

February 3, 2014

Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090  
Submitted via email: rule-comments@sec.gov

Re: Comments on Proposed Rule: JOBS Title III - Crowdfunding: #141-146

*“The great aim of education is not knowledge but action” - Herbert Spencer.*

Dear Ms. Murphy:

Thank you for the opportunity to provide comments to the Securities and Exchange Commission (the “Commission”) on its proposed amendments.

The Advisory Council was formed to address a very important need for investor education pursuant to the Jobs Act. Education is critical both for accredited and non-accredited investors for their long term success, as well as that of the Jobs Act. The advisory council consists of a group of prominent practitioners, educators and industry experts with representatives from CFPA, CFIRA & NLCFA.

The SEC has recognized this need and issued basic guidelines for equity investor education; section 4A(a)(3) of the Jobs Act states that intermediaries will be required to “provide... disclosures related to risks and other investor education materials.” However, scope and specific requirements for other materials are left vague. This is where we see a great opportunity, and would like to present the following objectives to this advisory council:

1. Act as advisory board to develop standards for a complete, systematic online investor education program that prepares investors to participate in the crowdfunding marketplace while mitigating potential risk of fraud
2. Create a BOK (body of knowledge) to meet and elaborate upon FINRA and SEC recommendations/requirements for investor education
3. Submit BOK to SEC to meet 90-day comment deadline.

We appreciate this opportunity to comment in advance of the proposed rulemaking for the JOBS Act. Should you have any questions or require any additional information about the Advisory Council or the contents of this letter, please feel free to contact me at 617-879-4710 or [agimpelson@rcn.com](mailto:agimpelson@rcn.com)

### **Request for Comment**

Informal surveys of platforms catering to accredited investors indicate that only a fraction of signed-up investors actually invest. The experienced investors who have already been active remain active, while the majority of novice accredited investors are staying on the sidelines. We could expect similar behavior from non-accredited investors.

It is believed that one of the major reasons is simply a lack of knowledge required to be successful in investing in privately held companies. If the majority of potential investors are remaining on the sidelines, JOBS act is not likely to deliver the promise of job creation. Therefore, the objective of education should not be only making investors aware of potential risks associated with crowdfunding or simply repetition of SEC regulations, but also preparing novice investors to be comfortable in making investment decisions.

*“The great aim of education is not knowledge but action” - Herbert Spencer.*

141. Is the scope of information proposed to be required in an intermediary’s educational materials appropriate? Why or why not? Is there other information that we should require an intermediary to provide as part of the educational materials? If so, what information and why?

The National Financial Capability Study presents new survey findings that underscore the need to ensure all Americans have access to the education, resources and tools they need to manage their money with confidence

The requirements are dealing mainly with risks and regulations of the JOBS Act. They fail to prepare potential investors to be successful, informed and confident crowdfunding investors.

Education should cover principles of investing, fundamentals of crowdfunding, and basics of evaluating investment opportunities of privately held companies. It should guide learners through the process of making investment decisions and prepare them to be successful, informed crowdfunding investors.

143. Should we prescribe the text or content of educational materials for intermediaries to use? Why or why not? Should we provide models that intermediaries could use? Why or why not?

It is not critical what specific educational method or content is used, provided the course covers the requisite topics and meets basic pedagogical standards. It is up to the intermediary to select the appropriate method. The SEC’s responsibility is to assure that a learner has understood and is capable of applying the acquired knowledge.

The great majority of non-accredited investors have no experience in investing in early stage companies, nor evaluating the opportunities, nor conducting due diligence. Failure to learn or lack of ability to apply the knowledge will result in an unsatisfactory experience, loss of money and in the long run will damage crowdfunding.

We believe that there is only one way to assure that investors are ready to invest. When consequences of actions are significant, standardized tests are widely used. There should be a certification exam available for students once they complete the core materials.

In terms of administration, we recommend multiple choice questions which usually requires less time for test takers to answer, are easy to score and grade, provide greater coverage of material, allow for a wide range of difficulty, and can easily diagnose a test taker’s difficulty with certain concepts. True/false tests that require a test taker to choose all answers that are appropriate are fair, efficient and provide feedback to the test taker. Feedback will greatly speed up the process of eradicating deficiencies.

