

## New Federal Exemption for Securities Crowdfunding Takes Effect on May 16

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On Monday, May 16, 2016, the SEC's new crowdfunding rules take effect. The rules will allow start-ups and other early-stage companies to use an internet portal to sell up to \$1 million of stock and other securities in small increments to any member of the public, not just accredited investors. Companies that have conducted a successful crowdfunding campaign through a platform like Kickstarter may find the rules particularly attractive, since loyal customers or backers may wish to help the company succeed by financing its growth. The rules are not without drawbacks, and companies should learn the rules of the road before starting a crowdfunding offering.

Foley Hoag partner John D. Hancock, who specializes in corporate finance and securities law, wrote an article published in the Spring 2016 edition of the *Boston Bar Journal* that describes the opportunities for fundraising under the new federal crowdfunding rules, as well as the state crowdfunding rules that Massachusetts adopted in 2015. You can find the article [here](#).

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