



State Crowdfunding Update

National Conference of State Legislatures 2015 Legislative Summit

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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 Early 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 required, but no specific disclosure document mandated
- No compensation of intermediaries unless registered as broker-dealers
- Bad actor disqualification



After the JOBS Act: Conditions of Exemptions

- ***New Feature in Exemptions: Internet!***
 - Internet-based offerings are allowed (and mandated in some states)
 - Compensation of internet platforms is allowed
 - The platforms must notice file or are subject to “registration lite”
 - Issuers must give short quarterly reports to investors



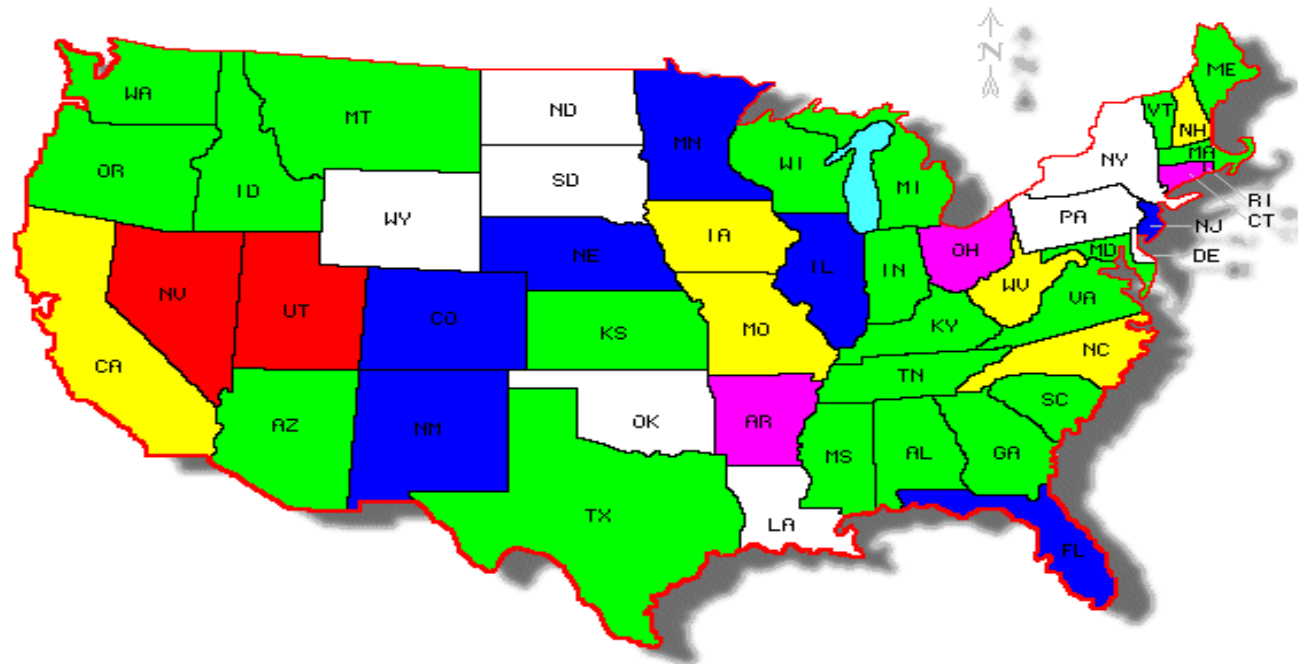
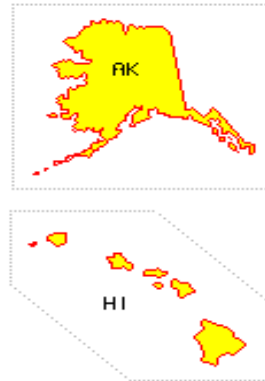
Conditions of Later Exemptions

- Tied to federal intrastate exemption or Rule 504 of Regulation D
- Offering cap of \$100,000 to \$5 million during 12 month period
- Investment limits of \$100 to \$100,000 unless accredited
- Notice filing including short-form disclosure document
- Website portal (intrastate broker-dealer) or registered broker-dealer
- Bad actor disqualification
- Quarterly reports to investors



Intrastate Equity Crowdfunding Exemptions (as of August 1, 2015)

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



Snapshot as of August 1, 2015

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

Total Number of Offerings Filed: 118

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.*



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
- Small sale solar garden project

