Regulation A Plus

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Introduction

Regulation A has bedeviled the business community for decades. Born of Section 3(b) of the Securities Act of 1933, Regulation A was intended to provide a cost-effective way for small- and medium-sized businesses to raise up to $5 million without the hassle of a full initial public offering and registration with the Securities Exchange Commission (SEC or Commission). Unfortunately, the requirements of this "mini-IPO" proved too onerous and the rewards far too little to justify them. Unlike Regulation D exemptions, Regulation A required substantive review by the SEC and state regulators, which drastically increased the costs. Furthermore, the lack of an active secondary market offered little value for the ostensibly unrestricted shares, further diminishing the appeal of this type of offering. The high cost and low benefits, coupled with the low cap of $5 million, lead to the near disappearance of the Regulation A offering, with only 26 Reg A offering being certified between 2012 and 2014.

Congress sought to fix the problems in Regulation A in the Jumpstart Our Business Startups (JOBS) Act of 2012. In Title IV of the JOBS Act, Congress instructed the SEC to issue new rules to increase the cap on Regulation A offerings to $50 million and resolve other issues holding back the use of Regulation A. On March 25, 2015, the SEC formally adopted final rules governing, what has come to be known as, Regulation A+.

What Is Regulation A+?

Regulation A+ allows issuers to sell to the both accredited and nonaccredited investors without the independent verification of accredited status and utilize general advertising and solicitation, which makes it a more appealing fund-raising mechanism than Regulation D for companies looking for to bring in a large amount of capital with no investor status independent verification required. It also has a number of benefits when compared to a traditional initial public offering (IPO). The following are some of the characteristics of a Regulation A+ offering that is made by filing a Form 1-A (1-A) as compared to a traditional IPO that is made by filing Form S-1 (S-1):

- You can advertise your offering over social media and elsewhere in all 50 states BEFORE you spend any money to prepare and file a Form 1-A ("testing the waters"). You cannot do this in an S-1 offering.
- In some cases, Regulation A+ offerings will be exempt from state Blue Sky laws, meaning you do not have to register your Regulation A+ offering with the state securities regulator. In such instances, you are free to advertise and sell your Regulation A+ offering in all 50 states, even if you have not gone through the "merit review" process of the state.
- All the securities you sell in your Regulation A+ offering are fully unrestricted and freely tradable, just like those in an S-1 offering.
- You can sell to both accredited and nonaccredited investors without securing independent verification of investor financial status just like an S-1 offering. However, in most Regulation A+ offering, there is a 10% income/net worth limitation for nonaccredited investors.
- With Regulation A+, you only have two ongoing SEC filings per year rather than the four you would have following an offering under S-1.
- Although you may have to provide audited financial statement with a Regulation A+ offering, you do not have to use an expensive PCAOB audit firm but only a competent CPA firm. Ongoing SEC reporting does not require PCAOB audit firms after going public, and in fact the semiannual filing of a Tier 2 Regulation A+ company does not even have to be prepared, reviewed, or audited by an outside accounting firm.
- With Regulation A+, you are not subject to the proxy rules and your stockholders, including all your "Insiders" are not subject to Ownership Reporting and Short Swing Profit Rules.
- Even with these reduced ongoing reporting requirements, you can secure a qualification for quotation of your securities on OTC Market's OTCQB, just as with an S-1.

Offering Types and Size Limitations

The SEC final rules expanded Regulation A+ into two tiers:

- Tier 1 for securities offerings of up to $20 million aggregate in any 12-month period
- Tier 2 for offerings of up to $50 million aggregate in any 12-month period

Issuers can elect to be Tier 2 even for offerings of less than $20 million, but would then still be subject to the Tier 2 requirements described below. A company may opt to do this in order to take advantage of the preemption of Blue Sky laws or if the securities will be listed on an exchange.

Issuer Eligibility

Regulation A+ is limited to companies organized in and with their principal place of business in the United States or Canada. Shell companies, issuers of penny stock, or other types of investment vehicles such as REITS that meet the principal place of business test are also eligible to use Regulation A+.

What does "principal place of business in the United States or Canada" mean? The SEC has now issued a clarification, as follows:

Compliance and Disclosure Interpretation 182.03

> **Question:** Would a company with headquarters that are located within the United States or Canada, but whose business primarily involves managing operations that are located outside those countries be considered to have its principal place of business within the United States or Canada for purposes of determining issuer eligibility under Regulation A?
>
> **Answer:** Yes, an issuer will be considered to have its principal place of business in the United States or Canada for purposes of determining issuer eligibility under Rule 251(b) of Regulation A if its officers, partners, or managers primarily direct, control, and coordinate the issuer's activities from the United States or Canada. [June 23, 2015]

In short, the test is based upon where management is located rather than where revenues are generated.

