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Q. What is Crowdfunding?

A. Crowdfunding is an Internet fundraising technique whereby small business owners, startup companies and other entrepreneurs are able to raise capital for their businesses or projects through the use of an online platform or website. Essentially, an entrepreneur who registers with a crowdfunding website can post certain necessary information about themselves and their business venture, set the terms of the fundraising (i.e. what the business owner will give in exchange for an individual's contribution) and then wait to gauge the interest of the public or "crowd".

The crowdfunding concept is being used by many small businesses looking for investors. The use of the Internet as a medium for promoting the business venture and offering the opportunity to invest significantly increases the pool of potential investors an entrepreneur can solicit. The crowdfunding small entrepreneur will have access to anyone in the world with a computer and an Internet connection.

Your question is particularly timely because Congress recently passed a new bill into law called the Jumpstart Our Business Startups Act or the JOBS Act. This law is designed to promote job growth and facilitate better access to financial markets for small businesses and startups. It is expected that this law will significantly affect the public and private capital markets landscape. The JOBS Act is basically a reflection of Congress' belief that crowdfunding is a key tool to support small business, which ultimately drives the economy.

The JOBS Act significantly deregulates certain aspects of securities trading and capital formation and creates exemptions that will permit crowdfunding and investment in ways we previously have not seen. Despite the new opportunities presented by the JOBS Act, small businesses and startups should tread lightly on this terrain until they have gained a clear understanding of how the law works and will be enforced. In the coming months we will learn a lot more about the JOBS Act and its implications of small businesses. If you have any interest in taking advantage of this means of raising capital it will behoove you to stay abreast of developments in the financial market space.

As always, feel free to submit your questions to the Counselor at counselorsdesk@call-post.com

Be well and Godspeed.

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