

CROWDFUNDING MI

Invest on Main Street



On December 30, 2013, Michigan enacted Public Act 264 and became one of four states to authorize pioneering intrastate crowdfunding legislation. Known as “investment crowdfunding,” this is a powerful economic development tool for using local capital to support and grow local businesses, fund start-ups, and nurture an entrepreneurial environment in Michigan.



michigan municipal league

With the passage of PA 264 every Michigan resident can now have a direct role in growing their local economy, supporting entrepreneurs, retaining talent, and creating jobs. Most have heard the power of “buy local,” which returns 58% more to the local economy compared to purchases from a non-local business.¹ Now Michigan can take local economic empowerment to the next level—an “invest local” option through investment crowdfunding. Individuals can now invest in what they value most and in what they know best: businesses in their community.

With the advent of Investment crowdfunding, new and existing Michigan businesses can raise capital from private, non-accredited Michigan investors. This is significant because non-accredited investors comprise 97% of the population, and now they can invest up to \$10,000 per company, per year, in businesses incorporated or organized under Michigan law. Accredited investors² may invest any amount.

With a simple \$100 application fee, a one-page LARA³ registration, and a business plan, existing businesses with audited financials can raise up to \$2 million from non-accredited investors, and new businesses can raise up to \$1 million from non-accredited investors. There is no limit on what can be raised from accredited

investors. These crowdfunding investments can be used to leverage additional capital from traditional banks or financial institutions.

Crowdfunding is the cutting-edge future of local development, and PA 264 provides the appropriate framework to make this a win-win for local entrepreneurs and the people who want to invest in their local community in a meaningful way.

The League is moving forward to launch a program with key partners that are leaders in the field to seamlessly connect our membership to the powerful potential of crowdfunding. An aggressive education and communications strategy will also be launched in the coming weeks, as well as a new League program to connect your local projects to Michigan investors.

► **Reward-based or donation crowdfunding**

is most commonly used to gather contributions with no expectation of “return on investment.” This may be structured to include a “reward” such as a mug for a \$50 donation.

► **Investment crowdfunding**

is structured to provide a return on investment, either through an ownership stake (equity crowdfunding) or through a debt position. Investors with a debt position are provided a pre-determined rate of return that can be structured in a variety of ways within the investment offering. For example, a local investor invests \$5,000 in a new brewery on Main Street and receives 5% of the brewery’s revenue each month until the investor is repaid \$7,500.



1. http://www.localfirst.com/why_local_first/
 2. Individual accredited investors have individual net worth that exceeds \$1 million or have an income exceeding \$200,000. Institutional accredited investors include banks, insurance or investment companies, etc. Detailed definitions can be found in SEC Rule 501 of Regulation D as amended by the Dodd-Frank Wall Street Reform and Consumer Protection Act.
 3. Michigan Department of Licensing and Regulatory Affairs