Regulation A+ explicitly makes some issuers ineligible. This includes the following ineligible issuers:

- Companies subject to the ongoing reporting requirements of Sections 13 or 15(d) of the Securities Exchange Act of 1934 (Exchange Act)
- Companies registered or required to be registered under the Investment Company Act of 1940 and Business Development Companies
- Blank check companies
- Issuers of fractional undivided interests in oil or gas rights, or similar interests in other mineral rights
- Issuers that are required to, but that have not, filed with the Commission the ongoing reports required by the rules under Regulation A+ during the two years immediately preceding the filing of a new offering statement (or for such shorter period that the issuer was required to file such reports)
- Issuers that are or have been subject to an order by the Commission denying, suspending, or revoking the registration of a class of securities pursuant to Section 12(j) of the Exchange Act that was entered within five years before the filing of the offering statement
- Issuers subject to "bad actor" disqualification in the Regulation A+ rules

Eligible and Ineligible Securities

Only certain types of securities are eligible for sale under Regulation A+, specifically common stock and preferred stock as well as warrants and other convertible equity securities and non-asset backed notes (i.e., straight debt). You can offer derivatives—options, warrants and convertible debt, with special rules for calculating offering amount if exercisable within one year or qualified in an offering.

Asset-backed securities, as defined in Regulation A+, are not eligible for sale under Regulation A+. Securities sold by an ineligible issuer (see list above) are also ineligible.

Stockholders Registering Their Shares for Resale in a Regulation A+ Offering

One of the biggest changes between Regulation A+ offering and an S-1 offering is how the issuer's current stockholders looking to register their shares for resale can sell their securities if they are included in an S-1 Registration Statement vs. a Regulation A+ Offering Statement. These "Selling Stockholders" are current stockholders who own restricted stock of the issuer prior to the filing of an S-1 Registration Statement or Regulation A+ Offering Circular, and the Selling Stockholders want to make their shares freely tradable by including their shares for resale in the SEC filing either alone or along with the shares the company is selling directly in such offering.

Selling Stockholders in a Regulation A+ offering are subject to more restrictions than Selling Stockholders in an S-1 Registration Statement. First, the amount of securities that Selling Stockholders can sell at the time of an issuer's first Regulation A+ offering and within the following 12 months is limited to no more than 30% of the aggregate offering price of a particular offering. Furthermore, the Regulation A+ Selling Stockholder shares may not be sold into the market at market price. The price that Selling Stockholders can resell their stock is fixed at the price the company is offering shares. This puts most PIPE offerings off limits for Regulation A+ as the PIPE investors do not get registered shares they can sell into the market.

Investment Limitations in Tier 2

Nonaccredited investors in a Tier 2 offering can purchase no more than 10% of the greater of their annual income or their net worth. Annual income and net worth are calculated as provided in the accredited investor definition under Rule 501 of Regulation D.

The investment limitations for purchasers in Tier 2 offerings will not apply to purchasers who qualify as accredited investors under Rule 501 of Regulation D. Also, if the company will be listed on an "exchange" at the time of qualification then the 10% limitation does not apply.

Unlike Regulation D Rule 506(c), which requires the issuer to verify an investor's income and net worth representations, Regulation A+ issuers may rely on an investor's representation of compliance with the investment limitation, unless the issuer knew at the time of sale that any such representation was untrue.

Integration with Other Offerings

Offerings pursuant to Regulation A+ will not be integrated with prior offers or sales of securities or subsequent offers and sales of securities that are:

- Registered under the Securities Act, except as provided in Rule 255(c)
- Made pursuant to Rule 701 under the Securities Act
- Made pursuant to an employee benefit plan
- Made pursuant to Regulation S
- Made pursuant to Section 4(a)(6) of the Securities Act
- Made more than six months after completion of the Regulation A+ Offering

Furthermore, an offering made in reliance on Regulation A+ is also not integrated with another exempt private offering made by the issuer, including primarily private placements under Regulation D, provided that each such offering complies with the requirements of the exemption that is being relied upon for the particular offering.

