



Intrastate Equity Crowdfunding

SEC Government-Business Forum on Small Business Capital Formation

Exempt Offerings-Post JOBS Act Implementation

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This information provided herein is for your convenience only, is illustrative and is not intended as legal advice.

What is intrastate crowdfunding?

Before the JOBS Act – IKE (Invest Kansas Exemption)

- Purpose of Exemption: Accommodate community-based offerings, not broad-based internet offerings.
- The Challenge: Allow general solicitation without violating federal law.
- The Method: Build state crowdfunding exemption to coordinate with federal intrastate offering exemption.



Conditions of Intrastate Crowdfunding Exemptions

Pre-JOBS Act Exemptions

- Tied to federal intrastate offering exemption
- Issuers and investors must be in-state
- Offering cap of \$1 million per year
- Investment limits of \$2,000 to \$10,000
- Notice filing, but no specific disclosure document mandated
- No compensation of intermediaries unless registered as broker-dealers
- Bad actor disqualification

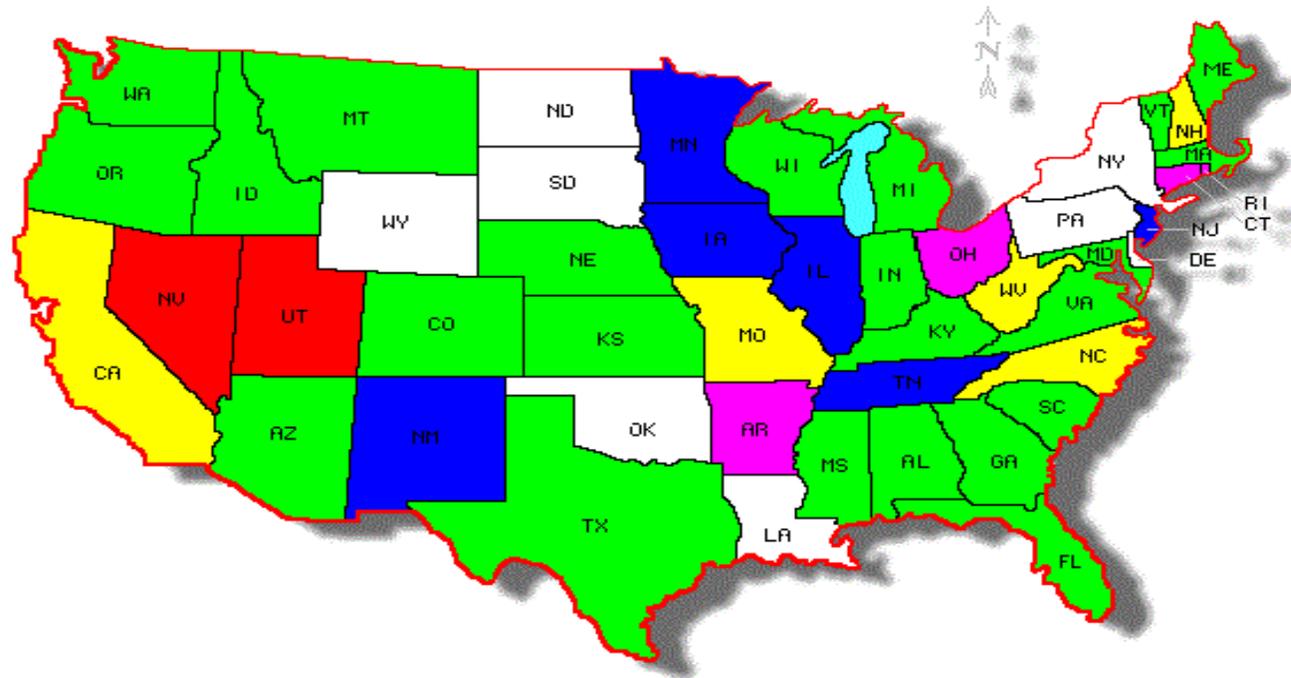
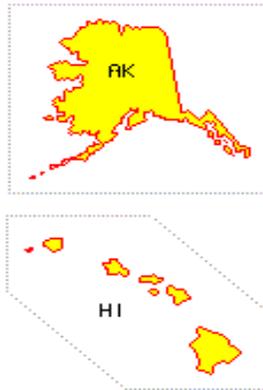
Post-JOBS Act Exemptions

- Tied to federal intrastate offering exemption or Rule 504 of Regulation D
- Internet-based offerings allowed (and mandated in some states)
- Offering cap of \$100,000 to \$5 million per year
- Investment limits of \$100 to \$100,000
- Notice filing, including short-form disclosure document
- Compensation of internet platforms (intrastate broker-dealer), and notice filing
- Bad actor disqualification
- Short quarterly reports to investors



Map of Intrastate Crowdfunding Exemptions (as of November 1, 2015)

- - Active Now
- - Active Soon
- - Legislation Pending
- - Investigating
- - Defeated