We believe that it would be advisable for the Commission to create a standardized set of basic investor education requirements. The attached Body of Knowledge may be useful for the Commission to guide the development of the test and educational materials.

Developed by experts in crowdfunding and financial literacy, the attached Body of Knowledge curriculum explains crowdfunding in clear, straightforward language—including its properties as an alternative investment and its potential benefits and risks to investors. It offers a methodology investors can use to evaluate the suitability and legitimacy of crowdfunding opportunities.

144. Should we specifically prohibit certain types of electronic media from being used to communicate educational material? If so, which ones and why?

We believe that it is wise not to put a limit or specify the type of electronic media allowed. While it is clear that it should not be a requirement, we recommend education for novice investors to be easy, flexible and convenient. For example, an eLearning format of education which delivers the highest comprehension level according to multiple studies may be useful. It will also allow short and subject-specific lectures, accessible any time anywhere at the learners pace on any device.

e-Learning encompasses technology-enhanced learning (TEL), computer-based training (CBT), computer-assisted instruction (CAI), internet-based training (IBT), web-based training (WBT), online education, virtual education, virtual learning environments (VLE) which are also called learning platforms, m-learning, digital educational collaboration, distributed learning, computer-mediated communication, cyber-learning, and multi-modal instruction. All of these formats should be permissible.

145. Should we require intermediaries to submit the educational materials to us or FINRA (or other applicable national securities association) for review? Why or why not? If we should require submission of materials, should we require submission before or after use, when they are first used, when the intermediary changes them or at some other point(s) in time? Please explain.

FINRA Educational Foundation is the most appropriate organization to review educational materials. The review of the materials should be before use and also when the intermediary changes the materials. If not, the investors will start investing without knowing that the educational materials studied were missing important points that they should know.

146. Should we require intermediaries to provide educational material at additional or different specified points in time, rather than only when the investor begins to open an account or make an investment commitment? Why or why not? If so, why would that be preferable to requiring updates on an as-needed basis? For example, should educational material be provided on a quarterly, semi-annual, or annual basis? Should this material be provided again to investors who have not logged onto or accessed an intermediary's platform for a specified period of time? Why or why not? If so, what should that period of time be?

Intermediaries should provide educational materials when the investor begins to open an account or make an investment commitment. It is important that the investor is ready for investing when they do. The investor should take the test again if they are inactive more than one year. One year is enough for people to forget all the important materials that they learned.

## Abridged Novice Investor Body Of Knowledge - UNFINISHED

### I. Introduction

- Course Objectives
- What Is the Jobs Act and What Does It Do for Me?
- Promise of Crowdfunding
- Types of Crowdfunding

- II. Crowdfunding Investing in Privately Held Companies
  - i. How it works
  - ii. Investment Options in Privately Held Companies
  - iii. Choosing Investments
  - iv. Risk & Fraud
  - v. Due Diligence
- III. Taking Action: Making a crowdfunding Investment
  - i. The Process
  - ii. Options/Vehicle
- IV. Post-Investment Actions & Opportunities
  - iii. Working with Your New Venture
  - iv. Investor Rights & Obligations
  - v. Investor Protection
  - vi. Portfolio Management
  - vii. State & Federal Regulations

### **Supplemental Materials**

Key Investment Concepts: Available on FINRA Investment Education Foundation website

Common Types of Investments: Available on FINRA Investment Education Foundation website

Managing Investment Risk: Available on FINRA Investment Education Foundation website

Investing Basics: Investor.gov

Investor Protection: Available on NASAA website

State Regulations: Available on NASAA website

Reading Financial Statements: SEC Beginners' Guide to Financial Statements

Financial & Investment Dictionary: NASDAQ Glossary of Stock Market Terms

Investor Tools: TBD

How Professional Investors Evaluate Opportunities: TBD

Portfolio Management: TBD

## Advisory Council Bios

**Tony Artuso** specializes in market-focused product development that utilizes technology to optimize the value of an organization's intellectual property (IP). He has 20+ years of experience in developing, managing, and marketing educational products across a variety of media, ranging from the traditional to cutting-edge. His knowledge and skills include IP management; product positioning and introductions; partner and vendor negotiations; and recruiting and staff development. Past employers include O'Reilly Media, Delta Education, Education Development Center, and Harvard Business School Publishing. Tony is currently Director of STEM (Science, Technology, Engineering, and Mathematics) for Houghton Mifflin Harcourt, the education company. He earned an MBA from Harvard Business School.

