



Regulation Crowdfunding

What You Should Know: A guide to navigating Securities Offerings under Regulation Crowdfunding

Patrick G. Costello

Louis A. Bevilacqua

BEVILACQUA
PLLC

TABLE OF CONTENTS

1. INTRODUCTION	Pg 03
2. REGULATION CROWDFUNDING OVERVIEW	Pg 05
3. OFFERING TIMELINE AND ESTIMATED COSTS	Pg 08
4. QUALIFYING TO USE REGULATION CROWDFUNDING	Pg 10
5. THE OFFERING STATEMENT ON FORM C	Pg 14
6. ONGOING REPORTING REQUIREMENTS UNDER REGULATION CROWDFUNDING	Pg 31
7. ADVERTISEMENTS AND PRE-FILING COMMUNICATIONS	Pg 33
8. RESALE RESTRICTIONS	Pg 35
9. CO-ISSUER OFFERINGS	Pg 36
10. EXCHANGE ACT SECTION 12(G) IMPLICATIONS	Pg 39
11. CONCLUSION	Pg 41

1. INTRODUCTION

The Securities Act of 1933 (“Securities Act”) establishes the regulatory framework for sales of debt or equity securities in the United States, with the initial public offering being the most widely recognized example. Under the Securities Act, a securities offering must either be registered, unregistered, or exempt from registration.

When performing a registered securities offering, you must prepare a long-form, detailed disclosure document known as a registration statement, and file it with the U.S. Securities and Exchange Commission (“SEC”). This initial filing initiates the SEC’s review process to ensure compliance with the Securities Act’s disclosure requirements and can take anywhere from a year to two years on a best-case scenario, depending on a variety of factors including your market cap, business model, and sufficiency of your financial statements, as well as internal SEC guidance that it does not share with the general public.

The consequences of failing to register your public offering with the SEC, or if your offering does not qualify for an exemption from the Securities Act’s registration requirements, then you may face significant consequences. On the legal side, the SEC may bring civil enforcement actions against companies and individuals involved in unregistered offerings. These enforcement actions can result in cease-and-desist orders, civil monetary penalties, disgorgement of unlawful profits, and injunctions against future violations. Further, willful violations of the registration requirements carry criminal penalties, including up to five years in federal prison and fines of up to \$10,000 for individuals or \$25 million for corporations. State securities regulators may also pursue enforcement actions for violations of state laws. Investors who purchase unregistered securities may have rescission rights, allowing them to demand a full refund. Issuers and promoters of illegal offerings may face severe financial penalties, including disgorgement of any profits made.

Engaging in unregistered offerings can also inflict reputational harm. Companies may find it harder to raise capital or conduct business after failing to defend against an enforcement action, and individuals involved may suffer personal reputational damage or be barred from leadership positions in public companies. Companies and individuals connected to unregistered offerings will likely encounter heightened regulatory scrutiny in future business activities. Additionally, violations can lead to restrictions on conducting future securities offerings and may result in the loss of certain registration exemptions, limiting capital-raising opportunities.

Considering the prior consequences, it is extremely important for you to ensure that you are either registering your public offering with the SEC, or that your offering qualifies for an exemption from the Securities Act. Thankfully, there are several types of exempt offerings allowed under the Securities Act, each governed by specific rules and regulations set forth by the SEC and requiring varying levels of disclosure. One of the more recent and increasingly popular exempt offerings falls under Regulation Crowdfunding (“Reg CF”).¹

1.1. Regulation Crowdfunding Background

Exempt offerings under Reg CF have become a popular way for start-ups and small businesses to raise capital. In 2023, Reg CF companies raised a total of \$420 million, contributing to the \$1.7 billion raised under Reg CF since 2018.² Of this amount, 92% was raised through equity, SAFEs, and convertible notes, while 8% came from debt and revenue-share securities. The two leading crowdfunding portals accounted for 59% of the total capital raised in 2023, with one raising \$132 million and another raising \$117 million. Further, The broader Reg CF market was valued

at \$1.41 billion in 2023 and is projected to grow to \$4.50 billion by 2032, with a compound annual growth rate of 13.8%.

2023 data also reflects strong performance despite economic challenges. A total of 1,434 new Reg CF offerings launched, with 79% of closed offerings meeting their minimum goal. The average successful raise amounted to \$366,000 over 121 days, supported by 408 investors per campaign, each contributing an average of \$1,190. Eleven companies reached the \$5 million rolling maximum offering amount limitation under Reg CF, underscoring the scalability of the model. Furthermore, \$90.3 million went to women-founded businesses (21.7% of the total), while \$118.3 million went to minority-founded businesses (28.4%).

Reg CF's appeal lies not only in ease of access to capital but also in its ability to connect founders with retail investors. The JOBS Act of 2012 laid the foundation for these offerings by amending Section 4 of the Securities Act to add Subsection 4(a)(6), empowering the SEC to establish Regulation Crowdfunding and offer start-ups and small businesses an efficient path to secure funding.³

2. REGULATION CROWDFUNDING OVERVIEW

This overview covers the essential aspects of conducting a Reg CF offering, including the maximum amount that can be raised, investor purchasing limitations, the role of intermediaries, eligibility criteria for issuers, disclosure and financial statement requirements, ongoing reporting obligations, advertising regulations, and resale restrictions. Understanding these key elements, which are discussed in detail elsewhere in this guide is crucial for both issuers seeking to raise funds and investors considering participation in such offerings.

Maximum Offering Amount

Reg CF companies are limited to raising a maximum of \$5,000,000 within any rolling 12-month period.

Investor Purchasing Limitation

- *Accredited Investors: No investment limitations apply.*
- *Non-Accredited Investors: Investment limits depend on the individual's or entity's financial status:*
 - ◊ *If gross annual income or net worth (or revenue or net assets for a non-natural person) is less than \$124,000: The greater of \$2,500 or 5% of gross annual income or net worth (or revenue or net assets for a non-natural person).*
 - ◊ *If gross annual income or net worth (or revenue or net assets for a non-natural person) exceeds \$124,000: The greater of \$124,000 or 10% of gross annual income or net worth (or revenue or net assets for a non-natural person).*

Intermediary Involvement

Each Reg CF offering must be conducted through a single online platform, referred to as an "Intermediary", which must be either a Broker-Dealer or a Funding Portal.

Eligibility

Certain companies are not eligible to use Reg CF, including:

- *Non-U.S. companies (but not U.S. - subsidiaries or U.S.-parent companies)*
- *Companies reporting under the Exchange Act;*
- *Specific types of investment companies;*
- *Companies disqualified for violating laws*

prohibiting fraudulent, manipulative, or deceptive conduct within the past 10 years;

- *Companies that failed to comply with Reg CF reporting requirements in the two years preceding the filing of their Offering Statement; and*
- *Blank check companies or special acquisition companies without specific business plans or those formed to acquire an unidentified target.*

Offering Statement on Form C

Every issuer must file its Offering Statement on Form C with the SEC through EDGAR and provide it to the Intermediary facilitating the Reg CF offering.

Significant Disclosure Requirements

To ensure transparency and protect investors, Reg CF requires you to disclose comprehensive information about your business and the specifics of your offering. These disclosures include detailed information about your company's leadership, business operations, financial plans, and any potential conflicts of interest. The key disclosure requirements are:

- *information about officers, directors, and owners of twenty (20) percent or more of the issuer;*
- *a description of the issuer's business and the use of proceeds from the offering;*
- *the price to the public of the securities or the method for determining the price,*
- *the target offering amount and the deadline to reach the target offering amount,*
- *whether the issuer will accept investments in excess of the target offering amount;*
- *certain related-party transactions; and*
- *a discussion of the issuer's financial condition and financial statements.*

Financial Statement Requirements for First-Time Crowdfunding Issuers

First time Reg CF companies raising less than \$1,235,000 can file with two years of reviewed financial statements (or with financial statements from inception if the company was organized less than two years before the date of the Crowdfunding Offering).

First-time Reg CF companies raising more than \$1,235,000 must include two years of audited financials (or with financial statements from inception if the company was organized less than two years prior to the date of the Crowdfunding Offering).

First-time Reg CF companies raising less than \$124,000 need only include the amount of total income, taxable income, and total tax, or the equivalent line items, as reported on the federal income tax returns filed by the issuer. Additionally, the principal executive officer of the company must certify these amounts as being true and complete in all material respects.

Financial Statement Requirements for Repeat Crowdfunding Issuers

Repeat Reg CF companies raising less than \$618,000 can file with two years of reviewed financial statements (or with financial statements from inception if the company was organized less than two years before the date of the Crowdfunding Offering).

Repeat Reg CF companies raising more than \$618,000 must file two years of audited financial statements (or with financial statements from inception if the company was organized less than two years before the date of the repeat Crowdfunding Offering).

