of them are in North America and Western Europe. Together, these platforms raised almost $1.5 billion and successfully funded more than one million campaigns in 2011.

3. CROWDFUNDING MODELS

Equity-based and lending-based crowdfunding (i.e., for financial return) is most effective for digital goods (e.g., software, film and music). These categories, on average, raised the largest sum of money per campaign.

Donation-based and reward-based crowdfunding for cause-based campaigns that appeal to funders’ personal beliefs and passions perform best (e.g., environment).

4. CFPs VALUE PROPOSITION, FUNCTIONALITY & APPROACH

The primary revenue model for crowdfunding platforms is percentage based commission on funds paid out to entrepreneurs. A few also generate income by offering white label solutions and cash management by maintaining responsibility for netting and settlements.

Our research shows that campaign metrics such as launch to fund (L2F) differ greatly between crowdfunding models.
Massolution defines four categories of crowdfunding platforms (CFPs):

- Equity-based crowdfunding
- Lending-based crowdfunding
- Reward-based crowdfunding
- Donation-based crowdfunding

Our survey respondents were asked more than 30 detailed questions relating to the participants on their platforms, the functionality of their platforms and their fundraising activities for the calendar years 2009, 2010 and 2011. Further data was gathered via direct communications with 135 CFPs and significant secondary research. The survey was conducted under strict non-disclosure rules; hence all the data in this report is aggregated or averaged.

Our research identified that nearly US$1.5B was raised by crowdfunding platforms globally in 2011. The participating CFPs represent a significant portion of the crowdfunding market, collectively accounting for more than US$575 million of funds raised. Further secondary research identified another US$872 from additional sources. Finally, to complete our estimate of the overall size of the market, we developed a forecasting methodology to identify an additional US$68 million of funds raised via crowdfunding platforms.

The sample of participating CFPs survey respondents is very diverse and therefore we are able to compare and contrast the characteristics of the different types of crowdfunding models and compare each individually by region. The data set represents all four categories of crowdfunding across all regions of the world. Although our sample is robust and statistically significant, we also used additional sources to present a holistic view of the crowdfunding market.

We ensured the accuracy of our analyses by excluding questionable data and incomplete responses. Where applicable, this is indicated alongside the charts by showing the sample size of respondents used for each element of analysis.
THERE WILL BE OVER 530 CFPs BY DECEMBER 2012

NUMBER OF CFPs WORLDWIDE (Based on a sample of 348 CFPs)
Indexed percentage: 2007 is 100%

<table>
<thead>
<tr>
<th>Year</th>
<th>Growth</th>
<th>CFPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>100%</td>
<td>536</td>
</tr>
<tr>
<td>2008</td>
<td>138%</td>
<td></td>
</tr>
<tr>
<td>2009</td>
<td>200%</td>
<td></td>
</tr>
<tr>
<td>2010</td>
<td>294%</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>452%</td>
<td></td>
</tr>
<tr>
<td>2012 (Est.)</td>
<td>557%</td>
<td>470%</td>
</tr>
</tbody>
</table>

1 Estimates are based on historical market projections and do not take into account extraordinary events, (e.g., passing of US Crowdfunding legislation) which are, based on available data, unpredictable.

Source: Based on Crowdsourcing.org Directory of Sites as of April 2012

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FOUR TYPES OF CROWDFUNDING PLATFORMS EXIST: EQUITY-BASED, LENDING-BASED, REWARD-BASED, AND DONATION-BASED

There are four major types of crowdfunding platforms: equity-based, lending-based, reward-based, and donation-based. Our classification is based on the funders’ primary motivation for engaging in crowdfunding.

We classify equity-based crowdfunding as a model in which funders receive an interest in the form of equity in the venture they fund or, alternatively, revenue or profit-share arrangements.

We classify lending-based as a crowdfunding model in which funders often receive fixed periodic income and expect repayment of the original principal investment.

In stark contrast to equity-based and lending-based models, reward-based and donation-based models are characterized by non-financial motivations for engaging in crowdfunding.

Reward-based crowdfunding allows funders to gain a non-financial benefit in return for financial contributions. Non-monetary rewards often take the form of a token of appreciation or the pre-purchasing of products or services.

Donation-based crowdfunding provides funders with a way to donate to causes that they want to support, with no expected compensation (i.e., philanthropic or sponsorship based incentive).
CFPs THAT PARTICIPATED IN THIS RESEARCH REPRESENT ALL KEY REGIONS AND ALL CATEGORIES OF THE CROWDFUNDING MARKET

Reflecting ratios consistent with the overall composition of the crowdfunding marketplace from a category perspective, 50% of our survey participants represented reward-based platforms.

Geographically, just over 50% of our survey participants represented European platforms, with 30% representing North American platforms. While this over represents European platforms when compared to the overall composition of the crowdfunding marketplace from a regional perspective, the size of our sample is still statistically relevant.

Note: When we refer to Other Regions our research does not include a data set from CFPs in Asia (e.g., China) were non-English language versions of platforms prohibited us from analyzing this market.

Source: Massolution
CFPs THAT DIRECTLY PARTICIPATED IN THIS RESEARCH ACCOUNT FOR A SIGNIFICANT PORTION OF THE MARKET IN TERMS OF TOTAL FUNDS RAISED

The participating CFPs represent a significant portion of the crowdfunding market in terms of total funds raised, collectively accounting for more than US$575 million or 39% of funds raised in 2011. This sample alone addresses more than one-third of the total amount of funds raised worldwide in 2011.

