



Investor Education: Regulation Crowdfunding, Title III of The JOBS Act

Provided by





Pursuant to Rule 302(b) of Securities and Exchange Commission (“SEC”) Regulation Crowdfunding under the Securities Act of 1933 (Title III of the JOBS Act), as amended (the “Securities Act”), all potential investors who open an account on StartEngine Capital.com and/or commit to purchasing securities are required to receive and acknowledge certain educational information from StartEngine Capital related to the posting of securities offerings on StartEngine Capital, including: (i) how securities on StartEngine Capital are offered and purchased; (ii) the types of securities offered and any resale restrictions on such securities; (iii) the risks of investing in such securities; (iv) investment limits for certain investors; (v) the disclosure generally required to be made available by issuers offering securities on StartEngine Capital (“Issuers”); and (vi) the relationship between StartEngine Capital, posted Issuers and investors.

Please review the important information below before you begin to register on StartEngine Capital and before you make any investment commitment.

Recent Changes In The Law

You may have read about [Title III of the JOBS Act](#) and Regulation Crowdfunding recently adopted by the SEC as required by Title III. Under recently adopted rules, companies can use crowdfunding to offer and sell securities to the investing public, and anyone can invest in a crowdfunding securities offering. Starting May 16th, 2016, the general public will have the opportunity to participate in the early capital raising activities of start-up and early-stage companies and businesses.

Because of Title III, companies will be allowed to raise up to \$1,000,000 from the public through equity crowdfunding within a 12 month period using registered funding portals like StartEngine Capital.

About StartEngine Capital

StartEngine Capital is a funding portal designed to connect issuing companies with investors through equity crowdfunding. In order to provide these opportunities, StartEngine Capital has registered with the SEC and become a member of the Financial Industry Regulatory Authority, Inc. (“FINRA”). If you’re interested in learning more about FINRA and their Broker Check, [click here](#).



As a registered funding portal, StartEngine Capital cannot and will not:

- offer investment advice or make recommendations; solicit purchases, sales or offers to buy securities; compensating promoters and other persons for solicitations or based on the sale of securities; and hold, possess, or handle investor funds or securities.
- allow companies to list securities on our platform that we have a reasonable basis for believing have the potential for fraud or raise other investor protection concerns.
- not have a financial interest in a company that is offering or selling securities on our platform under Regulation Crowdfunding outside of financial interest paid as compensation for the services.
- not compensate any person for providing us with personally identifiable information of any investor or potential investor.

Companies That Will Use Equity Crowdfunding

As recent history shows, crowdfunding can be an incredible platform for companies to bring their product or service to market. In the past few years we've seen hundreds of innovative solutions to customer needs that otherwise may have never been possible.

Today, more and more companies are considering equity crowdfunding as a way to fuel their business in addition to, or as an alternative to, more commonly known options such as bank debt, angel financing, or Venture Capital funding. Once Regulation Crowdfunding is fully effective on May 16, 2016 access to capital through equity crowdfunding could be ground-breaking and will allow for faster innovation and growth for businesses of all sizes, especially smaller and early stage companies.

Issuers that are posted on StartEngine Capital website can sell securities to investors who register on the site, and are able to create a campaign page viewable by the public that includes required material such as the Form C filed with the SEC (described below) and videos and communications among investors about the offering.



Types of Securities Being Offered

The most common forms of securities, an issuer can offer are equity or debt. Equity securities include the following:

Common Stock: Conveys a portion of the ownership interest in the company to the holder of the security. Stockholders are usually entitled to receive dividends when and if declared, vote on corporate matters, and receive information about the company, including financial statements.

Preferred Stock: Stock that has priority over common stock as to dividend payments and/or the distribution of the assets of the company. Preferred stock can have the characteristics of either common stock or debt securities.

Debt Securities: Securities in which the seller must repay the investor's original investment amount at maturity plus interest.

Investment opportunities posted on StartEngine Capital currently include equity securities only (common or preferred stock), but may include debt and convertible securities in the future. For more information on securities, [click here](#).

Please be sure to read the "Investment Considerations and Risks" section below carefully. For a discussion of the specific risks involved in making an investment in a particular Issuer's offering, please be sure to carefully review the risks discussed in each Issuer's offering materials, including the section titled "Risk Factors" in such materials.

Submission and Posting of Form C

Prior to launching a Title III equity crowdfunding campaign, the issuer is required to complete and submit Form C to the SEC together with required attachments. Companies that file a Form C are required to disclose certain information to the public which can be used to understand an investment and that helps determine whether a particular investment is appropriate for a specific person. This includes general information about the issuer, its officers and directors, a description of the business, the planned use for the money raised from the offering, often called the use of proceeds, the target offering amount, the deadline for the offering, related-party transactions, risks specific to the issuer or its business, and financial information about the issuer.



Required Disclosures

The required type of financial disclosure depends on the amount of money that was raised by the issuer within in the prior 12 months plus the target amount for the current crowdfunding offering (up to a maximum of \$1,000,000 in any rolling 12 month period)::

\$100,000 or less: If current offer plus previous raises amounts to \$100,000 or less, the issuer provides information from the its tax returns (but not the tax returns themselves) certified by the principal executive officer. If financial statements are available they must be provided, too, and again certified by the principal executive officer.

\$100,000.01 to \$500,000: If the current offering plus previous raises is between \$100,000 and \$500,000, financial statements are required and must be reviewed by a CPA. If audited financial statements are available, they must be provided.

\$500,000.01 to \$1 million If current offer plus previous raises amounts to \$500,000 or more, the required financial statements must be audited by a CPA. However, if the issuer has not previously sold securities under Regulation Crowdfunding, the financial statements will only be required to be reviewed by a CPA.

Note: An audit provides a level of scrutiny by the accountant that is higher than a review.

The required information is filed with the SEC and posted at the start of the offering on StartEngine Capital and available to the public throughout the offering on the StartEngine Capital and SEC sites. It is available to the general public on both websites throughout the offering period – which must be a minimum of 21 days.

Annual Filing Obligations of Issuers

Each Issuer that successfully completes a Title III Regulation Crowdfunding securities offering is required to annually file with the SEC a Form C-AR and financial statements. This must be done no later than 120 days after the end of the Issuer's fiscal year covered by such filing. Each Issuer must also post its Form C-AR and financial statements to its own website; and that link must be provided along with the date by which such report will be available on the issuer's website.