Interim Financial Periods

Regulation Crowdfunding does not require interim financial statements (reviewed or audited). However, it is advisable to include interim financial statements to the extent that they are or would be materially different from the issuer's annual financial statements.

Ongoing Reporting Requirements

Reg CF Issuers must file updates and reports with the

SEC during and after their Reg CF offerings:

Amendments on Form C/A: Issuers must amend their Offering Statement for material changes and reconfirm investor commitments within five business days if a material change has occurred, or the commitments will be canceled. You will also need to file a Form C/A upon the filing of your annual report.

Progress Reports on Form C-U: Updates on progress toward funding targets must be filed within five business days of reaching 50% and 100% of the goal. If additional proceeds are accepted, a final Form C-U must be filed to disclose total securities sold. However, if the Intermediary provides frequent updates on your offering and its progress via its online platform, then you will only need to file a final Form C-U to disclose the total amount of securities sold in the offering upon its completion.

Annual Reports on Form C-AR: Issuers must file an Annual Report within 120 days of the fiscal year-end, containing information similar to the Offering Statement. Audited or reviewed financial statements are not required, but are commonly filed if the Company's offering continues for longer than one year.

Pre-Filing Communications and Advertising

Before filing your Offering Statement, you can communicate with potential investors to see if they may be interested in your planned Reg CF offering, as long as those communications state that:

- *Your company is not soliciting any money or other consideration and will not accept any consideration it receives;*
- *Your company will not accept any portion of an offer to buy its securities and cannot accept any portion of a purchase price except through the Intermediary after the Offering Statement is filed with the SEC; and*
- *Any indications of interest you request do not constitute an obligation or commitment to buy or sell securities on behalf of your company or the interested person, respectively.*

Post-Filing Communications and Advertising

After filing an Offering Statement, Reg CF issuers can publish the following types of communications:

- *Communications that do not mention the terms of the offering (price, nature of securities, amount of securities offered, closing date of the offering, use of proceeds, and progress towards the funding goal);*
- *Communications made through channels provided by the Intermediary; and*
- *Communications containing some or all of the terms of your Reg CF offering (subject to Reg CF Rule 204(b) on offering notices).*

Further, Reg CF issuers may compensate persons to promote their offering through their intermediary's platform, provided that the promoter clearly discloses the receipt of such compensation in any related promotion. They can also pay persons to promote the offering outside of their intermediary's platform, so long as these promotions adhere to the notice advertising requirements outlined in Reg CF Rule 204(b).

Resale Restrictions

Securities purchased in a Reg CF offering cannot be resold for one year unless the resale is:

- *To the issuer, an Accredited Investor, or a family member;*
- *To a trust controlled by or benefiting the purchaser or their family;*
- *In connection with the purchaser's death, divorce, or a similar circumstance; or*
- *As part of a registered offering with the SEC.*

3. OFFERING TIMELINE AND ESTIMATED COSTS

At Bevilacqua PLLC, we have extensive experience advising companies on Reg CF offerings. As one of the first firms to enter this space after the passage of the JOBS Act, we often get asked: How long does it take to launch a Crowdfunding Offering from start to finish?

Based on our experience, the timeline and costs can vary significantly depending on several factors, including:

- **Company Readiness:** *How prepared is your company to begin the offering?*
- **Financials:** *Do you have current financial statements, and have they been reviewed or audited as required? If not, are your books and records in*
- **Complexity of the Offering:** *More intricate offerings may require additional time to structure properly.*
- **Intermediary's Process:** *Different platforms may have varying procedures and timelines.*
- **Marketing and Preparation Efforts:** *Thorough planning and marketing can affect the launch date.*

In an ideal scenario, it typically takes about six weeks from engagement to filing of the Offering Statement on Form C with the SEC to launch a Crowdfunding Offering. This assumes that the financial statement review or audit can be completed within that timeframe. However, each additional layer of complexity in your business can extend the time needed to complete the offering.

Likewise, launching a Reg CF campaign involves costs that can range widely—from \$7,000 to over \$150,000, and sometimes even more. The total offering expenses depends on several key factors, such as:

- **Size of the Raise:** *Larger fundraising goals often require more extensive resources, which can increase costs.*
- **Complexity of the Business:** *Businesses with complex structures or operations may face higher legal and compliance expenses.*
- **Quality and Depth of Services Sought:** *The level of professional services you engage—such as legal counsel, marketing, accounting, and compliance support—will significantly impact your overall costs.*

Providing precise average costs is challenging due to variations in company size, specific needs, and individual circumstances. However, the following is a general estimation of the costs associated with a Crowdfunding Offering, based on our experience in this area of law:

Accounting Costs

Financial Statement Review: \$2,500 to \$10,000+

Audit (if required): \$10,000 to \$30,000+

Legal Costs

Preparation of Offering Statement: \$15,000

Intermediary Commissions

Typically, 5–7% of the total amount raised in the offering. Some Intermediaries also charge flat fees or a combination of both. The Intermediary may also require an equity fee equal to a number of securities of the type being sold in the offering.

Marketing Fees

This varies widely based on the marketing strategy. Basic campaigns can be as low as \$2,000, but comprehensive marketing campaigns (including video production, social media advertising, PR, and more) can range from \$10,000 to \$150,000+.

State Securities Law Filing Fees

Generally, Regulation Crowdfunding preempts state law, so individual state filings are not required. However, some states may have notice-filing requirements and small fees, which are often less than \$200.

Shareholder Services

If an issuer decides to use a service such as a transfer agent or a cap table management service, costs can vary from \$500 to \$5,000+ dollars annually.

Ongoing Reporting Requirements

Preparing and filing annual reports will likely involve both accounting and legal expenses. Depending on the complexity of the business and its financials, these can range from \$3,000 to \$10,000+ annually. Depending on the complexity of the amendment, any necessary amendments to an issuer's offering statement on Form C or any documents filed per Regulation Crowdfunding's continuous reporting requirements can cost from \$1,000 to \$3,000+.

Miscellaneous

This is a broad category, so it can vary significantly. It might include costs like insurance (D&O insurance), technology or platform fees (if not included in Intermediary costs), and other unforeseen expenses. This can range from a few hundred to several thousand dollars.

4. QUALIFYING TO USE REGULATION CROWDFUNDING

When conducting a crowdfunding campaign, you must ensure that the sale of your company's securities complies with Section 4(a)(6) of the Securities Act, which contains the statutory exemption from the Securities Act registration requirements, and which is expanded upon in Reg CF. If your offering fails to meet the criteria for this exemption, it will be treated as an unregistered securities offering under Section 5 of the Securities Act, which could expose you and your business to serious legal liabilities, including fines or even imprisonment if the U.S. Department of Justice becomes involved. Given the potential risks and complexities of compliance, it is essential to engage qualified securities attorneys to guide your business through the rules and requirements of Reg CF. A securities offering will qualify for the Reg CF exemption if it meets the following four criteria:

4.1. Criteria One: Maximum Offering Amount

The maximum amount a Reg CF issuer may sell within any 12-month period, on a rolling basis, is \$5,000,000 worth of securities.⁴ For example, if your company sells \$450,000 worth of common stock each month for 11 consecutive months, you would only be able to sell \$50,000 in the 12th month (see Figure 1). However, if no securities are sold in the 12th month, your company could sell \$500,000 in the 13th month. This is because, once the 13th month begins, the first month's sales no longer count toward the \$5,000,000 limit (See Figure 2).

Month	Amount Raised	Total Amount Raised
1	\$0.45 M	\$0.45 M
2	\$0.45 M	\$0.90 M
3	\$0.45 M	\$1.35 M
4	\$0.45 M	\$1.80 M
5	\$0.45 M	\$2.25 M
6	\$0.45 M	\$2.70 M
7	\$0.45 M	\$3.15 M
8	\$0.45 M	\$2.60 M
9	\$0.45 M	\$4.00 M
10	\$0.45 M	\$4.50M
11	\$0.45 M	\$4.95 M
12	\$0.50 M	\$5.00 M

(Figure 1)

Month	Amount Raised	Total Amount Raised
1	\$0.45 M	\$0.45 M
2	\$0.45 M	\$0.45 M
3	\$0.45 M	\$0.90 M
4	\$0.45 M	\$1.35 M
5	\$0.45 M	\$1.80 M
6	\$0.45 M	\$2.25 M
7	\$0.45 M	\$2.70 M
8	\$0.45 M	\$3.15 M
9	\$0.45 M	\$2.60 M
10	\$0.45 M	\$4.00 M
11	\$0.45 M	\$4.50 M
12	\$0.00 M	\$4.50 M
13	\$0.50 M	\$5.00 M

(Figure 2)

Securities Sold by Affiliates and Subsidiaries:

When calculating the total securities sold under the Crowdfunding Exemption, "issuer" includes: (i) entities controlled by or under common control with the issuer (e.g., subsidiaries, sister companies, and affiliates), and (ii) any predecessor that conducted a Crowdfunding Offering in the past 12 months. "Control" means having direct or indirect power over the issuer's policies, while a predecessor may result from reorganizations, mergers, or spin-offs.

