

How is security crowdfunding different from social crowdfunding (such as Kickstarter or Go Fund Me)?

Ever noticed how the rewards on Kickstarter and Go Fund Me are things like t-shirts, electronics, and thank you notes? That is because these sites are engaging in *donation-based* crowdfunding, or what we call *social-crowdfunding*.

Offering monetary returns would be illegal through Kickstarter and Indiegogo, as that would then be offering a 'security' which is what we call *securities crowdfunding* or a *Community Public Offering*. A security can be equity (an ownership position in a company, e.g. shares) or credit (e.g. a loan). The problem is that securities are governed by very strict regulations at both the state and federal level.

Due to a set of new administrative rules, all Minnesota residents can now invest in small Minnesota businesses. No longer are 'backers' donating money in return for a keychain or a piece of pizza; 'investors' are now providing real capital to local businesses to help them grow, and are able to receive financial returns.....and this is why we needed and have the MnVest law and rules.