**Charles Cameron** is the Founder & Managing Director of Hub Angels Investment Group. Charlie has over 20 years of management consulting, marketing and investing experience in more than 30 countries. His experience ranges from working on strategy with Fortune 500 companies to mentoring emerging technology companies to venture investing. He works with entrepreneurs, investors and family offices in Europe, the US and Canada. In addition, he is SVP of Business Development at Cooley LLP, a national law firm with a broad, technology-oriented client base. He currently sits on the Advisory Board of The Capital Network, helping entrepreneurs to learn how to fund their startup. Having worked in over 20 countries, including being based in Geneva, Switzerland and spending significant time in Russia and Asia, he brings a global perspective to business, marketing and entrepreneurship. He has been an executive Panelist, IMD, Switzerland, for the World Competitiveness Yearbook, from 2003 to the present. During the past decade Charlie has built a global network of entrepreneurs, VCs, angel groups, and service providers. Charlie has an MBA from MIT, an MPH from Harvard University, and a BA, Economics--honors, Phi Beta Kappa, from the University of Massachusetts

**Douglas S. Ellenoff**, a member of Ellenoff Grossman & Schole since its founding in 1992, is a corporate and securities attorney with a specialty in business transactions and corporate financings. Mr. Ellenoff and the rest of the corporate department distinguish themselves from many other transactional lawyers on the basis of their ability to be part of the establishment of new securities programs, like PIPEs, SPACs, Registered Directs, Reverse Mergers and CrowdFunding, where the Firm's professionals have played leadership roles within each of those industries, assisting in the creation, formation and strategies relating to those financings, as well as working closely with the regulatory agencies; including the SEC and FINRA; and the listing exchanges - AMEX and NASDAQ. Ellenoff Grossman & Schole has been heavily involved in CrowdFunding since its inception. The Firm has sponsored conferences, webinars and has been invited to speak at different events on the topic. Mr. Ellenoff has met with the SEC several times to discuss many aspects of the new law, how the industry currently operates and how both the SEC and FINRA will register and regulate the portals.

**Michael A. Greeley** is a General Partner at Foundation Medical Partners. Michael brings a long track-record of experience and innovation to Foundation Medical Partners. Prior to joining FMP, Michael served as founding general partner at Flybridge Capital Partners where he led the firm's healthcare investments. He also served on the board of International Data Group, the initial flagship Limited Partner for the IDG Ventures global network of funds and Flybridge Capital Partners, which in 2008 transitioned from IDG Ventures Atlantic to its current name.

Representative investments include BlueTarp Financial, MicroCHIPS, PolyRemedy, Predictive Biosciences, Predilytics, T2 Biosystems, TARIS Biomedical and VidSys.

Previously, Michael focused on emerging-growth company financings with Polaris Venture Partners, was a senior vice president and founding partner of GCC Investments, and held positions at Wasserstein Perella & Co., Morgan Stanley & Co. and Credit Suisse First Boston.

Michael currently serves as chair of the Entrepreneurship Committee of the Massachusetts Information Collaborative and on the Investment Committee for the Partners Innovation Fund, as well as serving on several other boards including the New England Investors' Committee of Capital Innovation, and New England and National Venture Capital Associations. Recently named by the Boston Globe as the "Go-To" investor for life sciences, healthcare and medical devices and a Mass High Tech All-Star, Michael earned a B.A. with honors in chemistry from Williams College and an M.B.A. from Harvard Business School

**Sara Hanks**, co-founder and CEO of CrowdCheck, is an attorney with over 30 years of experience in the corporate and securities field. CrowdCheck helps entrepreneurs through the disclosure and due diligence process, giving online investors the information they need to make an informed investment decision and avoid fraud.

