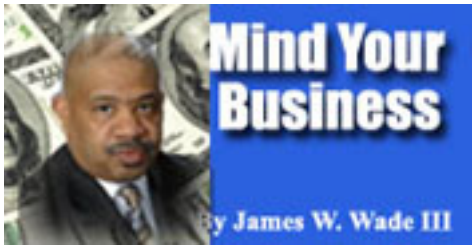

Crowd funding is a promising way for startups to raise money from small investors but there are a number of issues you need to be aware of before you take the plunge.

What is crowd funding?

As we wrap up Black History Month, let me say that everyday and month we can be proud of what Black's have accomplished in any area. When you see great names like Connie Harper, Julian Earls, Rev. Hilton Smith, the honorable Louis Stokes and Sen. Nina Turner, to name a few, honored at Greater Abyssinia Towers on the Wall of Fame makes you proud to know them.

So a special shout out to every Black person who has contributed to making life better for all of us. There are so many unsung heroes who never get any special recognition or plaques for doing what they love to do.

In the business world, there are so many places that have been making their customers happy each year. Continue to read the Call & Post as I feature some of these great businesses within the community.

Do you have a dream of owning your own business? Leaving a legacy in this world that people will remember you by, like creating an epic video game, recording a great music album, or the next social network to take the world by storm?

It never hurts to dream big, right?

I never could understand why my father didn't become an entrepreneur. He helped so many minority businesses back in the day and I would have loved to have grown in the business with him.

But, for those who are ready to bust out the gate running, I will end my series about becoming a business owner with another method of funding. You need capital to make any business work.

I told you last week that I would be talking about crowd funding, a new stream of raising money. Crowd funding financing describes the collective effort of individuals who network and pool their money, usually via the Internet , to support efforts initiated by other people or organizations.

Crowd funding is used in support of a wide variety of activities, including disaster relief , citizen journalism
, support of artists by fans, political campaigns,
startup company
funding, movie or
free software
development, inventions development and scientific research.

The main difference between crowd funding and donations is that crowd funding is tied to the American JOBS act that **allows online sales of small stock to a huge pool of investors**, although the act has not been passed yet. Nonetheless, you can still embrace the crowd funding method to raise your project funds, as long as you don't sell any kind of stock.

Crowd funding can also refer to the funding of a company by selling small amounts of equity to many investors. This form of crowd funding has recently received attention from policymakers in the United Stateswith direct mention in the JOBS Act , legislation that allows for a wider pool of small investors with fewer restrictions.

Crowd funding has its origins in the concept of crowd sourcing , which is the broader concept of an individual reaching a goal by receiving and leveraging small contributions from many parties. Crowd funding is the application of this concept to the collection of funds through small contributions from many parties in order to finance a particular project or venture.

2012 was quite a year for the crowd funding industry.

In April, President Obama signed the JOBS Act into law, which will open up equity-based crowd funding for unaccredited investors. In May, the Pebble E-Paper Watch set a crowd funding record and gained national media headlines, raising over $10 million on donation-based crowd funding site Kickstarter.

While researching about crowd funding sites, I found out that – although we are still in the very early innings of crowd funding – Kickstarter has jumped out into a commanding lead among donation based crowd funding portals. Since Kickstarter's inception, campaigns on the site have successfully raised $371 million while the distance between Kickstarter and the field keeps widening in theUS(at least).

While Kickstarter can be successful as the Amazon.com of crowd funding, other donation sites will need to differentiate and own a particular niche to stay relevant, similar to what happened in the social media, flash sale site and countless other web industries. Differentiation will mean improving upon the status quo for all of its users.

Not everyone is sold on crowd funding, some compare it to a crap shoot and will not put much stock in its longevity. "I am not that impressed with the method and would want to learn more about it before I would even consider it," said Don Graham.

I read an article in Forbes that said "By the end of this year, there will be an estimated 500+ crowd funding platforms worldwide, which is up 60 percent from 2011, driven by the explosion of equity-based portals after the passage of the JOBS Act. One key reason that there will be consolidation? Because the JOBS Act is likely to require equity based portals register with FINRA as broker dealers (disclosure: CircleUp supports that). Becoming a broker-dealer is a non-trivial process and not all of the portals will make it through."

I sit around some days and wonder how did we do so many things prior to technology. Seems hard to remember us running to pay phones to call someone when we were not at home. Cell phones have spoiled us big time.

With the internet we send minutes from board meeting or schedule meetings electronically instead of the old way of mailing letters or making phone calls. So the point to all this is, if you can think of it, some way or another you can achieve it.

Crowd funding is a promising way for startups to raise money from small investors but there are a number of issues you need to be aware of before you take the plunge. So make sure you do your due diligence before you take that leap of faith.

Follow me on twitter @JimmyWadeIII

Write Wade at the Call & Post, 11800 Shaker Blvd., Cleveland, OH, 44120, or e-mail him at jwade@call-post.com.
Comments and questions are welcome but, because of the volume of mail, personal responses are not always possible. Please note that comments or questions may be used in a future column.