Effective Dates of Intrastate Crowdfunding Exemptions, as of November 1, 2015

State	Effective Date
1. Kansas	8/12/2011
2. Georgia	12/8/2011
3. Idaho	1/20/2012
4. Michigan	12/26/2013
5. Alabama	4/8/2014
6. Wisconsin	6/1/2014
7. Washington	6/12/2014
8. Vermont	6/16/2014
9. Indiana	7/1/2014
10. Maryland	10/1/2014
11. District of Columbia	10/24/2015
12. Texas	11/17/2014
13. Maine	1/1/2015
14. Massachusetts	1/15/2015
15. Oregon	1/15/2015
16. Mississippi	5/26/2015
17. Kentucky	6/24/2015
18. South Carolina	6/26/2015
19. Virginia	7/1/2015
20. Montana	7/1/2015
21. Arizona	7/3/2015
22. Colorado	8/5/2015
23. Nebraska	9/1/2015
24. Florida	10/1/2015
25. Tennessee	12/16/2015
26. Iowa	12/30/2015
27. Illinois	1/1/2016

State	Effective Date
29. New Mexico	Pending Final Regulations
28. New Jersey	Pending Final Rulemaking
30. Minnesota	Pending Final Rulemaking

As of September 2015:

- Total Number of Offerings Filed: 119
- Total Number of Filings Approved/Cleared: 102

** Filings may not be currently approved/cleared if the notice filing is incomplete, and filings may have been withdrawn by the issuer for reasons including the availability of other limited offering exemptions or a voluntary business decision. States continue to receive several inquiries about the new exemptions.*



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Types of Businesses Using Intrastate Crowdfunding

- Breweries and spirit producer
- Grocery store and deli
- General store
- Exercise studio / gym
- Software companies (gaming, etc.)
- Night club, music/real estate venue
- Farmers (family-run farm, dairy farm, farming coop)
- Retail electronics store
- Medical device/technology company
- Family-run manufacturing business
- Real estate firms (micro-financing, commercial property)
- Product inventions
- Hair salon
- Entertainment groups (movie, album, media platforms)
- Over-the-air digital TV station
- Electronic/gaming pub
- Dog groomer
- Sushi restaurant
- Ice cream maker
- Baseball bat maker
- Angel fund
- Defense contractor/consultant
- Manufacturer of lawn mower parts
- Food and beverage platform/restaurants
- Senior care facility
- Education technology company



Next Steps?

SEC Open Meeting – Friday, October 30, 2015

The Commission voted in favor of proposing amendments to Securities Act Rule 147 and Rule 504 (i.e., rules facilitating intra-, and inter-state securities offerings, including state crowdfunding offerings).

The proposed rules would, among other things:

- Eliminate the limitation on the manner of offering (focus on sales)
- Eliminate the "residence" requirement for issuers (use principal place of business test)
- Update the requirement for issuers "doing business" in a state (using a disjunctive, rather than conjunctive, approach)

NASAA Multi-state Coordinated Review Program - Regulation A Offerings

Launched May 2014

Visit www.nasaa.org to locate the Coordinated Review Protocol, CR Application, Filing Requirements and other information, including contact information for the Program Administrator.

NASAA Multi-state Coordinated Review Program					
<p>NASAA has developed streamlined multi-state review protocols for Regulation A and Regulation A+ offerings to ease regulatory compliance costs on small companies seeking to raise capital. Through this program, launched in May 2014, Regulation A filings are made in one place and distributed electronically to all states. Lead examiners will be appointed as the primary point of contact for a filer and each state will be given 10 business days for review. The lead examiners alone will interact with the issuer to resolve any deficiencies.</p>					
Filing Process	Review Process				
					
Day 1	3 business days	10 business days	5 business days	3 business days	Day 21
<p>Issuers desiring coordinated review will e-mail an electronic copy of the application and required exhibits to the program coordinator (State of Washington). The exhibits include Form 1-A & financial statements.</p> <p>The program coordinator will distribute the documents to the states selected by the issuer on the application form.</p> <p>Filing fees paid directly to each state.</p>	<p>Within three business days after receipt of the application, the program coordinator will select a lead disclosure examiner and lead merit examiner (assuming registration is sought in both types of jurisdictions).</p>	<p>Within an additional 10 business days, the lead examiners will draft and circulate a proposed comment letter to the other disclosure states and/or merit states.</p>	<p>Within an additional five business days, the participating jurisdictions may communicate any concerns or comments to the lead examiners.</p>	<p>Within an additional three business days, the lead examiners will make any necessary revisions and send the initial comment letter to the issuer.</p>	<p>If there are no deficiencies in the application, no comments will be necessary and the registration will be cleared by the lead examiners within 21 business days after it is filed.</p> <p>If there are deficiencies, the lead examiners will communicate with the applicant and the participating jurisdictions to resolve deficiencies. Whenever an issuer files a response to any deficiency, the lead examiners will reply within five business days.</p> <p>When a lead examiner determines that the application satisfies all substantive review standards, the examiner will clear the application and provide same-day notice to participating jurisdictions. The lead disclosure examiner and lead merit examiner may clear the application at different times. Each participating jurisdiction agrees to clear the application upon clearance by the lead examiner.</p>