The Form C-AR contains updated disclosure substantially similar to that provided in the Issuer's initial Form C, including information on the Issuer's size, location, principals and employees, business, plan of operations and the risks of investment in the Issuer's securities; however, offering-specific disclosure is not required to be disclosed in the Form C-AR.

Investors should be aware that an Issuer may no longer be required to continue its annual reporting obligations under any of the following circumstances:

- The issuer is required to file reports under Section 13(a) or Section 15(d) of the Exchange Act;
- The issuer has filed at least one annual report pursuant to Regulation Crowdfunding and has fewer than 300 holders of record and has total assets that do not exceed \$10,000,000;
- The issuer has filed at least three annual reports pursuant to Regulation Crowdfunding;
- The issuer or another party repurchases all of the securities issued in reliance on Section 4(a) (6) of the Securities Act, including any payment in full of debt securities or any complete redemption of redeemable securities; or
- The issuer liquidates or dissolves its business in accordance with state law.

In the event that an Issuer ceases to make annual filings, investors may no longer have current financial information about the Issuer available to them.

Investment Considerations & Risks

Prior to registering on StartEngine Capital and again before making an investment commitment, you must consider the risks of investing in crowdfunded securities offerings and determine whether such an investment is appropriate for you. StartEngine Capital and its employees are prohibited from offering advice about any offering posted on StartEngine Capital and from recommending any investment.



This means the decision to invest must be based solely on your own individualized consideration and analysis of the risks involved in a particular investment opportunity posted on the StartEngine Capital, which is made at the your own risk.

Potential investors acknowledge and agree that they are solely responsible for determining their own suitability for an investment or strategy on StartEngine Capital and must accept the risks associated with such decisions, which include the risk of losing the entire amount of their principal. **Investors must be able to afford to lose their entire investment.**

StartEngine Capital has no special relationship with or fiduciary duty to potential investors and investors' use of the funding portal does not create such a relationship. Potential investors agree and acknowledge that they are responsible for conducting their own legal, accounting and other due diligence review of the investment opportunities posted on StartEngine Capital.

EACH INVESTOR IS STRONGLY ADVISED TO CONSULT LEGAL, TAX, INVESTMENT, ACCOUNTING AND/OR OTHER PROFESSIONALS BEFORE INVESTING, AND TO CAREFULLY REVIEW ALL THE SPECIFIC RISK DISCLOSURES PROVIDED AS PART OF ANY OFFERING MATERIALS, AND TO POST ANY QUESTIONS IN THE ISSUER'S COMMENT SECTION OF THEIR CAMPAIGN PAGE PRIOR TO MAKING AN INVESTMENT.

Some things to keep mind before making a crowdfunding investment:

- **Investment in small, especially start-up and early stage, companies is speculative and involves a high degree of risk.** While promised or targeted returns on the amount invested should reflect the perceived level of risk in the investment, such returns may never be realized and/or may not be adequate to compensate an Investor for risks taken. **Loss of an Investor's entire investment is very possible and can easily occur.** Even the timing of any payment of a return on an investment is highly speculative.
- Unlike listed companies that are valued publicly through market-driven stock prices, the valuation of startups can be difficult to determine and is often subjective. You may risk overpaying for the equity stake you receive.



- There may be additional classes of equity or derivatives with rights that are superior to the class of equity being sold through crowdfunding. Additionally, investments **are subject to dilution**, which is when early investors see a reduction in ownership percentage as new stock is issued.
- **A regulation crowdfunding investment may actually need to be held for an indefinite period of time. Unlike investing in companies listed on a stock exchange where you can quickly and easily trade securities on a market, you may have to locate an interested buyer privately when you seek to resell your crowdfunded investment even after the one year restriction expires. There is no assurance these securities will ever be publicly tradeable**
- An early-stage company **may be able to provide only limited information** about their business plan and operations because they do not have fully developed operations or a long history to provide more disclosure.
- Publicly listed companies generally are required to disclose information about their performance at least on a quarterly and annual basis and on a more frequent basis about material events that affect the issuer. In contrast, crowdfunding companies are only required to disclose their results of operations and financial statements annually. Therefore you **may have only limited continuing disclosure** about your crowdfunding investment.
- Investment opportunities posted on StartEngine Capital, the adequacy of the disclosures, or the Fairness of the terms of any such investment opportunity **have not been reviewed or approved by a state or federal agency.**
- The Issuer in all likelihood will not have an internal control infrastructure and there can be **no assurance of no significant deficiencies or material weaknesses in the quality of the Issuer's financial and disclosure controls** and procedures. Indeed, if it were necessary to implement such financial and disclosure controls and procedures, the cost to the Issuer might even have a material adverse effect on the Issuer's results of operations.
- A portion of your investment may fund the compensation of the issuer's employees, including its founders and management. Due to inexperience, management may not be able to execute on its business plan. Additionally, unless the issuer has agreed to



a specific use of the proceeds from the offering, the Issuer's management will usually have considerable discretion over how to use the capital raised. **You may not have any assurance the Issuer will use the proceeds appropriately.** You should pay close attention to what the issuer says about how offering proceeds are to be used.

- Because the Issuer's founders, directors and executive officers may be among its largest stockholders, they may be able to exert significant control or influence over the Issuer's business and affairs and **may even have actual or potential interests that diverge from those of other Investors.** This may worsen as time goes on if the holdings of the issuer's directors and executive officers increase upon vesting or other maturation of exercise rights under options or warrants they may hold, or in the future be granted. In addition to holding or controlling board seats and offices, these persons may well have significant influence over and control of corporate actions requiring shareholder approval, separate from how the Issuer's other stockholders, including Investors, may vote in a given offering.
- **The issuing company may have serious risks specific to its industry or its business model.** Demand for a product or service may be seasonal or be impacted by the overall economy. Small businesses, in particular, often depend heavily upon a single customer, supplier, or upon one or a small number of employee (s). It may have difficulty competing against larger companies who can negotiate for better prices from suppliers, produce goods and services on a large scale more economically, or take advantage of bigger marketing budgets.
- In light of the relative ease with which early-stage companies can raise funds through crowdfunding, it may be the case that certain opportunities turn out to be money-losing fraudulent schemes. As with other investments, **there is no guarantee that crowdfunding investments will be immune from fraud.** Even with the SEC's thorough investigation of companies and their executive teams, there is a risk of fraudulent activity.
- Many successful companies partially attribute their early success to the guidance of professional early-stage investors (e.g., angel investors and venture capital firms). These investors often negotiate for seats on the issuer's board of directors and play an important role through their resources, contacts and experience in assisting early-stage companies in executing on their business plans. **An early-stage company primarily financed through crowdfunding may not have the benefit of such professional investors.**



