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What is Regulation CF?

Regulation CF stands for "equity crowdfunding"

and means a type of offering very similar to

Regulation A+. This Regulation allows the

With built-in compliance, regulatory

maximum of \$5 million to be curated. In this case, all the companies that wish to invest, must

file with the SEC (Security Exchange Commission) before offerings go live. Regulation CF Section 4 (a)(6) crowdfunding Marketed over the internet, but primary solicitation and disclosure

Solicitation	happens on "funding Portal"or; publicity anywhere else (including social media) is restricted
Eligible issuers	Only U.S. companies not registered with the SEC can issue; no investment companies; restrictions on investment companies and blank check companies
Offering size	\$5m limit on offering size but contemporaneous Rule 506 offerings permitted
Eligible investors	No restrictions on type of investors but they must show they understand their investment and are limited in dollar amount
Ascertaining investors' status	Self-certification as to investment limits and whether those limits are reached
	Annual limits: 5% of net worth or income below
Limits on investment amount	\$107k; 10% above \$107k; floor of \$2.2k and ceiling of \$107k; no limit on accredited investors
Types of security	No limitations
Structure of investment	SPVs allowed to be used for natural persons but must conform to narrowly tailored requirements
Disclosure	Disclosure (including reviewed or audited financial statements) mandated by statute and regulation
Use of offering materials outside mandated disclosure	Can only use offering materials that are on platform and filed with SEC; test the waters permitted prior to filing; advertising of terms of offering restricted
	Offerings to \$107k: self- certified UIS GAAP f/s and issuer tax returns
Financial statements	Offerings to \$535k or first- time offerings below \$1.07m: CPA reviewed US GAAP f/s
	Offerings to \$5m: CPA- audited US GAAP f/s
Filing requirements	Filing with SEC on Form C: XML-fillable form with attachments; all material on intermediary site must be filed; TTW materials must also be filed
Review	No review by SEC; any marketing prior to SEC filing must comply with TTW conditions
Ongoing disclosure	Same information as in initial filing to be filed yearly
State law	Registration preempted; notice filings permitted (no fees)
Liability	Rule 10b-5 liability plus Section 4A(c) liability for issuer, its officers and directors and anyone selling (including promoting) the offering; state law liability; potential willful participant liability for intermediary
What is Regulation A+? Regulation A is an SEC exemption from registration for public offerings. In a nutshell, private companies can use RegA to raise private capital for their company.	
Regulation A has two offering tiers: Tier 1, for	

companies; companies; No blank check No blank check companies; companies; Companies that Companies that

Regulation A+

Public offering

anywhere

Eligibility

Types of Securities

Structure

Can be marketed

offerings of up to \$20 million in a 12-month period; and Tier 2, for offerings of up to \$75

million in a 12-month period. For offerings of up

under the requirements for either Tier 1 or Tier 2.

to \$20 million, companies can elect to proceed

Tier 1

U.S. and

No SEC-

Canadian;

registered

have failed to

require

make previous

Tier 2

U.S. and

No SEC-

Canadian;

registered

have failed to

require

by selling

shareholders)

"Ordinary" debt

and equity; no

asset-backed

Securities.

allowed; all investors appear

in cap table

US GAAP

statements

audited financial

No SPVs

make previous

Filings excluded Filings excluded Investor Investor Eligibility: Eligibility: Accredited Accredited Non-accredited Non-accredited \$20 million \$75 million annual limit (can annual limit (can Offering Size include \$6m by include \$22.5m

selling

shareholders)

"Ordinary" debt

and equity; no

asset-backed

Securities.

allowed; all

investors appear in cap table

No SPVs

US GAAP

financials

required but

need not be audited (under

Financial Statements requirements) unless already produced; many states require audited financials Filing of Form 1-Filing of Form 1-A with SEC: A with SEC: XML-fillable XML-fillable form with text form with text file attachments file attachments SEC must SEC must **SEC Review** review, review, comment and comment and declare declare "qualified" "qualified" before sale; before sale; state review also state review also required required Freely tradable Freely tradable Resale securities securities What is Regulation D? Regulation D offering is a private placement investment opportunity in the United States that allows companies to raise capital without

crowdfunding Under this rule, companies can openly solicit and advertise their securities to the public. However, they can only sell **Solicitation** to accredited investors who must be verified by the issuer through specific documentation providing their accredited status

and foreign)

Both SEC-registered and private

No dollar limit on the offering size

Only accredited investors may buy.

Issuers must take reasonable steps to "verify" accredited status: may use

various methods; non-exclusive list of

methods that may be relied on as

meeting requirements

No mandated disclosure

2013 proposals by the SEC would require earlier filing of From D and

additional amendment after closing: general solicitation materials proposed to be submitted informally to SEC.

companies can use the exemption (U.S.

registering their Securities with the Securities

Exchange Commission (SEC).

Regulation D Section 4 (a)(6)

Eligible issuers

Offering size

Ascertaining

investors' status

Limits on investment

materials outside

mandated disclosure

Financial statements

Filing requirements

Review

Liability

Korelssuance

Eligible investors

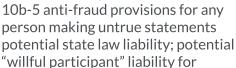
None amount No limitations Types of security Structure of SPV's can be used as intermediary for investment holdings by accredited investors Disclosure driven by market demands **Disclosure** and liability concerns Use of offering

Not required

No review by SEC

Ongoing disclosure None Registration preempted; notice filings Ongoing disclosure permitted (no fees) Liability under general Section 17/Rule









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intermediary.