Practically speaking, conducting a concurrent private placement offering and a Regulation A+ offering would be nearly impossible except in the case of a Rule 506(c) placement. An issuer conducting a concurrent private placement for which general solicitation is not permitted must prove that purchasers in that offering were not solicited by means of the offering made in reliance on Regulation A+, including without limitation any testing the waters communications. This standard appears virtually impossible to meet. In practice, this may mean that you can only conduct a Rule 506(c) placement simultaneous with a Regulation A+ offering.

In addition, in the event that you conduct a test the waters advertising program but decide not to go forward with a Regulation A+ offering, and thereafter you conduct a private placement for which general solicitation is not permitted, you must prove that purchasers in that private placement were not solicited by means of the testing the waters communications. In practice, this means you should wait a period of time after your last testing the waters communication to conduct a private placement for which general solicitation is not permitted.

An issuer conducting a concurrent exempt offering for which general solicitation is permitted, for example, under Rule 506(c), could not include in any such general solicitation an advertisement of the terms of a Regulation A+ offering, unless that advertisement also included the necessary legends for, and otherwise complied with, Regulation A+.

Exemption from Requirements to Become a Fully Reporting SEC Company

Issuers of securities issued in a Tier 2 offering are exempt from the requirements to become a fully reporting SEC company by registering their securities under Section 12(g) for so long as the issuer remains subject to and is current in, as of its fiscal year end, its Regulation A+ periodic reporting obligations. However, in order for this conditional exemption to apply, issuers are required to engage the services of a transfer agent registered with the Commission pursuant to Section 17A of the Exchange Act.

The exemption from Section 12(g) is only available to companies that meet requirements similar to those in the "smaller reporting company" definition under Securities Act and Exchange Act rules. As such, the conditional exemption in the final rules is limited to issuers that have a public float of less than $75 million, determined as of the last business day of its most recently completed semiannual period, or in the absence of a public float, annual revenues of less than $50 million, as of the most recently completed fiscal year. An issuer that exceeds either of the thresholds, in addition to exceeding the threshold in Section 12(g) of the Exchange Act, would be granted a two-year transition period before it would be required to register its class of securities pursuant to Section 12(g), provided it timely files all ongoing reports due under Regulation A+.

Section 12(g) registration will only be required if, on the last day of the fiscal year in which the company exceeded the public float or annual revenue threshold, the company has total assets of more than $10 million and the class of equity securities is held by more than 2,000 persons or 500 persons who are not accredited investors. In such circumstances, an issuer would be required to begin reporting under the Exchange Act the fiscal year immediately following the end of the two-year transition period.

Why is this important? If an issuer offering securities in a Regulation A+ offering were required to include purchasers in the offering in the SEC's test for determining whether full SEC reporting is required, then Regulation A+ issuers would quickly lose their ability to file under the ongoing lesser Regulation A+ reporting scheme, defeating one of the purposes of Regulation A+.

EDGAR Filing Requirements

Issuers must file their Regulation A+ offering statements and ongoing reports required by Regulation A+ with the Commission electronically on EDGAR.

No Filing Fees

There are no filing fees associated with the Regulation A+ filing and qualification process.

Testing the Waters

Regulation A+ allows the issuers to test the waters with potential investors and use solicitation materials both before and after the offering statement is filed with the SEC, subject to issuer compliance with the rules on filing and disclaimers. You can advertise everywhere you want, including social media or other places where you think investors will be. However, the issuer or underwriter is not permitted to make or approve binding purchases. The justification for this relaxation of the normal process is that by testing the waters you can determine if there is actual interest in the offering before you spend significantly more money on legal, accounting, and printing fees.

Testing the waters materials must be filed as an exhibit to the first Form 1-A filed after the materials are used. Although the SEC does not prereview prequalification advertising, you are cautioned to be very careful of what you say in the testing the waters solicitation materials. Solicitation materials are subject to the antifraud and other civil liability provisions of the federal securities laws and you can be sued and held liable for what you say in the advertising materials even if you don't include the information in the 1-A Offering Circular itself.

Prequalification solicitation material must bear a legend or disclaimer indicating that: (1) no money or other consideration is being solicited, and if sent, will not be accepted; (2) no sales will be made or commitments to purchase accepted until the offering statement is qualified; and (3) a prospective purchaser's indication of interest is nonbinding. However, as in the past Rule 169 compliant regularly released factual business communications do not constitute solicitation of interest materials and are not required to be filed under Regulation A+.

