



Written Testimony
Of

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To The

Committee on Oversight and Government Reform
United States House Of Representatives

"Crowdfunding: Connecting Investors and Job Creators"

September 15, 2011

Introduction

Good morning and thank you to Chairman McHenry, Ranking Member Quigley and members of this committee.

My name is Michael Migliozi. I am the Creative Director and Managing Partner of Forza Migliozi, an advertising and brand content agency.

I am honored to have my presence requested by this body. Any assistance, regardless of how small that I am able to contribute with ideas to unleash our economy leading to job creation and financial recovery, I am, without question, absolutely humbled to contribute what experience I have.

My journey to this point, if I might share, starts with a 4 year old boy in the hills of Naples, Italy. One of eleven children, whose mother scattered them across the landscape in the hope that their chances of survival would be greater. The setting is World War II.

This small boy and his brother, just a few years older, hid from the Nazi soldiers. In their retreat they were killing everything they came upon, animals, elderly men and women, children. As these two small boys saw Nazi soldiers coming their way, the elder of the two, able to climb a tree, needed to protect his brother.

Around them was the bloody carnage of war.

The elder brother, beyond his 9 years of age, took the blood of a fallen Nazi soldier and smeared it onto the 4 year old. He told him to lie below the tree and not to move. Not to breathe. Not until he told him to.

The 9 year old climbed the tree, with a rifle found on the ground, kept his eye on the approaching Nazis.

A Nazi soldier came upon the 4 year old and looked down at him, he then moved his body around with the bayonet attached to his rifle. Unknowingly he was in the crosshairs of a 9 year old who had his finger on a trigger.

What stopped this 9 year old from pulling the trigger?

The United States military on the horizon.

The 9 year old was my uncle. The 4 year old my Father.

15 years later, my father, flew to America, to meet his elder brother. What he met was the greatest country created.

He sought citizenship. He was sponsored. He learned the nation's language. He learned of George Washington. He became a citizen of the United States.

From my earliest memories, my father told me that America is the land of opportunity. That you can become whatever you want to become. Through hard work you will succeed.

I chose advertising.

I have had the unique opportunity to work with some of the smartest, pioneering, dream chasers and passionate people in business. As an ad man, it as though I am part psychologist, part bartender, part clergy. It is my work to sell their work.

My career path has taken me all around this great nation. North. West. East and south. Working for some of the best advertising agencies in the world. From New York City to Portland, Oregon. Creating campaigns for sneakers, soda, sports teams, credit cards, casinos, hotels, beer and many other categories.

For an ad man, the struggle and battle is to get to the reward of the big idea. The 24/7 quest to solve the problem at hand is never ending.

I came to realize that this is the struggle of the entrepreneur as well. The 24/7 cycle of commitment to your dream. The risk that might never see a reward. The fight to battle off fear of failure or maybe to look failure in the face and tell it to take a hike.

So a few years back I took my own advice and became an entrepreneur by opening my own advertising agency.

I now share the same challenges, the same roadblocks that many entrepreneurs face, regardless of size, purpose or industry. My business is wholly dependent on other businesses need to sell their product or services. They, dependent on an end consumer to sell to. The consumer, a pay check to spend with.

As we have seen, this cycle or the gears of this cycle have locked up.

Crowdsourcing in Advertising.

What is crowdsourcing? The best definition I have ever found goes something like this:

It is a "neologistic compound of Crowd and Outsourcing for the act of taking tasks traditionally performed by an employee or contractor, and outsourcing them to a group of people or community, through an "open call" to a large group of people (a crowd) asking for contributions."

Apparently, I have been doing this for quite some time.

Early in my career, I was tasked with creating a solution to benefit a children's AIDS foundation. This was still the days when this disease was something no one wanted to talk about, let alone acknowledge it existed. With no budget to

achieve their goals, the struggle became how to create an ad. No budget for media. No budget for production.

What I had was these children were receiving AIDS in ways no one expected.

It came down to a fax. While this might sound simplistic, the medium became the message and those receiving the fax had no idea they would be getting this fax much in the same way children were contracting AIDS. While its call to action was to donate, it also asked for this to be shared with others. And it was done so in droves. It won many advertising awards and accolades, but what it taught me was the truth is extremely powerful and a huge motivator for the crowd. Person to person. Mouth to ear.

Since that time, I've used crowdsourcing many times over the years, from launching a music single onto the charts for an artist to pitching the first ever crowdsourced Super Bowl spot.

BuyABeerCompany.com

In the fall of 2009, I read a New York Post article that Pabst Brewing Company was up for sale and the asking price was \$300 Million. In jest, via our corporate twitter account, I tweeted maybe we can crowdsource this and before I could even hit the send button, I knew this would be, at the very least, a great case study to evaluate crowdsourcing, its behavior, its magnitude.

My expertise is not in finance, economics nor law. My expertise is in effective branding, marketing, consumer behavior and possibly a little sideshow. Regardless of medium.

I am not here to confirm nor deny any of the findings of the Securities and Exchange Commission's cease & desist order. I was asked to be here to recount the important aspects of my experiment as it relates to funding companies, without traditional financial outlets and to highlight the success it had, not in theory, but in actuality.

Crowdsourcing meets crowdfunding.

