

Recent Rulings of National Significance: Regulation Crowdfunding Reporter

Unlocking the Potential of Crowdfunding: National Significance and Regulatory Updates

Regulation Crowdfunding has emerged as a game-changer in financing opportunities for small businesses and startups. Offering a new method of fundraising, it allows individuals to invest in promising ventures and receive equity in return. The Securities and Exchange Commission (SEC) governs this space, and its rulings have far-reaching implications. Recently, the Regulation Crowdfunding Reporter has covered several significant developments that are shaping the industry.

Ruling 1: Expansion of Crowdfunding Limits

In a revolutionary move, the SEC has expanded the maximum crowdfunding offering limit. This ruling raises the bar for businesses seeking crowdfunding capital, opening up opportunities for more substantial investments. Previously limited to \$1.07 million, Regulation Crowdfunding now allows companies to raise up to \$5 million in a 12-month period. This change ensures greater access to funding for businesses and expands the potential for investor returns.



Regulation Crowdfunding Reporter: Recent Rulings of National Significance

by Harshna H. Patel (Paperback – June 4, 2014)

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The SEC's decision to increase the funding cap is a major milestone for the industry. Businesses can now tap into a more significant pool of capital to fuel growth and drive innovation. It also aligns crowdfunding with other fundraising methods such as Regulation A+. The expanded limit attracts a broader range of investors who can participate in funding promising startups.

Ruling 2: Special Purpose Vehicles (SPVs)

To enhance investor participation, the SEC has approved the use of Special Purpose Vehicles (SPVs) in crowdfunding campaigns. SPVs act as intermediaries, pooling investments from multiple individuals into a single entity. This pooling mechanism simplifies the investment process and enables individual investors to participate in crowdfunding offerings more effectively.

REGULATION CROWDFUNDING FINISHES ITS FOURTH FISCAL YEAR WITH SOME IMPRESSIVE RESULTS

Industry Poised for Significant Growth



MAY, 2020

SPVs offer several benefits to both entrepreneurs and investors. For businesses, SPVs streamline the cap table management process by consolidating multiple individual investors into a single entity. This simplifies reporting and communications. Investors, on the other hand, enjoy greater liquidity and the ability to invest in diverse portfolios with reduced administrative burdens.

Ruling 3: Secondary Market Expansion

Prior to this ruling, crowdfunding investors faced challenges in selling or transferring their shares. The SEC's decision to expand the secondary market for crowdfunding investments has addressed this concern. Crowdfunding platforms can now operate secondary markets, allowing investors to sell or trade their shares before an exit event occurs.



This ruling greatly enhances the appeal of crowdfunding investments. By providing an exit strategy, it attracts investors who value liquidity and the ability to

realize returns prior to an IPO or acquisition. It also fosters increased transparency and investor confidence in the crowdfunding ecosystem.

Ruling 4: Integration with Traditional Offerings

Regulation Crowdfunding now allows businesses to combine crowdfunding campaigns with other fundraising methods, such as Regulation A+ and Regulation D offerings. This integration provides companies with more flexibility and expands their reach to a broader set of investors.



By leveraging multiple fundraising methods, businesses can tailor their capital-raising strategies to their specific needs. This ruling enables entrepreneurs to utilize crowdfunding to generate early-stage financial support while still utilizing traditional offerings at later stages. It significantly widens the investment opportunities for potential backers while meeting the evolving needs of entrepreneurs.

Ruling 5: Enhanced Investor Protection Measures

In an effort to bolster investor protection, the SEC has introduced various measures such as enhanced issuer disclosure requirements, mandated educational materials, and investment limits based on income or net worth.



These measures aim to ensure that investors are equipped with the necessary information to make informed decisions. By setting investment limits based on financial situations, the SEC seeks to minimize the potential risks associated with investing in high-risk ventures. These actions prioritize safeguarding investors' interests while fostering a healthy and regulated crowdfunding environment.

