
Regulation Crowdfunding

Date: 11/04/13

Recently, the Securities and Exchange Commission (“SEC”) voted 5-0 to approve the release of proposed Regulation Crowdfunding (the “Proposed Rule”) under the JOBS Act. Crowdfunding is the process of raising money with relatively small contributions through the Internet. The contributions typically solicited in this manner take the form of donations or pre-purchases of a resulting product with no expectation of investment return on the part of those who contribute. The use of this approach is due to the fact that a general solicitation offering the public an opportunity to make an investment would usually involve the time and expense of complying with the requirement to register a public offering under the Securities Act of 1933 (the “Securities Act”), as well as compliance with state securities, or Blue Sky, laws. As part of the JOBS Acts enacted in April 2012, Congress sought to expand crowdfunding to “provide startup companies and other small businesses with a new way to raise capital from ordinary investors.”

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