



The MetroIBA Education Committee welcomes you to the webinar:

MNvest Investment Crowdfunding

Presented by Chris Hanson

Co-founder & CEO of thedatabank,gbc
Past Board President and Fellow of MetroIBA

April 18, 2017, 9:30 – 10:30 am CST

Webinar Overview

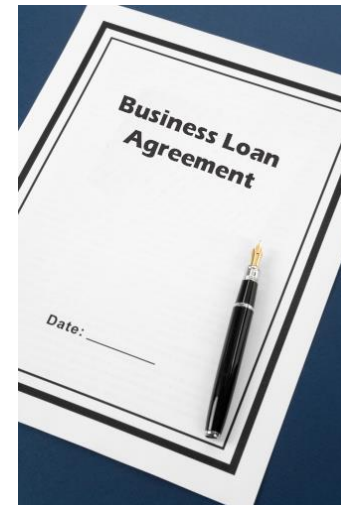
- What are Securities?
- Securities Law Overview
- Registrations vs. Exemptions
- JOBS Act of 2012
- Intrastate Crowdfunding
- MNvest
- How local independent businesses can use MNvest
- Questions

What are Securities

Howey Test:

1. Investment of Money
2. Common Enterprise
3. Expectation of Profits
4. Efforts of Others

Securities are regulated federally by the Securities and Exchange Commission and on a state level by state securities regulators



Securities Laws

- Securities laws regulate:



**HOW YOU SELL
THE SECURITIES**



**HOW MUCH
MONEY YOU CAN
RAISE**



**WHO YOU CAN
TALK TO ABOUT
YOUR OFFERING**



**HOW YOU TARGET
POTENTIAL
INVESTORS**



**RIGHTS OF
INVESTORS TO
GET THEIR MONEY
BACK**

Securities Registrations vs. Exemptions

- As a general rule, in order to comply with Federal securities laws, an issuer (*the entity issuing securities*) must either:



OR



Register the offer or sale with the SEC

Identify a specific exemption that allows the offer or sale to be conducted without registration.

Federal Securities Registration

- In most circumstances, Federal securities registration is time consuming and expensive.
- Most issuers are not able to easily comply with Federal registration requirements.



Blue Sky Laws

- In addition to complying with Federal securities laws, an issuer offering or selling securities must also adhere to **blue sky laws** in each state where the securities are being offered or sold, all of which vary from each other.



Congress Responds – JOBS Act

- As part of the JOBS Act of 2012, Congress directed the SEC to develop new rules that would make it easier for companies to raise capital from investors.



JOBs Act: Key Components

Advertising in
Connection with Sales to
Accredited Investors

Title II

- ❖ Also called Rule 506(c)
- ❖ Became effective in October 2013
- ❖ Growing in popularity

Crowdfunding for All

Title III

- ❖ SEC released proposed rules in October 2013.
- ❖ Final rules were released on October 30, 2015 and went into effect May 16, 2016.

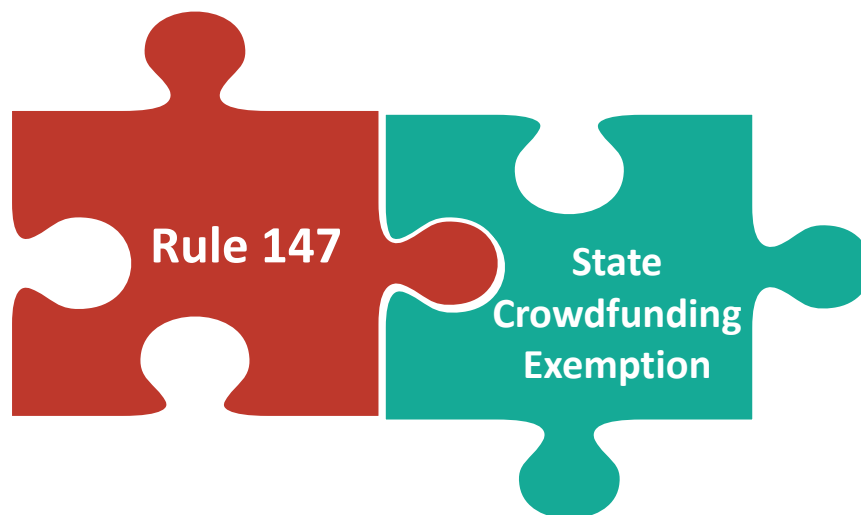
Reg A+ | “Mini-IPOs”