Although our survey data is, in its own right, statistically significant, additional reliable sources identified a further 64% of the total market and a valid methodology was used for estimating the remaining 5% of the market. This has enabled massolution to present the most complete view, to date, of the total crowdfunding market.

Composition of funds raised by participating CFPs

<table>
<thead>
<tr>
<th>Composition by category</th>
<th>Percentage, 100% = $575 million</th>
</tr>
</thead>
<tbody>
<tr>
<td>DONATION-BASED</td>
<td>49%</td>
</tr>
<tr>
<td>EQUITY-BASED</td>
<td>18%</td>
</tr>
<tr>
<td>REWARD-BASED</td>
<td>11%</td>
</tr>
<tr>
<td>LENDING-BASED</td>
<td>22%</td>
</tr>
</tbody>
</table>

Composition by region

<table>
<thead>
<tr>
<th>Region</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH AMERICA</td>
<td>82%</td>
</tr>
<tr>
<td>EUROPE</td>
<td>10%</td>
</tr>
<tr>
<td>OTHER REGIONS</td>
<td>8%</td>
</tr>
</tbody>
</table>

Source: Massolution
Market growth and composition by funds raised:

- Almost $1.5 billion was raised by CFPs world-wide in 2011.
- North America was the largest market for fundraising at $837.2m which equated to more than half of all the funds raised globally.
- Funds raised grew at a 63% CAGR over the last 3 years, primarily driven by donation-based and lending-based platforms. Reward-based platforms are growing at a rate of 524% but from a smaller base ($1.6m funds raised in 2009).
- While the CFPs formed some years ago are still growing in terms of funds raised, new market entrants are securing a larger relative percentage of new funds raised, consistent with a high growth, early stage industry.
- Funds pledged to funds paid-out in aggregate has declined slightly over time; donation-based CFPs pay-out a much higher percentage of funds pledged.

Market growth and composition by number of CFPs:

- As of April 2012, 452 CFPs were operating globally.
- Market composition in each category varies significantly by region (e.g., reward-based and equity based platforms are higher in numbers in Europe than in North America).
- Reward-based is the largest category in terms of overall number of CFPs, while equity-based is the fastest-growing category by net year-on-year growth.
- North America leads other regions in terms of the total number of crowdfunding platforms; however Europe, based on a higher rate of regional growth, is gaining percentage share within the market in aggregate.

Market growth and composition by number of campaigns:

- More than 1 million successful campaigns were run by CFPs in 2011.
- The majority of these campaigns were in the donation-based category totaling 1067 million, but equity-based campaigns were, on average, much larger in size in terms of funds raised.
ALMOST $1.5 BILLION WAS RAISED THROUGH CFPs IN 2011 WITH OVER 50% RAISED IN NORTH AMERICA

TOTAL FUNDS RAISED
Millions of US dollars, 2011

- NORTH AMERICA: $837.2M
- EUROPE: $583.9M
- OTHER REGIONS: $48.8M
- WORLDWIDE: $1,469.9M

Source: Massolution
TOTAL FUNDS RAISED GREW AT 63% CAGR, PRIMARILY DRIVEN BY THE DONATION-BASED AND LENDING-BASED CATEGORIES

The crowdfunding market is growing at the rate of 63% CAGR.

Donation-based platforms are responsible for the largest source of funds raised through crowdfunding, but they are also the slowest-growing category.

Reward-based platforms show very high growth at 524%, but from a very low base of close to $1.6m in 2009.

Equity-based platforms are growing at a rate of 114%, primarily in Europe.

GROWTH IN FUNDS RAISED BY CATEGORY

Millions of dollars, based on a sample of 92 CFPs which equates to 95% of the total market.

Source: Massolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Donation-Based</th>
<th>Reward-Based</th>
<th>Lending-Based</th>
<th>Equity-Based</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>530</td>
<td>175.1</td>
<td>328.9</td>
<td>6.6</td>
</tr>
<tr>
<td>2010</td>
<td>854</td>
<td>316.5</td>
<td>460.4</td>
<td>15.7</td>
</tr>
<tr>
<td>2011</td>
<td>1,401</td>
<td>552.0</td>
<td>675.7</td>
<td>61.5</td>
</tr>
</tbody>
</table>

63% CAGR
43% CAGR DONATION-BASED
524% CAGR REWARD-BASED
78% CAGR LENDING-BASED
114% CAGR EQUITY-BASED
TOTAL FUNDING VOLUME IS EXPECTED TO DOUBLE IN 2012, DRIVEN BY ABOVE-AVERAGE GROWTH IN EQUITY-BASED AND REWARD-BASED CROWDFUNDING

$1,470 million
Estimate total funding volume for 2011.
$1,401 million verified by primary and secondary research.
Additional $68 million estimated on the basis of our crowdfunding site database.

$2,806 million
Estimated total funding volume for 2012. Our forecasts equate to:
- 300% growth in equity-based and reward-based crowdfunding
- 75% growth in lending-based
- 50% growth in donation-based crowdfunding.

