

# INVESTOR PROTECTION AND CAPITAL FORMATION IN SECURITIES CROWDFUNDING CONSIDERATIONS AND PERSPECTIVES FOR THE RETAIL INVESTOR

MARC OORLOFF SHARMA, J.D., M.B.A.  
CHIEF COUNSEL  
SEC OFFICE OF THE INVESTOR ADVOCATE

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# CONSIDERATIONS AND PERSPECTIVES FOR THE RETAIL INVESTOR

- Investor protections within Regulation Crowdfunding
- Risks to consider before making a securities crowdfunding investment
- Simple Agreement for Future Equity (“SAFE”)
- Investor education

# Investor protections within Regulation Crowdfunding

Limitations on how much you can invest during any 12-month period in securities crowdfunding offerings.

- If either your annual income **or** your net worth is **less** than \$100,000, then during any 12-month period
  - You can invest up to the **greater** of either **\$2,000** or **5%**
  - Of the **lesser** of your annual income or net worth.

# Investor protections within Regulation Crowdfunding

Limitations on how much you can invest during any 12-month period in securities crowdfunding offerings.

- If **both** your annual income **and** your net worth are equal to or more than \$100,000, then during any 12-month period
  - You can invest up to **10%** of annual income **or** net worth
  - Whichever is **lesser**
  - But not to exceed \$100,000

# Investor protections within Regulation Crowdfunding

Annual Income	Net Worth	Calculation	12-month Limit
\$30,000	\$105,000	greater of \$2,000 or 5% of \$30,000 (\$1,500)	\$2,000
\$150,000	\$80,000	greater of \$2,000 or 5% of \$80,000 (\$4,000)	\$4,000
\$150,000	\$100,000	10% of \$100,000 (\$10,000)	\$10,000
\$200,000	\$900,000	10% of \$200,000 (\$20,000)	\$20,000
\$1.2 million	\$2 million	10% of \$1.2 million (\$120,000), subject to cap	\$100,000

# Risks to Consider before Making a Securities Crowdfunding Investment

- Speculative
- Illiquidity
- Cancellation restrictions
- Valuation and capitalization
- Limited disclosure
- Investment in personnel
- Possibility of fraud
- Lack of professional guidance

# SIMPLE AGREEMENT FOR FUTURE EQUITY ("SAFE")

- Investment instrument alt to convertible debt
- Like a warrant, but different
- Typically no maturity date nor interest rate
- Liquidity event converts the investment into equity
- Generally designed for investing in tech startups likely to raise institutional VC
- May not be optimal for use in crowdfunding involving non-tech startups

# Investor Education

- What is a startup ?
- What does it mean to be a shareholder or creditor?
- Understanding the differences among share classes
- How to analyze a potential investment opportunity
- Understanding the risks and potential rewards



# THANK YOU

## Let's Discuss!

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