Sara's most recent position was General Counsel of the Congressional Oversight Panel, the overseer of the Troubled Asset Relief Program (TARP). Prior to that, Sara spent many years as a partner of Clifford Chance, one of the world's largest law firms. While at Clifford Chance, she advised on capital markets transactions and corporate matters for companies throughout the world. Sara began her career with the London law firm Norton Rose. She later joined the Securities and Exchange Commission and as Chief of the Office of International Corporate Finance led the team drafting regulations that put into place a new generation of rules governing the capital-raising process.

Sara received her law degree from Oxford University and is a member of the New York and DC bars and a Solicitor of the Supreme Court of England and Wales. Sara is an aunt, Army wife, skier, cyclist, gardener and animal lover.

**David Marlett** is the CEO of BlueRun Media, and its financing arm, BlueRun Crowdfund, [www.BlueRunCrowdfund.com](http://www.BlueRunCrowdfund.com). In addition, he is Founder and Executive Director of the National Crowdfunding Association, [www.NLCFA.org](http://www.NLCFA.org), one of the world's largest trade association for crowdfunding, and Chairman of the Board of Governors of the World Crowdfund Federation, [www.WorldCrowdfund.org](http://www.WorldCrowdfund.org), which pulls together crowdfunding organizations around the globe. With 25+ years as an entertainment attorney and CPA, David has arranged over \$120M in financing for ventures across an array of industries including film (his specialty). He is a novelist and successful screenwriter, and has written a number of online and print pieces on crowdfunding, transmedia and film finance, including his recurring column in Moviemaker Magazine and a column for Digital Book World on transmedia publishing and production. He has a law degree from the University of Texas School of Law, and degrees in accounting, economics and finance

**J. Brad McGee** is the founding partner of iCrowd, a richly interactive web-based community committed to bridging the gap between entrepreneurs and investors, and positioned to become a premier platform for enabling small companies to access capital under the provisions of the JOBS Act. Brad has extensive experience in small and new business, global business, strategy development, finance, and mergers and acquisitions. He played an instrumental role in the growth of Tyco International, Ltd. from a \$3 billion to a \$40 billion global company, serving as President, Tyco Specialty Products; Executive Vice President and Chief Strategy Officer; and Chief Administrative Officer of The CIT Group (Tyco's finance division), the largest U.S. non-bank commercial lender,

and the largest originator of Small Business Administration loans. He cofounded or was a founding member of numerous businesses. Brad has a BS in Systems Engineering from the U.S. Naval Academy, served on nuclear submarines, and retired as a Captain from the Naval Reserves. He earned an MBA from Harvard Business School. Brad is an Ironman triathlete, marathon swimmer, and recreational pilot.

**Scott McIntyre** has been an entrepreneur and venture catalyst for over 20 years. Following his term as a Princeton Consultant, and having participated in numerous California Venture Capital Associations during the Internet boom, Scott founded brand strategy & capital services firm Phabriq Development. Scott is known for integrating innovative business development and marketing strategies into new business models across diverse industries including Finance, Education and Entertainment. Mr. McIntyre is a frequent speaker, moderator and panelist at leading global conferences.

Scott recently completed an interim appointment managing The State of Ohio's Edison Technology Incubator program at the University of Toledo where he implemented his designs for *COspace*, a best-of-breed incubator/accelerator facility providing a comprehensive co-working environment for entrepreneurs, mentors and investors to build partnerships and startups leveraging Crowdsourcing and Crowdfunding strategies. Scott currently advises UT's College of Engineering while mentoring the freshman class on entrepreneurship.

Scott is an active CFIRA committee member, and a Co-Chair at CFPA, pledged to helping develop both the framework and the content for educating membership and the broader public on the essence and impact of Crowdfunding, specifically as it relates to student career development and Main Street job creation. Scott is active in both Michigan and Ohio regional venture development communities and makes use of his positions at CFPA and CFIRA to broaden recognition of the power of the Crowd in restoration of the American Dream.

Acknowledging that business failure is a far greater cause of investor losses than fraud, Scott recently joined Commonwealth Fund as Managing Director. A comprehensive financial services firm, Commonwealth Fund helps small companies access public funds on a state-by-state basis, vetting prospective offerings from a legal and business standpoint before offering, and providing ongoing support infrastructure after.