GROWTH IN WORLDWIDE FUNDING VOLUME
(millions of dollars) Research based estimate

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (Est.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>REWARD-BASED</td>
<td>530</td>
<td>854</td>
<td>1,470</td>
<td>1,063</td>
</tr>
<tr>
<td>DONATION-BASED</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>LENDING-BASED</td>
<td></td>
<td></td>
<td></td>
<td>1,013</td>
</tr>
<tr>
<td>EQUITY-BASED</td>
<td></td>
<td></td>
<td></td>
<td>472</td>
</tr>
<tr>
<td>GROWTH</td>
<td>61%</td>
<td>72%</td>
<td>91%</td>
<td></td>
</tr>
</tbody>
</table>

Source: Massolution
NORTH AMERICA IS THE REGION THAT RAISED THE LARGEST AMOUNT OF FUNDS AND CONTINUES TO SHOW THE FASTEST GROWTH

North America is the region that raised the largest amount of funds at $783.5m in 2011. North America is also showing the fastest growth out of all the regions, overtaking Europe in the total amount of funds raised in 2010.

European CFPs, though not significantly behind their North American counterparts, are growing in terms of funds raised at the slower rate of 40%.

GROWTH IN FUNDS RAISED BY REGION

Millions of dollars, based on a sample of 92 CFPs which equates to 95% of the total market

Source: Massolution
NEWER MARKET ENTRANTS HOLD 23% OF MARKET SHARE

Early-entrants to the crowdfunding industry (defined as mature platforms which are more than four years old) were the key sources of growth and volume and account for just over 77% of the total market in 2011.

Newer-entrants (between two and four years old) now account for approximately a quarter of the total funds raised. Startups however (defined as companies less than two years old) contribute a very limited amount of the total funds raised during their first two years in operation.

TOTAL FUNDS RAISED BY CFP MATURITY
Millions of dollars, based on a sample of 92 CFPs, 2011

100% = $1,401 million

STARTUPS
0.2%

NEWER ENTRANTS
22.7%

MATURE
77.2%

Source: Massolution
THE TOP TEN PLATFORMS GLOBALLY BY REVENUE ACCOUNT FOR MORE THAN 80% OF THE TOTAL FUNDS RAISED

In all regions, a small number of large CFPs dominate the crowdfunding market in terms of total funds raised. A significant concentration of funds raised by the large CFPs is demonstrated by the fact that more than two-thirds of the total funds raised globally are contributed by the top five CFPs (by revenue).

The concentration of funds raised by the leading CFPs is the highest in Europe, where the top five platforms contribute 95% of the total funds raised. This number is only increased to 97% by considering contributions of the top ten platforms.

The overall market concentration is considerably lower in general than the market concentration in specific regions. This can be accounted for by the fact that the larger CFPs are very region centric.

CONCENTRATION OF FUNDS RAISED ON CFPs
Percentage, based on the total market of 452 CFPs

<table>
<thead>
<tr>
<th>Region</th>
<th>TOP 5 CFPs</th>
<th>TOP 10 CFPs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td>67%</td>
<td>83%</td>
</tr>
<tr>
<td>Other Regions</td>
<td>96%</td>
<td>96%</td>
</tr>
<tr>
<td>Europe</td>
<td>95%</td>
<td>97%</td>
</tr>
<tr>
<td>North America</td>
<td>73%</td>
<td>89%</td>
</tr>
</tbody>
</table>

Source: Massolution
FUNDS PLEDGED TO FUNDS PAID OUT DECLINED OVER TIME; DONATION-BASED CFPs HAVE THE HIGHEST PLEDGED TO PAID OUT RATIO

The ratio of funds pledged to funds raised declined over the last two years, from 89% to 79%. This can be explained by a significant entry of new platforms.

Lending-based platforms show the highest funds pledged to funds paid out ratio out of all the categories, while reward-based platforms show the lowest. North American investments show the highest funds paid out ratio at 82%.

### FUNDS PLEDGED AND PAID OUT

**Millions of dollars, sample of 92 CFPs**

<table>
<thead>
<tr>
<th>% PAID OUT</th>
<th>89%</th>
<th>83%</th>
<th>79%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL FUNDS</td>
<td>1,767</td>
<td>1,402</td>
<td>854</td>
</tr>
<tr>
<td>2009</td>
<td>593</td>
<td>1,015</td>
<td>1,402</td>
</tr>
<tr>
<td>2010</td>
<td>530</td>
<td>854</td>
<td>1,402</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUNDS BY CATEGORY</th>
<th>75%</th>
<th>88%</th>
<th>50%</th>
<th>79%</th>
</tr>
</thead>
<tbody>
<tr>
<td>EQUITY-BASED</td>
<td>162</td>
<td>113</td>
<td></td>
<td></td>
</tr>
<tr>
<td>LENDING-BASED</td>
<td>629</td>
<td>552</td>
<td></td>
<td></td>
</tr>
<tr>
<td>REWARD-BASED</td>
<td>123</td>
<td>61</td>
<td></td>
<td></td>
</tr>
<tr>
<td>DONATION-BASED</td>
<td>854</td>
<td>676</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUNDS BY REGION</th>
<th>82%</th>
<th>77%</th>
<th>75%</th>
</tr>
</thead>
<tbody>
<tr>
<td>NORTH AMERICA</td>
<td>961</td>
<td>784</td>
<td>744</td>
</tr>
<tr>
<td>EUROPE</td>
<td>572</td>
<td></td>
<td></td>
</tr>
<tr>
<td>OTHER REGIONS</td>
<td>62</td>
<td>47</td>
<td></td>
</tr>
</tbody>
</table>
MORE THAN 450 CFPs ARE ACTIVE WORLDWIDE; THE MAJORITY BASED IN NORTH AMERICA AND EUROPE