The recent rulings of national significance in the Regulation Crowdfunding space have disrupted the traditional financing landscape. The expansion of crowdfunding limits, of Special Purpose Vehicles, secondary market expansion, integration with traditional offerings, and enhanced investor protection measures are key milestones in the industry's evolution. These developments strengthen the crowdfunding ecosystem, providing businesses with more financing options and investors with greater opportunities to participate. As Regulation

Crowdfunding continues to evolve, it promises to unlock the potential of investing in promising ventures and democratize access to capital.



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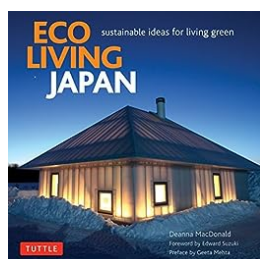
The JOBS Act requires the Commission to adopt a number of rules implementing crowdfunding, including the following: 1. Rules to carry out Section 4(6) and Section 4A of the Securities Act, pursuant to Section 302(c) of the JOBS Act; 2. Rules to provide for disqualifications of issuers, brokers or funding portals pursuant to Section 302(d) of the JOBS Act; 3. Rules to exempt, conditionally or unconditionally, the requirement for a registered funding portal to register as a broker or dealer under Section 15(a)(1) of the Exchange Act, pursuant to Section 304(a) of the JOBS Act; and U.S. Securities and Exchange Commission; 4. Rules to exempt, conditionally or unconditionally, securities acquired in crowdfunding transactions from the scope of Section 12(g) of the Exchange Act, pursuant to Section 303 (b) of the JOBS Act. In addition, Title III authorizes the Commission

to adopt such additional rules as may be appropriate to implement the crowdfunding provisions under Title III. This is the first issue of a monthly chronicle summarizing and commenting on Regulation Crowdfunding; we are initially relying heavily on comments submitted to date by the .Federal Regulation of Securities Committee of the Business Law Section of the American Bar Association.



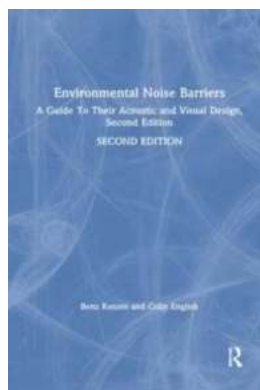
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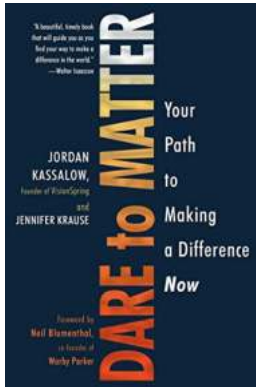
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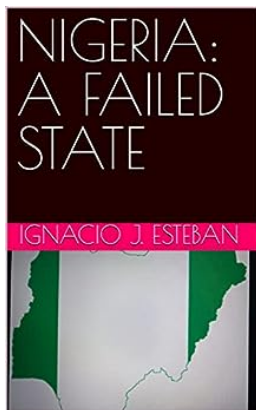
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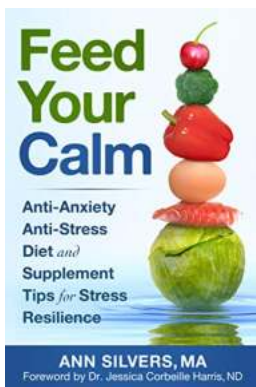
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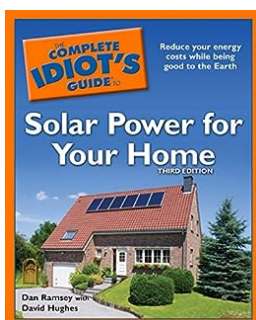
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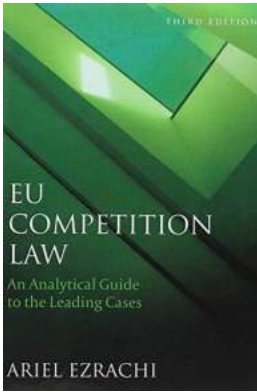
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