**Arkady Maydanchik** is a recognized practitioner, author, and educator in the field of data quality and information integration. Arkady's methodology and breakthrough *ARKISTRA* technology, were used to provide data quality services to numerous organizations. Arkady's former data quality company, Arkidata Corporation, was recognized in Inc 500, Deloitte & Touche Technology Fast 500, and DM Review 100 lists.

Since 2004, Arkady dedicated his efforts to education and creation of a mature data quality profession. He is a frequent speaker at various conferences and seminars, author of best-selling Data Quality Assessment book, contributor to many journals and on-line publications, and a co-founder of eLearningCurve. eLearningCurve offers comprehensive online education programs in various disciplines of information management.

In his free time, Arkady teaches an after-school math program for elementary and middle school children and works on a variety of other initiatives in the area of children's education.

**Dr. Ken Morris** is the President and Founder of Lightbulb Press. Under Ken's leadership, Lightbulb has become widely recognized as a premier firm in financial literacy and investor education.

Ken was instrumental in establishing the format and style of Lightbulb's perennially popular guides, which are familiar to millions of readers and have helped to educate a broad range of people, from students and young adults to seasoned investors and financial professionals. Ken also led Lightbulb's development of financial education

websites and interactive learning platforms for financial services firms, non-profits, and regulatory agencies worldwide.

Lightbulb's signature style stems from Ken's pioneering work in the plain English movement and his innovative approach to clarifying documents to help consumers and businesses make informed decisions. In this capacity, Ken worked with the IRS to simplify taxpayer forms and instructions and formulate the 1040EZ form, and collaborated with the SEC to develop a plain language handbook for mutual fund prospectuses. He also created the first easy-to-read insurance policies, brokerage statements, and consumer billing statements, demonstrating how plain English, emerging technologies, and information design could be integrated to produce cost-effective, multi-purpose, highly practical business and marketing communications.

Ken has co-authored many Lightbulb guides, including *Guide to Understanding Money & Investing*, *Guide to Understanding Personal Finance*, *Guide to Saving for Retirement*, *A Woman's Guide to Investing*, the *Lightbulb Dictionary of Financial Terms*, and *A Salute to Smart Investing* for military personnel and their families. He has also created consumer guides on credit ratings, information age technologies, and avoiding investor fraud.

Ken has written and spoken extensively about the use of plain language and systemic simplification. He has served on the board of directors of the Electronic Document Systems Foundation (EDSF) and the editorial boards of *Information Design Journal* and *Visible Language*. Ken holds a Ph.D. and an M.A. in English from Columbia University and a B.A. with high honors in English from Cornell University.

**Sherwood Neiss**, Principal of Crowdfund Capital Advisors, is a 3-time INC500 winner whose company won E&Y's Entrepreneur of the Year. During the credit crunch Sherwood saw a need for a change in outdated securities laws. He co-created and lobbied for the Crowdfunding Framework used in the JOBS Act that was signed into law by President Obama on April 5, 2012. CCA advises industry players, governments, NGO's, and stakeholders on understanding what will be a \$300B/yr market. He produces comprehensive Crowdfund Investing educational materials via [SuccessWithCrowdfunding.com](http://SuccessWithCrowdfunding.com). He co-founded the Crowdfunding Professional Association (CfPA) & Crowdfund Intermediary Regulatory Advocates (CFIRA). He is an entrepreneur in residence and co-founder of The Program for Innovation in Entrepreneurial and Social Finance at the University of California Berkeley. He is co-author of *Crowdfund Investing for Dummies* (Wiley) and the World Bank Report *Scaling Innovation – Crowdfunding's Potential for the Developing World*. He holds an International MBA from Thunderbird and a BA from Tulane University.

**Dr. Richard Swart** is a PhD in Information Systems, an international award-winning academic and a recognized thought leader in the crowdfunding industry. He is research director at the University of California, Berkeley's Program in Innovation in Entrepreneurial and Social Finance. This program is developing the world largest database about social finance, microlending and crowdfunding. He works closely with the administration, SEC, and international organizations promoting crowdfunding, innovation and entrepreneurship.

Richard is a founding board member of the Crowdfunding Professional Association (CfPA), the Crowdfunding Intermediary Regulatory Advocates (CIFRA), and an early leader in the field. Richard co-organized the first major national conference on crowdfunding and coordinated several educational events on the JOBS Act throughout the United States.

