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FEEDBACK AND SUGGESTIONS, PLEASE

DPO Case Histories

Thousands of companies large and small began their early funding using a Direct Public Offering (DPO)

AeroGrow International:

Raised \$2.5 million in a Direct Public Offering

Aerogrow used these funds to complete their product R&D, file eleven patents, recruit a world-class management team and formulate a three year game plan for reaching \$100 million in sales. The combination of the excitement of their products and the size of the market potential, along with the credibility of the management team, allowed AeroGrow to go public on NASDAQ, raising an additional \$11.5 million – before it had even launched their first product.

Using the momentum of those funds, AeroGrow blasted the airwaves with their national infomercial and 60-second spots, creating huge retail demand, allowing it to expand into over 10 thousand stores nationwide. AeroGrow also sold their products through TV retailing giants QVC and HSN while expanding internationally into the UK, Japan, Germany, Australia, South Korea, Mexico, along with several other European countries.

AeroGrow went from zero to \$87 million in cumulative sales in just three years with a NASDAQ market cap of \$145 million and returns of over 900% for early stage investors.

Annie's Homegrown:

\$3.6 million raised in a DPO in twelve months

Like coupons, the natural and organic food company put “tombstone” notices in boxes of macaroni and cheese to let customers know they were raising money to expand the company. Customers or prospects responded by requesting a prospectus by telephone, mail, e-mail or at Annie's website. The company raised \$3.6 million at \$6 per share in a year, and created an army of goodwill ambassadors among customers.

Ben & Jerry's:

Raised its first \$750,000 through a DPO

Ben & Jerry's then used these funds to build a new factory and to expand their marketing and distribution nationwide. The company followed up the Vermont-only Direct Public Offering with a \$5.8 million NASDAQ IPO just one year later. This additional capital allowed Ben & Jerry's the financial means to aggressively expand their sales & marketing and distribution nationally and internationally, becoming one of the founding “socially responsible” companies we know and love today.

The company later sold to Unilever for \$326 million, which still carries on most of the founders' traditions to day.

Blue Fish Clothing:

\$4 million raised in a DPO

Blue Fish Clothing, maker of hand-painted clothing in Frenchtown, NJ, completed a Direct Public Offering for \$4 million primarily to customers that believed in the organically grown, pesticide-free cotton clothing the company is known for. Colorful hangtags in the shape of fish were placed on all

of the clothing they sell, drawing a lot of inquiries from customers. The company announced an early end to the offering to create scarcity, and reached the maximum by the early completion date, with half of the investments made in the last few days.

Chinaberry, Inc:

\$675,000 raised in a DPO in ten months

Chinaberry is an international catalog company that offers family-centered books and other items. The objective with their Direct Public Offering was to be owned by employees, customers, and other investors who supported and shared their values. The offering was designed primarily to be marketed over for the internet. The company had a loyal customer base and announcements of the offering were included in catalogs and product shipments, as well as direct mail and email messages.

CityMade, Inc:

CityMade is a profitable, growth-stage company based in Buffalo, NY, that sells city-specific regional products and gifts. In an effort to secure working capital to expand to new cities worldwide, the company is offering 800,000 shares of common stock at \$1.25 share, for a total Direct Public Offering of \$1 million. Investments may be made online, by mail or via bank wire transfer. The offering is marketed online at the company's website, where qualified investors can register to receive a prospectus.

Cornerstone Bancorp:

\$5 million raised in a Direct Public Offering in thirty days

The community bank Cornerstone Bancorp raised \$5 million in a Direct Public Offering within thirty days from a mailing to customers and associates. The average investment was \$18,000.

Costco:

Costco used the funds from its first DPO to open three warehouses the first year in Seattle, Portland, Spokane, and six more in the second year. Capital from their funding gave them a war chest for marketing and PR which in turn gave them the look and feel of an inevitable success, allowing them to do an Initial Public Offering (IPO) just two years later, raising an additional \$29.8 million. With that amount of cash they built a head of steam and became the first company to grow from zero to \$3 billion in sales in less than six years.

Costco now has 540 warehouse stores and sales totaling \$76 billion in 2010.

Hahnemann Laboratories, Inc:

\$467,000 raised in a DPO in eight months

The pharmaceutical laboratory began selling shares 21 days after filing with the SEC. They raised \$467,000 with a Direct Public Offering in eight months from 242 investors. The offering was promoted to customers of a homeopathic bookseller and a homeopathic software company. The company received over 700 phone calls and closed about 35 percent of them.

JOMY:

\$1 million raised in a DPO in ninety days

Boulder, CO-based JOMY was a ten year old company that sold security ladders nationwide. The company was generating \$1 million in sales and had a history of profits. But the company needed to expand to meet pent up demand. JOMY was also a possible acquisition target with a substantial, diverse client list.

A personal sales letter was used to pique investor interest in coming to a sales presentation. The sales letter talked about the large untapped need for JOMY ladders, credibility of the company,

growth projections and potential of the expanded company. Investors from a variety of backgrounds were targeted with a personalized letter. In all, the sales letters brought in a sufficient number of investors to generate \$1 million for JOMY in ninety days. JOMY sales subsequently tripled over the next several years.