4.2. Criteria Two: Investment Limitations

Reg CF distinguishes between Accredited Investors and retail investors to determine how much a person can invest.

4.2.1. Accredited Investor Definition

Accredited Investor status is defined under Regulation D, Rule 501(a), and includes various entities and individuals.⁵ Key categories include:

Certain Organizations:

An organization described in Rule 501(c)(3) of the Internal Revenue Code, a corporation, a Massachusetts or similar business trust, a partnership, or a limited liability company, provided the entity was not formed specifically to acquire the offered securities and has total assets exceeding \$5,000,000.⁶

Individuals with High Net Worth:

Any individual or joint (with spouse or spousal equivalent) net worth exceeding \$1,000,000 qualifies as an Accredited Investor.⁷

Individuals with High Income:

Any individual with an annual income above \$200,000 (or \$300,000 with spouse or spousal equivalent) for each of the last two years, with reasonable expectation of the same income in the current year, qualifies.⁸

Natural Persons Net Worth Calculation:

There are a few exceptions to the Accredited Investor qualification for natural persons involving the net worth calculation:

- *The value of a primary residence will not be included as an asset for purposes of calculating a person's net worth;*
- *The indebtedness associated with a person's primary residence (e.g., a mortgage) will not be included as a liability unless the amount of such indebtedness outstanding at the time of sale of securities exceeds the amount outstanding 60 days before such time; and*
- *Indebtedness that is secured by the person's primary residence in excess of the fair market value of said residence will be counted as a liability.*⁹

Conceptually, an Accredited Investor is an individual or entity with the ability to understand, evaluate, and bear the risks associated with investments in exempt offerings. Due to this presumed sophistication, the SEC does not provide Accredited Investors with the same mandatory protections that are typically afforded to retail, non-accredited investors.

4.2.2. Non-Accredited Investors

A non-accredited investor is anyone who does not meet the qualifications of an Accredited Investor under Rule 501. In a Reg CF offering, retail investors are subject to limits on the amount they can invest on a rolling 12-month basis:

- **If the investor's annual income or net worth is less than \$124,000:** *They may invest up to \$2,500 or 5% of their annual income or net worth, whichever is greater.*¹⁰
- **If the investor's annual income or net worth (or revenue or net assets for a non-natural person) exceeds \$124,000:** *They may invest up to 10% of their annual income or net worth, with a maximum investment of \$124,000.*¹¹

Special Rules for Calculation of Accredited Investor Status:

Non-Natural Persons: Instead of calculating investment limits based on annual income and net worth, a non-natural person calculates the limits based on its revenue and net assets (as of its most recent fiscal year-end).¹²

Married Individuals: A non-accredited natural person can include the annual income or net worth of their spouse in determining their purchasing limits under Regulation Crowdfunding. However, the purchasing limitation remains the same as if they had qualified as an individual.

4.2.3 Foreign Investors

Reg CF permits foreign persons to invest in Reg CF offerings. However, as an issuer, you should ensure that such investments do not violate the laws of the investor's home country. While you can include a representation in the Subscription Agreement stating that foreign investors are responsible for complying with their local laws, this alone may not shield your company from potential liability under those laws.

4.3. Criteria Three: Intermediary Involvement

Every Reg CF offering must take place on a single Intermediary's platform.¹³ However, if necessary, you may terminate an offering on one Intermediary's platform and immediately begin a new offering on another, subject to the terms of your agreement with the original Intermediary.

The term "Intermediary" is defined in Section 4A(a) of the Securities Act as an entity that facilitates the purchase and sale of securities under Reg CF.¹⁴ To serve as an Intermediary, the entity must: (i) be registered with the SEC and be a member of the Financial Industry Regulatory Authority (FINRA) as a broker-dealer or funding portal; (ii) provide the disclosures required by Reg CF and the SEC; and (iii) ensure that investors are properly classified as either Accredited Investors or retail investors.

You can select either a broker-dealer or a funding portal to act as your Intermediary based on your business needs. Many funding portals are also broker-dealers or operate as subsidiaries of broker-dealers.

Intermediary Compensation:

An Intermediary can only receive a financial interest in a Crowdfunding Issuer if the financial interest is provided as compensation for services and consists of the same securities being sold in the Crowdfunding Offering in which the entity is acting as Intermediary.¹⁵

4.3.1. Funding Portal

A funding portal is an online marketplace that connects issuers with investors. The regulatory costs associated with registering and maintaining a funding portal are generally lower than those for a broker-dealer. However, funding portals are prohibited from offering investment advice, making recommendations, or soliciting transactions involving the securities listed on their platform.¹⁶ As a result, the success of your Reg CF offering on a funding portal may depend on the portal's ability to attract investors through its platform's popularity and reach.

4.3.2. Broker-Dealer

A broker-dealer is an individual or entity engaged in the business of buying and selling securities for others.¹⁷ In a Reg CF offering, brokers acting as Intermediaries provide facilitation services, including hosting offerings on their own platforms or portals. Brokers involved in Reg CF offerings may offer additional services beyond those of a funding portal, reflecting their broader regulatory authority.

White Label Offering Platforms:

Some Intermediaries will contract with an issuer to create a personalized and customizable Crowdfunding offering platform, which is referred to as a “White Label” offering platform.

4.4. Criteria Four: Issuer Eligibility

The final requirement for using the Reg CF exemption focuses on the organizational form and status of the intended issuer, identifying specific types of issuers that are prohibited from conducting a Reg CF offering.¹⁸ The following issuers are not eligible:

- *Foreign issuers, except for U.S. subsidiaries of foreign companies.*
- *Issuers subject to annual and quarterly reporting requirements under Section 13 of the Exchange Act (companies with securities listed on a national exchange) or Section 15(d) (companies that conducted registered offerings without listing on a national exchange).^{19, 20}*
- *Investment companies under Section 3 of the Investment Company Act of 1940, or entities exempt from this definition under Sections 3(b) or 3(c).²¹*
- *Issuers disqualified as bad actors under Reg CF.²²*
- *Issuers delinquent in their Reg CF reporting requirements for the past two years.*
- *Issuers with no specific business plan or whose plan involves a merger or acquisition with an unidentified company or companies (such as special acquisition companies or blank check companies).²³*

Once you and your legal representatives determine that your company qualifies for the Reg CF exemption, you can begin preparing the long form disclosure document required to be filed with the SEC before you can initiate your offering: the Offering Statement and Form C.

5. THE OFFERING STATEMENT ON FORM C

Reg CF offerings begin (and end, as a matter of course) with the filing of a Form C.²⁴ This form outlines the disclosures required to conduct a Reg CF offering and serves as both a compliance tool and disclosure framework. The Reg CF disclosure package consists of two essential components:

- 1) Form C – A template requesting basic but material information about the company.
- 2) The Offering Statement – A detailed document containing all the disclosures required under Reg CF.

While the Offering Statement is less exhaustive than a registration statement for an initial public offering (IPO), it still covers a broad range of topics that are essential for potential investors. The purpose of the Offering Statement is to help investors evaluate the value and risks associated with purchasing securities from the company. Before engaging in the process of drafting the Offering Statement, you should keep in mind that the purpose of this document is to ensure that you are disclosing information that is “material” to a potential investor’s decision to participate in the offering and purchase your company’s securities.

Materiality:

Materiality refers to the significance of information in the context of an investment decision. Under federal securities law, a piece of information is considered “material” if a reasonably prudent investor would find it important when deciding whether to buy (or sell) a security. This standard ensures that issuers provide all relevant disclosures needed for informed investment decisions.

5.1. Form C

The SEC publishes Form C online as a guide for complying with Reg CF.²⁵ For example, Part III of Form C contains a section titled “Optional Question & Answer Format for an Offering Statement,” which presents 31 questions. When answered accurately and combined with a proper review of Reg CF requirements by your legal representatives, these responses will help ensure that your Offering Statement complies with the disclosure requirements of Reg CF.

In practice, the Form C filing on the SEC’s EDGAR system consists of the first page and a half of fill-in-the-blank fields from the SEC’s HTML version of that document. It requires disclosure of:

Issuer Information:

The company’s name, address, organizational form, state of formation, and number of employees.

Intermediary Information:

The name, registration details, the compensation to be paid to the Intermediary, and whether the Intermediary holds or will acquire an interest in the company as a result of their agreement.

Offering Information:

The type of securities being offered, their quantity, price per share, target offering amount, and the jurisdictions in which the securities will be sold.

Financial Information:

Relevant financial statement disclosures.