- Audited financial statements are not required for regulation crowdfunding offerings under \$500,000.00. The issuer is not required to provide you with annual audited financial statements or quarterly unaudited financial statements, except as explained above. **The Issuer may not even have its financial statements audited, or even reviewed by outside auditors.** Your decision to make an investment in the Issuer will be based upon the information the Issuer provides in its offering materials, which may not completely or even accurately represent the financial condition of the issuer.
- As explained above, **an Investor may not be able to obtain the information it wants regarding a particular Issuer on a timely basis, or at all.** It is possible that the investor may not be aware of material adverse changes that have occurred at the Issuer. An Investor may not be able to get accurate information about an Issuer's current value at any given time.
- Federal securities law requires securities sold in the United States to be registered with the U.S. Securities and Exchange Commission ("SEC"), unless the sale qualifies for an exemption. The securities offered on StartEngine Capital have not been registered under the Securities Act, and are offered in reliance on the crowdfunding exemptive provisions of Section 4(a) (6) of the Securities Act [and/or Regulation S promulgated thereunder]. Securities sold on StartEngine Capital are restricted and not publicly traded, and are therefore illiquid. No assurance can be given that any investment opportunity will continue to qualify under one or more of such exemptive provisions of the Securities Act due to, among other things, the adequacy of disclosure and the manner of distribution, the existence of similar offerings in the past or in the future, or a change of any securities law or regulation that has retroactive effect.

The risks highlighted above are non-exhaustive and you should **only invest an amount of money you can afford to lose without impacting your lifestyle.**

Investment Limitations

Because of the risks involved with this type of investing, you are limited in how much you can invest during any 12-month period in these transactions. The limitation on how much you can invest depends on your net worth and annual income.



If either your annual income or your net worth is less than \$100,000, then during any 12-month period, you can invest up to the greater of either \$2,000 or 5% of the lesser of your annual income or net worth.

If both your annual income and your net worth are equal to or more than \$100,000, then during any 12-month period, you can invest up to 10% of annual income or net worth, whichever is less, but not to exceed \$100,000 or all crowdfunding offerings in any 12 month period..

Calculating Net Worth

Calculating net worth involves adding up all your assets and subtracting all your liabilities. The resulting sum is your net worth. For purposes of crowdfunding, the value of your primary residence is not included in your net worth calculation.

The SEC's Investor Bulletin Crowdfunding for Investors contains detailed and useful information about how to perform these calculations, [click here](#)

Cancellations

As an investor, you will have up to 48 hours prior to the end of the offering period to change your mind and cancel your investment commitment for any reason.

If you do not cancel an investment commitment 48 hours prior to the offering deadline, the funds will be released to the Issuer by the escrow agent upon closing of the offering and you will then receive securities in exchange for your investment.

If you do cancel an investment commitment before the 48 hour deadline, StartEngine Capital will direct the return of any funds that have been committed by you in the offering.

However, once the offering period is within 48 hours of ending, you will not be able to cancel for any reason, even if you make your commitment during this period.



Material Changes

If the issuer makes a material change to the offering terms or other information disclosed to you, including a change to the offering deadline, you will be given five business days to reconfirm your investment commitment. If you don't reconfirm, your investment will be cancelled and the funds will be returned to you.

Restrictions On Resale

The securities offered on StartEngine Capital are only suitable for potential investors who are familiar with and willing to accept the high risks associated with high risk and illiquid private investments. Securities sold through StartEngine Capital are restricted and not publicly traded and, therefore, cannot be sold unless registered with the SEC or an exemption from registration is available.

You are generally restricted from reselling your shares for a one year period after they were issued, unless the shares are transferred:

- to the company that issued the securities;
- to an accredited investor;
- to a family member (defined as a child, stepchild, grandchild, parent, stepparent, grandparent, spouse or spousal equivalent, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships.)
- in connection with your death or divorce or other similar circumstance;
- to a trust controlled by you or a trust created for the benefit of a family member;
- as part of an offering registered with the SEC.



Frequently Asked Questions

Can I Buy A Title III Regulation Crowdfunding Securities Directly From A Company?

No. Companies may not offer crowdfunding investments to you directly. They must use a crowdfunding intermediary, such as a funding portal like StartEngine Capital or a broker-dealer. Each must be registered with the Securities Exchange Commission and a member of the Financial Industry Regulatory Authority (FINRA).

Do I Pay Any Fees?: No. Investors do not pay a fee to StartEngine Capital or any third party for investing via ACH or wire transfer. This is subject to change at any time.

How Does StartEngine Capital Make Money? StartEngine Capital makes money by charging a commission on the amount of investments raised by the issuer. The commission may be paid in cash and/or the same stock as issued in the crowdfunding offering to the public. Together with reimbursement of expenses, these fees will not exceed an aggregate maximum of 15% of the total gross proceeds of the offering. These fees are capped as follows: \$0 - \$100,000 up to 15% aggregate commission and fees, \$100,000.01 - \$500,000 up to 10% aggregate commission and fees, and \$500,000.01 - \$1,000,000 up to 7.5% aggregate commission and fees.

What Ways Can I Invest?: On StartEngine Capital you can invest in four ways: Individually; as a self-directed IRA; as a Trust, or as an entity like a corporation or Limited Liability Company. If you are interested in learning more about what a self-directed IRA is, or how to convert your IRA to a self-directed IRA, [click here](#).

What Is My Proof of Ownership?: Electronic records will be held with the issuing company's transfer agent. Once your purchase of stock is complete, you will receive a confirmation email with details of your investment. **You will not receive a paper stock certificate.**

What If The Issuing Company Reaches Its Target Investment Goal Early?:

StartEngine Capital will notify investors by email when the target offering amount has been met. If the issuing company hits its goal early, it can create a new target deadline at least 5 business days out. Investors will be notified of the new target deadline via email and will then have the opportunity to cancel up to 48 hours before new deadline.