Source: Based on Crowdsourcing.org Directory of Sites as of April 2012
IN TERMS OF NUMBER OF CFPs, EUROPE GREW AT APPROXIMATELY TWICE THE COMPOUND ANNUAL GROWTH RATE OF NORTH AMERICA FROM 2007 TO 2011

While North America is currently the largest market in terms of the overall number of crowdfunding platforms with about 10% more platforms than Europe, Europe has achieved a 59% compounded annual growth rate over the last six years. This is more than twice the compounded annual growth rate in platforms in North America.

Other regions (primarily Latin America and Australia) showed much slower compounded annual growth over the last six years (25%).

Note: This research was conducted during the active debate in the US Congress over the JOBS Act, which contained a provision for a crowdfunding exemption. The passing of this exemption will likely have a profound effect on growth of CFPs in the equity-based category in the United States.
REWARD-BASED IS THE LARGEST CROWDFUNDING CATEGORY, WHILE EQUITY-BASED IS THE FASTEST GROWING

The reward-based category is the largest crowdfunding category in terms of number of CFPs, and also grew at the high rate of 79% CAGR.

The lending-based category is the smallest in terms of the number of platforms.

 Donation-based and lending-based crowdfunding are growing at a similar pace, significantly lower than that of the reward-based category.

The equity-based category shows the fastest growth rate, at 114%, and is mostly driven by growth in the number of European platforms.

GROWTH IN NUMBER OF CFPs BY CATEGORY
Based on a sample of 143 CFPs

Note: This research was conducted during the active debate in the US Congress over the JOBS Act, which contained a provision for a crowdfunding exemption. The passing of this exemption will likely have a profound effect on growth of CFPs in the equity-based category in the United States.

Source: Massolution
MARKET COMPOSITION, BY NUMBER OF CFPs, VARIES SIGNIFICANTLY BY CATEGORY ACROSS REGIONS

Market composition, in terms of the number of crowdfunding platforms, varies significantly by regions.

North America, predictably, has a very low proportion of equity-based platforms at only 6% (see note), due to regulations. The largest number of North American CFPs (almost half) are in the donation-based category.

European CFPs focus on reward-based platforms (47%), larger than the second and third categories combined with equity-based and lending-based platforms collectively totaling 44% of the European market.

Other regions show a significant preference for reward-based platforms, with approximately two-thirds of all CFPs in that category.

Note: Participants in our survey included North American CFPs offering equity-based investments to Accredited Investors or revenue or profit-share arrangements.

Source: Massolution
MORE THAN 1 MILLION SUCCESSFUL FUND-RAISING CAMPAIGNS WERE RUN BY CFPs IN 2011

TOTAL NUMBER OF CAMPAIGNS, 2011

- WORLDWIDE: 1,187K
- NORTH AMERICA: 532K
- EUROPE: 654K
- OTHER REGIONS: 1K

Source: Massolution
THE MAJORITY OF CAMPAIGNS ARE IN THE DONATION-BASED CATEGORY, BUT EQUITY-BASED CAMPAIGNS RAISE MUCH LARGER AMOUNTS

Donation-based crowdfunding accounts for the overwhelming majority of the campaigns, primarily due to relatively low average size of the donation campaign.

The reward-based category shows the fastest growth in terms of the number of campaigns, albeit off a low base.

The equity-based category features a low number of campaigns in relative terms, but with a much higher average amount of funds raised per campaign.

NUMBER OF CAMPAIGNS BY CATEGORY
Millions of campaigns, based on a sample of 92 CFPs

AVERAGE CAMPAIGN SIZE
US dollars

Source: Massolution
Massolution defines four types of crowdfunding platforms:

- Equity-based crowdfunding,
- Lending-based crowdfunding,
- Reward-based crowdfunding, and
- Donation-based crowdfunding.

Crowdfunding for financial return (i.e., collectively, equity-based and lending-based crowdfunding) is most effective for digital goods such as applications or computer games, films, music, or literature. It also raises the largest sums of money per campaign. More than 80% of the campaigns in this category raise above $25,000.

Donation-based and reward-based crowdfunding for cause-based campaigns that appeal to funders’ personal beliefs (e.g., environment, community, faith) and passions perform best. Donation-based and reward-based crowdfunding for art and performing arts projects drive less funding volume than the mainstream media suggests. The campaigns in these categories are much smaller, with two-thirds of them generating less than $5,000.
CROWDFUNDING FOR FINANCIAL RETURN IS PRIMARILY DIRECTED TOWARD PROJECTS THAT CAN BE EASILY DESCRIBED ON THE INTERNET

Equity-based and lending-based crowdfunding performs well for software, Internet, high-tech and media.

We believe this is the case because:

• Digital projects present well on crowdfunding platforms;
• They appeal to Internet savvy investors that are drawn to the online social experience of crowdfunding;
• Investors can easily associate with the content, products and services being funded.

