



Alerts

SEC Adopts Rules to Facilitate Smaller Companies' Access to Capital

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Corporate / Financial Institutions Alert

The SEC yesterday adopted final rules to update and expand Regulation A, an existing exemption from registration for smaller issuers of securities. The rules are mandated by Title IV of the Jumpstart Our Business Startups (JOBS) Act.

The rules were originally proposed in December of 2013. A copy of the Hinshaw client alert discussing the proposed rules may be found at <http://www.hinshawlaw.com/newsroom-publications-alerts-566.html>.

The final rules provide for two tiers of offerings:

- Tier 1, for offerings of securities of up to \$20 million in a 12-month period, with not more than \$6 million in offers by selling security-holders that are affiliates of the issuer; and
- Tier 2, for offerings of securities of up to \$50 million in a 12-month period, with not more than \$15 million in offers by selling security-holders that are affiliates of the issuer.

Both Tiers are subject to certain basic requirements. In addition, Tier 2 offerings are also subject to additional disclosure and ongoing reporting requirements.

State securities law registration and qualification requirements are pre-empted for securities offered or sold in Tier 2 offerings to "qualified purchasers".

Tier 1 offerings are subject to federal and state registration and qualification requirements. The North American Securities Administrators Association (NASAA) has adopted a coordinated review program for such offerings.

The rules should be effective in late May or early June.

We will provide a more detailed analysis once the final rules have been published by the SEC.

For further information on this issue, please contact [Tim Sullivan](#), [Mike Morehead](#) or your regular [Hinshaw attorney](#).

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that may be imposed under the Internal Revenue Code.

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