



## CROWDFUNDING FOR SMALL BUSINESSES AND START-UP COMPANIES

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### CROWDFUNDING LAWS

As of November 2015, 28 states and the District of Columbia have passed crowdfunding laws (see Attachment 1).

Crowdfunding legislation has been proposed in another 12 states.

Connecticut proposed crowdfunding legislation in 2015. [HB 6801](#) required the banking commissioner to study other states' legislation on crowdfunding restrictions. The bill died in the Senate.

### ISSUE

Provide (1) general information on crowdfunding for small businesses and start-up companies and (2) copies of any crowdfunding-related forms used in Maine.

### SUMMARY

According to the Maine Office of Securities, crowdfunding "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 with their projects."

More recently, the strategy has been promoted as a way for small businesses and start-up companies to raise investment capital. Crowdfunding allows individuals to invest through an intermediary, such as a broker-dealer or a funding portal. A "funding portal" is a website or portal that advertises the investment opportunities and facilitates payment from the investor to the issuer, but does not, among other things, offer investment advice or compensate employees based on sales ([15 USC § 78c](#)).

Title III of the 2012 Jumpstart Our Business Startups (JOBS) Act created a federal exemption under the securities laws so that crowdfunding can be used to offer and sell securities ([P.L. 112-106](#)).

On October 30, 2015, the Securities and Exchange Commission (SEC) adopted its final rules, "[Regulation Crowdfunding](#)," to govern such sales and offerings.



## **SEC RULES**

The SEC rules:

1. limit the amount of money a business can raise using crowdfunding to a maximum aggregate amount of \$1 million in a 12-month period;
2. allow individuals to invest in securities-based crowdfunding within certain investment limits (see below);
3. require businesses to disclose certain information about their business and securities offering (e.g., the price of securities offered, the target offering amount, and the deadline to reach the target offering amount); and
4. regulate broker-dealers and funding portals (e.g., funding portals are required to register with the SEC and become members of the Financial Industry Regulatory Authority).

The rules will be effective 180 days after they are published in the Federal Register (May 16, 2016). Funding portals will be able to register with the SEC on January 29, 2016. For more information, see SEC's press release available at <http://www.sec.gov/news/pressrelease/2015-249.html>.

### ***Investment Limits***

Under SEC's rules, the investment limits are as follows:

1. Investors with both annual income and net worth equal to or over \$100,000 can invest up to 10% of their annual income or net worth, whichever is less, with a \$100,000 cap over a 12-month period; and
2. Investors with annual income or net worth less than \$100,000 can invest the greater of (a) \$2,000 or (b) 5% of the lesser of their annual income or net worth.

## **MAINE'S CROWDFUNDING FORMS**

Maine's crowdfunding rule took effect January 1, 2015 (Rule 523). The rule's stated purpose is to facilitate public investment in small businesses. The rule (1) permits the use of a simplified, short-form registration for companies that wish to offer and sell their securities to the public in limited increments per investor and (2) promotes uniformity with other jurisdictions that require the registration of securities (CODE ME. R. Ch. 523 § 1, et. seq.).

To facilitate the short-form registration process, the Maine Office of Securities developed and adopted the Fund-ME Offering Circular Form ("Form FND-ME"), a filing checklist, and accompanying agreements. The form, checklist, and agreements are available on the [Maine Office of Securities](#) website.

**Attachment 1: States with Crowdfunding Laws**

<b>State</b>	<b>Crowdfunding Legislation</b>
Alabama	<a href="#">SB 44/Act No. 2014-376</a>
Arizona	<a href="#">HB 2591/Chapter 185</a>
Colorado	<a href="#">HB 15-1246</a>
District of Columbia	<a href="#">Sec. 250, Ch. 2, Title 26-B</a>
Florida	<a href="#">HB 275/Chapter No. 2015-171</a>
Georgia	<a href="#">Rule 590-4-2-.08</a>
Idaho	<a href="#">Exemption by Order</a>
Illinois	<a href="#">HB 3429</a>
Indiana	<a href="#">SB 375/Public Law 106</a>
Iowa	<a href="#">House File (HF) 632</a>
Kansas	<a href="#">K.A.R. 81-5-21</a>
Kentucky	<a href="#">HB 76/Acts Ch. 024</a>
Maine	<a href="#">LD 1512/Chapter 452</a>
Maryland	<a href="#">SB 811/Chapter 557; HB 1243/Chapter 558</a>
Massachusetts	<a href="#">950 CMR 14.402(B)(13)(o)</a>
Michigan	<a href="#">HB 4996/Public Act 264</a>
Minnesota	<a href="#">Ch.1 – HF No. 3</a>
Mississippi	<a href="#">Rule 7.21</a> <a href="#">Rule 2.04</a>
Montana	<a href="#">HB 481/Ch. 163</a>
Nebraska	<a href="#">LB 226</a>
New Jersey	<a href="#">A2073</a>
Oregon	<a href="#">ORS 59.035</a>
South Carolina	<a href="#">Rule 13-206</a>
Tennessee	<a href="#">SB 1481/Public Chapter No. 943</a>
Texas	<a href="#">Rule § 139.25</a>
Vermont	<a href="#">Rule No. S-2014-1</a>
Virginia	<a href="#">SB 763/Chapter 354</a> <a href="#">HB 1360/Chapter 400</a>
Washington	<a href="#">HB 2023/Chapter 144</a>
Wisconsin	<a href="#">AB 350/Public Act 52</a>

Source: North American Securities Administrators Association (NASAA)

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