

Crowdfunding 101

The SEC's Office of Investor Education and Advocacy issues Investor Bulletins to educate investors about securities-based crowdfunding. Here are some things the SEC thinks are important to know:



Crowdfunding generally refers to a financing method in which money is raised through soliciting relatively small individual investments or contributions from many people. Companies can use Regulation Crowdfunding to offer and sell securities to the investing public giving the public the opportunity to participate in the early capital raising activities of start-up and early-stage companies and businesses.

Anyone can invest in a Regulation Crowdfunding offering. Because of the risks involved with this

type of investing, however, you may be limited in how much you can invest during any 12-month period in these transactions:

- If you are an **accredited investor**, then there are no limits on how much you can invest.
- If you are a **non-accredited investor**, your ability to invest depends on both your net worth and your annual income, with restrictions in place to ensure compliance with regulatory standards.

For example: If either your annual income or your net worth is less than \$124,000, then during any 12-month period, you can invest up to the greater of either \$2,500 or 5% of the greater of your annual income or net worth. If both your annual income and your net worth are equal to or more than \$124,000, then during any 12-month period, you can invest up to 10% of annual income or net worth, whichever is greater, but not to exceed \$124,000.

You can invest in a Regulation Crowdfunding offering through the online platform, such as Spark Market, or a broker-dealer. Companies may not offer Regulation Crowdfunding investments to you directly—they must use an authorized person like a broker-dealer.

The broker-dealer — a crowdfunding intermediary—must be registered with the SEC and be a member of the Financial Industry

Regulatory Authority (FINRA). You can obtain information about a broker by visiting FINRA's BrokerCheck or calling FINRA's toll-free BrokerCheck hotline at (800) 289-9999.

Keep in mind that you will have to open an account with Spark Market to make an investment and all written communications relating to your crowdfunding investment will be electronic.