

## POST-RECESSION, MAKING MAIN STREET INVESTING POSSIBLE

### *Online Platform "CuttingEdgeX" Melds Crowdfunding and Public Offerings*

**CALIFORNIA** – A newly launched online platform called CuttingEdgeX (CEX) ([www.cuttingedgex.com](http://www.cuttingedgex.com)) makes the next big opportunity in investing the good guys – companies that support local communities and entrepreneurs passionate about people and the planet, as well as profits. In the age of crowdfunding, these businesses have the energized following to secure funds made scarce by the recession.

Until now, there has been two options: donation-based crowdfunding platforms where supporters just get perks, or the usual investment path open only to ultra-wealthy "accredited investors" (those who have more than \$1 million in net worth). CuttingEdgeX creates a third space, sharing real investing opportunities online, but opening those investments to everyone.

This new approach was pioneered by a unique pair of lawyers who came from very different backgrounds – the nonprofit sector and Wall Street, but managed to meet in the middle. After struggling to help social enterprises overcome their unique financing dilemmas, they realized that they did not need to build a new model of investing, but instead revive an old one. "A hundred years ago, communities supported themselves through investments. It was common for an individual to own an interest in 5 to 10 businesses in his or her own town," says John Katovich, Co-founder of CuttingEdgeX and a former chief legal officer for major securities exchanges. "It was both good business and a strengthening of common bonds that helped communities," agrees Jenny Kassan, the other Co-founder of CEX, whose legal path brought her through the world of non-profits, cooperatives, and social enterprises.

"But, today's existing laws make it challenging to simply ask your friends and neighbors for funding," says Kassan, "Unless they are accredited investors – and 93% of Americans are not – that is actually illegal. However, we've found a way to combine existing, yet little-known laws with new legislation to make it work. And we are tapping the Internet to magnify the impact. We're reviving for our ultra-connected age, the time-honored practice of person-to-person investing."

It is a solution deeply needed following the recession. "The days of multiple mortgages and 0% interest credit cards are long gone," says Katovich. "Most entrepreneurs have believed their only funding choices now are Venture Capitalists or Angel Investors, but both expect high returns and quick exits – something that is not always right for truly growing a business."

CuttingEdgeX solves this problem by using a tool called a Direct Public Offering (DPO). A DPO is like an IPO but less complicated, and much less expensive. And DPOs are open to both accredited and unaccredited investors. And while Cutting Edge X uses the best practices of crowdfunding websites like while offering real investments with the expectation of financial returns. Wealthy professional investors are welcome, but entrepreneurs gain a much larger base when their most loyal customers, friends, and neighbors are all potential sources of capital.

Another key difference is that the entrepreneur sets the terms of the investment, while with Venture Capital funding it is usually the other way around. This kind of control is vital for entrepreneurs who run a business with a social mission, or local companies determined to concentrate on building up their community.

Even though they became a bit dormant when money was easy before the recession, DPOs have stood the test of time. In 1984 Ben & Jerry's used a DPO to help them expand nation-wide. Many other companies like Annie's Naturals, Berrett Koehler Publishers, and Organic Valley have also used DPOs. But this is the first time they have been put online in on marketplace.

Cutting Edge X offers the possibility of creating a big shift in how entrepreneurs raise capital, who is allowed to invest, and even where investments are concentrated. "Currently, almost all investment dollars go to big public companies. But those big companies are only 50% of the economy," says Kassan. "As CuttingEdgeX helps DPOs become more common and well-known, investors will start to have access to all the opportunities represented by small businesses, the other 50% of the economy,"

For the first time in a long time, Main Street is open for investment.