5.2. The Offering Statement

Reg CF Subpart B outlines the specific rules for the disclosure of information required in a Reg CF offering.²⁶ Additionally, the SEC's Division of Corporation Finance publishes Compliance and Disclosure Interpretations to provide further guidance on the Reg CF exemption.

Duplicative Disclosures:

Reg CF allows issuers to avoid repeating the same information multiple times. Instead, you can use cross-references within the Offering Statement to streamline disclosures.

5.2.1. Identifying Information:

Rule 201(a), aligned with questions 1–3 on Form C, requires the same identifying information disclosed on Form C to also be included in the Offering Statement in a non-HTML format.²⁷

Organizational Form of the Business:

Reg CF places no restrictions on the organizational form of a company using the Reg CF exemption. However, companies often choose structures like corporations or limited liability companies due to the flexibility and customization these forms offer.

5.2.2. Directors and Officers of the Company:

Rule 201(b), corresponding to questions 4 and 5 on Form C, requires you to disclose information about your company's directors and officers.²⁸ This may include individuals such as the president, vice president, secretary, treasurer, principal financial officer, comptroller, or any other person performing similar roles. For each of these individuals, you must disclose:

- *Each of their employer(s) over the past three years;*
- *The nature of each such employer's business;*
- *The title held by the individual during their time with such employers;*
- *Dates of employment; and*
- *Key responsibilities of each listed position.*

Externally Managed Limited Liability Companies:

If your company is a limited liability company managed by an external entity, and it has no formal directors or officers, you must disclose that fact. In such cases, provide information about the external manager's directors and officers. If the manager-entity also lacks directors or officers, state that and include a discussion of the manager's qualifications in the business section of your Offering Statement.

Example Biography of a Director or Officer:

Johnathan Doe has served as our Chief Executive Officer and a member of our board of directors since January 2022. Mr. Doe has served as the President of XYZ Company Limited, a non-bank financial institution, since its founding in January 2020. From January 2017 to December 2019, Mr. Doe was a partner at GHI, LLP, which provides privacy advisory services to privately held businesses. Mr. Doe is the author of numerous essays on privacy issues, including a history of the evolution of privacy regulations in the digital age, as well as two books on U.S. privacy laws. Mr. Doe has been a member of the board of directors for NOP Industries, Inc. (Nasdaq: NOPI) since December

2021, in addition to serving as chairman of the board of directors of DEF Co. since January 2021. Mr. Doe is a Certified Public Accountant and has developed significant knowledge of U.S. GAAP and IFRS accounting standards. Mr. Doe received his bachelor's degree in economics from X University and his master's degree in business administration from University of Y.

5.2.3. Principal Security Holders:

Rule 201(c), aligned with question 6 on Form C, requires you to disclose all beneficial owners of 20% or more of your company's voting securities as of a date no later than 120 days before the Reg CF offering begins.²⁹ To calculate total voting power for each equity holder, follow these steps:

Direct and Indirect Control:

- Include all securities the person directly or indirectly controls.
- Factors determining indirect control include the ability to vote the securities or direct their voting.

Securities Acquirable Within 60 Days:

- Include securities that the person can acquire within 60 days through options, warrants, rights, convertible securities, or similar agreements.

Securities Held by Related Parties:

- Include securities held by Family Members (as defined in Section 5.2(o)) if the individual can control the voting of those securities.
- Include securities held by corporations, partnerships, or trusts the person controls or influences.

Fully Diluted Basis:

When calculating voting power, assume that all options, warrants, or convertible securities are exercised or converted. Any securities that an individual indirectly controls are considered "beneficially owned" and should be explained in footnotes. Below is an example:

Name of Holder	Number of Common Stock Owned	Percentage of Voting Power
John Hancock	10,000 (1)	50%
John Doe	5,000 (2)	25%
Jane Smith	5,000 (3)	25%

(1) John Hancock owns 8,000 shares directly and has the option to purchase 2,000 shares, vesting in four equal quarterly installments.

(2) John Doe beneficially owns 5,000 shares held by Greenrock LLC, a Delaware LLC owned by Mr. Doe's Roth IRA. As the manager of Greenrock LLC, Mr. Doe has sole voting and dispositive power over these shares.

(3) Jane Smith owns 4,000 shares directly and beneficially owns 500 shares held by her husband and 500 shares held by their minor child.

5.2.4. Business Section

Rule 201(d), aligned with questions 1 and 9 on Form C, requires a description of your company's business.³⁰ Although Form C offers limited guidance, your business summary should provide a detailed overview tailored to your company's circumstances. Below are subsections commonly included:

Description of the Business:

Provide a general summary of your business and its operations, including any subsidiaries. Cover both current activities and planned developments, highlighting the nature of work and the overall direction of growth.

Corporate History:

Outline the company's official and trade names, date, state or country of incorporation, and contact details of its main office. Include key milestones such as funding rounds, acquisitions, mergers, partnerships, and significant agreements, as well as details on subsidiaries and your ownership in them.

Organizational Structure:

Display an organizational chart, including: (1) ownership percentages for subsidiaries, (2) relevant parent companies with ownership stakes, and (3) each entity's place of incorporation.

Industry and Market Opportunities:

Describe the industry your company operates in, supported by relevant trends and data. Detail positive market factors and indicate how you intend to gain or expand market share, including quantitative or qualitative projections.

Products and Services:

Outline your key products and services, describing features, benefits, applications, and distinctive qualities. Address each offering individually if possible, with separate paragraphs for different products or services.

Customers:

Define your target audience or demographic. Describe major customer segments, contracts, retention rates, and any significant reliance on particular clients or customer groups.

Sales and Marketing:

Summarize your sales and promotional efforts, including distribution channels, marketing strategies, advertising campaigns, and the makeup of your sales team.

Business Strengths:

Identify competitive advantages, including proprietary technology, skilled management, partnerships, or other market strengths unique to your company.

Growth Strategies:

Explain how you plan to achieve growth, touching on any franchising programs, new market expansions, product launches, acquisition strategies, research and development, and scale-up initiatives. Bullet points can be helpful here, followed by explanations.

Competition:

Assess the competitive environment in which your company operates, highlighting key competitors, your competitive positioning, and potential challenges from other players in the market.

Sourcing and Supplies:

Describe your approach to securing essential materials or services, including relationships or agreements with suppliers, and any strategies to ensure steady supply.

Seasonality:

If relevant, describe any seasonal trends affecting your business. For instance, a college town restaurant may see peak business during the academic year.

Intellectual Property:

Detail any trademarks, copyrights, patents, or other intellectual property assets your business owns or licenses. Include descriptions, registration numbers, and any notable applications.

Facilities:

Briefly describe your primary physical properties, their locations, and characteristics. Specify if properties are leased or mortgaged and discuss the adequacy and capacity of these facilities for your operations.

Legal Proceedings:

Note any legal actions or claims involving your company that may significantly affect its financial health or business operations.

Climate Change and Sustainability:

If relevant, Discuss how climate and sustainability considerations affect your strategy and operations. Include goals for reducing environmental impact, sustainability initiatives, and your company's carbon footprint.

Government and Environmental Regulations:

Describe regulatory requirements relevant to your business, including health, safety, consumer protection, privacy, franchise, or licensing laws.

Puffery in Business Descriptions:

When drafting the business section, you will need to walk the delicate line between business puffery and making prohibited statements to avoid liability for securities fraud. The main tool for enforcing the federal securities laws is found under Exchange Act Section 10(b) and Rule 10b-5 (15 U.S.C. § 78j; 17 C.F.R. § 240.10b-5), which make it unlawful for any company to make a material misstatement or omission in connection with the purchase or sale of a security. As a result, when you are drafting the business section (or the Offering Statement in general), it is crucial to ensure that any unsupported claim or statement can be considered puffery, and not a material misstatement or omission. To illustrate, courts have stated that the term puffery encompasses:

[S]tatements that are too general to cause a reasonable investor to rely upon them, and thus cannot have misled a reasonable investor. They are statements that lack the sort of definite positive projections that might require later correction. Here, the terms "high quality" and "premium" are clear examples of puffery because they are general and not subject to verification. At most, "high quality" and "premium" are statements of opinion, which are also not actionable. To be actionable, the opinion statements must be (i) false and (ii) not honestly believed when made. *Matter of Sundial Growers Inc. Sec. Litig.*, 2020 NY Slip Op. 50579(U).

5.2.5. Human Capital

Rule 201(e) is a standalone disclosure requirement of Reg CF which is typically included as part of the business section.³¹ For this requirement, you will disclose the number of employees your company has, specifying whether the employees are full-time or part-time and indicate if your company engages independent contractors.

5.2.6. Risk Factors

Rule 201(f), corresponding to question 8 on Form C, requires disclosure of material factors that make investing in your company's securities speculative or risky.³² Form C emphasizes that generic risk factors should be avoided. Instead, your discussion should focus on risks specific to your business and the offering.