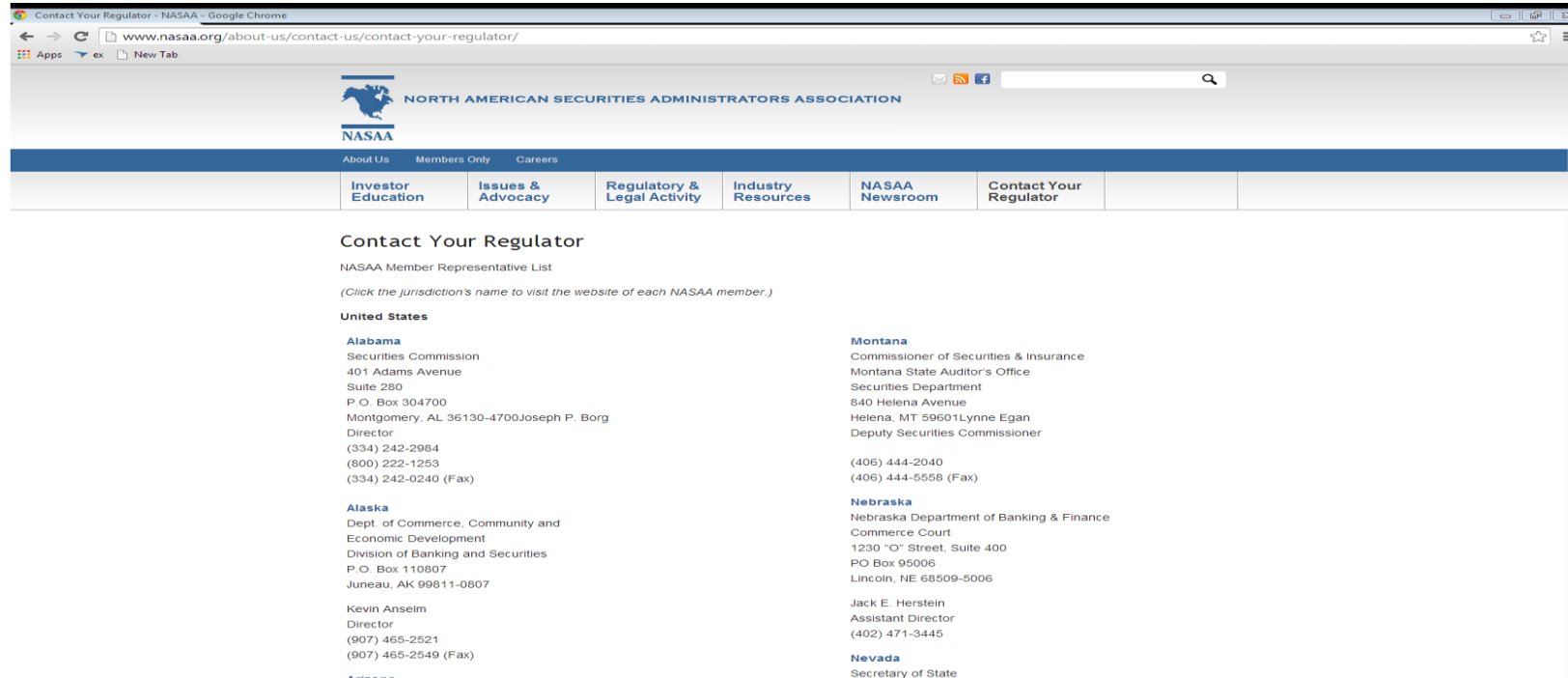


Next Steps?

- Continued outreach to local businesses and investors
- Monitor effectiveness of intrastate crowdfunding
- Use of Rule 504 of Regulation D for inter-state crowdfunding
- Discuss federal challenges with U.S. Securities and Exchange Commission

Takeaway?

If you are interested in capital raising tools and opportunities, talk to your state securities regulator to craft a workable solution.



*Visit NASAA's Intrastate Crowdfunding
Resource Center*

www.nasaa.org/industry-resources/corporation-finance/intrastate-crowdfunding-resource-center/



Intrastate Crowdfunding Resource Center



Right now you can go on the Internet and donate to your favorite cause or startup business and get a t-shirt or maybe a free doughnut every week but you cannot invest in your favorite startup and get a share of stock.

Why?

Because securities laws govern the issuance of stock. You can't invest in a company that hasn't registered their stock, or qualified for an exemption from registration.

Registration is designed to protect both investors and legitimate issuers. The challenge is balancing investor protection with the interests of small businesses and entrepreneurs seeking to raise money.

As the result of a new federal law called the JOBS Act, you will soon be able to invest in companies through crowdfunding. This form of investing is known as "equity crowdfunding." But until the U.S. Securities and Exchange Commission completes its regulations to allow equity crowdfunding, this form of raising money remains illegal if done on a nationwide basis.

However, if you are interested in using equity crowdfunding on a local basis, a growing number of states have enacted exemptions within existing federal law that allow local small businesses and entrepreneurs to use crowdfunding to help grow their businesses by tapping into the crowd within their state's borders.

The North American Securities Administrators Association is pleased to offer resources to help investors and small business owners learn more about equity crowdfunding.

Resources

- › [Intrastate Crowdfunding Overview](#)

To learn more about equity crowdfunding, contact your state securities regulator:

- › [Directory of state securities regulators](#)

To learn if equity crowdfunding is legal in your state, or if your state is considering enacting crowdfunding legislation:

- › [Intrastate Crowdfunding Legislation/Regulation](#) (as of July 21, 2015) *Note: This information is being provided for your convenience and is not intended as legal advice. The information is illustrative only and not an exhaustive list. Any questions should be directed to the appropriate state regulator.*

To learn details of individual jurisdiction intrastate crowdfunding legislation or regulation:

- › [Intrastate Crowdfunding Directory](#)

To learn what you should know about equity crowdfunding as an investor or small business owner/entrepreneur:

- › [NASAA Investor Advisory on Equity Crowdfunding](#)
- › [NASAA Small Business Advisory](#)

Intrastate Crowdfunding In the News

- › [Following the Crowd: Oregon Seeks to Ease Funding Rules](#), December 3, 2014, Salem Statesman Journal
- › [Alabama Businesses Can Now Seek Local Investors](#), December 3, 2014, Dothan Eagle
- › [Why aren't Michigan businesses raising money through crowd funding?](#), November 23, 2014, Lansing News
- › [Texas Securities Board approved rules for crowdfunding](#), October 22, 2014, Dallas Morning News
- › [New Mexico Proposes New Rule for Crowdfunding](#), September 25, 2014, Albuquerque Journal
- › [MobCraft Beer becomes first to use Wisconsin crowdfunding law](#), September 24, 2014, Milwaukee Journal-Sentinel
- › [Crowdfunding new way to invest in Indiana](#), September 24, 2014, Muncie Free Press