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## crowdfunding

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In April 2012, the JOBS Act was signed in to law. And with it came various changes to how companies raise money, including Title III (otherwise known as Regulation Crowdfunding). Navigating the new and uncharted waters of Title III can be overwhelming for any entrepreneur. While the regulatory changes intend to aide in capital formation, it's not without its challenges.

The content portrayed here is intended to provide broad strokes for the basic understanding of Title III. It is not intended to be complete nor nearly enough information for anyone to rely on in executing a crowdfunded campaign. For a thorough discussion please contact us here.

**Q:** What is equity crowdfunding?

**A:** Equity crowdfunding is a financing method that involves funding a company with relatively modest amounts of money from a large number of individuals, rather than seeking substantial sums from a few investors (typically institutions). The small investors get a share of the company in return for their investment.

**Q:** What has changed about crowdfunding recently?

**A:** Non-equity crowdfunding has been around for years. Now, under the Jumpstart Our Business Startups Act (JOBS Act), which was signed into law in 2012, equity crowdfunding is open to all investors. Over the last 4 years, various provisions of the JOBS Act have been working their way through the SEC implementation process. On May 16, 2016, the last piece, Title III (otherwise known as Regulation Crowdfunding or Reg CF), went in to effect. Title III created a federal exemption under the securities laws that significantly changed the type of investor that companies can solicit in raising money (selling securities). In short, it opened the door for non-accredited investors to invest in entrepreneurial ventures.

**Q:** Who is a non-accredited investor?

**A:** An individual who has a net worth of less than \$1 million (including spouse, but excluding home equity) and who earned less than \$200,000 annually (\$300,000 with spouse) in the last two years.

**Q:** Are there other rules in crowdfunding that need to be followed?

**A:** The short answer is yes. There are numerous issues related to permissible social media campaigns, timing of investing, amounts of money from each individual that can be raised, and total amount raised. Getting legal counsel to

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### related practices areas

corporate & business transactions

navigate a crowdfunded financing is imperative.

**Q:** Do I have other options for raising capital from non-accredited investors?

**A:** No, not without qualifying or registering the offering with the SEC in the same way that a later-stage company conducts an IPO.

**Q:** Is this really the best route to finance my company?

**A:** While not the only option, if you're looking to raise less than \$1 million crowdfunding it's a great one, if done properly.

**Q:** How do I get started?

**A:** Portals have been created on the Internet that match entrepreneurs interested in raising crowdfunded money with non-accredited investors. The law requires you to run your crowdfunding campaign through an online portal or through a registered broker dealer. We can assist in guiding you to several resources. Additionally, getting legal counsel involved early in the crowdfunding process is important.

**Q:** What are the rules surrounding advertising my offering?

**A:** Reg CF prohibits any general solicitation of your offering. So now what? What can you do? Knowing exactly what is and isn't permitted will enable you to conduct effective social media campaigns and maneuver the information on your offering into the right hands. For example: not only is advertising your offering restricted, but you must take caution in publishing even general information about your startup once you begin conducting a crowdfunding offering. The rate at which you promote your startup must remain the same both before and after your offering is made public. Thus a PR campaign roll out six months prior to your equity crowdfunding campaign may be advisable. MSK securities-law attorney Mark Hiraide speaks regularly on tips and suggestions to successfully conduct an equity crowdfunding campaign as safely and efficiently as possible. Speaking of which...

**Q:** How do I raise capital the right way?

**A:** As an entrepreneur, it's easy to feel overwhelmed by your funding options. The most important thing to ask yourself is, "How do I incentivize the investment? What's in it for my investors?"

**Q:** What's it going to cost me?

**A:** Recognizing that Title III financings bring in less than \$1 million our firm has structured its fees accordingly to be favorable to entrepreneurs.

## headlines

Mark Hiraide Elected to the Los Angeles County Bar Association Board of Trustees  
July 1, 2021

Mark Hiraide Elected as Chair of LACBA Business Law Section  
June 4, 2020



Nimish Patel Featured by *Law.com* for Kilimanjaro Climb  
*Law.com (ALM Media Properties)*, September 25, 2019

MSK Expands Bi-Coastal Corporate Practice  
February 20, 2019

Mitchell Silberberg & Knupp Names Marc Jones Chair of Firm's Corporate Department  
February 21, 2018

## news

Mark Hiraide Quoted in *Forbes*  
May 12, 2022

Nimish Patel Quoted in *Law360* on Crowdfunding Regs  
June 28, 2019

Nimish Patel and Mark Hiraide Featured in Digital LA's ICO Summit Recap  
March 28, 2018

Nimish Patel Quoted in *Reuters* on Cryptocurrency  
March 21, 2018

Nimish Patel Quoted in *Brave New Coin* on Cryptocurrencies  
March 13, 2018

Nimish Patel Quoted in *Law360* on the State of Equity Crowdfunding  
May 11, 2017