Title IV

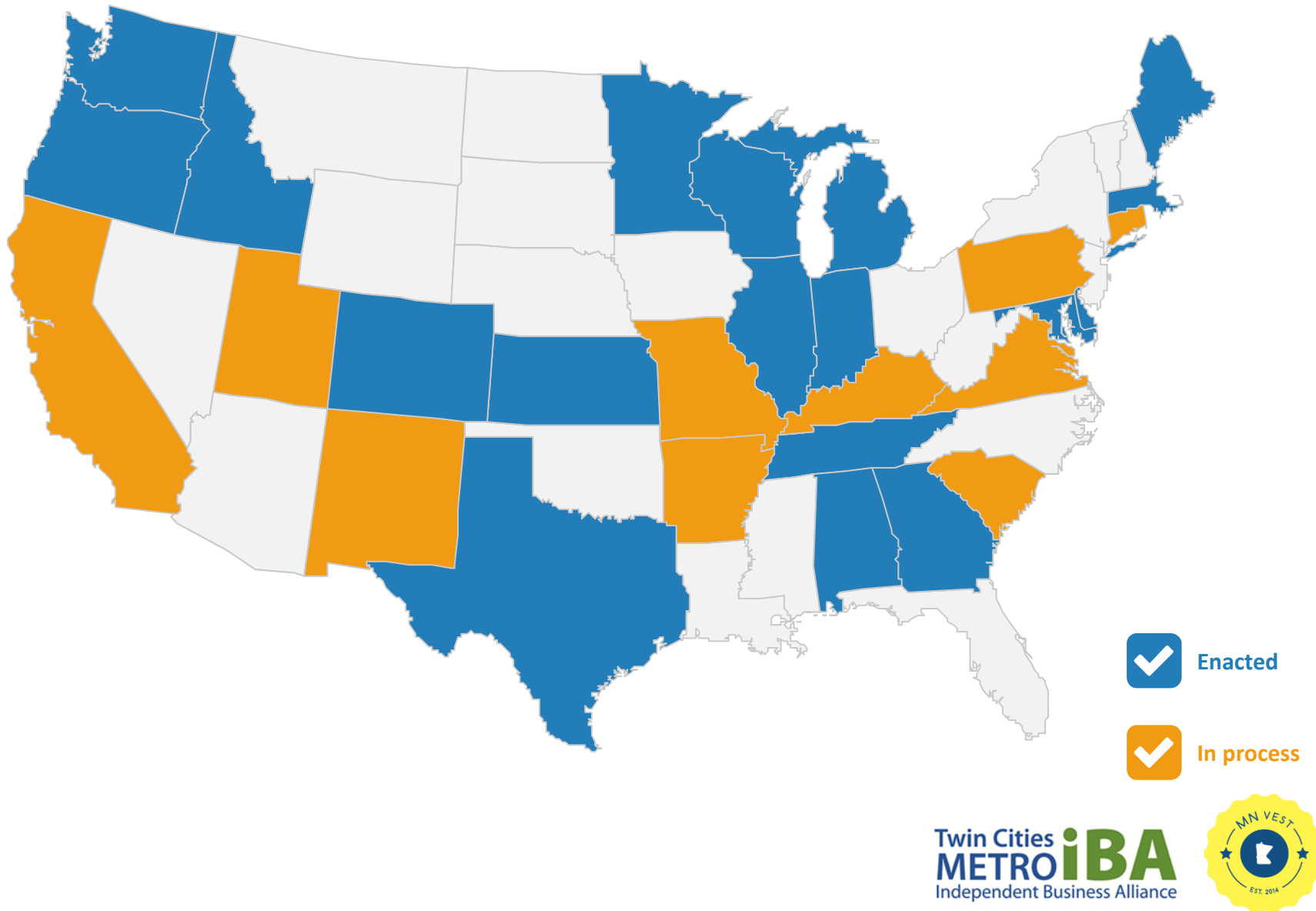
- ❖ SEC released final rules in March 2015.
- ❖ Became effective in June 2015
- ❖ Not very useful for startups

Intrastate Crowdfunding

- Frustrated by the SEC's inability to design a useable system, individual states have adopted their own Crowdfunding laws.
- These state Crowdfunding laws permit **intrastate** **crowdfunded offerings** between an issuer and residents residing within the same state.