The Investment Process on StartEngine Capital

In order to invest, to commit to an investment or to communicate on our platform, you must open an account which entails providing certain personal and non-personal information to StartEngine Capital and its affiliates and/or service providers, including information related to your income and net worth, and other investments. This information is used to verify you as a potential investor who is qualified to invest in investment opportunities posted on StartEngine Capital. For further information on investment limitations, please see “Investment Limitations” above and for information on handling your personal information, please see our [Privacy Policy](#)

After opening an account, you will be able to search for various investment opportunities on StartEngine Capital by categories such as: Issuer name, Issuer business or industry/date/security type; review all campaign and investment materials; and communicate about a specific offering on the funding platform with the issuer and its agents, as well as with other investors.

Note: All investor funds will be held in an escrow account is maintained by a separate qualified escrow agent with a depository such as a bank. After completion of the campaign, the escrow agent will release the aggregate funds contributed from all investors and the issuer will issue securities to all investors through its transfer agent. If the offering is not successful, investors will receive a full refund of investments held in escrow. StartEngine Capital does not and cannot hold funds.

Investors that participate in an offering on StartEngine Capital should be aware that once an offering has completed, and an investor has received securities from the Issuer, there may or may not be any ongoing relationship between the Issuer and the StartEngine Capital. Any questions or concerns related to such Issuer’s securities and continued disclosure provided in such Issuer’s annual reports on Form C-AR must be forwarded directly to such Issuer once an offering on the StartEngine Capital is completed. StartEngine Capital assumes no liability or responsibility, directly or indirectly, for any damage or loss caused or alleged to be caused by or related to the use of or reliance on any disclosures made or services provided by the Issuer once the Issuer’s offering on StartEngine Capital is completed

If you have any questions or concerns regarding the funding platform, please don’t hesitate to reach out to our client support team by emailing us at contact@startengine.com or clicking the help button at any time.



Additional Resources

StartEngine is required by the SEC to post educational materials on our site. While those educational materials are a great start to educate yourself and understand the risks of making crowdfunding investments, it is really only the beginning of your journey. Be sure to investigate the issuing company and to participate in our online forum where you can interact with other investors, weigh in on the pros and cons of an opportunity, and ask the issuing company questions.

To learn more about crowdfunding, see the adopting release and [complete text of Regulation Crowdfunding](#).

To read the February 16, 2016 SEC Investor Bulletin Crowdfunding for Investors, [click here](#).

For additional investor educational information, see the SEC's website for individual investors by [clicking here](#).

StartEngine Capital has provided this information as a service to investors. It is neither a legal interpretation nor a statement of SEC policy. If you have questions concerning the meaning or application of a particular law or rule, please consult with an attorney who specializes in securities law.

StartEngine Capital Capital is the premier equity crowdfunding platform, connecting investors with tomorrow's progressive companies. Based in Los Angeles, the company was created in 2013 by Howard Marks, co-founder of Activision, and Ron Miller. StartEngine Capital Capital aims to revolutionize the startup business model by helping individuals invest in private companies on a public platform for the first time in history, thereby helping entrepreneurs achieve their dreams.

Learn more at startengine.com



Investor Guide to Regulation A+ Equity Crowdfunding

Provided by



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This publication is designed to provide information in regard to equity crowdfunding. The information provided herein does not contain all information available on the subject and is provided “as is”. Every effort has been made to make this book as accurate as possible but it should serve only as a general guide and not as the ultimate source of subject information. This book contains information that might be dated and is intended only to educate and entertain. The publisher is not engaged in rendering legal, accounting, investment, or other professional opinions and makes no representations or warranties with respect to the accuracy or completeness of the contents of this book. If legal advice or other expert assistance is required, consult with the appropriate professional.



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Introduction

Crowdfunding is the act of raising small amounts of money from a large number of people.

You may be familiar with crowdfunding because of all the news around campaigns who have made a big splash in the last few years. One such company you may remember is [Oculus VR](#), which raised \$2.4 million from thousands of contributors on Kickstarter in 2012. You may also have read that they were acquired just two years later for \$2 billion by Facebook. Imagine the return backers would have seen if had this been an equity crowdfunding campaign!

Four Types Of Crowdfunding



Reward Based: In this type of crowdfunding, people get a tangible item or service in return for donating funds to a budding company. Two platforms in this space are [Kickstarter](#) and [Indiegogo](#).



Donation Based: This type of crowdfunding is similar to charitable giving, but the transactions go through an online platform and are usually live for a set period of time. [Crowdrise](#) and [GoFundMe](#) are examples of donation based platform.



Debt: In this type of crowdfunding, investors are repaid for over a period time. A popular site for this kind of peer-to-peer lending is [Lending Club](#) or [Kiva.org](#).



Equity: People who participate in equity crowdfunding take an ownership stake in the company they are investing in. [StartEngine](#) is an example of a site devoted purely to equity crowdfunding. We differ from accredited investor only platforms like [OurCrowd](#) and [Angel.co](#), because we offer investment opportunities to everyone, not just accredited investors.



