



The Commonwealth of Massachusetts
William Francis Galvin, Secretary of the Commonwealth
Securities Division

**Massachusetts Crowdfunding Exemption
Summary and Highlights**

The Massachusetts Securities Division has adopted a regulation permitting intra-state crowdfunding offerings, the "Crowdfunding Exemption." The Crowdfunding Exemption is designed to foster job creation by helping small and early-stage Massachusetts companies find investors and gain greater access to capital with fewer restrictions. The exemption is also intended to provide necessary investor protections by requiring key disclosures, and by making the exemption unavailable to bad actors that have violated the securities laws or committed financial fraud.

The Crowdfunding Exemption permits Massachusetts companies to raise capital from Massachusetts investors in intra-state securities offerings. The exemption is designed to be used for offerings over the Internet that will typically raise capital from numerous investors, each of whom will invest a limited amount of money.

The Crowdfunding Exemption is available to a range of Massachusetts business entities, including corporations, limited liability companies (LLCs), and limited liability partnerships (LLPs).

Companies may offer equity or debt securities under the Crowdfunding Exemption.

Companies may raise up to \$1 million in a twelve month period, and up to \$2 million if the company has audited financial statements.

Investors may purchase an amount of securities that is the greater of \$2,000 or 5% of their annual income or net worth if both their income and net worth are less than \$100,000, or up to 10% of their income or net worth if their income or net worth are equal to or more than \$100,000, with an investment limit of \$100,000.

No commission or fee may be paid to any person for soliciting a transaction under the Crowdfunding Exemption unless that person is registered as a broker-dealer or agent in Massachusetts.

Issuers shall specify a minimum offering amount to be raised under the Crowdfunding Exemption. Until the minimum offering amount is reached, investor funds must be held at an insured Massachusetts depository institution.

The Crowdfunding Exemption is not available to certain types of issuers: blind pool and blank check offerings; investment companies; hedge funds, commodity pools, and similar investment vehicles; and businesses involving oil and gas exploration or production, mining, or other extractive industries.

The Crowdfunding Exemption is tied to the federal intra-state offering exemption provided under Section 3(a)(11) of the Securities Act of 1933 and S.E.C. Rule 147. Issuers will be responsible to make sure their transactions meet the requirements of those federal exemptions. Offerings that fail to meet the requirements of those exemptions will lose the federal exemptions, and as a consequence would also lose the benefit of the Massachusetts Crowdfunding Exemption.

The Crowdfunding Exemption requires issuers to provide full and fair disclosure of material facts relating to the company and the offering, including a description of the company and the planned use of proceeds of the offering, as well as the risks involved.

The Crowdfunding Exemption requires all issuers to provide a disclosure that the offering is not registered under federal and state law. Issuers are also required to provide written disclosure of the limitations on the resale of securities that are purchased pursuant to the exemption provided by S.E.C. Rule 147.

The Crowdfunding Exemption is not available for issuers whose officers, directors, or major shareholders have been found to have violated the securities laws or other financial regulations, or have committed other types of misconduct or fraud.