Source: Massolution

ALLOCATION OF CAPITAL
Percentage, based on a sample of 19 CFPs, 2011

SOFTWARE, INTERNET 43%
COMPUTERS, TELECOM 14%
MEDIA 7%
ENVIRONMENT 6%
CONSUMER PRODUCTS 5%
OTHER 24%

Source: Massolution
EQUITY-BASED CROWDFUNDING RAISES THE LARGEST AMOUNT OF FUNDS PER PROJECT

Equity-based crowdfunding produce the largest amount of funds raised on a per-project basis.

Only 6% of the funds raised on equity-based crowdfunding platforms were raised for projects that drew less than $10,000 of funding in total. Meanwhile, 21% of the funds raised by equity-based platforms were raised for projects that drew $250,000 or more in funding.

Large sums can be raised via equity-based crowdfunding platforms; crowdfunding shows to be a viable alternative for raising capital to fund small businesses and start-ups.

Note: Our calculations do not reflect the number of projects for a specific funding range, but rather the total number of funds raised for projects that fall within a specific funding range.

FUNDS PAID OUT PER EQUITY-BASED PROJECT

Percentage, based on sample of 10 CFPs, 2011

- <$10,000: 6%
- $10,001-$25,000: 10%
- $25,001-$50,000: 16%
- $50,001-$100,000: 26%
- $100,001-$250,000: 21%
- >$250,001: 21%

Source: Massolution
DONATION-BASED AND REWARD-BASED CROWDFUNDING PERFORM WELL FOR CAUSES THAT APPEAL TO FUNDERS’ BELIEFS AND PASSIONS

Donation-based and reward-based crowdfunding have been most successful for causes that appeal to funders’ personal beliefs and passions (e.g., religion).

While funding for the arts and performing arts receives more attention from the media, these sectors drive less volume. Funding for artists, etc., have raised a lower amount in terms of total dollars than crowdfunding directed towards causes that help people in need, the environment, health, or faith based causes.

Source: Massolution

ALLOCATION OF CAPITAL
Percentage, based on sample of 33 CFPs, 2011

- HEALTH, ENVIRONMENT 30%
- RELIGION 16%
- FILMS, MUSIC, ETC 9%
- COMMUNITY 8%
- EDUCATION 7%
- OTHER 30%

Source: Massolution
DONATION-BASED AND REWARD-BASED CROWDFUNDING DRAW LOWER LEVELS OF FUNDING PER PROJECT THAN LENDING-BASED AND EQUITY-BASED PROJECTS

Donation-based and reward-based crowdfunding generally attract less funding per project than equity-based or lending-based crowdfunding.

Of the funds raised on donation-based and reward-based crowdfunding platforms, 63% are paid out to projects that draw less than $5,000 in funding. Only 10% are paid out to projects that draw more than $10,000 in funding. The remaining 27% of all funds raised by donation-based and reward-based crowdfunding platforms are paid out to projects that raise between $5,000 and $10,000.

FUNDS PAID OUT PER PROJECT FOR DONATION-BASED AND REWARD-BASED PROJECTS

Percentage, based on a sample of 25 CFPs, 2011

Source: Massolution
Most crowdfunding platforms generate revenue by charging a percentage commission on funds paid out to fundraisers. This commission is typically calculated from the total funds raised, and/or based on achieving a “fully-funded” goal.

Commissions are generally lower in North America compared with other regions and Europe, likely reflecting a higher degree of competition.

While technology licensing is a less frequent source of revenue, a number of platforms generate additional income by offering white label solutions for which they charge a fixed license fee and maintenance fee.

In contrast to popular belief that the first 25% of funds take longer to raise than the last 25%, our data shows it takes 2.84 weeks on average, across all categories, to raise the first 25% of the funding goal and 3.18 weeks on average to raise the last 25% of the funding goal. Lending-based campaigns take approximately 50% less time to complete than equity-based or donation-based campaigns.

Approximately 45% of all CFPs require investors to deposit money in escrow accounts. 63% use PayPal as a payment method.

Platform reliability (i.e., up-time) is a differentiating factor of choice for reward-based CFPs. Equity-based and lending-based platforms focus on reputation. The ability to request or accept funds from countries, other than the home country of the CFPs is an important differentiating factor for donation-based and reward-based CFPs.
OVER 40% OF CFPs CHARGE A TRANSACTION FEE BASED ON A PERCENTAGE COMMISSION OF FUNDS PAID OUT

CFPs generate revenue by charging a transaction fee, determined as a percentage commission on funds paid out to fundraisers. Commissions range from 2% on the lower end to a maximum of 25% on the upper end. A commission is calculated from the total funds raised, and/or based on achieving a “fully-funded” goal.

Commissions are generally lower in North America and Europe (average 7%) than in other countries (average 8%). We believe that this reflects a higher degree of competition in North America and Europe compared with other countries. We did not observe notable differences between different types of platforms, or between recently founded and older platforms.

An additional source of income with some CFPs (12% of our survey respondents) is to charge funders a fixed fee, in the region of $15 (median), per campaign.

Note: In the accompanying chart, totals do not add up to 100% for each geographic area, as CFPs were able to present their approach to both partially-funded and fully-funded campaigns. For instance, a number of platforms charge higher commissions for partially-funded campaigns, but still pay-out funds raised to fundraisers even if a funding goal is not reached.