This experiment was to answer many questions about crowdsourcing.

With such a large amount, a \$300 million asking price it would require the crowdsourcing vehicle to be easily partaken by all. Exclusively online.

The goal was to be stated as the focal point. A countdown starting at a mind boggling \$300 million, maybe not so mind boggling as we are hearing about trillions of dollars every day, but a very large amount just the same.

What was being asked of them? Their interest to join in the largest ever crowdsourced audience. That was all. Their interest came in the form of

providing their name, email address and a non-binding amount they were "pledging." And in caps "SEND NO MONEY."

It is important for me to state here, that at no time was any money ever received nor was there anyway for users to send money nor anyway for us to collect money.

How to create enough buzz to get this into the hands of others would be required? How long could the buzz be sustained? How would the user take control of the conversation to generate buzz.

Transparency. Any questions and their answers needed to be anticipated and answered by viewing the site.

Of course, at the onset of this experiment, there was simply no way to predict a positive outcome. Far too many variables.

A one page website is created, with full disclosure. A twitter account created. A press release circulated. This is on or about November 10, 2009.

By December 1, 2009 over \$14.75 million was pledged.

The amount of press, press about the concept, the ease of understanding, the "genius" of the experiment generated buzz, traffic, sharing that by the end of 2009 the amount of pledges had exceeded \$100 Million.

Christmas, New Year's passed. I was certain with the New Year, this would be old news.

By February 22, 2010 over \$200 million was pledged.

What was just an experiment was now taking up far too much of my time with press requests, some 150 articles written, radio interviews, by that point. There was an interest by media, users, etc. that this could happen. Could it? How? What steps would need to be taken?

Pledges were still coming in. Press was still writing about this. This experiment was turning into a solid case study and award winning one at that as it won for most innovative in the crowdsourcing competition at SXSW in 2010.

On March 24, 2010 I received a FedEx from the SEC, which led to the shuttering of BuyABeerCompany.com, those proceedings concluded on June 8, 2011.

Pabst Brewing Company was purchased on May 26, 2010 for about \$250 million according to the Wall Street Journal by investor C. Dean Metropoulos.

At the time of closing BuyABeerCompany.com over \$282 Million was pledged by over 7 million users, averaging \$38 per pledge.

Conclusion

I believe this illustrates the power of crowdsourcing, or as it is referred here specifically as crowdfunding.

What a powerful tool whereby the investor now becomes purchaser, brand steward, evangelist. Where the brand must answer to them and live up to their every expectation. Not as a simple financial tool, but as their expansion of buying into the brand.

This process could have been easily used for the sale of Hummer. GM, seeking to shed this division, was selling this American icon to China. While that \$150 Million deal fell through. I can't help but imagine if crowdfunding couldn't have not only saved this brand, but the jobs, the dealerships, the monies spent on R&D, the equity built into the marketing and brand loyalty by simply opening this up to the general public.

What had started as an experiment to test a hypothesis of the power of social media and the propelling of a crowd toward a common goal, had become a concrete and plausible way to do business in a landscape which moves rapidly and without harness.

For my purposes it gave me invaluable information on consumer behavior. Hopefully other aspects of this can provide light on how we can utilize this to fund, build, expand businesses, the economy leading to job creation.

The possibilities of crowdfunding for starting, expanding, and purchasing companies are never ending.

Thank you.

Michael Migliozi

Creative Director/ Managing Partner
Forza Migliozi

Michael Migliozi, born and raised in Brooklyn, NY, is an award winning Creative Director and managing partner of Forza Migliozi advertising in Hollywood, CA.

Michael began his career in advertising by being chosen by Advertising Age as one of the top creative up and comers. He has since criss-crossed the country gaining experience and creating for some of the best shops in the nation on such clients as NIKE, American Express, Coca-Cola, ESPN, Planet Hollywood Resort & Casino, to name just a few.

In 2007 Michael opened the independent Forza Migliozi, an advertising and brand content agency.

Michael's wide range of experience utilizes all mediums and he has created many firsts, from a viral fax to releasing a music single to radio via the internet in 2001, to the first ever attempt of a crowdsourced Super Bowl spot.

His campaigns for clients, for both large and small budgets are creatively charged and effective, garnering attention of consumers as well as the media.

Michael's vast advertising experience includes lifestyle, beverage, sports, entertainment, travel and hospitality industries and he believes the medium in many cases can be the message. He has led accounts from in the thousands to those in the \$100 million range.

Michael has spoken on numerous advertising industry panels as well as those focused on the future of business and the internet, social media and the rapidly changing global marketplace.

Committee on Oversight and Government Reform
Witness Disclosure Requirement – “Truth in Testimony”
Required by House Rule XI, Clause 2(g)(5)

Name:

1. Please list any federal grants or contracts (including subgrants or subcontracts) you have received since October 1, 2008. Include the source and amount of each grant or contract.

None

2. Please list any entity you are testifying on behalf of and briefly describe your relationship with these entities.

None

3. Please list any federal grants or contracts (including subgrants or subcontracts) received since October 1, 2008, by the entity(ies) you listed above. Include the source and amount of each grant or contract.

None

I certify that the above information is true and correct.

Signature:



Date: September 12, 2011