Investing in Private Companies

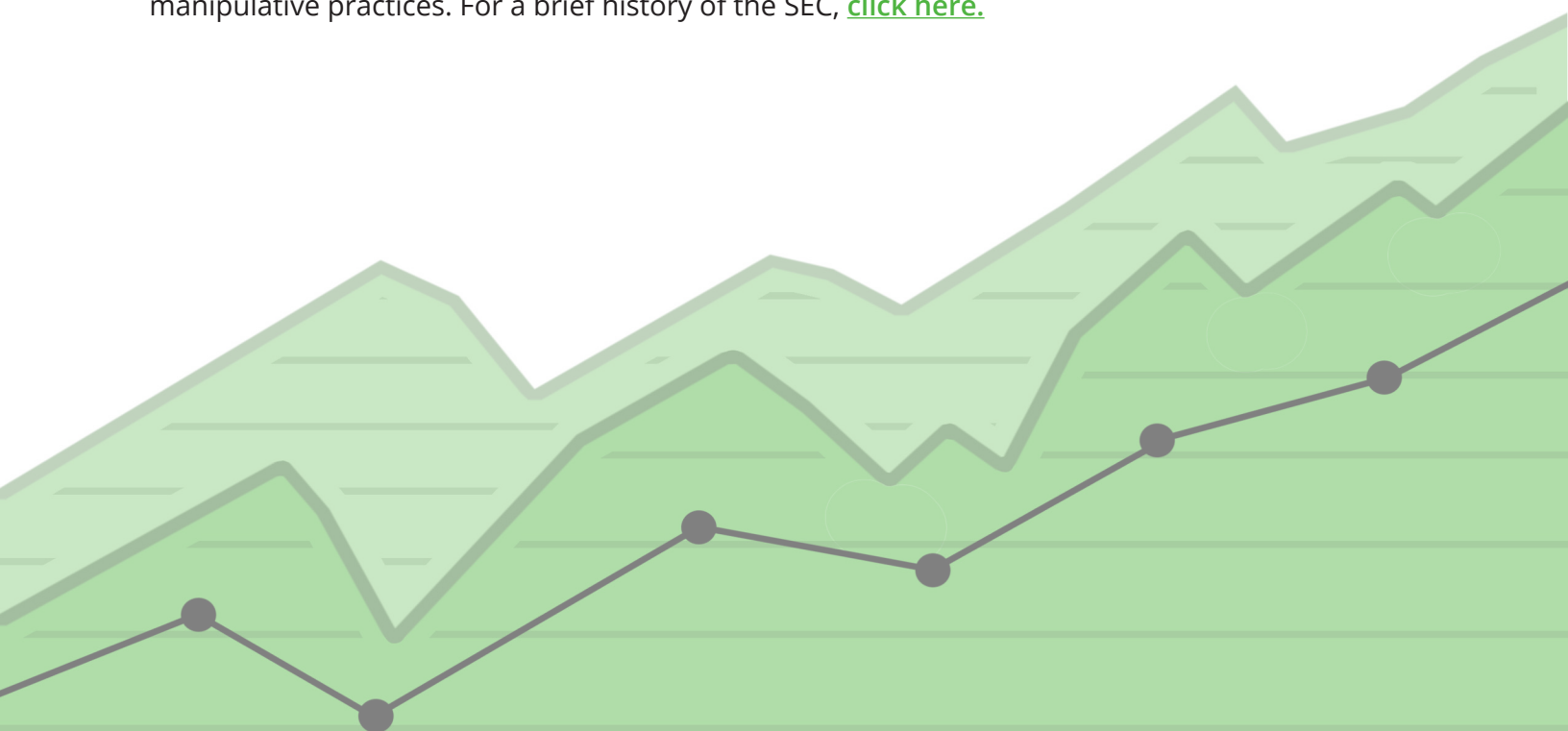
Public companies are, you guessed it, public, meaning that anyone can invest in them through the New York Stock Exchange, NASDAQ, Stock Exchange, and other marketplaces.

Private companies can have investors as well, but their ownership interest is not traded publicly. Both types of companies can be run the same way, but private company ownership has been traditionally limited to people that are close to the founder - family, friends, venture capital firms, and the like. To see a list of America's largest privately held companies [click here](#).

Because of the nature of these companies, they are often referred to as illiquid, meaning that it is not easy to buy or sell equity. However with the advent of equity crowdfunding, it is now easier than ever for investors to take a stake in privately held companies. We'll get into that more shortly.

The Securities and Exchange Commission

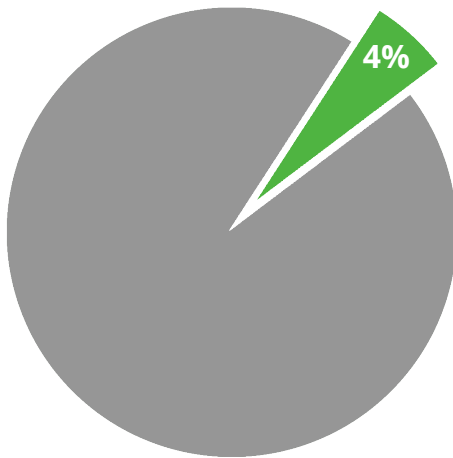
The Securities and Exchange Commission (SEC) was created by Congress in 1934 (in response to The Great Depression) to regulate the securities market (common examples of securities are stocks and bonds) and to protect investors. The SEC is headed by five commissioners appointed by the President of the United States and approved by the Senate. The SEC works to promote transparency and protect the public from fraud and manipulative practices. For a brief history of the SEC, [click here](#).



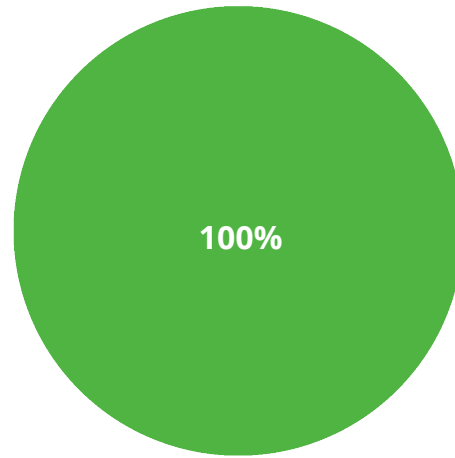


Why the JOBS Act is Important

For the last 80 years, investing in startups has been limited to less than 4% of the US population. However in 2012, President Obama signed the Jumpstart Our Business Startups Act into law. The JOBS Act, as it is more popularly known, opens up investment to both accredited AND nonaccredited investors, providing the remaining 96% the same opportunities the wealthy have.



Prior to Reg A+



After Reg A+

Accredited Investor:

(noun) US / ə'kred.i.tɪd / in'ves-tər /

A person who has a net worth of at least \$1 million or earns at least \$200,000 in income each year - \$300,000 if combined with a spouse.