COMMISSIONS EARNED BY CFPs
Percentage, based on a sample of 60 CFPs

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>42%</td>
<td>58%</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>EUROPE</td>
<td>36%</td>
<td>64%</td>
</tr>
<tr>
<td>OTHER REGIONS</td>
<td>33%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Based on funds raised

<table>
<thead>
<tr>
<th>Geographic Area</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>47%</td>
<td>53%</td>
</tr>
<tr>
<td>EUROPE</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>OTHER REGIONS</td>
<td>78%</td>
<td>22%</td>
</tr>
</tbody>
</table>

Source: Massolution
APPROXIMATELY 25% OF CFPs OFFER WHITE LABEL CROWDFUNDING SOLUTIONS

About a quarter of all CFPs offer white label solutions to generate additional revenue, sometimes retaining responsibility for back-office netting and settlements.

The one-off setup fee for white label solutions ranges from $3,500 (reward-based platform solution) to above $100,000 (equity based platform solution) based on a sample of 12 survey respondents. The median of all responses was $15,000.

Furthermore, 11 survey respondents indicated that they charged a fixed monthly maintenance fee for white label solutions. This fee ranged from $150 on the lower end (reward-based platform solution) to above $10,000 on the upper end (equity based platform solution). The median of all responses was $1,500.
THE ROLE CROWDFUNDING PLATFORMS PLAY IN THE TRANSACTION BETWEEN FUNDERS AND FUNDRAISERS IS DIFFERENT ACROSS REGIONS

The majority of platforms in our sample require parties to enter into a contract but do not become a contract party themselves. In Europe, 71% of platforms require contracts between the parties and 91% of platforms in other regions require contracts.

There are notable differences among regions and with different types of platforms. In North America, only 39% of platforms indicate that they require contracts between funders and fundraisers.

A minority of platforms become a party to the contract with 37% of European platforms and 30% of platforms from other regions becoming a contract party. In contrast, in North America, only 12% of platforms become a contract party if funding occurs.

CFPs LEVEL OF INVOLVEMENT IN CONTRACTS

Percentage, based on sample of 70 CFPs

<table>
<thead>
<tr>
<th>Region</th>
<th>Yes (All)</th>
<th>Yes (North America)</th>
<th>Yes (Europe)</th>
<th>Yes (Other Regions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL</td>
<td>66%</td>
<td>39%</td>
<td>73%</td>
<td>87%</td>
</tr>
<tr>
<td>NORTH AMERICA</td>
<td>29%</td>
<td>12%</td>
<td>37%</td>
<td>29%</td>
</tr>
<tr>
<td>EUROPE</td>
<td>29%</td>
<td>12%</td>
<td>37%</td>
<td>29%</td>
</tr>
<tr>
<td>OTHER REGIONS</td>
<td>66%</td>
<td>39%</td>
<td>73%</td>
<td>87%</td>
</tr>
</tbody>
</table>

Source: Massolution
LAUNCH TO COMPLETION TIME OF LENDING-BASED CAMPAIGNS IS ON AVERAGE HALF THAT OF EQUITY-BASED AND DONATION-BASED CAMPAIGNS

The time from launch to completion is about half as long for projects posted on lending-based platforms as it is for projects posted on equity-based and donation-based platforms. Projects posted on reward-based crowdfunding platforms take on average, approximately 10 weeks from launch to completion.

Interestingly, reaching the first 25% milestone and the last 25% milestone usually takes a similar amount of time for all types of platforms. In fact, the final 25% on average takes slightly longer than the first 25% on all types of platforms. These statistics lead us to believe that campaigns on average do not accelerate after certain milestones. This finding contradicts previous studies, and some high profile notable exceptions, that found that funding accelerates toward the end of a project.

Source: Massolution
MOST FUNDERS PARTICIPATE IN NO MORE THAN ONE OR TWO CAMPAIGNS

Nearly 90% of funders have participated in only one or two crowdfunding campaigns. Only 7% of funders have participated in between three and five campaigns, and only 4% have participated in more than five campaigns.

As the majority of funders have participated in two or less crowdfunding campaigns, it is reasonable to conclude that:

- The majority of funders are in-fact, non-prolific, or
- Funders do not express a preference towards a particular crowdfunding platform.

Nearly 17% of fundraisers have raised money via the same platform more than twice. Furthermore, survey respondents indicated that 4% of their fundraisers have raised money via their platform in excess of three times.

Fundraisers that are going to crowdfund for a second time or more seem to be more willing to use the same CFP. Funders on the other hand either engage in crowdfunding only once or show less loyalty towards a particular platform.

Source: Massolution
APPROXIMATELY 45% OF ALL CFPs REQUIRE INVESTORS TO DEPOSIT MONEY IN ESCROW ACCOUNTS

 Approximately 45% of crowdfunding platforms require investors to deposit money in escrow accounts. There are no notable differences between different categories of crowdfunding platforms or between different regions.

The majority of platforms that require entrepreneurs to deposit money use PayPal as a payment method. Meanwhile, 41% offer other forms of payment services, and 30% of platforms directly establish an escrow account.

Escrow accounts are particularly popular for “all-or-nothing” crowdfunding models that only pay out funds for projects surpassing a minimum funding threshold. By establishing an escrow account, platforms can make sure that funders live up to their funding commitment, and that investees are not able to access funds before target funding thresholds are reached.

