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Inside This Issue

The Basics of Crowdfunding - Part II

Mark Figueiredo, Esq.

Types of Crowdfunding for Investors

Like other types of investments, all crowdfunding campaigns are not created equal and one campaign can vary significantly from the next. Here we focus on the two main types of crowdfunding investments: reward-based crowdfunding and equity crowdfunding. However, it is important to realize that these are not the only types of crowdfunding campaigns available for investors in today's market. In addition, there are many different guidelines, requirements and regulations for each type

Reward-Based Crowdfunding

In a reward-based crowdfunding campaign, an investor will donate to a startup or a business to help fund a new service or product. Instead of getting money in return for the investment, the business owner will offer some type of reward - usually a free product or a perk. While it may feel good to help fund a new venture and help an entrepreneur succeed, there is little you can expect in return when you invest in this type of campaign. For example, you may receive a t-shirt or free video game when you donate. If the company you contributed funds to is later sold for billions of dollars, you would not see any piece of that pie even though you helped fund the venture.

Equity Crowdfunding

Equity crowdfunding is a newer type of investment that is on the rise. Investors contribute funds to a company and receive an ownership stake in that new company. The risk is high, as many startups may not be as successful as others. However, if a company you contributed funds to experiences a windfall, a relatively small investment can have a huge return in the potentially near future. Equity crowdfunding is similar to angel investing but it opens it up on a global scale thanks to the Internet.

Originally, equity crowdfunding was only available to investors who were accredited by the SEC, meaning they had $200,000 in annual income for the past two years and they have $1 million or more in assets, amongst other requirements. However, the SEC opened up the equity crowdfunding market to non-accredited investors this past year. It is important to have a careful and diversified investment plan to profit from this type of crowdfunding.

Success Story

"Mark, I wanted to write you to thank you and the team for doing such an incredible job for [us]! You and your team are truly 1st class and a delight to work with." - We love getting feedback from our clients. Recently we completed a $12 million Series B Financing for a client. The deal also necessitated a down-stream merger and Series A stock repurchases which were successfully accomplished prior to the Closing. The client was extremely satisfied with the transaction.

Differences Between S- and C- Corporations

Katya Mezek, Esq.

The "S" and "C" designations refer to different subchapters of the federal tax code. They each have their own governing requirements and qualifications, some of which are laid out below.

S-Corporations

An S-corporation must meet several requirements before the state will accept an S-corporation election. Among other things, the entity must have only "allowable" shareholders (i.e., only individuals, certain trusts and estates), must have no more than 100 shareholders, and must have only one class of stock.

Once the state approves an S-corporation election, that entity will become a "pass-through" entity, similar to a limited liability company and partnership. While the S-corporation is subject to a 1.5% tax on its net income in the State of California, the remaining tax liability is passed on to each shareholder. Each shareholder is then responsible for paying taxes on their pro rata share of income from the corporation and for taking into account any applicable deductions and credits accrued on behalf of the corporation.

The benefits to shareholders of an S-corporation include the fact that corporate income is taxed only once (as compared to double taxation with a C-corporation). Also, the individual shareholders are not personally responsible for the losses of the S-corporation. Consequently, creditors may only look to the corporation to satisfy its debts.

C-Corporations

By default, a corporate entity will be taxed as a C-corporation unless it elects to be taxed as an S-corporation. This means that the C-corporation will be subject to double taxation, once at the company level and then again on the shareholder level, when dividends are paid out to the shareholders. Therefore, as opposed to an S-corporation, money that is earned in the C-corporation will be retained within the company rather than passing through to the individual shareholders. This has its own benefits, including the fact that losses can be carried back for up to three years.

Some other benefits of C-corporations include that C-corporations can hold initial public offerings and easily reissue stock or buy back stock. Further, there are no limits on the number or type of shareholders in a C-corporation. In addition, just like with S-corporation, creditors only have recourse against the corporation itself for any debts owed, and the individual shareholders are not responsible for losses.

