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JOBS Act (Jumpstart Out Business Startups-subject to change)

Purpose: To reduce SEC Registration requirements for Crowd Source Funding.

Crowd Source Funding: Using the internet to reach a large number of public small investors-current websites such as Kickstarter.com do not offer debt or equity-they just basically sell various products and services to avoid SEC issues totally.

Prior Problem: SEC requires registration (expensive at \$200,000 to 1 million) for **public** offerings of equity-which is only economical for large corporations; to be exempt from registration requires non-public equity offering (private placement-private equity) to accredited (wealthy) investors that the issuer has a prior relationship with-i.e. a small number of large investors-being just the opposite of crowd source funding-thus there was no economically practical avenue for a public offering for a small company without expensive SEC registration.

JOBS Act: To expand SEC registration exemptions to accommodate crowd source funding to do small public offerings;

- (1) up to \$1 million offering
- (2) up to 2,000 share holders (from 500) of which 500 can be unaccredited
- (3) up to 1 billion in annual revenue-5 year deferral on Sarbanes-Oxley
- (4) up to 5% invested annually of someone earning to \$100,000 annually
- (5) up to 10% invested annually of someone earning > \$100,000 annually
- (6) Stock resale restriction-1 yr rule/exceptions-issuer, accredited, family, death, divorce

There are still disclosure requirements that include; SEC abbreviated filing requirements for officers, major investors holding over 20%, business description, financials certified by company principal (for \$100,000 or less raised), financials reviewed by an independent CPA (for up to \$500,000 raised), business plan, financials certified by independent audit (for over \$500,000 raised), and registration of financial intermediaries (crowd source funding websites).

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