

Comparing 4 Kinds of Equity Offering Platforms

From an investor’s point of view, here are the basics of

- Regulation D
- Regulation A+
- Title III equity crowdfunding
- Intrastate securities offerings

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There has been much confusion in the media about the newest securities exemption, Regulation A+, and how it compares with the three other new kinds of equity offerings that you’ll find on Internet-based platforms in the very near future. The following table provides the basics – assuming Title III equity crowdfunding will soon emerge from regulatory hell.

Kinds of Equity Offerings on Internet-based Platforms					
	Online Launch	Raise Limit in 1 Year	Investor Status	Investment Limit	Intermediary Required?
Reg A+ Tier 1	2015	\$20 million	All investors	No limit	No
Reg A+ Tier 2	2015	\$50 million	All investors	Depends on income/worth	
Reg D Rule 506(b)	2011	No limit	Accredited only	No limit	No
Reg D Rule 506(c)	2013				
Intrastate Equity Crowdfunding	2013 (GA was first)	Ranges from \$1m to \$2.5m	All investors	Depends on income/worth	Varies with state
Title III Equity Crowdfunding	Maybe 2016	\$1 million ³	All investors	Depends on income/worth	Yes: online portals ⁴

We expect that Congress will fix Title III of the JOBS Act, probably in 2015. Then the SEC will issue final rules under Title III, and equity crowdfunding portals will launch in 2016. [Here](#) is a list of states (and the District of Columbia) with intrastate securities exemptions.

Can we invest in startups via Reg A+?

Regulation A+ is the nickname given to Title IV of the JOBS Act of 2012. The SEC issued final rules for Reg A+ in March 2015, and they should go into effect in June. Some reporters have erroneously referred to it as “finally, an opportunity for non-accredited investors to buy equity in startups” (TechCrunch). In fact, Title IV was originally structured for growth- and later-stage companies that are not quite ready to file IPOs. New York securities lawyer Brian Korn calls Reg A+ the “minor leagues for IPOs,” and others refer to it as the “mini-IPO,” as issuers are

required to go through a “scaled-down registration”¹ process and file a prospectus-like document called an offering circular with the SEC. The benefits of Reg A+ for seed-stage and startup companies seem limited mainly because:

- (a) Those SEC filing requirements can require a lot of expensive legal expertise.
- (b) Offerings up to \$20 million still require state-by-state (blue sky) review and compliance, which can be very costly and time-consuming.
- (c) Even a mini-IPO, with its ongoing reporting requirements, can radically change the culture of a startup.

Sam Guzik, securities lawyer and a board member of the Crowdfunding Professional Association, said on 4/7/15, “I do not recommend Reg A+ for startups.” For more details about Regulation A+ from both investors’ and entrepreneurs’ perspectives, please see our article at Accredited Investor Markets, [here](#).

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¹ Andres J. Trujillo, “Making History at the SEC: Reg A+ is Better than Expected,” CrowdfundBeat, undated (probably March 26, 2015).

² Rule 506(c) allows general solicitation under Title II of the JOBS Act. (Both tiers of Reg A+ allow general solicitation.)

³ Congress may increase this limit to as much as \$5 million, maybe as soon as summer 2015.

⁴ Title III offerings may appear on non-broker-dealer funding portals that are registered with the SEC or on broker-dealer platforms.