Find the Differences

Can you find the twelve differences in under one minute?

SLG Welcomes New Attorneys

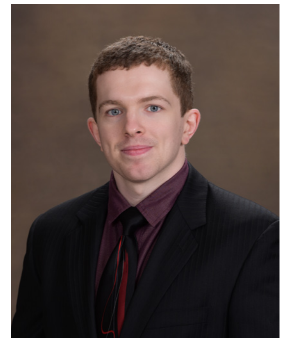
Gokalp Gurer, Esq.

Gokalp Gurer divides his practice between complex business litigation and corporate transactional matters. Gokalp represents corporations and business owners in a wide variety of business and real estate disputes.

Gokalp handles all aspects of the litigation process, from advising clients on pre-lawsuit issues to drafting pleadings, handling discovery, law and motion matters, settlement negotiations and, if necessary, trial.

Gokalp received his Juris Doctorate from UC Davis School of Law. While in law school, he served as Senior Articles Editor on the UC Davis Law Review and competed in the Saul Lefkowitz Moot Court Competition.

Gokalp is of Turkish descent and speaks the language fluently. He frequently travels back to Turkey to visit his family and eat his grandmother's cooking. In his spare time, Gokalp plays hockey, reads and takes trips to Lake Tahoe with his friends. He is also an avid gamer.



Brett Bunnell, Esq.

Brett Bunnell counsels a wide variety of companies for general business representation including business transactional and business litigation matters.

Brett's practice focuses on advising startup companies through all stages of development, including formation, stock option plans, equity compensation, seed funding, venture capital, and exit transactions. Brett also drafts and reviews business and commercial contracts, including but not limited to: operating agreements, non-disclosure and non-competition agreements, buy-sell agreements, seed financing agreements, offer letters, employment handbooks, and protection of intellectual property.

Brett represents both plaintiffs and defendants in a broad range of corporate/business disputes, as well as litigation involving breach of contract claims, breach of fiduciary duty, theft of trade secrets, trademark issues, and business torts.

In his spare time, Brett enjoys working out, playing basketball, learning, traveling, and dominating fantasy football.

Employment Corner

AB 2828 Data Breach:
Businesses must disclose a data security breach to California residents whose encrypted personal information was, or is reasonably believed to have been, acquired by an unauthorized person along with an encryption key or security credential that could render that personal information readable or useable.

SB 1241 Contracts:
Contracts entered into, modified, or extended on or after January 1, 2017 cannot require employees who primarily reside or work in California to adjudicate certain claims outside California.

SB 3 Paid Leave:
Extends paid sick leave benefits to qualifying in-home supportive services workers.

Spring Checklist

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DID YOU KNOW?

· Truffles are the most expensive food in the world.

· The human eye can distinguish about 10 million different colors.

· Heart attacks are more likely to happen on a Monday.

· You have never seen your own face, only pictures and reflections.

· Outer space is only an hour's drive away - if your car could drive straight up.


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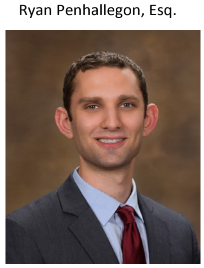
Ryan Penhallegon, Esq.

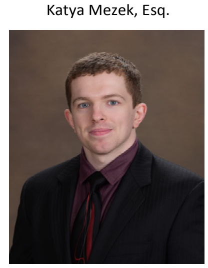

Stephen Moses, Esq.

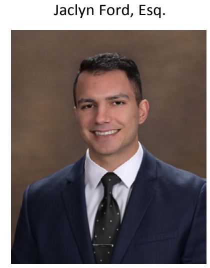

Katya Mezek, Esq.


Jaclyn Ford, Esq.


Ethan Solove, Esq.


Tanya Falleiro, Esq.


Brett Bunnell, Esq.


Gokalp Gurer, Esq.

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