5.2.6.1. Mandatory Risk Factor Legends

Every risk factor section must begin with the following mandatory legend:

A crowdfunding investment involves risk. You should not invest any funds in this offering unless you can afford to lose your entire investment. In making an investment decision, investors must rely on their own examination of the issuer and the terms of the offering, including the merits and risks involved. These securities have not been recommended or approved by any federal or state securities commission or regulatory authority. Furthermore, these authorities have not passed upon the accuracy or adequacy of this document. The U.S. Securities and Exchange Commission does not pass upon the merits of any securities offered or the terms of the offering, nor does it pass upon the accuracy or completeness of any offering document or literature. These securities are offered under an exemption from registration; however, the U.S. Securities and Exchange Commission has not made an independent determination that these securities are exempt from registration.

Recommended Optional Disclaimer:

In addition to the mandatory risk factor legends, it is advisable to include the following language:

An investment in the Company involves a high degree of risk. You should carefully consider the risks described below and throughout this Offering Statement before deciding to purchase any shares in this offering. If any of these risks occur, our business, financial condition, or operating results may suffer, and you could lose part or all of your investment.

Risk factors generally fall into three categories: (i) risks related to your business and industry, which will include systemic risks applicable to the market as a whole, (ii) risks associated with government regulation, and (iii) risks related to the offering itself and the securities being sold.

Regulation Crowdfunding Risk Factor Formats:

Issuers have the option to format their risk factor section in two ways: (i) a bullet point list of risk factors with a minimal explanation other than a clear statement of each risk at hand; or (ii) a list of risk factor captions that set forth a short statement of the risk factor at hand, followed by a concise explanation of how the risk affects the issuer or the securities being offered. For example:

- *Our business plan is largely untested, and the Manager has limited experience executing our business plan, as well as with real estate financing and acquisitions. If we are unable to execute our business plan, we will not be able to generate any revenue, and our results of operations would be adversely affected.*

Regulation Crowdfunding Risk Factor Formats (Continued):

- *We have a limited operating history and may not be able to operate our business successfully or generate sufficient cash flows to make or sustain distributions to our stockholders.*

Or:

We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all.

We intend to continue making investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new products, or services, or enhance our existing products or services, enhance our operating infrastructure, and acquire complementary businesses and technologies. To achieve these objectives, we may make future commitments of capital resources. Accordingly, we may need to engage in equity or debt financing to secure additional funds. If we raise additional funds through further issuances of equity or convertible debt securities, our existing equity holders could suffer significant dilution, and any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common equity. Any future debt financing secured by us could involve restrictive covenants relating to our capital-raising activities and other financial and operational matters. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited.

You should remember that, the more in-depth your risk factors are, the more protected you are in the event that a risk to your company actually occurs.

5.2.6.2. Risks Related to the Business

This section identifies potential risks associated with your company's operations, industry conditions, and internal dynamics. These risks may affect the company's ability to achieve its objectives, maintain profitability, or sustain growth, providing investors with insight into specific challenges the business may face. Examples of relevant risks include:

Operational Risks: Risks associated with day-to-day operations, such as supply chain disruptions, manufacturing challenges, or reliance on limited suppliers.

Industry-Specific Risks: Risks arising from industry changes, including rapid technological advancements, evolving regulatory environments, and competitive pressures.

Competitive Landscape Risks: Risks posed by increased competition, potential new competitors, or competitors with superior resources.

Regulatory and Compliance Risks: Risks related to compliance costs, changes in regulations, and potential penalties for non-compliance.

Technological Risks: Risks of technological obsolescence, heavy reliance on specific technologies, or difficulties in adopting new technology.

Customer Dependence Risks: Risks related to reliance on a limited number of key customers, which could impact revenue if these relationships shift.

Intellectual Property Risks: Risks involving the protection of proprietary technology, potential infringement claims, or challenges in securing necessary intellectual property rights.

Human Resource Risks: Risks associated with retaining essential personnel, recruiting talent, or potential labor disputes.

Internal Control and Systems Risks: Risks of failures in internal processes or systems, potentially resulting in operational disruptions or financial inaccuracies.

Geographical Concentration Risks: Risks related to operating in specific regions, including exposure to political, economic, or environmental concerns.

5.2.6.3. Risks Related to Government Regulation

This section addresses regulatory risks impacting the issuer's business, highlighting potential challenges arising from current or future government requirements. The goal is to ensure investors understand regulatory obligations that may influence the issuer's performance and sustainability. Examples of key risks in this area include:

Changing Regulatory Landscape Risks: Risks from sudden changes in regulatory frameworks that may adversely affect operations or profitability.

Compliance Cost Risks: Risks tied to financial and operational burdens of regulatory compliance, which may increase with new laws or stricter enforcement.

Permitting and Licensing Risks: Risks of delays or issues in obtaining, maintaining, or renewing required permits or licenses.

Environmental Regulation Risks: Risks associated with environmental laws, including potential liabilities, remediation costs, or operational restrictions.

Health and Safety Standard Risks: Risks or costs related to meeting industry-specific health and safety requirements.

Trade Restriction Risks: Risks related to tariffs, trade barriers, or sanctions affecting international operations.

Data Protection and Privacy Law Risks: Compliance risks and liabilities related to data protection and privacy regulations.

Antitrust and Competition Law Risks: Risks from antitrust investigations or allegations of anti-competitive practices.

Tax Regulation Risks: Risks from tax law changes, policy shifts, or tax disputes.

Political and Legislative Uncertainty Risks: Risks associated with political shifts that may result in regulatory changes or instability in key markets.

5.2.6.4. Risks Related to the Offering and Securities

This section outlines risks specific to the offering, covering potential limitations, liquidity, and ownership concerns, ensuring investors are aware of the associated challenges. Common risks here include:

Liquidity Risks: Potential difficulties in selling or trading securities, particularly if they are not listed on a major exchange or have limited trading volume.

Price Volatility Risks: Risks of significant fluctuations in security prices due to market dynamics, company performance, or economic factors.

Dilution Risks: Risks that future issuance of additional securities may reduce the value of shares held by current investors.

Dividend Policy Risks: Uncertainties in dividend distribution, including the possibility of no dividends being paid.

Control Risks: Risks for investors with non-voting securities who may have limited influence over company decisions.

Priority in Liquidation Risks: Risks for certain securities being prioritized lower in liquidation scenarios, potentially impacting returns.

Interest Rate Sensitivity Risks: Risks to debt securities that may be affected by interest rate fluctuations, impacting value or returns.

Convertible Securities Risks: Risks associated with securities that can convert into other forms, which may alter value or share structure.

Conflict of Interest Risks: Risks of potential conflicts between company management or major shareholders and general investors.

Regulatory and Compliance Risks: Risks that securities regulations or compliance requirements could affect trading, value, or investor appeal of securities.

5.2.7. Target Offering Amount and Deadline

Rule 201(g), aligned with questions 10 and 13 on Form C, requires you to disclose the target offering amount and the deadline by which it must be reached.³³ This information may appear throughout your Offering Statement. You must also state that if your company fails to meet the target amount by the offering deadline, all investment commitments will be canceled, and the Intermediary will issue refunds to investors within five business days (see Section 5.4 for more details).

Target vs. Maximum Offering Deadlines:

Reg CF mandates a deadline for meeting the target offering amount but does not impose a deadline for reaching the maximum offering amount. After achieving the target, you can continue accepting investments up to the rolling 12-month cap of \$5,000,000.

5.2.8. Oversubscriptions

Rule 201(h), which aligns with questions 10 and 13 on Form C, requires you to disclose whether you intend to accept investments exceeding the target offering amount.³⁴ If so, you must specify the maximum oversubscription amount and how these investments will be allocated, such as on a pro-rata basis or first-come-first-serve. In most cases, companies continue to accept oversubscriptions until they reach the Reg CF cap of \$5,000,000 within a 12-month period. This information is typically included as a footnote in the Use of Proceeds table.