Nonaccredited Investor:

(noun) US / nan ə'kred.i.tɪd / in'ves-tər /

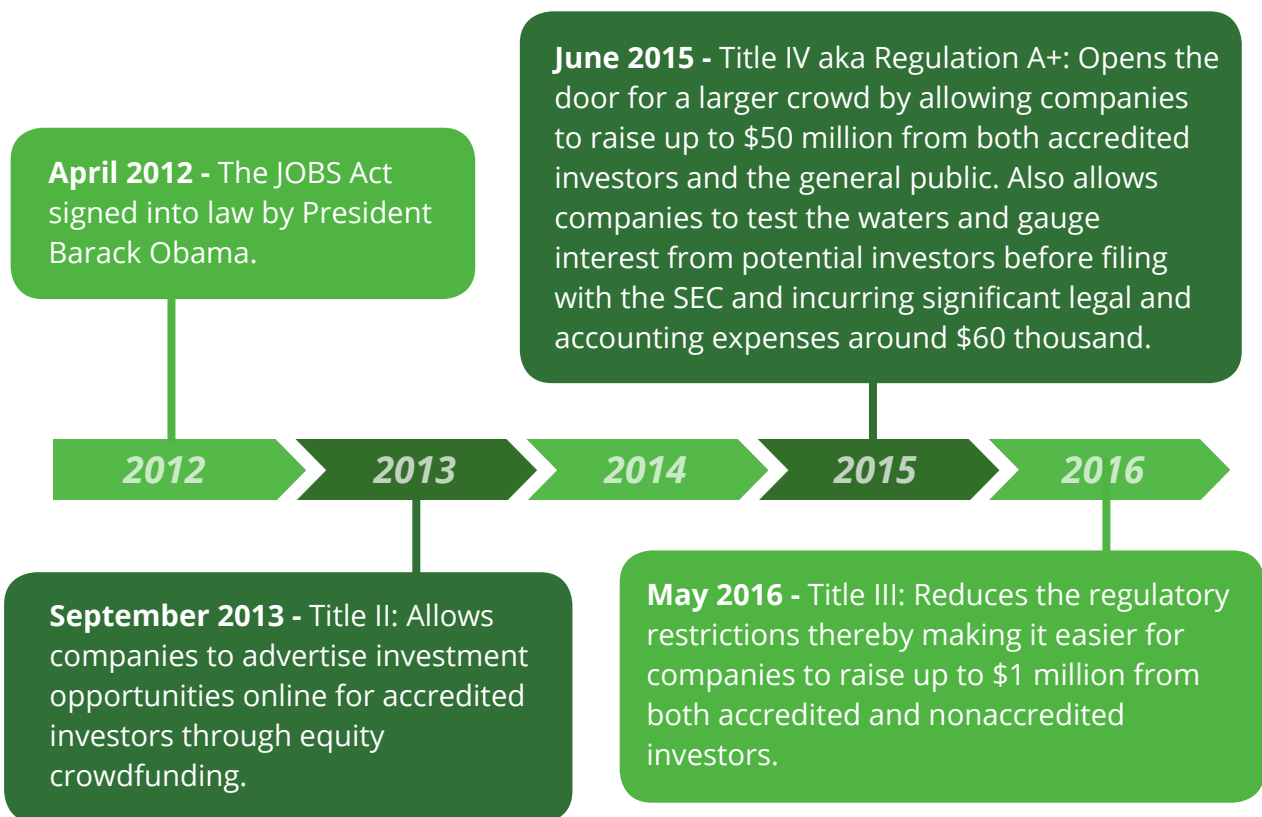
Everyone else.



The JOBS Act fundamentally changes the ways companies can look to raise the capital they need to grow their business. Now, nearly anyone can get in early and be a part of innovative new companies.

Different provisions of the JOBS Act were enacted at different times. Check out a few of the significant highlights and what they mean below.

A Few Big Moments For The JOBS Act





Companies That Will Use Equity Funding

As history shows, crowdfunding can be an incredible platform for companies to bring their product or service to market. In the past few years we've seen hundreds of innovative solutions to customer needs that otherwise may have never been possible.

Today, more and more companies are considering equity crowdfunding as a way to fuel their business in addition to, or as an alternative to, more commonly known options such as Debt, Angel, or VC funding. Access to capital through equity crowdfunding is groundbreaking and will allow for faster innovation and growth for businesses of all sizes.

Beyond the funding itself, there is inherent power in equity crowdfunding because customers and fans can be converted into owners. Those who invest will have a direct financial incentive to see the company do well. And companies who benefit from word-of-mouth could see a great advantage in empowering the crowd to join them on their journey.

Benefits of Equity Crowdfunding

Now through equity crowdfunding, early investment opportunities are not limited to just the wealthy few, but are available to everyone.

While equity crowdfunding offers the potential for incredible returns, it is about much more. It represents the opportunity to invest in ideas, entrepreneurs, and innovation.

Think of all the startups that have disrupted the market and fundamentally changed our culture. Imagine what your life would be like if you had been given the chance to invest in Google, Amazon, Facebook, and Uber before they went public. Each of them were once tiny, insecure startups viewed by mainstream investors with heavy skepticism and later went public with incredible returns for their early investors.



Risks to be Aware Of

Investing in private companies, particularly start-ups and early stage companies, offers both high risk and high return. When a successful company is purchased or becomes publicly traded, shareholders may receive a substantial return on their investment. On the other hand, when a company is unsuccessful, shareholders may lose part or all of their investment.

When investing through equity crowdfunding, keep these things in mind:

- ⚡ Startups represent a greater risk of failure.
- ⚡ **Valuations** of startups can be difficult to determine and are often subjective.
- ⚡ Investments are subject to **dilution** which is when early investors see a reduction in ownership percentage as new stock is issued.
- ⚡ Company **exit strategies** typically involve getting bought or listing on a public stock exchange. As such it may take years to receive returns.
- ⚡ Lower quality companies could use crowdfunding as a last ditch effort
- ⚡ Even with the SEC's thorough investigation of companies and their executive teams, there is a risk of fraudulent activity.

How To Protect Yourself Against Undue Risk: Discovery & Due Diligence

Yes, it is easier than ever to invest in private companies, which makes it very important as a potential investor that you do your homework. That said, it is incredibly difficult to value early-stage companies because they are just starting out. Their value cannot be determined the traditional way - based on its assets, book value, or historical results. You have to use your judgment to decide what a company is really worth.



Managing Risk

Invest In Moderation: Because investing in start-up companies is inherently riskier, you should keep your investment to a modest portion of your portfolio. Even though there are SEC investment limitations in place to help with this, you should always make sure you can afford to lose your entire investment.

