

DEPARTMENT OF CORPORATIONS*Business Services and Consumer and Investor Protection***JAN LYNN OWEN****California Corporations Commissioner****MEDIA RELEASE****For Immediate Release**

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**California Department of Corporations Advises
Investor Caution With Crowdfunding Opportunities**

SACRAMENTO, CA (May 16, 2012) – The California Department of Corporations has posted an Investor Alert concerning the trend of “Crowdfunding” as a means of capital formation for small businesses. The Alert today warns investors to approach crowdfunding investment opportunities with great caution and can be viewed at the Department website at www.corp.ca.gov.

Crowdfunding is an Internet-based 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 other creative people finance their projects. The new federal Jumpstart Our Business Startups (JOBS) Act, exempts some small businesses and entrepreneurs from securities regulations in order to tap into the “crowd” in search of investments to finance their business ventures, but the practice is still regulated until the SEC issues final rules.

“Unfortunately, the potential for fraud is significant, so investors must be extremely cautious about crowdfunding opportunities,” said Jan Lynn Owen, Commissioner of the Department of Corporations.

Congress enacted the JOBS Act last month and directed the Securities and Exchange Commission (SEC) to adopt rules within 270 days to implement a new exemption to allow crowdfunding. Until the rules are adopted, “any offers or sales of securities purporting to rely on the crowdfunding exemption would be unlawful under the federal securities laws,” according to a recent SEC release.

“Before the SEC rules are adopted, investors should beware of promoters who jump the gun by offering investments through crowdfunding now,” added Commissioner Owen. “Once exempt, the new law means that crowdfunding investments will not be reviewed by regulators before they are offered to the public, nor will they be required to provide the same level of disclosures to investors or regulators required of securities offerings. Investors will need to prepare themselves to be bombarded with all manner of offerings and sales pitches.”

Commissioner Owen also announced that the North American Securities Administrators Association (NASAA) has created a new task force to focus on Internet fraud. The Internet Fraud Investigations Project Group was formed to monitor crowdfunding and other Internet offerings.

Investors with questions about crowdfunding offerings should contact the Department of Corporations before investing at 1-866-ASK-CORP or www.corp.ca.gov.

The Department of Corporations is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, payday lenders, check sellers, bill payers, and debt reduction services. Consumers should contact the Department to check on the status of the companies, investments or other services they are considering and the licensing status of the person at the Department's toll-free Consumer Services Office at 1-866-ASK-CORP (1-866-275-2677) or at www.corp.ca.gov.

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