5.2.9. Use of Proceeds

Rule 201(i), aligned with questions 9 and 10 on Form C, requires you to disclose how your company will use the proceeds from the Reg CF offering.³⁵ If you intend to accept oversubscriptions, you must describe how the additional funds will be allocated and used. In practice, companies often satisfy this requirement through a detailed Use of Proceeds table, as shown below:

Example Use of Proceeds Table:

If Target Offering Amount is Sold	If Maximum Amount is Sold (1)(2)
Total Proceeds	\$100,000
Less: Offering Expenses	
(A) Intermediary Transaction Fee (4%)	\$4,000
(B) Intermediary Due Diligence Fee	\$16,000
(C) Legal Expenses	\$20,000
(D) Accounting Expenses	\$10,000
Net Proceeds	\$50,000
Use of Net Proceeds	
(A) Advertising and Marketing	\$10,000
(B) Working Capital	\$0 (3)
(C) Building Expenses	\$40,000
Total Use of Net Proceeds	\$50,000

Footnotes to the Use of Proceeds Table:

The Use of Proceeds table customarily includes certain other disclosures in its accompanying footnotes. These footnotes provide additional information necessary to an understanding of the table. For example, since the table includes projections which the issuer is not required to achieve, the following footnote is included which acts as a cross reference to the risk factors section and a disclaimer of the projections in the Use of Proceed table:

- (1) These figures are only estimates. We intend to use the net proceeds from this Offering based on our current plans and conditions. However, our actual spending may change due to various factors, including operational status and results. Our management has broad discretion over allocating these proceeds and may use them for other purposes. We also expect to need more funding to fully implement our business plan. Please see the “Risk Factors” section.

Additionally, The disclosure requested by Rule 201(h) with respect to oversubscriptions is usually satisfied by including a footnote to the Use of Proceeds table.

- (2) We will accept proceeds in excess of the target Offering amount of \$100,000. We will allocate oversubscriptions in the manner determined by our Manager. We will use the oversubscribed amount up to \$5,000,000 in the manner described in the above table.

5.2.10. Offering Completion, Early Closings, and Cancellation Process

Rule 201(j), aligned with question 13 on Form C, outlines the steps for finalizing investor commitments and how investors can cancel them.³⁶ Reg CF requires you to include the following language in your Offering Statement:

- *Investors may cancel their commitments at any time up to 48 hours before the offering deadline.*
- *The Intermediary will notify investors when the target amount is met.*
- *If the company reaches the target amount early, it may close the offering ahead of the deadline by providing at least five business days' notice (unless a material change requires extending the offering).*
- *If an investor does not cancel within 48 hours of the offering deadline, the funds will be released, and the investor will receive the securities.*

Early Closings:

Companies opting for an early closing must comply with Reg CF's early closing requirements (see Section 5.5 for further details on early closings).

5.2.11 Reconfirmation of Investment Commitments

Rule 201(k), aligned with question 13 on Form C, requires you to disclose that investors must reconfirm their investment commitments if a material change occurs to your company, business, or the offering.³⁷ If an investor fails to reconfirm within the required time, their commitment will be canceled, and their funds will be refunded (see Section 5.4 for further information).

5.2.12 Terms of the Offering and Capital Structure

Rules 201(m)(1) – (6) (17 C.F.R. § 227.201(m)(1) – (6)), aligned with questions 13–23 on Form C, require a description of the securities being offered, including the number of securities, the dollar value of the target offering amount, and the maximum offering amount.³⁸ You must also disclose:

- *Voting rights, distribution rights, and any limitations or transfer restrictions;*
- *Information rights, anti-dilution rights, and drag-along or tag-along rights;*
- *Whether other classes of securities may materially affect the offering;*
- *The valuation method used to determine the value of the securities; and*
- *The risks associated with being a minority equity holder.*

Common Restrictions on Rights:

Many Reg CF issuers, especially those relying heavily on founders or key personnel, limit voting and information rights to maintain control. Transfer restrictions are also common to ensure key individuals remain involved in the business.

5.2.12.1. Bonus Units and Investment Incentives:

It is common for Reg CF issuers to offer bonus shares or non-equity incentives to encourage investment. You must disclose any incentive structure in your Offering Statement, providing flexibility to align incentives with your business model.

Examples of Incentive Structures:

Bonus Shares Based on Investment Size: For example, an investor purchasing 100 shares might receive 50 bonus shares. You can create multiple tiers to reward larger commitments.

Bonus Shares Based on Timing: Early investors may receive bonus shares—such as one bonus share for every five purchased before the first 10,000 shares are sold.

Non-Equity Incentives: Incentives can include merchandise, such as a free T-shirt for purchasing at least 100 shares, with more valuable rewards for higher tiers.

Oversubscription: If your incentive structure may result in the issuance of more shares than initially planned, include a statement in your Offering Statement that the total securities issued could exceed the stated maximum offering amount. However, you must confirm that the total amount raised will not exceed the \$5,000,000 Reg CF cap in a 12-month period.

5.2.13. Indebtedness of the Issuer

Rule 201(p), aligned with question 24 on Form C, requires you to disclose the material terms of any outstanding debt.³⁹ This includes the amount, interest rate, maturity date, and any other key terms.

5.2.14. History of Exempt Offerings

Rule 201(q), corresponding to question 25 on Form C, requires you to provide details of any exempt securities offerings conducted within the past three years.⁴⁰ You must disclose:

- *The date of each offering;*
- *The exemption relied upon;*
- *The type of securities sold; and*
- *The amount raised and how the proceeds were used.*

5.2.15. Related Party Transactions:

Rule 201(r), aligned with question 26 on Form C, requires disclosure of any related party transactions exceeding 5% of the total funds raised under Reg CF in the past 12 months, plus the target offering amount.⁴¹ For example, if you raised \$100,000 in the prior 12 months and your target is \$400,000, transactions exceeding \$50,000 must be disclosed.

Definition of Related Party:

Under Reg CF, a “related party” includes:

- *Directors or officers of the company;*
- *Holders of 20% or more of the company’s voting securities within the 120 days before the offering;*
- *Promoters of the company if it was formed within the last three years; and*
- *Family members of the above individuals, including spouses, parents, children, siblings, and in-laws.*

5.2.16 Financial Condition of the Issuer:

Rule 201(s), aligned with questions 27 and 28 on Form C, requires you to disclose your company’s financial condition for the periods covered by the financial statements, as well as any material changes or trends known to management.⁴² Here are key areas that should be discussed to meet this requirement:

No Prior Operating History	All Issuers	Prior Operating History
<ul style="list-style-type: none">- Current/Expected Operations- Financial Milestones	<ul style="list-style-type: none">- Operational, Liquidity, and Other Challenges- Description of other sources of funds- Effect of proceeds/other financing, if any, on liquidity- Necessity of additional financing for the business- The business’ expected cashflow rate.	<ul style="list-style-type: none">- Results of Operations, Cash Flows, Stockholders’ Equity, and whether each is representative of what investors can expect in the future

5.2.17 Required Financial Statements

Rule 201(t), aligned with question 29 on Form C, details the financial statement requirements for Reg CF offerings.⁴³ Compared to other exemptions that may require audited financial statements, Reg CF's requirements are more flexible for certain companies, particularly those that are newly formed or seeking smaller funding amounts. Here's a breakdown of the financial reporting obligations:

Offering Amount	120 Days or Less Since Beginning of Fiscal Year (1)	More Than 120 Days Since Beginning of Fiscal Year (2)
Between \$124,000 and \$618,000	Reviewed financial statements for the two fiscal years prior to the most recently completed fiscal year.	Reviewed financial statements for the two most recently completed fiscal years.
Between \$618,000 and \$1,235,000 (First-Time Issuer)	Reviewed financial statements for the two fiscal years prior to the most recently completed fiscal year.	Reviewed financial statements for the two most recently completed fiscal years.
Over \$618,000 (Repeat Issuer) or Over \$1,235,000 (First-Time Issuer)	Audited financial statements for the two fiscal years prior to the most recently completed fiscal year.	Audited financial statements for the two most recently completed fiscal years.

Footnotes:

1. If available, companies should file financial statements for the two most recent fiscal years.
2. If available, reviewed or audited financial statements must be submitted, with a preference for audited ones.

5.2.17.1. Recently Formed Issuers

For companies formed recently, the financial reporting requirements depend on how long they have been in existence. For example, if the company is conducting a Reg CF offering within 120 days of its initial annual balance sheet date, it must file a balance sheet from its inception. For companies more than 120 days past their first balance sheet date, financial statements for the period from inception to the most recent fiscal year must be provided.

To illustrate, consider an issuer with a December 31 fiscal year-end that begins a Regulation Crowdfunding offering in May 2023:

Date of Formation	Balance Sheet Date	Other Financial Statements
May 4, 2023	As of inception	Not applicable
May 4, 2022	As of December 31, 2022	For the period from May 4, 2022, to December 31, 2022
May 4, 2021	As of December 31, 2022, and 2021	For the period from May 4, 2021, to December 31, 2021, and the year ended December 31, 2022

5.2.18. Progress Reports

Rule 201(v), aligned with Form C, requires issuers to provide progress updates throughout the offering period using Form C-U.⁴⁴ Progress reports must be filed at key milestones, such as when 50% and 100% of the target offering amount is reached (see Section 6.2 for more information).