Think Long Term: Do not invest funds you expect to need anytime soon. Shares in private companies are considered illiquid because they are not traded in an open market and are more difficult to sell. Additionally, the company may not exit right away which means you're likely to wait years to see a return on your equity crowdfunding investment.

Diversify Your Portfolio: Because you could lose your entire investment in any single start-up company you finance, you might want to consider spreading the money you have allocated to equity crowdfunding across at least ten different companies. Additionally the businesses you invest in should be different enough from one another so that you are not exposed to geographic or industry risk.

Look For High Rates of Return: Because the start-up failure rate is generally so high, you will need the ones that succeed to generate very high returns to balance out the low rate of returns and failures for your overall investment portfolio to generate a positive return.

Determine If The Offering Is Right For You: Read the offering circular (which provides all the details and disclosures regarding the offer) and be sure to consider factors such as share price, [valuation](#) and [type of stock](#) being offered. For more information on different types of stocks, [click here](#).

Evaluate The Company & The Market: The best way to see high return on your investment is to carefully examine the business of companies that interest you on portals like StartEngine.

Ask Yourself:

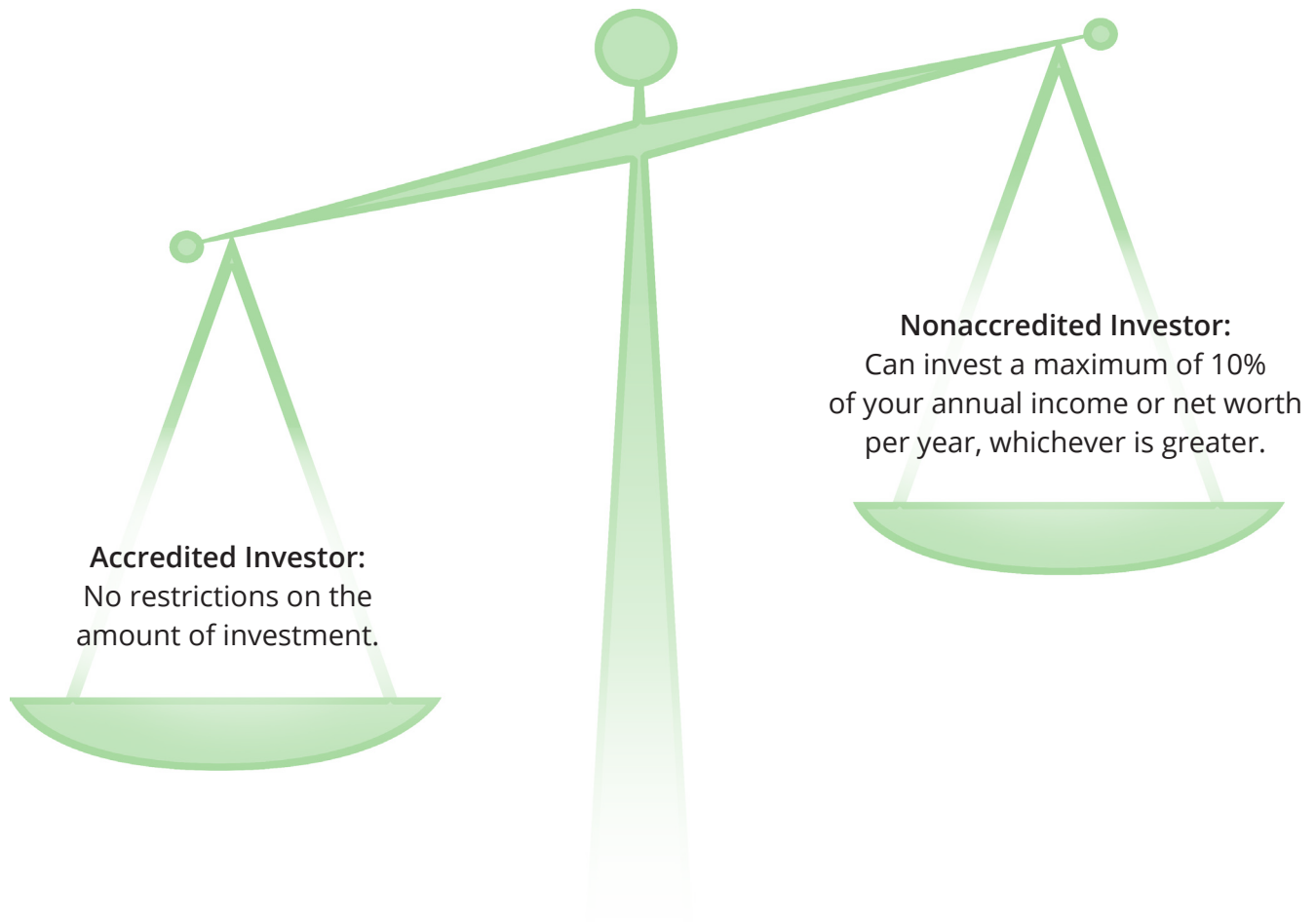
- Is what the company does easy to understand?
- Is there a demonstrated want or need for the product?
- Does the team have the experience to be successful?
- What does the competition look like?
- What is the company's track record and measurable results so far and how does the company plan to make money?
- Do the company's goals and projections feel realistic?
- What is the vision for growth and how do they plan to use the money raised?



How Much Can I Invest?

Through equity crowdfunding portals like StartEngine you can invest in many US and Canadian companies. However, for nonaccredited investors, there are protective limits placed by the SEC on the amount you can invest in any one company, based on your income.

Here is a breakdown of what you are able to invest on StartEngine:



In addition to the limits above, each investment opportunity will have their own restrictions. For example an issuing company will determine their own minimum and maximum as well as whether they want to take on any international investors. All of these details will be provided in the offering circular. To see a sample offering circular, [click here](#).