At current rates, it is unlikely that interest earned from escrow accounts significantly adds to CFPs earnings.

PAYMENTS METHODS OFFERED
Percentage, based on sample of 36 CFPs

<table>
<thead>
<tr>
<th>PAYMENT METHOD</th>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>PayPal</td>
<td>67%</td>
<td>33%</td>
</tr>
<tr>
<td>Other Financial Institutions</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Directly Established</td>
<td>70%</td>
<td>30%</td>
</tr>
</tbody>
</table>

Source: Massolution

DEPOSITS IN ESCROW ACCOUNT REQUIRED
Percentage, based on sample of 75 CFPs

<table>
<thead>
<tr>
<th>YES</th>
<th>NO</th>
</tr>
</thead>
<tbody>
<tr>
<td>45%</td>
<td>55%</td>
</tr>
</tbody>
</table>
Platforms from all categories tend to require minimum pledges from funders. The minimum amount accepted differs greatly between categories: approximately $60 for equity-based and lending-based platforms (based on a sample of 14 CFPs), $3 for reward-based platforms (based on a sample of 13 CFPs), and $8 for donation-based platforms (based on a sample of 8 CFPs).

In total however, only 13% of donation-based platforms impose a minimum threshold on the amount to be raised by fundraisers, whereas with equity-based and lending-based platforms, 67% and 70% respectively require a minimum amount. For equity-based platforms, this amount is typically in the region of $100,000 (based on a sample of 5 CFPs). For lending-based platforms, it is about $1,000 (based on a sample of 7 CFPs). About 50% of reward-based crowdfunding platforms require a minimum, which is around $150 (based on a sample of 10 CFPs).

Donation-based platforms are most likely to set maximum levels of borrowing by the fundraiser.

Many lending-based platforms also set minimum level of interest for funders.
FUNDRAISERS ARE TYPICALLY REQUIRED TO DEVELOP A ‘BUSINESS PLAN’ AND DESCRIBE PERSONAL AND COMPANY BACKGROUND

Most crowdfunding platforms ask entrepreneurs to describe their personal and company background. This is the most common requirement entrepreneurs need to comply with when pitching a project on a crowdfunding platform.

The second most important requirement is to provide a plan for how funds will be used (a business plan). Counter-intuitively, fewer lending-based platforms than donation-based platforms ask investees for this information. This may be the case because donation-based platforms are more concerned with fraud. Knowing how the money will be allocated is the only motivation for funders to donate.

REQUIREMENTS FOR ENTREPRENEURS
Percentage, based on sample of 101 CFPs

Source: Massolution
PLATFOR M RELIABILITY IS CRITICAL FOR REWARD-BASED PLATFORMS; EQUITY-BASED AND LENDING-BASED PLATFORMS FOCUS ON REPUTATION

Different types of crowdfunding platforms focus on different distinguishing factors. We asked survey participants to rank eight possible differentiating factors from 1 (highest) to 8 (lowest). The chart shows what percentage of answers ranked the highest.

Access to investors was not consistently ranked as a top differentiating factor and was ranked as one of the least important factors by equity-based and lending-based sites.

Success ratio (i.e., percentage of campaigns that achieved their funding goal) also did not rank high.

Reputation, however, scored consistently high. Combining this result with the score of “access to investors” leads us to believe that reputation is primarily important for fundraisers but not for funders. Platform reliability is a particularly important differentiating factor for lending-based and reward-based platforms.

MOST COMMON DIFFERENTIATING FACTORS FOR CFPs (1 OF 2)
Percentage answering ‘Yes’, based on a sample of 59 CFPs

<table>
<thead>
<tr>
<th>Access to Investors</th>
<th>Reliability</th>
<th>Success Ratio</th>
<th>Reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>ALL 34%</td>
<td>17%</td>
<td>0%</td>
<td>33%</td>
</tr>
<tr>
<td>Equity-based 33%</td>
<td>38%</td>
<td>46%</td>
<td>13%</td>
</tr>
<tr>
<td>Lending-based 32%</td>
<td>17%</td>
<td>13%</td>
<td>0%</td>
</tr>
<tr>
<td>Reward-based 14%</td>
<td>33%</td>
<td>21%</td>
<td>6%</td>
</tr>
<tr>
<td>Donation-based 33%</td>
<td>0%</td>
<td>0%</td>
<td>25%</td>
</tr>
<tr>
<td>All 34%</td>
<td>38%</td>
<td>46%</td>
<td>13%</td>
</tr>
<tr>
<td>Equity-based 33%</td>
<td>38%</td>
<td>46%</td>
<td>13%</td>
</tr>
<tr>
<td>Lending-based 32%</td>
<td>17%</td>
<td>13%</td>
<td>0%</td>
</tr>
<tr>
<td>Reward-based 14%</td>
<td>33%</td>
<td>21%</td>
<td>6%</td>
</tr>
<tr>
<td>Donation-based 33%</td>
<td>0%</td>
<td>0%</td>
<td>25%</td>
</tr>
</tbody>
</table>
DONATION-BASED AND REWARD-BASED CFPs OFTEN PROMOTE THEIR GEOGRAPHIC REACH

Low transaction costs are an important stated differentiating factor for lending-based and reward-based platforms. Low costs are ranked less highly for equity-based platforms. This can be explained by the importance of high-touch support for entrepreneurs and limited choice of platforms. It suggests that equity-based platforms currently are not at the point of needing to standardize in order to scale beyond standard platform functionality and therefore can currently demand a price premium for a differentiated service.

