SEC Adopts Regulation A Amendment to Facilitate Smaller Companies' Access to Capital

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On March 25, 2015, the SEC adopted amendments to Regulation A and other rules and forms to implement Section 401 of the Jumpstart Our Business Startups Act. (Click here for the SEC's final rules adopting release.) The new version of the rules, commonly referred to as Regulation A+, seeks to modernize and expand the relatively rarely used former Regulation A, which provided a longstanding registration exemption to permit an unregistered public offering of up to $5 million of securities in any 12-month period, including no more than $1.5 million of securities offered by security-holders of the company. Companies interested in raising capital in a manner short of a full-blown IPO may find the new Regulation A+ rules attractive because:

- unlike old Regulation A, a Tier 2 offering can be as large as $50 million (as opposed to the old $5 million limit) and is not subject to state securities law qualifications; and
- unlike a Rule 506 offering, in a Tier 2 offering there is no limit on the number of non-accredited investors (provided a non-accredited investor invests no more than 10 percent of income or net worth) and the securities are not restricted on resale.

Read the Client Alert here.