

A Synopsis on the JOBS Act

Reg A - JOBS Act

- Increases 12-month cap to \$50MM per issue
- Endorses public solicitation, free tradeability, solicitation of interest (“test the waters”)
- Annual audited financial statements
- Covered securities – if sold to “qualified purchasers” or listed on national exchange
- Bi-annual review of thresholds
- Comptroller General – conduct study on impact of “Blue Sky” laws

General Solicitation in 506

- General solicitation and advertising for private sale of securities
- *Provided* actual purchasers are all Accredited Investors
- Restricted Securities
- Trading platforms in a valid Rule 506 private placement are not subject to registration as a broker or dealer

Crowdfunding - History

- Internet & Social Media driven funding of enterprises by the “crowd”
- Historically limited by requirements of securities laws; contributors could not receive equity or debt in return.

Crowdfunding – JOBS Act

- Creates a new exemption from registration for crowdfunding securities
- \$1 million over a 12-month period
- The amount an issuer can sell to an individual investor in a 12-month period is limited to the maximum of:
 - The greater of \$2,000 or 5% of the annual income or net worth of an investor, if either the investor's net worth or annual income is less than \$100,000; and
 - 10%, not to exceed \$100,000, of annual income or net worth of an investor, if either the investor's annual income or net worth is equal to or greater than \$100,000

Crowdfunding

- **Must sell the securities through a broker or funding portal, required to register with the SEC**
- **Must make financial and other information available to both the SEC and investors, both in connection with the offering and on an annual basis**
- **Issuer (including officers, directors and selling agents) is subject to liability for material misstatements or omissions in disclosure, which liability is subject to the limitations of Section 12(b) and Section 13 of the Securities Act**

IPO On-Ramp for Emerging Growth Companies

- “Emerging growth company” – a company with less than \$1 billion in annual gross revenue during its most recent fiscal year

Raising Threshold for Exchange Act Registration and Public Company Reporting

- Increases 12-month cap to \$50MM per issue
- Endorses public solicitation, free tradeability, solicitation of interest (“test the waters”)
- Annual audited financial statements
- Covered securities – if sold to “qualified purchasers” or listed on national exchange
- Bi-annual review of thresholds
- Comptroller General – conduct study on impact of “Blue Sky” laws

Facilitating IPOs

- Reduced Financial Information Required
- Confidential Review by the Securities and Exchange Commission (SEC)
- Pre- and Post-Filing Communications with Qualified Institutional Buyers (QIBs) and Institutions That Are Accredited Investors
- Analyst Research Reports
- Securities Analyst Communications



Relaxing Public Reporting Requirements

- Auditor Attestation
- Audit Rules
- Public Company Accounting Pronouncements
- Advisory Votes on Executive Compensation
- Disclosure Relating to Executive Compensation



Richmond: 804.423.7921

Northern Virginia Office: 572.527.1300

Houston Office: 281.702.2137

www.kv-legal.com