State Crowdfunding Laws (December 2015)



Crowdfunding Cheatsheet

	Title II – Rule 506(c)	Title III – Reg CF	MNvest	Regulation A+ Tier 1	Regulation A+ Tier 2
In Effect	Yes – since October 2013	May 2016	Q1 2016	Yes – since June 2015	Yes – since June 2015
Maximum Dollars Raised	No maximum	\$1 million per 12 months, including affiliates	\$2 million per 12 months	\$20 million per 12 months	\$50 million per 12 months
Permitted Investors	Only Accredited	Anyone	Minnesota residents only (accredited and non-accredited)	Anyone in states where registered	Anyone
Per-Investor Limits	None	Yes – depends on income and net worth of investor, and applies to all Title III offerings per year	\$10,000 per non-accredited investor per offering. No limit for accredited investors	None	For non-accredited investors, 10% of income or net worth, whichever is more, per offering
General Solicitation (Advertising) Permitted?	Yes	Yes	Yes	Yes	Yes
Testing the Waters Permitted?	Yes	No	No	Yes	Yes
Securities Sold Through Third Party Portal?	Yes (but not required)	Yes (required)	Yes (required)	Yes (but not required)	Yes (but not required)
Can Issuer Run Its Own Portal?	Yes	No	Yes	Yes	Yes
Pre-Sale Information Required?	Moderate	Substantial	Substantial	Very substantial, akin to a registration statement for a public company	Very substantial, akin to a registration statement for a public company
Audited/Reviewed Financial Statements Required?	No	Depends on size of offering; most first time users will have to provide reviewed statements	Yes, if raising > \$1M	Yes, reviewed	Yes
Pre-Sale Approval Required?	No	No	No – but “notice filing” is required and 10-day waiting period	Yes – submission must be approved by SEC and the states where the securities will be sold (through a coordinated review)	Yes – submission must be approved by SEC; state approval not required
Investor Verification	Verification required	Self-certification	Self-certification	N/A	Self-certification
Ongoing Reporting	None	Moderate	None	None	Substantial ongoing reporting, akin to a public company, but waived depending on number of investors
Length of Process	Fast	Moderate	Moderate	Very slow	Very Slow

MNvest

- Became law in June 2015, went live June 2016 .
- Only available to Minnesota-based companies.
- All investors must be Minnesota residents and all Minnesota residents can be investors.
- Offerings must be made online through a “MNvest Portal” registered with the Minnesota Department of Commerce. There are currently 4 approved portals.
 - Issuers may create their own MNvest portal or work with a third-party host platform.
- MNvest Portals do not need to be registered broker-dealers.
 - However, only registered BDs can charge “transaction based” fees; Non-BDs can only charge flat fees.



Additional MNvest Requirements

- Non-accredited investors can invest up to \$10,000 per deal. Accredited investors with investments of \$10,000+ qualify for Angel Tax Credit.
- Companies subject to annual caps on amount of funds raised via MNvest.
 - \$2M with audited or review financial statements
 - \$1M with internally prepared financial statements
- Companies must provide detailed disclosure documents that comply with statutory requirements. Mnvest has partnered with iDisclose to create a low cost MN PPM option.
- Investor funds must be held in escrow until minimum funding target is reached.
- MNvest Portals subject to stringent recordkeeping requirements and general oversight by the Minnesota Department of Commerce.



MNvest & Local Independent Business

- There are a number of things to consider when looking at doing a MNvest offering
 - This is brand new
 - The term “crowdfunding” means just that
 - There will be a cost to doing any type of MNvest offering
 - You’ll need to set a minimum offering amount which must be met before you can access the funds
 - Leveraging your existing customers/stakeholders could be key to a successful offering
 - Any MNvest offering must be conducted through an approved portal
 - Another type of exempt offering might be more appropriate for you
 - Seek professional advice



MNvest & Local Independent Business

- Resources
 - MN Department of Commerce Information
 - General Info <https://mn.gov/commerce/industries/securities/mnvest/>
 - Approved Portals
<https://mn.gov/commerce/industries/securities/mnvest/portal-operators.jsp>
 - Live Offerings
<https://mn.gov/commerce/industries/securities/mnvest/issuers.jsp>
 - Minnesota Statute
<https://www.revisor.mn.gov/statutes/?id=80A.461>
 - Mnvest.org website and events





Questions

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Thank you for attending today's webinar!

We hope to see you at these upcoming special events:

Member's-Only: MORE-B Business Owner's Roundtable

- Tue April 18, 3:30 – 5:00pm

Micro Networking Lunch

- Wed April 19, 11:30am – 1:00pm

Small Business - Protecting Your Intellectual Property

- Thursday, April 27 7:30 am – 9:00 am Hellmuth & Johnson PLLC co-host

Visit www.buylocaltwincities.com/events for more information

Not a MetroIBA member? Visit www.buylocaltwincities.com/membership to learn more about the benefits of being a member and to join online today!