5.2.19. Location of Available Information

Rule 201(w) requires you to disclose where investors can find your company's Annual Reports (discussed in Section 5.5), including the specific location on your website and the date by which the reports will be available.⁴⁵

5.2.20. Disqualification of Predecessors

Rule 201(x), aligned with questions 3 and 30 on Form C, requires you to disclose whether your company or any predecessor failed to comply with the ongoing reporting requirements of Reg CF.⁴⁶

5.2.21. Catch-All Provision

Rule 201(y), corresponding to question 31 on Form C, acts as a catch-all provision. It requires the disclosure of any additional material information necessary to ensure that all other information in the Offering Statement is not misleading.⁴⁷ This rule ensures that material facts not covered elsewhere are properly disclosed.

5.2.22. Filing Requirement for Testing the Waters Materials and Advertisements

Rule 201(z), aligned with question 11 on Form C, requires that issuers file any written communication or broadcast scripts related to testing the waters or advertisements for the offering.⁴⁸ This includes any materials that solicit interest from potential investors before the formal offering begins (see Section 7.1 for more information).

5.3 Amendments to the Offering Statement on Form C/A

Reg CF issuers must file an amendment to their Form C using Form C/A within five business days of any material change. A material change refers to significant developments affecting the issuer, its business, the offering, or any events that could influence an investor's decision to buy or sell the company's securities. Examples of material changes include:

- *Significant changes in financial condition, such as the sudden loss of a primary revenue source or the acquisition of substantial debt.*
- *A change in the offering deadline.*
- *Changes in ownership or management.*
- *Updates to products or services, including business model changes, failed product launches, or the acquisition or loss of key contracts.*
- *The initiation or resolution of significant litigation or regulatory actions.*
- *Amendments to the issuer's business plans, including changes to the use of proceeds.*
- *Events that affect the value of the securities, such as stock splits, mergers, or dividend announcements.*

Whenever a material change occurs, the issuer must offer investors the opportunity to reconfirm any outstanding investment commitments.

Exception to the Requirement to Notify Investors of Amendments:

Under Rule 203(a) of Reg CF, issuers are not required to provide investors with Offering Statement amendments if the Intermediary makes the necessary updates available on its platform.⁴⁹ As a result, Intermediaries typically handle these disclosures directly on their websites.

Material Change Timeline:

Issuers anticipating actions that may trigger a material change should consider closing on existing investment commitments before implementing the change. This strategy minimizes the burden of reconfirmation, as investors with completed commitments will not need to be contacted for reconfirmation (see Section 5.4).

5.4. Cancellations and Reconfirmations of Investment Commitments

5.4.1. Reconfirmations:

If a material change occurs to the offering's terms or to information provided in the Offering Statement, the Intermediary must notify investors who have already made commitments. These investors will have five business days to reconfirm their investment.⁵⁰ If an investor does not reconfirm within the allotted time, the Intermediary must:

- *Notify the investor that their commitment has been canceled and explain the reason for cancellation; and*
- *Return the committed funds within five business days.*

5.4.2. Cancellations:

Aside from material changes, investors are permitted to cancel their investment commitments for any reason up to 48 hours before the target offering deadline, as disclosed in the Offering Statement.⁵¹ If a material change occurs within the final five business days before the offering deadline, the issuer must extend the offering to give investors an additional five business days to reconfirm their commitments.⁵²

5.4.3. Return of Investor Funds:

If you do not raise the minimum offering amount (referred to as the target offering amount under Reg CF) prior to the deadline identified on Form C and your Offering Statement, the Intermediary must take the following steps within five business days:

- *Notify each investor of the cancellation, including the reason and refund amount;*
- *Initiate the refund process; and*
- *Prevent further investments in the offering.*⁵³

5.5. Early Closing

You may conduct an early closing if your Reg CF offering reaches the minimum offering amount before the original deadline. Reg CF sets forth the follow rules for such early closing, which your Intermediary will handle on your behalf:

- *The offering campaign must remain open for at least 21 days and must remain open for at least 21 days following the early closing notice;*
- *The Intermediary must notify investors of the new deadline at least five days prior to that date, provide information on their right to cancel commitments until 48 hours before the new deadline, and disclose whether new commitments will be accepted within the final 48 hours;*
- *The issuer must continue to meet or exceed the target offering amount as of the new deadline.⁵⁴*

After you close on at least the minimum offering amount, you can conduct rolling closings, from time to time, at any time, with the only limitation being the \$5 million maximum offering amount on a rolling 12-month basis as set forth in Rule 100 of Reg CF (see Section 4.1 for more information).

Deadline Changes Constitute a Material Change:

Any change to the offering deadline is considered a material change, requiring investors to reconfirm their commitments (see Section 7.1(g) for additional details).

6. ONGOING REPORTING REQUIREMENTS UNDER REGULATION CROWDFUNDING

Compared to private placements under Regulation D or other statutory exemptions, Reg CF imposes relatively less intensive ongoing reporting obligations, and many of these reporting requirements are facilitated by the issuer's Intermediary. The purpose of Reg CF's ongoing reporting is to keep investors informed about their investment, the company, and the offering's progress. Issuers must submit the following disclosure documents to the SEC, except in certain cases outlined below: (i) Progress Updates on Form C-U, (ii) Required Amendments on Form C/A, (iii) Annual Reports on Form C-AR (and any necessary amendments on Form C-AR/A), and (iv) a Termination Report on Form C-TR. Although these forms are distinct, they all use Form C, published by the SEC, as their foundation.

6.1. The Annual Report on Form C-AR

The key ongoing reporting obligation for Reg CF issuers is filing and publishing an Annual Report on Form C-AR within 120 days after the end of the fiscal year covered by the report.⁵⁵ For example, if your fiscal year ends on December 31, the Annual Report is due by April 30 (or April 29 in a leap year). If the due date falls on a weekend, the deadline extends to the following Monday.

The Annual Report serves as an updated version of the Offering Statement, incorporating financial statements (reviewed or audited, if applicable) and any necessary updates to the following sections:

- *Identifying Information*
- *Directors and Officers of the Company*
- *Principal Security Holders*
- *Business Section*
- *Human Capital*
- *Risk Factors*
- *Terms of the Offering; Capital Structure*
- *Indebtedness of the Issuer*
- *History of Exempt Offerings*
- *Related Party Transactions*
- *Financial Condition of the Issuer*
- *Disqualification of Predecessors*

Amendments to the Annual Report on Form C-AR/A:

Issuers must amend their Annual Report using Form C-AR/A to reflect any material changes as soon as the need for such amendments is identified. The circumstances triggering these amendments mirror those requiring changes to the Offering Statement (see Section 5.3).

6.1.1. Financial Statement Requirements:

Issuers are not required to include audited or reviewed financial statements in their Annual Reports. Instead, the financial statements must be certified by the company's principal executive officer as true and complete in all material respects. However, you should not that if your company has financial statements that have been reviewed or audited by an independent public accountant, those statements must be provided with your Annual Report in lieu of the certification described above.

6.2. Progress Reports on Form C-U

Issuers must submit Progress Reports on Form C-U to the SEC and their Intermediary within five business days after reaching 50% and 100% of the target offering amount.⁵⁶ If the issuer exceeds the target offering amount and continues to accept additional investments, it must file a final Form C-U within five business days of the offering's deadline, disclosing the total securities sold.⁵⁷

6.2.1. Progress Report Exception

Rule 203(a)(3)(iii) allows you to forgo filing progress reports if your Intermediary provides frequent updates on its platform that contain the same information.⁵⁸ Intermediaries commonly provide these updates to comply with the Progress Update Exception. However, even if you rely on this exception, you still need to file a final Form C-U within five business days after your offering deadline, reporting the total amount of securities sold.

6.3. The Termination Report on Form C-TR

Issuers eligible to end their Reg CF reporting obligations must file a Termination Report on Form C-TR to notify investors that ongoing reporting will cease. Issuers may file Form C-TR to terminate reporting obligations if any of the following conditions are met:

- *The issuer becomes an Exchange Act reporting company;*
- *The issuer has filed at least one Annual Report after its most recent Reg CF offering and has fewer than 300 investors of record (see Section 10.1);*
- *The issuer has filed all required Annual Reports for the past three years, and its total assets do not exceed \$10,000,000;*
- *The issuer or a third party repurchases all shares sold under the Reg CF offering; or*
- *The issuer dissolves or liquidates according to applicable state laws.⁵⁹*

You must also file a Form C-TR if your Reg CF offering fails to raise the minimum offering amount within the deadline identified in your Form C and Offering Statement. Additionally, your intermediary must notify investors of that failure and return their invested funds within five business days.

7. ADVERTISEMENTS AND PRE-FILING COMMUNICATIONS

Reg CF issuers and those acting on their behalf are generally prohibited from engaging in general solicitations aimed at the public.⁶⁰ However, there are exceptions for certain oral and written communications permitted under Reg CF, and these are exceptions that tend to swallow the rule.