LaserLock, Inc.:

\$1 million raised in a DPO in sixty days

LaserLock provides authentication services and counterfeiting prevention cloud-based software. The company raised \$1 million in a DPO in just sixty days, from twenty investors the CEO knew. Eighty percent of the investors in contact with the CEO invested in the company.

Mendocino Brewing Company:

\$3.6 million raised in a DPO in six months

Hopland, Calif.'s Mendocino Brewing Company raised \$3.6 million in six months for a new brewery through word-of-mouth and cards placed in six-pack containers of ale. In addition, they also placed newspaper ads in the food section of the paper every weekend for a couple of months and caught the attention of investors.

Mentor Capital Consulting:

\$2.8 million raised in a DPO

AeroGrow International founder and CEO Michael Bissonnette also raised money from a DPO for MentorCap, a funding network to bring small businesses and investors together. Following a \$1.6 million private placement, MentorCap issued a Direct Public Offering that raised \$2.8 million from individual Colorado residents by using a direct mail campaign focused on specific types of investors and inviting them to investor preview evenings with the CEO.

Mirencos, Inc.:

\$650,000 raised in a DPO in ninety days

The fuel conservation company, Mirencos, Inc., raised \$650,000 using word of mouth alone with a Direct Public Offering. A subsequent intrastate public offering brought in \$10 million in under a year. The first \$340,000 came from existing shareholders, which was used to launch a ninety-day newspaper and radio campaign throughout Iowa to raise the balance.

NACEL Energy:

\$1.2 million raised in a DPO in sixty days

NACEL Energy Corporation is one of the first companies in the nation developing utility-scale wind power generation, sustainably and with local partners in the field. They were founded in February 2006 and by December 2007 had completed their first Direct Public Offering at \$1.2 million. They are actively traded under the symbol NCEN.

Omware:

Raised their first \$1 million through a Direct Public Offering.

They used these funds for an accelerated national sales push by both recruiting top sales and sales management talent and simultaneously expanding into four regional offices in Denver, Seattle, St. Louis and Atlanta.

Software giant Intuit bought Omware for \$42 million just eighteen months after their \$1 million DPO.

Original Beverage Corporation:

\$900,000 raised in a DPO in less than six weeks

The maker of Reed's Original Ginger Brew raised over \$900,000 with a Direct Public Offering in less than six weeks from a large customer base. Each bottle of ginger brew included a neck tag directing people to the company web site where they could download the offering documents.

The company followed up with a phone call within a couple days to answer questions and close the sale with the investor's credit card.

Portland Brewing:

\$7 million raised in four DPOs

The Portland, OR, brewery raised about \$7 million in four Direct Public Offerings, promising shareholders a free pint of beer a day for qualified investments. Only Oregon residents were eligible to invest in the first offering, for \$500,000, which sold out in three days based on a newspaper ad at Christmas time. A second offering for \$500,000 was extended to Washington residents. The company followed with two additional offerings, using both print ads and radio to effectively get the word out. The president and CEO of the company made personal calls to sell shares. The company's mailing lists were also used to advertise offerings.

Real Goods:

\$4.6 million raised in two DPOs

Real Goods, a Ukiah, CA, catalog direct marketing company selling alternative energy products, tapped its customers twice, raising \$4.6 million through two Direct Public Offerings. In both instances, the offerings were oversubscribed and numerous investors were turned down.

The Red Rose Collection:

Size of DPO Unknown

The Red Rose Collection is a mail order catalog business in Burlingame, California that sells clothing, jewelry, and personal growth products. Red Rose targeted its customers through an aggressive marketing campaign, including an advertisement of their stock in each catalog. Red Rose grew revenues from \$25,000 to \$14 million in a span of eleven years and was named to INC Magazine's 500 fastest growing privately-held companies for three straight years.

Spring Street Brewing:

\$1.6 million raised in the First National Internet DPO in less than thirty days

The New York-based brewery hosted a website for its Direct Public Offering and attached notices to six-packs of its Wit Ale urging customers to visit its site or call the company for more information, including a prospectus.

In one month, investors paid \$1.85 per share, investing a total of \$1.6 million for an interest in the microbrewery.

Tully's Coffee Corporation:

\$4.5 million raised in two DPOs in less than twelve months

The Seattle coffee company used radio, newspaper ads, and promotion through its retail stores to raise \$1.5 million in its first Direct Public Offering, and its second DPO brought in an additional \$3 million in less than a year.

Zap Power Systems:

\$2.5 million raised in a DPO

ZapWorld.com, a California maker of electric bikes and scooters, raised \$2.5 million with a Direct

Public Offering. Loyal customers invested in this socially responsible company. A company newsletter and web site was used to pitch the deal, which took a year to complete.

Z-Tech, Inc:

\$3.6 million raised in a DPO less than twelve months

Z-Tech, Inc., an innovative shoe company, did a mailing to their 10,000 customers, offering a free pair of shoes for a \$250 investment, three free pair for a \$500 investment and so on up to ten free pairs of shoes. The shoes retail for \$150 a pair. They ran radio and newspaper ads and conducted investment preview evenings. They raised \$3.6 million in a Direct Public Offering in under twelve months.

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