

# Case Study Proposal

## Republic

### What Is It

Republic is a start-up that offers early stage funding for other, carefully selected start-ups, including cryptocurrency creators. Two aspects of their business model are novel: 1. They acquire their investment capital via crowdfunding, much like Kickstarter. 2. They exploit recent changes to U.S. securities law that enable people of modest means to

participate in these crowdfundings (Various start-ups on their site accept various minimum investment amounts, but many start-ups accept investments of only a few hundred dollars.).

### Why This Matters

This kind of new business funding, whether or not it is done by Republic, has the potential to completely re-shape the entire start-up landscape. Historically, the US Securities and Exchange Commission would allow only the rich to make early stage investments in start-ups, which tended to restrict the founding of start-ups to those who knew rich people (or who struck it lucky on Sharktank!). As a result, founders tended to look like the existing pool of rich people, i.e. white, male, and located in California or New York.

With crowdfunders like Republic, however, a much wider group of potential founders has access to capital – and a much wider group of people have access to potentially lucrative, albeit enormously risky investments ([75% of startup's fail](#), in which case, investors lose all of their money.).

Business models such as Republic's are one step closer to crowdfunded initial public offerings (IPO's), which would erode, if not eliminate *the* core business of investment banks.

### Why This May Be Interesting

This case study would be a great opportunity to talk about the basic function of the financial system; namely, to funnel money from investors to companies who can do the best job of putting the invested funds to work. Many students will also be interested, in particular, in the process by which start-up's and cryptocurrency coin offerings raise money.

Technology clearly plays a vital role in Republic's business model: without modern internet and database technology, it would be impossible to access Republic's investing public and to process their small investments. There is also a role here for smart contracts, in that start-up investors realize returns when certain "trigger events", such as an IPO (initial public offering) or corporate acquisition, occurs.

Not only is Republic looking to hire, but they maintain a growing roster of rapidly expanding start-up

clients, many of whom could also use fresh talent.

### **Things to Keep in Mind for a Case Study**

- A discussion of crowdfunding, perhaps with a little history thrown in, most notably previous fundraising successes (See relevant links below)
- A discussion of how start-ups traditionally raise money, including
  - the role of angel investors,
  - the various funding rounds,
  - the (substantial) regulatory restrictions placed on investments prior to an initial public offering, most notably the distinction between accredited and non-accredited investors
- An overview of the internet technology required to process small investments, most notably payment processing systems
- The SAFE investment contract (which is decidedly risky!), CrowdSAFE (Republic's version of the SAFE), and how smart contracts fit in

### **Resource:**

- <https://www.fundable.com/learn/resources/guides/crowdfunding/what-is-crowdfunding> (an explanation of crowdfunding by a website trying to solicit funders)
- <https://en.wikipedia.org/wiki/Crowdfunding> (another, more impartial explanation of crowdfunding, with historical context, consideration of some economic issues, a more complete review of types of crowdfunding)
- <https://republic.co> (Republic's website)
- [https://en.wikipedia.org/wiki/Venture\\_capital\\_financing](https://en.wikipedia.org/wiki/Venture_capital_financing) (One of many Wikipedia pages on the process of funding of start-ups)
- <https://stripe.com> (Website of a leading internet payment processor, with some technical details about API's, etc.)
- <https://crowdsafe.info/calculator.html> (Website of Republic's CrowdSAFE contract)