Issuers and participating broker-dealers are required to deliver only a preliminary offering circular to prospective purchasers at least 48 hours in advance of sale only when a preliminary offering circular is used during the prequalification period to offer such securities to potential investors. Issuers and participating broker-dealers, not later than two business days after completion of the sale, must provide the purchaser with a copy of the final offering circular or a notice stating that the sale occurred pursuant to a qualified offering statement. The notice must include the URL where the final offering circular, or the offering statement of which such final offering circular is part, may be obtained on EDGAR and contact information sufficient to notify a purchaser where a request for a final offering circular can be sent and received in response.

Electronic-Only Offerings Permitted

Entering the twenty-first century, "electronic-only" offerings of Regulation A+ securities are permitted, provided that issuers and intermediaries obtain the consent of investors to, or otherwise be able to evidence the receipt of, the electronic delivery of:

- The preliminary offering circular and information other than the final offering circular, in instances where the issuer sells Regulation A+ securities based on offers made using a preliminary offering circular
- All documents and information, including the final offering circular, when the issuer sells Regulation A+ securities based on offers made during the post-qualification period using a final offering circular

There is still a 90 calendar day dealer delivery requirement for participating broker-dealers.

Submission of Nonpublic Draft Offering Statements

Issuers whose securities have not been previously sold pursuant to a qualified offering statement under Regulation A+ or an effective registration statement under the Securities Act may submit to the Commission a draft offering statement for nonpublic review. All nonpublic submissions of draft offering statements must be submitted via EDGAR, and the initial nonpublic submission, all nonpublic amendments thereto, and correspondence submitted by or on behalf of the Issuer to the Commission staff regarding such submissions must be publicly filed and available on EDGAR as exhibits to the offering statement not less than 21 calendar days before qualification of the offering statement.

Nonpublicly submitted offering statements must be submitted electronically on EDGAR. The Commission and its staff will not make such offering statements publicly available on EDGAR as a matter of course.

Qualification of a Regulation A+ Offering Circular

Under Regulation A+, the offering statements are to be declared qualified by a "notice of qualification" issued by the Division of Corporation Finance, pursuant to delegated authority, rather than requiring the Commission itself to issue an order. An issuer can commencing selling shares registered in A+ offering statement after it is "qualified" by the SEC staff. In effect, this notice of qualification is analogous to a notice of effectiveness in in S-1 offerings.

Content of a Form 1-A Offering Statement

Form 1-A consists of the following three parts. The formatting for these three parts is as follows:

- Part I: Basic information & notification. An eXtensible Markup Language (XML)-based fillable form, which captures key information about the issuer and its offering using an easy to complete online form, similar to Form D, with drop-down menus, indicator boxes or buttons, and text boxes, and assists issuers in determining their ability to rely on the exemption. The XML-based fillable form will provide a convenient means of assembling and transmitting information to EDGAR, without requiring the issuer to purchase or maintain additional software or technology.
- Part II: Offering circular. A text file attachment containing the body of the disclosure document and financial statements, formatted in HyperText Markup Language (HTML) or American Standard Code for Information Interchange (ASCII) to be compatible with the EDGAR filing system.
- Part III: F/S. Text file attachments, containing the signatures, exhibits index, and the exhibits to the offering statement, formatted in HTML or ASCII to be compatible with the EDGAR filing system.

The content requirements of the three Form 1-A parts are as follows:

Part I: Basic Information & Notification

Item 1. Issuer Information:

- Exact name of issuer as specified in the issuer's charter
- Jurisdiction of incorporation/organization
- Year of incorporation

- CIK
- I.R.S. employer identification number
- Total number of full-time employees
- Total number of part-time employees
- Contact information address of principal executive offices
- Telephone
- Contact person and two e-mail addresses for sending comments

Item 2. Issuer Eligibility. Check this box to certify that all of the following statements are true for the issuer(s):

- Organized under the laws of the United States or Canada, or any state, province, territory or possession thereof, or the District of Columbia
- Principal place of business is in the United States or Canada
- Not subject to Sections 13 or 15(d) of the Securities Exchange Act of 1934
- Not a development stage company that either (1) has no specific business plan or purpose, or (2) has indicated that its business plan is to merge with an unidentified company or companies.
- Not an investment company registered or required to be registered under the Investment Company Act of 1940
- Not issuing fractional undivided interests in oil or gas rights, or a similar interest in other mineral rights
- Not issuing asset-backed securities as defined in Item 1101(c) of Regulation A+
- Not, and has not been, subject to any order of the Commission entered pursuant to Section 12(j) of the Exchange Act (15 U.S.C. 78l(j)) within five years before the filing of this offering statement
- Has filed with the Commission all the reports it was required to file, if any, pursuant to Rule 257 during the two years immediately before the filing of the offering statement (or for such shorter period that the issuer was required to file such reports)

Item 3. Application of Rule 262 – "Bad Boy Disqualification"

Check a box to certify that, as of the time of this filing, each person described in Rule 262 of Regulation A+ is either not disqualified under that rule or is disqualified but has received a waiver of such disqualification.

