Simplified Registration Rule
Securities Rule 2.04

Intrastate Exemption Rule
Securities Rule 7.21

Small Offering Exemption Rule
Securities Rule 7.23
Crowdfunding is a way for businesses to raise capital by soliciting and accepting small monetary amounts from a large number of people. In other words, a “crowd” helps fund the business or project.

This fundraising method has become more popular in recent years, especially now that crowdfunding can be accomplished over the Internet.

Types of Internet Crowdfunding:

- **Equity Crowdfunding** is a way for a business to raise capital by accepting investments of small monetary amounts from multiple people. Investors receive an equity interest in the business based on the amount of their investment. The exchange of equity in the business for a monetary investment is a security and subject to state and federal securities laws.

- **Reward Crowdfunding** is a way for a business to raise money from multiple people who support an idea or platform, who will in return receive a reward or experience.

- **Donation Crowdfunding** is a way for persons or businesses to collect pledges or donations from donors who support a platform or cause. This has a charitable basis.

Invest Mississippi Crowdfunding Rules:

Start-up companies and small businesses may use one of three rules, known collectively as Invest Mississippi Crowdfunding, for equity crowdfunding.

- **Rule 2.04** is the Simplified Registration Rule, which may be used to sell securities to both residents and nonresidents of Mississippi.

- **Rule 7.21** is the Intrastate Exemption Rule, which may be used to sell securities to Mississippi residents only.

- **Rule 7.23** is the Small Offering Exemption Rule, which may be used to sell securities to Mississippi residents only.

Under these rules, a person may invest in a business in return for equity or partial ownership. The percentage of equity or ownership the investor receives depends on the amount of the investment.

*The Secretary of State does not recommend any securities and does not confirm the accuracy or determine the adequacy of any crowdfunding offering. A filing of an offering with the Secretary of State under this Rule does not mean the Secretary of State has passed on the merits of the offering.*
How does Invest Mississippi Crowdfunding work?

A Mississippi business wanting to raise investment capital may develop an equity crowdfunding proposal by:

1. Determining how much money the business wants to raise and the specific purpose for which the investment will be used.
2. Completing registration forms to describe the investment offering, financial and other information about the company seeking investments, and the nature of the company’s business plan. This information will also be provided to potential investors.
3. Preparing financial statements and projections.
4. Filing the offering documents with and obtaining acknowledgment from the Secretary of State’s Office before offering the investment proposal.

What are the requirements to make an Invest Mississippi Crowdfunding offering?

Mississippi corporations or Limited Liability Companies (LLCs) may offer investment opportunities through crowdfunding without having to register with the federal Securities and Exchange Commission and incurring associated expensive costs. However, before the Mississippi corporation or LLC can begin soliciting investors, the issuer must:

- **Be organized** as a corporation or an LLC in Mississippi, have its principal place of business within the State, and conduct most of its business in the State.
- **Complete and file** a copy of its Offering Form with the Secretary of State’s Office and obtain written acknowledgment of the offering. **There is no filing fee.**
  Forms are available at [www.sos.ms.gov/crowdfunding](http://www.sos.ms.gov/crowdfunding).
- Set a minimum target offering amount and a deadline for raising the amount. In addition to other sources of financing, this amount **must be sufficient** to implement the business plan provided to potential investors.

*To organize a business in Mississippi as a corporation or a Limited Liability Company, go to the Business Services section of the Mississippi Secretary of State’s website at [www.sos.ms.gov](http://www.sos.ms.gov) and complete an online form.*

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The Offering Form and Financial Requirements:

The Invest Mississippi Crowdfunding “Simplified Registration Form” for Rule 2.04 offerings and the “Invest Mississippi Crowdfunding Form” for Rule 7.21 and Rule 7.23 offerings include important information regarding the company, its business plan, and its finances.

These forms must be completed online and submitted to the Mississippi Secretary of State’s Office for review and acknowledgment before any equity crowdfunding offering is made.

The information included on these forms, once acknowledged by the Secretary of State, must be provided to potential investors to guide them in making a decision on whether or not to invest in the crowdfunding offering.

The Simplified Registration Form (Rule 2.04) and the Invest Mississippi Crowdfunding Form (Rule 7.21 and Rule 7.23) are available and can be completed online at www.sos.ms.gov/crowdfunding. There is no fee to file either of the forms.

How much money may a business raise via Invest Mississippi Crowdfunding?

During a 12-month period, a Mississippi business may raise:

- Up to $1 million under Rule 2.04 (by soliciting investments from both residents and nonresidents of Mississippi);
- Up to $2 million under Rule 7.21 (by soliciting investments from Mississippi residents only); or
- Up to $300,000 under Rule 7.23 (by soliciting investments from Mississippi residents only).
Investor Limits:

There are annual investment limits for individual investors, regardless of whether the investor participates in only one equity crowdfunding offering or in multiple crowdfunding offerings:

- **$5,000 or up to 5% of an investor’s annual income or net worth, whichever is greater**, may be invested during a 12-month period.

- **Up to 5% of an investor’s annual income or net worth, not to exceed $50,000**, may be invested in a 12-month period, **IF:**
  - An investor’s net worth is at least **$1 million**, **OR:**
  - An investor had an annual income of at least **$200,000** each year for the past two years (or **$300,000** jointly, if married), and expects to earn the same amount or more in the current year.

**Individuals holding $5 million or more** in certain types of investments have no limit to the amount or number of crowdfunding proposals in which they can participate.

Limits on Refunds:

- **At least 50% of the offering amount** must be raised by the deadline stated in the Offering Form.

- **If the amount is not raised** by the deadline, an investor may cancel his investment commitment and receive a refund upon written notice to the escrow agent.

- **Before** the deadline, an investor may not cancel his investment or receive a refund.

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For more information on
Invest Mississippi Crowdfunding:
Contact the Mississippi Secretary of State’s Office
Securities Division
(601) 359-1334
www.sos.ms.gov/Crowdfunding
Crowdfunding@sos.ms.gov

The Securities Division of the Office of the Secretary of State is responsible for regulating the offer and sale of securities investments.

There are many legal considerations in the start-up and operation of a small business, such as the legal structure of the entity (corporations, LLC, partnership, etc.), tax considerations, and filing requirements with various government agencies.

Federal and State securities laws apply when a business seeks to raise money by issuing ownership interests (stocks, membership, or partnership interests) or debt obligations (bonds or promissory notes), or when the business promises a return to investors.

This brochure provides basic information about Invest Mississippi Crowdfunding rules but is not a substitute for competent legal counsel. Additional information should be obtained by contacting the Securities Division and by reviewing the Secretary of State website www.sos.ms.gov. Also see the Federal Securities and Exchange Commission website at https://www.sec.gov for information on federal securities laws.