

**ALERTS**

## States Pilot Crowdfunding Initiatives to Increase Funding for Small Business

Carolyn Meade

*Bloomberg Law*

06.2013

Recognizing the role of small business in economic growth, certain U.S. states are speeding access to capital for local companies by authorizing equity-based crowdfunding. While most states await implementation of the federal Jumpstart Our Business Startups Act (the "JOBS Act") (P.L. 112-106) enacted April 5, 2012, or actively caution investors against equity-based crowdfunding,<sup>1</sup> See, e.g., Press Release, Tex. State Sec. Bd., Securities Commissioner Warns Entrepreneurs About Potential Hazards of Rushing Into Crowdfunding (June 27, 2012), available at [http://www.ssb.state.tx.us/News/Press\\_Release/06-27-12\\_press.php](http://www.ssb.state.tx.us/News/Press_Release/06-27-12_press.php), two states have instead embraced this new form of fundraising and two additional states are currently considering authorizing legislation. Leading this movement, Georgia and Kansas in 2012 adopted new securities exemptions which permit Georgia-based and Kansas-based companies, respectively, to advertise to the public their need for investment and to raise money from state citizens.<sup>2</sup> Invest Georgia Exemption, Ga. Rule 590-4-2-.08; Invest Kansas Exemption, Kan. Rule 81-5-21. Similar legislation is now pending in both North Carolina and the state of Washington.<sup>3</sup> N.C. House Bill 680 (introduced April 9, 2013); Wash. House Bill 2023 (introduced April 2, 2013); see also Cal. Assembly Bill No. 783 (introduced Feb. 21, 2013) (permitting general advertising of securities offerings not exceeding \$1,000,000. California is not yet opening offerings to the crowd, however, so California securities law is not discussed here). Title III of the JOBS Act, coupled with Title II of the JOBS Act, which will lift the prohibition on general advertising of an offering, should enable equity crowdfunding on a national scale, but federal implementation is trailing state efforts, and the law itself imposes significant requirements on the businesses that would seek to take advantage of this new fundraising approach. This article therefore examines the more business-friendly approaches Georgia, Kansas, North Carolina and Washington (for purposes of this article, the "Crowdfunding States") are piloting or considering now.

The complete article can be viewed below or [click here](#) for the online version.