

## **LOUISIANA OFFICE OF FINANCIAL INSTITUTIONS ISSUES SMALL BUSINESS ADVISORY ON CROWDFUNDING**

June 27, 2012 – The Securities Division of the Louisiana Office of Financial Institutions today issued an advisory to spotlight concerns for small businesses and entrepreneurs seeking to raise investment capital through crowdfunding. The advisory is on the agency’s website at [www.ofi.la.gov](http://www.ofi.la.gov).

Crowdfunding is an online money-raising strategy that began as a way for the public to donate small amounts of money, often through social networking websites, to help artists, musicians, filmmakers and other creative people finance their projects. Through the Jumpstart Our Business Startups (JOBS) Act, small businesses and entrepreneurs will be able to tap into the “crowd” in search of investments to finance their business ventures.

The JOBS Act was signed into law in April. The legislation directed the Securities and Exchange Commission (SEC) to adopt rules within 270 days to implement a new exemption to allow entrepreneurs and small businesses to offer investments in their ventures through crowdfunding.

“Small businesses are important to the nation’s economic growth and the crowdfunding concept has the potential to provide legitimate small, innovative enterprises with access to capital that might not otherwise be available,” said John Ducrest, Commissioner of Securities.

The advisory reminds small businesses to wait until the SEC’s crowdfunding rules are finalized before offering shares in their ventures for sale to the public. “Until that time, federal and state securities law prohibitions remain in place against publicly accessible internet securities offerings,” the advisory said.

The advisory also notes that the JOBS Act only exempts crowdfunding equity offerings from securities law registration requirements. “The requirements of federal and state securities laws regarding disclosures, including disclosures of all material facts and risks to investors, remain in place,” the advisory said. “If you do not comply with these disclosure requirements, you and your business can be liable for securities fraud and subject to private lawsuits as well as administrative enforcement actions.”

The advisory also addresses the importance of choosing a proper broker or funding portals to assist with your crowdfunding offering.

“Through our advisory, the Office of Financial Institutions wants to help ensure that both small businesses and investors are protected as they explore the crowdfunding marketplace,” Commissioner Ducrest said.

Before taking any actions, small business owners, entrepreneurs, and potential investors with questions about crowdfunding offerings should contact the Securities Division of the Office of Financial Institutions at 225-925-4512.

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