As Director of Research and Analysis for Crowdfund Capital Advisors (CCA) Richard works closely with the University of California, Berkeley in the Innovation in Entrepreneurial and Social Finance Program which is



dedicated to academic research on crowdfunding and has CCA principals as founders. Richard led a research project for the World Bank exploring crowdfunding and funding models for innovative technology

## Course Objective

The Body of Knowledge describes the knowledge base for a niche investor education program that examines crowdfunding from a conceptual, investment, and regulatory perspective. Developed by experts in crowdfunding and financial literacy, the BOK curriculum explains crowdfunding in clear, straightforward language—including its properties as an alternative investment and its potential benefits and risks to investors—and offers a methodology investors can use to evaluate the suitability and legitimacy of crowdfunding opportunities. To facilitate learning and address the range of investors potentially interested in crowdfunding, courseware is designed as a series of self-paced modules that incorporate contextual information on investing principles, concepts, and practices.

The Body of Knowledge (BOK) will serve as a starting point for creating educational materials covering required topics. There should be certification exam available for students once they complete the core materials.

1. Educate learners about basics concepts, strategies & tactics of alternative investing (investment in privately held companies)
2. Educate novice investors about the new rules and regulations of the Jobs Act regarding crowdfunding investment (equity, debt, etc.)
3. Guide learners through the process of making investment decisions & prepare them to be successful, informed crowdfunding investors

### I. Introduction

#### i. Course Objectives

#### ii. Investment and Crowdfunding **Unfinished**

A) **What is investing and why invest?**

B) **Retirement**

C) **Income**

D) ?

E) **Investment in privately held v. publicly traded companies**

1. Core Definitions

a. Privately Held

b. Publicly Traded

c. Alternative Investment

d. Crowdfunding

2. Differences

F) **Types of Crowdfunding**

a. Donation-Based

b. Reward-Based

c. Equity-Based

d. Debt- Based

G) **Benefits and risks of Crowdfunding Investment**

#### iii. What Is the Jobs Act and What Does It Do for Me?

A) Key Concepts and Changes to Investment Law

- B) The Jobs Act and Crowdfunding Investment (opens up the opportunity of early stage co's where greatest returns historically exist to the "small investor"?)

## II. Crowdfunding Investing in Privately Held Companies

### i. How it works

#### A) How Crowdfunding Investing Changes the Financial Landscape

#### B) Accredited V. Non-Accredited Investors

1. Accredited Investors (Title II 503b and 503c)
  - a. Bulletin Board
  - b. VC/Angel Fund
  - c. Funding Platform
2. Unaccredited Investors (Title 3)
  - a. Broker
  - b. Funding Platform

#### C) Crowdfunding Platforms & Brokers

1. Platforms
  - a. What they do and don't do
  - b. Curated v. non-curated
2. Brokers
  - a. What they do and don't do
3. Relationships Between Platforms and Brokers

#### D) SEC Regulations & Maximum Investment

- a. Non-Accredited Investors
- b. For Accredited Investors

### ii. Investment Options in Privately Held Companies

#### A) Choosing Investments Wisely: Why Own Part of this Venture?

#### B) Common Errors & Misconceptions **Unfinished**

1. Investing Is Like Gambling
2. Investing Is Always Very Risky
3. Your Financial Advisor Will Always Act in Your Best Interest (does he offer SDIRA's-the ability to use IRA's to invest in alternatives like CF?) What other alternative investments are commonly not offered which should be offered?
4. There Is a "Best Time" to Invest
5. There Are "Sure Thing" Investments You Can Make

#### C) Investing in Privately Held Companies

1. Alternative Investment and Crowdfunding
2. Investment in privately held v. public traded companies  
Privately Held Company and Private Placement
3. Currently available funding options
4. New options to be offered via crowdfunding platforms

#### D) Types of Privately Held Ventures

1. Start-ups & Early Stage Companies
2. Small & Medium Sized Business
3. Family-Owned Businesses
4. Large Privately Held Companies
5. Real Estate

### iii. Choosing Investments

#### A) Crowdfunding Models/Investment Options for Privately Held Companies

1. Equity-Based
  - a. Revenue-backed, interest-bearing
  - b. Single-holder vehicles, professionally managed
2. Lending/Debt-Based