Item 4. Summary Information Regarding the Offering and Other Current or Proposed Offerings

It is important to note that you can offer securities on a continuous basis, meaning you can keep your offering open generally for 12 months.

- Does the issuer intend to offer the securities on a delayed or continuous basis pursuant to Rule 251(d)(3)?
- Does the issuer intend this offering to last more than one year?
- Does the issuer intend to price this offering after qualification pursuant to Rule 253(b)? Will the issuer be conducting a best efforts offering?
- Has the issuer used solicitation of interest communications in connection with the proposed offering?
- Does the proposed offering involve the resale of securities by affiliates of the issuer?
- Disclose anticipated fees in connection with this offering and names of service providers.

Item 5. Jurisdictions in Which Securities Are to Be Offered

Item 6. Unregistered Securities Issued or Sold Within One Year

Part II: Information Required In Offering Circular

In General

The narrative disclosure contents of offering circulars are either (1) the information required by the Offering Circular format described below; or (2) the information required by Part I of Form S-1 or Part I of Form S-11, except for the financial statements, selected financial data, and supplementary financial information called for by those forms. An issuer choosing to follow the Form S-1 or Form S-11 format may follow the requirements for smaller reporting companies if it meets the definition of that term in Rule 405. An issuer may only use the Form S-11 format if the offering is eligible to be registered on that form. The cover page of the offering circular must identify which disclosure format is being followed.

For Tier 2 offerings where the securities will not be listed on a registered national securities exchange upon qualification, the offering circular cover page must include the following legend highlighted by prominent type or in another manner: "Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and nonnatural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A+. For general information on investing, we encourage you to refer to www.investor.gov."

Offering Circular

Except as noted above, the disclosure required by these items is essentially the same as that required in an S-1. However, if you plan to list on a national securities exchange, you must disclose on the Cover Page of your Offering Circular that you will actually be following S-1 disclosure requirements (or S-11 for a real estate related offering) in your filing. Why? A requirement of securing the listing is that you become fully reporting by filing a Form 8-A to do so contemporaneous with the qualification of your Form 1-A filing. Unless you strictly follow the S-1/S-11 disclosure requirement, your registration statement does not contain all the information required to be eligible to file the Form 8-A.

Item 1. Cover Page of Offering Circular

Item 2. Table of Contents

Item 3. Summary and Risk Factors

Immediately following the Table of Contents required by Item 2 or the Summary, there must be set forth under an appropriate caption, a carefully organized series of short, concise paragraphs, summarizing the most significant factors that make the offering speculative or substantially risky. Issuers should avoid generalized statements and include only factors that are specific to the issuer.

Item 4. Dilution

Item 5. Plan of Distribution and Selling Stockholders

Item 6. Use of Proceeds to Issuer

Item 7. Description of Business

Item 8. Description of Property

Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operations / Plan of Operations for Issuers (including predecessors) that have not received revenue from operations during each of the three fiscal years immediately before the filing of the offering statement.

Item 10. Directors, Executive Officers, and Significant Employees

The term "executive officer" means the president, secretary, treasurer, any vice president in charge of a principal business function (such as sales, administration, or finance), and any other person who performs similar policy making functions for the issuer.

The term "significant employee" means persons such as production managers, sales managers, or research scientists, who are not executive officers, but who make or are expected to make significant contributions to the business of the issuer.

Provide table showing Name / Position / Age / Term of Office and Approximate hours per week for part-time employees. Provide the month and year of the start date and, if applicable, the end date. To the extent you are unable to provide specific dates, provide such other description in the table or in an appropriate footnote clarifying the term of office. If the person is a nominee or chosen to become a director or executive officer, it must be indicated in this column or by footnote. For executive officers and significant employees that are working part-time, indicate approximately the average number of hours per week or month such person works or is anticipated to work. This column may be left blank for directors.

In a footnote to the table, briefly describe any arrangement or understanding between the persons described above and any other persons (naming such persons) pursuant to which the person was or is to be selected to his or her office or position.

