

The SEC Adopts Inflation Adjustments and Other Technical Amendments Under the JOBS Act

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On April 5, 2017, the Securities and Exchange Commission (SEC) announced the following rule amendments intended to help entrepreneurs and investors:

- Inflationary adjustments that increased the amount of money that can be raised under Regulation Crowdfunding and increased the threshold for assessing an investor's annual income or net worth to determine investment limits under Regulation Crowdfunding.
- An inflationary adjustment that increased the amount of revenue a company may have to qualify as an "emerging growth company" (EGC).
- Technical amendments conforming the SEC's regulations and forms to the provisions of the Jumpstart Our Business Startups (JOBS) Act.

The amended rules took effect following their publication in the Federal Register on April 12, 2017.

Regulation Crowdfunding Limitations

The SEC adopted adjusted Regulation Crowdfunding amounts under Section 4(a)(6) and 4A of the Securities Act of 1933, as amended (Securities Act), as required once every five years. The revised amounts relate to the maximum amount an issuer may sell in reliance on the Crowdfunding exemption in any 12-month period, the amounts that may be sold to any one investor in reliance on the Crowdfunding exemption, and the thresholds for determining the level of financial statements required.

Amendments were made to Rules 100 and 201(t) of Regulation Crowdfunding and to Securities Act Form C. The amendments reflect the following adjustments:

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**Inflation-Adjusted Amounts in Rule 100 of Regulation Crowdfunding
(Offering Maximum and Investment Limits)**

Regulation Crowdfunding Rule	Original Amount	Rounded Inflation- Adjusted Amount
Maximum aggregate amount an issuer can sell under Regulation Crowdfunding in a 12-month period (Rule 100(a)(1))	\$1,000,000	\$1,070,000
Threshold for assessing investor's annual income or net worth to determine investment limits (Rule 100(a)(2)(i) and (ii))	\$100,000	\$107,000
Lower threshold of Regulation Crowdfunding securities permitted to be sold to an investor if annual income or net worth is less than \$107,000 (Rule 100(a)(2)(i))	\$2,000	\$2,200
Maximum amount that can be sold to an investor under Regulation Crowdfunding in a 12-month period (Rule 100(a)(2)(ii))	\$100,000	\$107,000

**Inflation-Adjusted Amounts in Rule 201(t) of Regulation Crowdfunding
(Financial Statement Requirements)**

Regulation Crowdfunding Rule	Original Offering Threshold Amount	Rounded Inflation- Adjusted Amount
Rule 201(t)(1)	\$100,000	\$107,000
Rule 201(t)(2)	\$500,000	\$535,000
Rule 201(t)(3)	\$1,000,000	\$1,070,000

The EGC Threshold

The SEC also increased the amount of revenue a company may have to qualify as an EGC. The original limit was less than \$1,000,000,000 in total annual gross revenues during a company's most recently completed fiscal year. Pursuant to Section 2(a)(19) of the Securities Act and Section 3(a)(80) of the Securities Exchange Act of 1934, as amended (Exchange Act), the SEC is required to adjust the dollar amount for inflation once every five years. The SEC indexed the threshold in accordance with the Consumer Price Index for Urban Consumers to calculate a new total annual gross revenue limit of less than \$1,070,000,000 for a company's most recently completed fiscal year.

Technical Amendments

Finally, the SEC conformed its regulations and forms to the changes made by the JOBS Act for EGCs.