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Crowdfunding has its pitfalls for entrepreneurs [The Stamford Advocate, Conn.]

July 27--If a privately funded entrepreneur experiences an early failure, not many outside of his circle of investors need to know about it. If an entrepreneur gathers funding through Kickstarter, however, or any of the other Internet-based sources that are gaining popularity, then the information is potentially available to thousands of people.

This is one of the aspects of crowdfunding, or gathering a wide array investors through the Internet, which can have its drawbacks and its benefits, said Mark Nowotarski, president of Darien-based Markets, Patents and Alliances LLC.

Nowotarski will discuss crowdfunding at Fairfield University on Tuesday, outlining the basics of what he believes is an opportunity to open new channels for funding a startup idea.

"It opens up a new source of funding that you haven't had before," Nowotarski said. "It's a new source of money to help you get started. That's the important thing."

Though Kickstarter has been a popular avenue for funding creatively minded projects, the recently enacted Jobs Act gives potential startup businesses avenues to smaller contributions from a wider range of investors, he said. Instead of approaching two angel investors for substantial funding, for example, an entrepreneur can use crowdfunding to source 20 investors for smaller contributions.

"The Jobs Act makes it available for more people to invest in companies for part ownership or a payment of some interest," Nowotarski said. "It's opened up to many people who have some money to invest but would not be considered a qualified investor."

Nowotarski's discussion is sponsored by the Inventor's Association of Connecticut and the university's school of engineering, in part to inform engineering students about crowdfunding.

Dr. Douglas Lyon, association president and chairman of the computer engineering department at the university, said he hopes to encourage students to get involved with crowdfunding to finance their projects.

"We're hoping to get students to think more like business people and not just plain engineers," he said. "Students create a lot of prototypes, but rarely commercialize them."

Crowdfunding, aside from providing easier access to capital, can be a testing ground for an idea's marketability, Lyon said.

"It's much better to go straight to the marketplace with your ideas and let the marketplace make the decision," he said.

That said, Nowotarski stressed that success on a site like Kickstarter doesn't necessarily equate to marketplace success, nor does lackluster online funding denote real-world failure.

"You can learn a lot about what people think of your idea, but it's just one avenue," he said.

Concerns have been raised about crowdfunding, as there are no regulations in place following passage of the Jobs Act. Mark Pruner, president of the Web Counsel LLC in Greenwich, said the method of funding concerns him.

"Crowdfunding is based on the Internet, which has no borders and no specific rules," Pruner said. "Conceptually, it's great. As a practical matter, I think there's some real issues. What it needs is more time for regulatory agencies to accept it."

Nowotarski will discuss "Crowdfunding Your Invention -- One Year Later" at 7 p.m. Tuesday at the Fairfield University Dolan School of Business dining room (104A). Admission is free. For information, visit <http://www.inventus.org/>.

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