Platform focus (i.e., concentration within a specific niche) is very important for all types of platforms. Given that access to investors did not score very high as a differentiated value-add, focusing on a specific niche may be an important element of the CFPs value proposition when appealing to fundraisers.

Finally, geographic reach is an important differentiating factor for donation-based and reward-based platforms, but is less important for equity-based and lending-based platforms which often operate within legally defined jurisdictions together with an investor bias towards investing in ventures in familiar markets and regions.

MOST COMMON DIFFERENTIATING FACTORS FOR CFPs (2 OF 2)

Percentage answering ‘Yes’, based on a sample of 59 CFPs

Source: Massolution
## APPENDIX 1: GLOSSARY

<table>
<thead>
<tr>
<th>TERM</th>
<th>DEFINITION</th>
</tr>
</thead>
<tbody>
<tr>
<td>CAGR</td>
<td>Compound Annual Growth</td>
</tr>
<tr>
<td>Crowdfunding platform (CFP)</td>
<td>An operator of a funding platform that facilitates monetary exchange between funders and fundraisers.</td>
</tr>
<tr>
<td>Crowdfunding campaign</td>
<td>An initiative to raise funds via a CFP.</td>
</tr>
<tr>
<td>Donation-based crowdfunding</td>
<td>Crowdfunding model where funders donate to causes that they want to support, with no expected compensation (i.e., philanthropic or sponsorship based incentive).</td>
</tr>
<tr>
<td>Equity-based crowdfunding</td>
<td>Crowdfunding model in which funders receive compensation in the form of fundraiser’s equity-based or revenue or profit-share arrangements.</td>
</tr>
<tr>
<td>Funded campaign</td>
<td>A crowdfunding campaign that has achieved its funding goal and completed distribution of funds.</td>
</tr>
<tr>
<td>Lending-based crowdfunding</td>
<td>Crowdfunding model in which funders receive fixed periodic income and expect repayment of the original principal investment.</td>
</tr>
<tr>
<td>Pledged funds</td>
<td>Amount of money that has been committed by funders to crowdfunding campaigns. Pledged funds may turn into raised funds if a campaign is successful.</td>
</tr>
<tr>
<td>Posted campaign</td>
<td>A crowdfunding campaign that has a stated funding goal, posted on a CFP and open for fundraising.</td>
</tr>
<tr>
<td>Raised funds</td>
<td>Amount of money that has been distributed through a CFP within a stated period of time.</td>
</tr>
<tr>
<td>Reward-based crowdfunding</td>
<td>Crowdfunding model in which funders’ primary objective for funding is to gain a non-financial reward such as a token or in the case of a manufactured product, a first edition release.</td>
</tr>
</tbody>
</table>
APPENDIX 2: CROWDFUNDING MARKET SIZE ESTIMATION METHODOLOGY

In millions of US dollars

- **SURVEY RESPONDENTS**: $575
- **LARGE CFPs**: $827
- **SMALL CFPs**: $68
- **TOTAL MARKET**: $1,470

**CFPs that provided their total raised funds in the survey, or reported it publicly. This number is factual; it was reported without any modification.**

**Each CFP was modelled individually based on key metrics, market growth dynamics and other characteristics for a number of large CFPs that did not provide data in order to estimate the total funds.**

**The average amount of funds raised by small platforms by category and by geography was calculated and multiplied by the number of small CFPs that did not participate in the survey.**

**Final reported number for 452 CFPs**
ACKNOWLEDGEMENTS

We would like to thank the participating CFPs for an unprecedented response and for providing extensive data. We would like to express a special thanks to the following CFPs for their participation in the survey.

**Gerrit Ahlers** who is currently enrolled as a dual degree student at McCombs School of Business (MBA, The University of Texas at Austin) and WHU – Otto Beisheim School of Management in Vallendar, Germany (MSc). Gerrit joined the massolution research team in December 2011 and assisted in the data collection and analysis. (gerrit@crowdsourcing.org)

A special thanks to our Founding Research Sponsor, **EG&S**, and our Research Sponsors, **GATE** and **J.H. Cohn**, who, with their support, have enabled the broad distribution of this report.

**Crowdfunding Professional Association** (CFPA) for the dedication to the facilitation of a vibrant, credible and growing crowdfunding community and the mission to advocate on behalf of the industry. Uniting a broad-based coalition of industry participants, the association is committed to supporting research essential to the credible development of the industry and to establishing the highest ethical standards. The association’s collaborations and insights are shared broadly to avoid onerous, stifling bureaucracy that can endanger innovation, idea generation and job creation.

FUTURE RESEARCH

If you would like to apply to participate in future research initiatives as an analyst or sponsor, please contact us.

www.crowdfundingprofessional.org

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For crowdsourcing, massolution provides research and analysis covering Crowdsourcing Service Providers (CSPs), use cases and the adoption of crowdsourcing by enterprises.

For crowdfunding, massolution provides research and analysis covering Crowdfunding Platforms (CFPs), fundraisers or entrepreneurs, and funders or investors.

massolution’s unique data assets, fact-based research and proprietary intellectual property, drive forward-looking and actionable insights that inform the strategies and operations of business leaders and market stakeholders.

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