

JOBS ACT

CROWDFUNDING BASICS

Summary of securities law changes allowing issuers to raise up to \$1 million from a large number of accredited and unaccredited investors by selling securities through a broker or SEC-approved funding portal.

Crowdfunding Basics	
Offering Threshold	An issuer (i.e., a company) may sell up to \$1,000,000 of securities in reliance on the crowdfunding exemption during any 12-month period.
Investment Threshold	<ul style="list-style-type: none">• For an investor with annual income or net worth below \$100,000, the investor's annual investment in crowdfunded securities is capped at greater of \$2,000 or 5% of the investor's annual income or net worth.• For an investor with annual income or net worth above \$100,000, the aggregate annual investment in crowdfunded securities is capped at 10% of the investor's annual income or net worth.
Crowdfunding Intermediaries	<p>Crowdfunding intermediaries may be either brokers or funding portals registered with the SEC and the SRO.</p> <ul style="list-style-type: none">• Brokers are subject to existing restrictions and regulations.• Intermediaries may not compensate promoters or finders and may not allow their officers or directors to take a financial interest in any issuer using their services.<ul style="list-style-type: none">○ Funding portals are prohibited from: (i) offering investment advice, (ii) soliciting transactions for securities offered on the portal, or compensating employees or agents for doing so, and (iii) holding investor funds or securities.
Issuer Information Requirements	<p><i>Initial Filing Information:</i> Issuers must provide the following information to the SEC in its initial filing and make the information available to its intermediary, potential investors and investors:</p> <ul style="list-style-type: none">(i) the name, legal status, and addresses of the business, and names of directors, officers, and significant shareholders,(ii) a business plan and description of the business,(iii) financial information that may, depending on the size of the business, include income tax returns and officer-certified financial statements, unaudited financial statements or audited financial statements,(iv) a description of the purpose and intended use of the funds, the target offering amount, and the price of the securities,(v) the ownership and capital structure of the business, including the terms of each class of the issuer's securities, risks of minority ownership and methods of valuation for the securities, and(vi) any other information required by the SEC. <p><i>Annual Information Requirements:</i> Issuers must provide the SEC and investors, through the crowdfunding intermediary, with annual reports on the results of the company's operations and financial statements for the prior year.</p>
Issuer Liability	An issuer, including its officers, directors or partners, can be liable for any material misstatements or omissions.
Issuer Restrictions	<p>Issuers are prohibited from:</p> <ul style="list-style-type: none">• advertising the securities, except for providing a notice that directs investors to the intermediary;• compensating any promoter of the securities, unless such compensation is fully disclosed.
Status of Securities	<p>Crowdfunded securities are:</p> <ul style="list-style-type: none">• considered "covered securities" exempt from state securities laws, regulations and fees;• restricted securities, subject to a one-year holding period, except when transferred under certain limited circumstances.

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