

## **Update on the JOBS Act – Bruce E. Methven**

This is a brief update on the status of the JOBS Act. The SEC has said that it will have the regulations for public advertising of Rule 506 offerings out by the end of the summer. It has also said that it will have the regulations for crowdfunding out by December 31. Here's a quick review of these two provisions.

### **Rule 506 Advertising**

- To advertise a company must give up sophisticated investors for the offering; only accredited investors are allowed.
- Until the regulations are issued, it's not clear what sort of advertising will be allowed; may be limited to brief "tombstone" ads.
- Rather than investors "self-certifying" accredited status, the SEC regulations may require that investors provide bank/broker statements and/or tax returns.
- Internet businesses are allowed to set up platforms that advertise offerings from different companies.

### **Crowdfunding**

- This will allow crowdfunding of securities for the first time: stock, promissory notes, etc. Currently crowdfunding is allowed only for discounted goods and services, and for rewards (movie tickets, movie credits, etc.).
- Investors with less than \$100K in net assets or less than \$100K in annual income are limited to the greater of \$2,000 or 5% of annual income.
- Other investors can invest up to 10% of annual income or net worth, up to \$100K.
- The offering can only be made through an intermediary that has registered with the SEC. Any outside advertising can only direct potential investors to the intermediary.
- Intermediaries must ensure that investors do not exceed their investment limits.
- Intermediaries must not release any money until the minimum needed for the project is raised.
- Initial and annual filing with the SEC are required.
- Offerings are limited to \$1,000,000.
- When the total of the current offering and the crowdfunding offerings within the last 12 months total more than \$500,000, audited financial statements are required.

Bruce E. Methven

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