

## Impact on Private Companies

The JOBS Act would assist private companies in capital formation in several ways by:

- Creating a “crowdfunding”<sup>[1]</sup> exemption to federal and state securities registration requirements for private US companies seeking capital if the aggregate amount of securities sold did not exceed \$1 million in any 12-month period and certain other restrictions were met;
- Increasing the Regulation A exemption offering amounts from \$5 million to \$50 million , although such offerings would remain subject to state registration requirements if they do not meet certain criteria<sup>[2]</sup>; and
- Removing the prohibition on advertising and general solicitation for private companies utilizing private placements under Rule 506 or Rule 144A to raise capital from accredited investors and qualified institutional buyers.

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<sup>[1]</sup> Crowdfunding would allow investors to obtain equity for a very small investment in a company and could harness the power of the internet to solicit investors. Companies utilizing the crowdfunding exemption would still be required to comply with certain investor protection requirements.

<sup>[2]</sup> The SEC would be required to adopt final rules to implement this provision of the JOBS Act.