Nimish Patel Quoted in *Law360* on the Equity Crowdfunding Rollout  
November 10, 2016

Nimish Patel Quoted on *Equities.com* on Reg A+ and Equity Crowdfunding  
May 26, 2016

Mark Hiraide Quoted on *Indiewire* on Equity Crowdfunding for Filmmakers  
May 17, 2016

Mark Hiraide Quoted in *Los Angeles Times* on Crowdfunding  
May 16, 2016

Nimish Patel Quoted in *Law360* on Equity Crowdfunding Rules  
May 13, 2016



## publications

Simple Mistakes with Hefty Consequences—Skipping on Legal Advice Can End a Fund's Life  
*Bloomberg Law*, February 26, 2019

Blockchain: Here's What You Need To Know...  
*The Biederman Blog*, December 17, 2018

BankThink Cryptocurrency markets are a blur. SEC can do something about it  
*American Banker*, March 21, 2018

Ready Capital (Part 2)  
*Los Angeles Lawyer*, February 2017

Ready Capital (Part 1)  
*Los Angeles Lawyer*, December 2016

Crowdfunding: Practical Guide on the SEC's FINAL Rules for Raising Capital  
*Thomson Reuters*, February 2016

## alerts

House Passes INVEST Act of 2025  
*MSK Client Alert*, December 12, 2025

SEC Proposes Rule Changes That Will Enable Entrepreneurs to Raise More Capital at Lower Costs  
*MSK Client Alert*, March 6, 2020

SEC Commissioner Hester Peirce's Provocative Crypto Proposal  
*MSK Client Alert*, February 11, 2020

Test the Waters, but Don't Make Waves  
*MSK Client Alert*, October 14, 2019

SEC Issues First Cryptocurrency No-Action Letter – Where's the Action?  
*MSK Client Alert*, April 8, 2019

Fast Act Update: SEC Adopts Amendments to Modernize and Simplify Public Disclosure  
*MSK Client Alert*, March 25, 2019

New Federal Act Amending Dodd-Frank Also Seeks to Help Startups  
*MSK Client Alert*, June 2018



## events & speaking engagements

Black and Brown Pitch Contest & Equity Crowd Funding Seminar  
February 22, 2023

Global Diversity and Investment Summit  
October 22, 2021

Equity Crowdfunding Strategies and Techniques  
June 10, 2020

Startup Formation 101: The Key to Early Stage Success  
February 26, 2020

Santa Barbara Blockchain Summit  
November 23, 2019

Crowdfunding and the Law: A Guide to a Successful Crowdfunding Campaign  
November 14, 2019

How To Do A Regulation A+ Offering (For Non-Lawyers)  
August 28, 2019

Successful Capital Raising for Startups  
May 23, 2019

Finders and Unregistered Broker-Dealers: Understanding the Risks and Recent Developments  
May 15, 2019

Equity Crowdfunding for Entrepreneurs  
May 3, 2019

Lawyering for the Cannabis Industry  
February 28, 2019

Blockchain and the Law  
February 2019

The Innovation Summit  
June 13, 2018

ICO Summit  
March 27, 2018

SBEC Access to Capital 2017  
November 8, 2017



Raising Capital for Small and Medium-Sized Businesses

October 20, 2017

Local Investing Leaders Share Advice: What's Working, What's Needed, What's Next

September 11, 2017

Access to Capital Forum & Fast Pitch Competition

September 7, 2017

Capital Formation and SEC Rulemaking

June 21, 2017

Beach Bootcamp Part 2

April 21, 2017

TechDay NY: Start Smart, Lead with Legal

April 18, 2017

Shaking Up Wall Street: Redefining Securities Distribution Through Crowdfinance

November 11, 2016

Thirsty for Funds? Using Credits, Grants & Other Vehicles to Finance Production

October 20, 2016

Crowdfunding Your Startup

August 25, 2016

Cal Society of CPAs: Hollywood/Beverly Hills

June 17, 2016

Consumers as Investors | Redefining Financing Options for Entrepreneurs

May 24, 2016

Crowdfunding Trends in 2016

May 18, 2016

Key Provisions of the JOBS Act

March 11, 2016

Beverly Hills Bar Association – Crowdfunding and Other Startup and Early-Stage Financing Techniques

March 3, 2016

Financial Executive's Networking Group-- Crowdfunding and Other Startup and Early-Stage Financing Techniques

March 3, 2016



BABC LA Silicon Beach Breakfast: Crowdfunding

February 25, 2016

Crowdfunding & Other Financing Techniques for Startups

February 19, 2016

Prediction on the Future of Crowdfunding

February 4, 2016

Startups and the Crowd: Perspectives on the Future of Crowdfunding

May 2014