State the nature of any family relationship between any director, executive officer, person nominated or chosen by the issuer to become a director, or executive officer, or any significant employee.

Business experience. Give a brief account of the business experience during the past five years of each director, executive officer, person nominated or chosen to become a director or executive officer, and each significant employee, including his or her principal occupations and employment during that period and the name and principal business of any corporation or other organization in which such occupations and employment were carried on. When an executive officer or significant employee has been employed by the issuer for less than five years, a brief explanation must be included as to the nature of the responsibilities undertaken by the individual in prior positions to provide adequate disclosure of this prior business experience. What is required is information relating to the level of the employee's professional competence, which may include, depending upon the circumstances, such specific information as the size of the operation supervised.

Involvement in certain legal proceedings. Describe any of the following events that occurred during the past five years and which are material to an evaluation of the ability or integrity of any director, person nominated to become a director or executive officer of the issuer:

1. A petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing

2. Such person was convicted in a criminal proceeding (excluding traffic violations and other minor offenses)

Item 11. Compensation of Directors and Executive Officers

Provide, in substantially the tabular format indicated, the annual compensation of each of the three highest paid persons who were executive officers or directors during the issuer's last completed fiscal year.

Name	Capacities In Which Cash Other Total Compensation Was Received (E.g., Chief Executive Officer, Director, Etc.)	Cash Compensation	Other Compensation	Total Compensation

Provide the aggregate annual compensation of the issuer's directors as a group for the issuer's last completed fiscal year. Specify the total number of directors in the group.

For Tier 1 offerings, the annual compensation of the three highest paid persons who were executive officers or directors and the aggregate annual compensation of the issuer's directors may be provided as a group, rather than as specified in paragraphs (a) and (b) of this item. In such case, issuers must specify the total number of persons in the group.

Briefly describe all proposed compensation to be made in the future pursuant to any ongoing plan or arrangement to the individuals specified in paragraphs (a) and (b) of this item. The description must include a summary of how each plan operates, any performance formula or measure in effect (or the criteria used to determine payment amounts), the time periods over which the measurements of benefits are determined, payment schedules, and any recent material amendments to the plan. Information need not be included with respect to any group life, health, hospitalization, or medical reimbursement plans that do not discriminate in scope, terms or operation in favor of executive officers or directors of the issuer and that are available generally to all salaried employees.

Item 12. Security Ownership of Management and Certain Security Holders

Complete the Ownership Table

Title of Class	Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Amount and Nature of Beneficial Ownership Acquirable	Percent of Class

This table shows voting securities beneficially owned by: (1) all executive officers and directors as a group, individually naming each director or executive officer who beneficially owns more than 10% of any class of the issuer's voting securities; (2) any other security holder who beneficially owns more than 10% of any class of the issuer's voting securities as such beneficial ownership would be calculated if the issuer were subject to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934.

Item 13. Interest of Management and Others in Certain Transactions

This information is found in the "Related Party" or similar footnote in the financial statements. However, you must modify the footnote disclosure giving the name and title of each related party in a related party transaction.

This is the section where your attorney has to disclose his stock or other interest.

Item 14. Securities Being Offered

Part III: Financial Statements

For Tier 1 offerings, the balance sheets must be filed for two years (along with the other required financial statements as of the two most recently completed fiscal year ends). Significantly, financial statements for Tier 1 offerings do not need to be audited.

Financial statements in Tier 2 offerings must be audited, but either in accordance with either the auditing standards of the American Institute of Certified Public Accountants (AICPA) (referred to as U.S. Generally Accepted Auditing Standards or GAAS) or the standards of the Public Company Accounting Oversight Board (PCAOB). In terms of cost savings, this requirement is significantly different than registration statements on Form S-1 in that you don't need to pay for a PCAOB qualified firm to audit your financial statements.

You must provide financial statements for each of the two fiscal years preceding the date of the most recent balance sheet being filed or such shorter period as the Issuer has been in existence. If you are a start-up company or a company that hasn't been in business for two years, you can still use Regulation A+.

Related Content

For additional information on Crowdfunding, see the following practice notes:

- A Summary of Crowdfunding under the JOBS Act
- A Comparison of the JOBS Act Crowdfunding Regulations (and When to Use Them)
- Comparing Crowdfunding Instruments: Common Stock, Preferred Stock, Convertible Notes and SAFEs
- Crowdfunding Intermediaries under the JOBS Act