State of Wisconsin
Department of Financial Institutions

Scott Walker, **Governor** Peter Bildsten, **Secretary**

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Contact: George Althoff, Communications Director, 608-261-4504

DFI issues small business advisory on Crowdfunding

MADISON – The Wisconsin Department of Financial Institutions (DFI) today issued an advisory for small businesses and entrepreneurs seeking to raise investment capital through crowdfunding.

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 others finance their projects. Through the federal 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, which was signed into law in April, directs 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 state'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 Patricia Struck, Administrator of DFI's Division of Securities. "However, both small businesses and investors should exercise appropriate caution as they explore crowdfunding."

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 DFI advisory said. Procedures for registering securities for sale in Wisconsin, as well as a list of exemptions from registration, can be found on DFI's website.

The advisory also notes that the JOBS Act exempts crowdfunding equity offerings only 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."

Other topics covered in the advisory include the importance of choosing a proper broker or funding portal to assist with your crowdfunding offering, and a reminder that state and federal laws provide additional methods for companies to raise money from a limited number of investors with little or no cost.

The full advisory may be found on DFI's website at www.wdfi.org/fi/securities.