

## US Investment Crowdfunding Exemptions

**The following is a high level explanation of investment crowdfunding exemptions in the US.** This includes Reg CF, Reg A+ and Reg D 506c. Each of these exemptions allow an issuer to promote a private securities offering online. Note: This is NOT legal advice. Hire an attorney with experience in the sector if you are pursuing an online securities offering.

	Reg D 506c	Reg CF	Reg. A+	
			Tier 1	Tier 2
<b><i>Offering Cap</i></b>	None	\$5,000,000	\$20 million	\$75 million
<b><i>Type of Securities</i></b>	No limitations	No limitations	Equity, debt, or debt convertible into equity (or guarantees thereof)	
<b><i>Transferability</i></b>	Restricted securities subject to Rule 144 holding periods (one year for non-affiliates)	Restricted securities for one year	Freely transferable	
<b><i>State Preemption</i></b>	State preemption subject to state notice filings	State preemption	<b>Required to comply with all applicable state securities laws</b>	State preemption
<b><i>Investor Qualification</i></b>	Accredited Investors only	General public	General public	
<b><i>Investor Limits</i></b>	No limitation	Investor limits if you are not accredited. If you are accredited there is no limit*	No limitation	10% of annual income or net worth

<b>Section 12(g) Reporting Cap</b>	Up to 500 general public and 2,000 accredited investors before SEC reporting required	No requirement if engage transfer agent and have less than \$25M in assets. Otherwise, up to 500 general public and 2,000 accredited investors before SEC reporting required	N/A
<b>Sales Disclosure</b>	No requisite offering document – subject to anti-fraud rules)  Form D	Form C	Form 1-A Offering Circular
<b>Ongoing Disclosure</b>	None	Form C-AR (annually)	Form 1-Z within 30 days after termination or completion of offering
<b>Financial Statements</b>	No requisite financial statements (subject to anti-fraud rules)	Financial statements are required with higher levels of scrutiny when more funds is rased**	GAAP financials for past two years (only need to be audited if already available)
<b>SEC Approval</b>	None required	None required	SEC must affirmatively qualify offering prior to any sales
<b>Testing the Waters</b>	Not applicable	Allowed (2021)	Solicitation of interests permitted prior to offering as long as solicitation materials filed with the SEC at time of sale

<b>Bad Actor Disqualification</b>	Bad actor participation disqualifies offering	Bad actor participation disqualifies offering	Bad actor participation disqualifies offering	
<b>Accredited Investor Verification</b>	Must take “reasonable steps” to ensure investor is accredited	Not applicable	Not applicable	
<b>Electronic Filing on EDGAR</b>	Only Form D required after initial close	Form C and ongoing disclosure requirements	Form 1-A	Form 1-A and ongoing disclosure requirements
<b>Portal BD Registration</b>	Must be registered broker-dealer in order to receive transaction based compensation	Can be registered funding portal or broker-dealer in order to receive transaction based compensation	Compensated solicitors must be registered broker-dealers to receive transaction based compensation	
<b>12(a)(2) Liability</b>	Private civil fraud liability	Private civil fraud liability	Private civil fraud liability	
<b>10b-5 Liability</b>	SEC/private anti-fraud liability	SEC/private anti-fraud liability	SEC/private anti-fraud liability	
<b>SPVs</b>	Yes	Yes with restrictions	Yes	

\*The limitation on how much you can invest depends on your net worth and annual income. Following are the inflation-adjusted investment limits.

If *either* your annual income *or* your net worth is less than **\$107,000**, then during any 12-month period, you can invest up to the greater of either **\$2,200** or 5% of the lesser of your annual income or net worth. If *both* your annual income *and* your net worth are equal to or more than **\$107,000**, then during any 12-month period, you can invest up to 10% of annual income or net worth, whichever is lesser, but not to exceed **\$107,000**.

\*\***\$107,000 or less** – financial statements and specific line items from income tax returns, both of which are certified by the principal executive officer of the company. **\$107,000.01 to \$535,000** – financial statements reviewed by an independent public accountant and the accountant's review report

**\$535,000.01 to \$1.07 million** – *if* first time crowdfunding, *then* financial statements *reviewed* by an independent public accountant and the accountant's review report, *otherwise* financial statements *audited* by an independent public accountant and the accountant's audit report.