

Does my business qualify to raise capital this way?

The exemption was designed to allow most Minnesota small businesses to participate in crowdfunded securities offerings. Your business may qualify to use Minnesota's crowdfunding exemption if all of the following apply:

- It is registered with the Minnesota Secretary of State as a domestic (Minnesota) business and has 50 or fewer employees.
- Its principal place of business is in Minnesota (see 'What qualifies as an Minnesota business' below for details)
- It only offers and sells stocks (equity in a business), notes (secured debt), and debentures (unsecured debt).

The exemption is not available for any of the following:

- Blank check companies (i.e., development stage companies with no specific business plan or purpose).
- Companies that are involved in petroleum exploration or production, mining, or any other extractive industries.
- Investment companies under Section 4 of the Investment Company Act of 1940.

These types of companies are more speculative and carry higher risks to investors and therefore require a higher level of review by regulators.

What qualifies as a Minnesota business?

The Minnesota rules inherit certain restrictions from a federal rule: Rule 147 of Section 3(a)(11) of the Securities Act of 1933, known as the intrastate offering exemption.

Under Rule 147, a Minnesota business is "resident and doing business" in Minnesota if all of the following apply:

- It is incorporated or organized under Minnesota law.
- It derives at least 80 percent of its gross revenues during its most recent fiscal year prior to the offering from the operation of its business in Minnesota.
- At least 80 percent of the issuer's assets at the end of its most recent semi-annual period prior to the offering are located in Minnesota.

- The issuer intends to use at least 80 percent of the net proceeds of the offering in connection with the operation of its business in Minnesota.
- The issuer's principal office is located in Minnesota.

Minnesota's Intrastate Offering Exemption was designed to promote compliance with the federal Securities Act, and specifically Section 3(a)(11). The rules require that the offer and sale of crowdfunding securities be conducted in accordance with the requirements under Section 3(a)(11). Because of the federal requirements, strict compliance with the state rules is important.