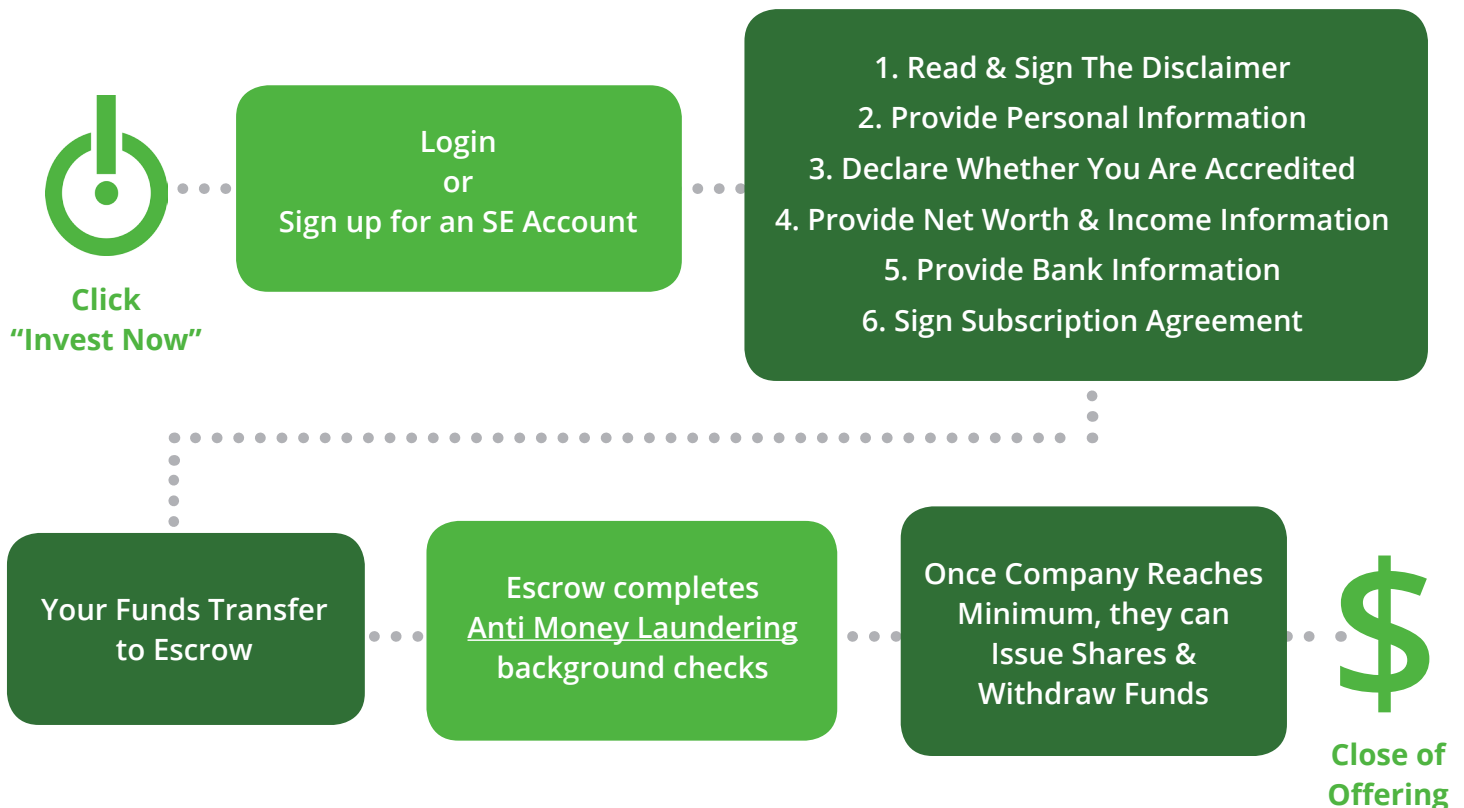
What it Means to Reserve Shares

Some companies may choose to test the waters for a period of time and gauge the interest of the crowd before filing their offering with the SEC. When a company does this, you'll see an opportunity to "reserve shares" on the StartEngine website. If you choose to participate at this stage you are simply expressing interest in investing. Share reservations are made in dollar amounts, since companies have not set their share price in this stage. This expression of interest is non-binding and will not obligate you or the company in any way.

If a company receives enough interest and chooses to move forward with their offering, they will file the appropriate paperwork with SEC, including audited financials. Once authorized by the SEC, those with reservations will be invited to invest in a live offering.

How a Live Offering Works

Once a company is authorized by the SEC, they will provide a link to their offering circular with the exact details of the offering and a button to "Invest Now". Potential investors will have a limited time to participate. Those who choose to move forward and invest will go through the process below:





Frequently Asked Questions

Do I Pay Any Fees? The investor never pays a fee to StartEngine or any third party for investing. StartEngine makes money by charging a fee to the issuing company. This is subject to change at any time.

What Is A Subscription Agreement? This is a promise by the company to sell a given number of shares to an investor at a certain price, and an agreement by the investor to pay that price. Both the investor and the company sign this document at the time of investment.

What Is My Proof of Ownership? Electronic records will be held with the issuing company's transfer agent. Once your purchase of stock is complete, you will receive a confirmation email with details of your investment.

What Ways Can I Invest? On StartEngine you can invest in four ways. Personally, as a self-directed IRA, as a Trust, or as a Company.

Can I Resell, Will or Transfer My Shares to another person? There is not currently an established secondary market for shares, however, with Title IV or Regulation A+. The shares are unrestricted and may freely be sold after purchase.

Some companies may even choose to list on secondary markets, such as the [OTCQX](#) market, after the offering.



How to Get Started on StartEngine

It is very easy to get started... Simply...

- 1 Sign Up.
- 2 Create an Investor Profile.
- 3 Browse Companies.
- 4 Invest or Reserve Shares in companies that interest you.

How To Help Companies That You Invest In

As with any type of crowdfunding, the true power is in the small contributions a large group can make. The idea is to bring in as many people as possible. That means the best way you can help is to spread the word about the companies you invest in with tools such as Twitter, Facebook, LinkedIn, email, etc.

By sharing the investment information with your friends and family you have the chance to make a big impact on awareness for the campaign and the company. After all, you're more than a customer or a fan, you are now an owner in the company you invested in!

StartEngine is the premier equity crowdfunding platform, connecting investors with tomorrow's progressive companies. Based in Los Angeles, the company was created in 2013 by Howard Marks, co-founder of Activision, and Ron Miller. StartEngine aims to revolutionize the startup business model by helping individuals invest in private companies on a public platform for the first time in history, thereby helping entrepreneurs achieve their dreams.

Learn more at startengine.com