

Mar 9, 2012

Startups Excited About JOBS Act

Chris Silva

The Nashville business community is keeping a close eye on the progress of the JOBS Act, which passed the U.S. House yesterday and could lead to the development of an entirely new pipeline of funding opportunities for startups.

In a rare show of bipartisanship, the House passed its version of the Jumpstart Our Business Startups, or JOBS Act, by a 390-23 vote, and the Senate is expected to follow suit with similar legislation.

The House bill has a provision that allows for "crowdfunding," which would allow individuals to solicit capital via Twitter and other social media applications. The results could prove to be a boon for startups, many of which fail because they can't raise the seed money necessary to get their ideas off the ground.

Crowdfunding allows individuals to raise smaller amounts of money over the Internet from a larger group of investors in return for equity, explains [Chris Sloan](#), a corporate and intellectual property lawyer who is also chairman of the [Nashville Technology Council](#).

"It provides a mechanism for companies to raise money more efficiently in the marketplace," said Sloan, who is also co-chair of the emerging companies team with Baker Donelson Bearman Caldwell & Berkowitz. "This ability to make it easier for growth companies to get funding is going to be a real positive for the startup economy, which drives the local jobs economy."

Under the current structure, fundraising over the Internet would be considered a general solicitation and would be prohibited absent registration (like an IPO), Sloan explained. The proposed structure would allow for a limited amount of general solicitations. Entrepreneurs looking to raise \$2 million or less would engage in crowdfunding, with investors being limited to investments of no more than \$10,000, or 10 percent of their annual income.

This opening would provide entrepreneurs more seed-level funding opportunities beyond just their friends and families.

"Seed funding is often the hardest to find," Sloan said. "These mechanisms will provide a new source of seed funding, and potentially a lot of it."

Michael Burcham, president and CEO of the Nashville Entrepreneur Center, agrees. "I'm thrilled it's passed the House," he said. "That first amount of capital is the hardest for an entrepreneur, so the opportunity to have a structure that allows for crowdfunding is a terrific way for people beyond friends and family to be a part of an early idea."