

## Client Alert

### SEC Adopts Final Crowd Funding Rules

November 5, 2015 – The Securities and Exchange Commission adopted the long awaited rules on crowd funding ([click here](#) to view the SEC announcement released on October 30, 2015), which will go into effect within 180 days after publication in the Federal Register.

Under the final rules, individuals are permitted to invest in securities-based crowd funding transactions subject to certain investment limits. The rules also limit the amount of money an issuer can raise using the crowd funding exemption, impose disclosure requirements on issuers for certain information about their business and securities offering, and create a regulatory framework for the broker-dealers and funding portals that facilitate the crowd funding transactions. Details on the rules can be found in our previous Client Alert, "[SEC Proposes Long-Awaited Crowd Funding Rules](#)."

While the final rules were adopted substantially as proposed, the SEC did relax a few of the information requirements.

In a change from the proposed rules, issuers raising more than \$500,000 in an offering may provide potential investors with reviewed financial statements in lieu of audited financials (unless audited financials are already available) the first time that they rely on the crowd funding exemption (issuers raising less than \$100,000 will be required to provide certain financial information certified by the principal executive officer, and issuers raising more than \$100,000 but less than \$500,000, will be required to provide reviewed financial statements (unless audited financials are already available)). In addition, rather than providing potential investors full tax returns, issuers raising up to \$100,000 will be required to disclose total income, taxable income and total tax as reported in such returns, as certified by the issuer's principal executive officer.

Unrelated to the crowd funding rules, the SEC also proposed raising the Rule 504 offering limit from \$1 million to \$5 million, and applying the "bad actor" disqualifications to issuers relying on Rule 504.

If you have any questions concerning the adopted crowd funding rules, please feel free to contact the Morrison Cohen lawyers named below (or your usual Morrison Cohen contacts):

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