

**Securities Division  
NC Department of the Secretary of State**

**Funding Portal FAQs for the NC PACES Act (Crowdfunding)**

These FAQs provide guidance on the securities registration exemption allowed under the North Carolina PACES Act. These FAQs are not legal advice. You should consult with an attorney who specializes in securities matters if you need legal advice regarding a securities offering.

**NOTE:** You may find it helpful to read the General FAQs before you read these FAQs. The General FAQs talk about the NC PACES Act and some basics of crowdfunding.

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**Funding Portal FAQs**

**1. What is a funding portal?**

A funding portal is in the business of connecting companies seeking capital with investors through an Internet website with a “platform”. A funding portal operating under the NC PACES Act has to register with us as a North Carolina Intrastate Funding Portal (Funding Portal).

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**2. Who can set up a Funding Portal?**

Any business entity can register as a Funding Portal if it:

- is organized under or is authorized to do business under North Carolina law, and
- has its principal place of business in North Carolina

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**3. What is a “platform”?**

A “platform” is a website that provides information and allows people to publicly communicate with each other online using a communication channel. Under NC PACES, a Funding Portal is required to have a platform that has:

- A communication channel where prospective investors, investors, and issuers can share ideas or opinions about local businesses raising money through NC PACES,
- A copy of each issuers’ disclosure document, and
- Some way of showing progress toward each issuer’s goal.

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#### **4. Are there any limitations on what a Funding Portal can do?**

A Funding Portal **cannot**:

- provide investment advice or recommendations,
- solicit purchases, sales or offers to buy the securities offered on its platform,
- compensate its workers for soliciting or selling securities listed on its platform,
- hold or manage or handle investor funds, or
- be compensated based on the amount of securities sold.

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#### **5. May a Funding Portal charge a fee for its services?**

Yes. It can, but the Funding Portal cannot receive transaction-based compensation or compensation based on the amount of securities sold. Federal and state laws require that transaction-based compensation only be received by registered broker-dealers.

There are multiple fee models. A Funding Portal can offer:

- an all-inclusive subscription service,
- a menu of flat-fee services,
- flat-fees based on temporal milestones, or
- a combination of all three.

The Funding Portal must include its proposed fee structure as part of its filing. The Administrator will review the Funding Portal's proposed fee structures.

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#### **6. Who has to register a Funding Portal?**

The Funding Portal has to register with us. The issuer also has to include information about the portal when it files with us.

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#### **7. How does a Funding Portal register?**

A Funding Portal must file a Form North Carolina Intrastate Funding Portal ([Form NCFP](#)). A Funding Portal has to register with us at least 10 days before it posts any NC PACES securities offerings on its Web site.

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#### **8. Who has to sign my Form NCFP?**

Your forms can only be signed by be signed by an officer of the entity authorized to sign for the entity.

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## 9. How do I submit my Form NCFP and attachments?

<b>Online</b>	<a href="http://sosnc.gov/Sec/">http://sosnc.gov/Sec/</a>
<b>E-mail</b>	<a href="mailto:secdiv@sosnc.gov">secdiv@sosnc.gov</a>
<b>US Postal Service</b>	NC Department of the Secretary of State ATTN: Securities Division (CF) PO Box 29622 Raleigh, NC 27626-0622
<b>Hand Delivery or Delivery Service</b>	NC Department of the Secretary of State ATTN: Securities Division (CF) 2 South Salisbury Street Raleigh, NC 27601

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## 10. How long will the review process take?

It depends on several different factors. One thing that will make a difference in how long it takes is whether we find anything we have questions about. We will contact you if we have questions. We will also let you know if there is something missing from your filing. You will likely hear from us within one week.

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## 11. Does a Funding Portal have to file amendments to its Form NCFP?

Yes. A Funding Portal has to amend its Form NCFP if something changes. Every time the Funding Portal adds or removes an issuer listed on its website, it has to notify us in writing.

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## 12. Does a Funding Portal have to renew its registration?

Yes. A Funding Portal's registration expires on December 31<sup>st</sup> each year. If the portal wants to continue operating as a Funding Portal, then it has to renew its registration within 30 days by filing an amended Form NCFP.

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## 13. What does the Funding Portal have to do to protect investors?

The Funding Portal has to perform some research to ensure that none of the businesses it lists on its web site, or people associated with these businesses, are disqualified.

A Funding Portal also has to make certain records and keep them.

Funding portals and people associated with them are required to observe:

- high standards of commercial honor, and
- just and equitable principles of trade.

These are the same standards that apply to a registered broker-dealer.

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**14. Can a Funding Portal reject businesses that want to list their NC PACES offerings on its web site?**

Sure. In fact, in some cases it is required to do so.

The Funding Portal is required to deny access to its platform if it has a reasonable basis for believing that the business or anyone involved in the offering are subject to disqualification or conducting a fraud.

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**15. Can a Funding Portal invest in companies listed on its website?**

Yes. A Funding Portal can receive an interest in an issuer listed on its site. It can only invest if that interest is received as compensation for the services it provides in connection with the issuer's offering. Any interest received as compensation must be of the same class that is sold to investors.

Before accepting any interest in one of its issuers, a Funding Portal should read the rules.

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