#### B) Investment Goals **Unfinished**

1. ROI
  - a. Seeking Maximum financial Returns
  - b. Balancing passion investment with financial return
  - c. Passion investment (financial return is less important)
2. Liquidity(Equity vs. Debt)
3. Investment Horizon (Short-term, mid-term, long-term)
4. Others (TBD)-**tax efficiency such as tax-free or tax-deferred**)

#### C) Type of returns

1. Dividends
2. IPO
3. M&A
4. Revenue Shares
5. Share Sales
6. Interest & Principle Payment
7. Goods and Services

#### D) Exit Strategy

1. Your Right to Sell (When and How)
2. Restrictions on Resale of Securities

#### E) How to Spot a Good Opportunity

1. **Answering the Important Questions:**
  - a) Is it in line with my investment goals?
  - b) Do I understand the business and business model?
  - c) Do I know the market?
  - d) Do I invest in what I know well (product, service, industry, customers, etc.)?
  - e) Has the company provided enough information? Is the information attractive to me?
    - Team
    - Market (size, competition, growth potential)
    - Go-to-Market Strategy
    - Risks
    - Financials
    - Regulations and Compliance
    - Other

#### F) Due Diligence

1. Crowdfunding Platform
  - a. Regulatory Compliance
  - b. Broker
  - c. Track Record
2. Companies
  - a. Familiarize Yourself with the Team
  - b. Review the Provided Information

- c. Assess Business Model Feasibility
- d. Review Financial Information and Projections
- e. Verify Regulatory Compliance
- f. Ask Questions
- g. Evaluate Risk
- h. Ask the Crowd

### III. Taking Action: Making an crowdfunding Investment

#### i. The Process (by Investment Type)

- A) The Offer
- B) Escrow
- C) Purchase
- D) Issuance of Securities
- E) The Issuer's Obligations
- F) The Investor's Obligation
- G) The Intermediary's Obligations

#### ii. Options/Vehicle - TBD

- A) Co-Investment/Syndication
- B) Equity
- C) Debt

### IV. Post-Investment Actions & Opportunities

#### iii. Working with Your New Venture

- A) **Post-Investment Action Options**
  - 1. Passive Owner: Take No Action, Monitor Portfolio
  - 2. Active Owner: Help Portfolio Companies Grow
- B) **Monitor companies/products and services**
- C) **Communicate proactively**

#### i. Investor Rights & Obligations

- A) **By Investment Type:**
  - 1. Voting Rights
  - 2. Disclosure
  - 3. Access to Company Report
  - 4. Confidentiality
  - 5. Active Monitoring
  - 6. Fraud Watch
  - 7. Share Sell
- B) **By Major Event Occurring in a Company**
  - 1. Large Inflow of New Investment
  - 2. M&A
  - 3. IPO
  - 4. Stock Split
  - 5. Bankruptcy
  - 6. Partial Sale

#### iv. Risk & Fraud

- A) Risk Tolerance
- B) Risk-Return

- Success Rate and type of investment and investment risks
- C) Risk Protection
- D) Dilution
- E) Foul Play and Fraud

**v. Investor Protection Unfinished**

- A) Actively monitor your portfolio companies
- B) Understand prohibited conduct by intermediaries
- C) Access risks before hand
- D) Be aware of and fraud and scam
- E) Monitor fund and security transactions and transfer via intermediaries
- F) Dispute resolutions via FINRA or investor protect centers
- G) Others-Capital protection using zero-coupon bonds-Retire America

What else?

**vi. Portfolio Management**

- A) Planning
- B) Allocation & Diversification
- C) Liquidity
- D) Mix
- E) Portfolio Growth
- F) Recordkeeping
- G) Tax-efficiency using SDIRA's

**vii. State & Federal Regulations**

**Supplemental Materials**

Key Investment Concepts: Available on FINRA Investment Education Foundation website

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Financial & Investment Dictionary: NASDAQ Glossary of Stock Market Terms

How Professional Investors Evaluate Opportunities: Weekend Angel – Series Game

Portfolio Management: TBD

Investor Tools: TBD

**What Else?**