7.1. Permissible Advertisements

7.1.1. Terms of the Offering Advertisements

Under Rule 204(b), you may use a “tombstone notice” to promote the terms of their Reg CF offering, provided these notices comply with specific requirements.⁶¹ Tombstone notices, whether issued by the company or on its behalf, must include:

Administrative Details:

A statement that the issuer is conducting an offering pursuant to Securities Act Section 4(a)(6), and the name of the Intermediary for your offering and a link to the Intermediary’s platform.

Terms of the Offering:

The number and type of securities offered (equity, debt, preferred, etc.), the price of the securities for sale in the offering, the offering deadline, the use of proceeds, and the progress toward meeting your funding target.

Issuer Identifying Information:

The issuer’s name, location, phone number, website, and email address of a company representative (e.g., CEO or president), and a brief description of the issuer’s business.

Video Notices and Non-Offering Advertisements:

Issuers may also advertise their offerings through video content, provided it complies with the tombstone notice requirements under Rule 204(b). Additionally, issuers can continue regular business advertising as long as these advertisements do not reference their Reg CF offering.⁶²

7.1.1.1. Concurrent Offerings:

If the issuer conducts multiple offerings—one under Reg CF and another under a different exemption—any general solicitation made for the other offering must be limited to tombstone information if it mentions the Reg CF offering. Similarly, any cross-references to the Reg CF offering in the disclosure materials for the concurrent offering must follow the tombstone notice rules. If the concurrent offering documents are filed on EDGAR, the required platform link may not be a live hyperlink.

7.2. Communication via the Intermediary’s Platform:

Rule 204(c) (17 CFR § 227.204(c)) allows issuers to communicate with investors through channels provided by their Intermediary, as long as the issuer identifies itself in all communications. This same exception applies to persons acting on behalf of the issuer if they disclose their affiliation with the company.

Promoters and Promoter Compensation:

Issuers may engage promoters to advertise their offerings under the tombstone notice exception or the Intermediary's platform communication exception.⁶³ Any promoter advertisement must clearly disclose any compensation, past or future, that the issuer has paid or will pay for promotional services.

7.3. Permissible Pre-Filing Communications and Solicitations of Interest

7.3.1. Solicitations of Interest:

Under Rule 206, issuers may engage in verbal or written communication with potential investors before filing their Offering Statement.⁶⁴ These communications, known as solicitations of interest, help gauge whether there is market interest in the offering. Issuers may collect indications of interest from potential investors, including their name, address, phone number, and email address.⁶⁵ Such communications must include the following disclaimers:

- **No Solicitation of Funds:** *The issuer is not soliciting or accepting funds at this time.*
- **Future Acceptance of Offers:** *Offers to buy securities will only be accepted through the Intermediary's platform once the Offering Statement is filed.*
- **Non-Binding Interest:** *Indications of interest are non-binding and do not constitute an obligation or commitment to invest.*

Compliance with Anti-Fraud Provisions:

Any communication related to a securities offering—including advertisements or solicitations of interest—qualifies as an offer to sell securities and is subject to the anti-fraud provisions of U.S. securities law. Additionally, while companies can gauge interest from potential investors before filing, they cannot “condition the market” or create demand that may influence the investor's decision before the offering is filed. To ensure compliance with your regulatory requirements with respect to pre-filing communications, you should add a disclaimer explaining that the purpose of these communications is not to sell securities but only to gauge interest.

7.3.2. Information Not Constituting an Offer to Buy or Sell:

Before filing the Offering Statement, issuers can still distribute factual business information that does not condition the public mind or generate interest in their securities. Such communications must be limited to purely factual updates about the company, avoiding any implication that securities will be offered.

A Public “Offer” of Securities:

The SEC interprets the term “offer” broadly. According to SEC Release No. 33-8591, any effort to publicize information or generate interest in an issuer or its securities before an offering may constitute an offer.⁶⁶ Issuers must ensure that their pre-filing communications do not unintentionally “condition the public mind” or “stir public interest” in their offering, which could violate securities regulations.

8. RESALE RESTRICTIONS

Securities purchased through a Reg CF offering are classified as restricted securities and cannot be sold or transferred during the 12-month lock-up period following the closing of the offering, except under certain circumstances.⁶⁷ The lock-up period ensures that investors hold their securities for at least one year before transferring them unless an exception applies.

Restricted securities may be transferred or sold during the lock-up period only under the following conditions:

- *To the issuer of the securities;*
- *To an Accredited Investor (see Section 4.1(a) for more details);*
- *As part of a registered primary offering;*
- *To a family member or related entity, such as a spouse, child, or other Family Member (see Section 5.2(o) for a definition);*
- *A trust controlled by the investor or a family member; or*
- *Transfers resulting from the investor's death, divorce, or similar circumstances.*

Following the 12-month lock-up period, investors must still comply with the registration requirements under the Securities Act when reselling their securities. If the issuer has not registered the class of securities held by the investor, the investor must find an applicable exemption from registration to proceed with the sale or transfer.

9. CO-ISSUER OFFERINGS

In November 2020, the SEC introduced Rule 3a-9 under the Investment Company Act of 1940 to allow for Co-Issuer Reg CF offerings.⁶⁸ These types of offerings involve two entities collaborating to raise capital through a Reg CF offering:

- (1) **Operating Company:** The entity that runs the core business operations.
- (2) **Crowdfunding Vehicle:** An entity established solely to acquire, hold, and dispose of securities issued by the Operating Company while raising capital through Reg CF offerings.

Together, these two entities—referred to as Co-Issuers—are treated as joint issuers in the offering. The purpose of Rule 3a-9 is to exempt this structure from the registration requirements for investment companies under the 1940 Act.

What is an Investment Company?

An investment company is a financial entity that pools capital from multiple investors to invest in a diversified portfolio of securities. Key attributes include issuing securities to investors, providing professional management, and offering access to a wide range of investments. Legally, U.S. investment companies—such as mutual funds, closed-end funds, and unit investment trusts—are regulated by the SEC under the Investment Company Act of 1940 and must comply with securities laws. Unlike brokerage firms and banks, investment companies focus on long-term investment rather than short-term trading.

9.1. Rule 3a-9

Under Rule 3a-9, you may utilize a Crowdfunding Vehicle to facilitate investments in your business (i.e., the Operating Company), and the Crowdfunding Vehicle will not be considered an investment company under the 1940 Act if the following conditions are met:

Purpose:

The Crowdfunding Vehicle is solely organized to acquire and hold securities of a single Operating Company and raise capital under Reg CF.

Restrictions on Borrowing:

It does not borrow money and uses the proceeds only to purchase securities from the Operating Company.

Single Class of Securities:

The Crowdfunding Vehicle issues only one class of securities through the Reg CF offering.

Operating Company Support:

The Operating Company agrees to cover the Crowdfunding Vehicle's formation, operation, and dissolution costs, ensuring the Crowdfunding Vehicle provides no services for compensation.

Fiscal Year Alignment:

Both the Operating Company and the Crowdfunding Vehicle share the same fiscal year-end.

One-to-One Relationship:

The securities issued by the Crowdfunding Vehicle mirror those held in the Operating Company regarding number, type, and rights.

Voting and Participation:

Investors direct how the Crowdfunding Vehicle votes on Operating Company securities and participate in offers or transactions only as directed by investors.

Disclosure:

The Crowdfunding Vehicle promptly provides investors with the same disclosures it receives from the Operating Company.

Legal Rights:

Investors in the Crowdfunding Vehicle must have the same rights they would have had if they had invested directly in the Operating Company.

If you plan to use this structure for your Reg CF offering, your business must fully comply with Rule 3a-9's conditions to qualify for the exemption. These provisions set forth the following key principles:

One Class Only:

The Crowdfunding Vehicle may issue only one class of securities.

Single Issuer Securities:

The Crowdfunding Vehicle may hold only one class of securities from a single issuer.

Operating Company

Flexibility: The Operating Company may issue multiple security classes with differing rights.

Identical Securities:

The securities offered by the Crowdfunding Vehicle must match those offered by the Operating Company. The Operating Company cannot issue these securities to anyone other than the Crowdfunding Vehicle, and their cost must match.

One-to-One Ratio:

The securities of the Crowdfunding Vehicle and the Operating Company must maintain a direct one-to-one ratio in number and associated rights (voting, distribution, etc.).

9.1.1. Co-Issuer Offering Structure

In a typical Co-Issuer Offering, the process consists of two steps:

- *The Crowdfunding Vehicle closes on its offering, issuing securities to investors.*
- *The Crowdfunding Vehicle uses the proceeds to purchase an equivalent amount of securities from the Operating Company.*

This creates a structure where each security an investor holds in the Crowdfunding Vehicle corresponds to one security of the Operating Company held by the Crowdfunding Vehicle.

9.2. Co-Issuer Disclosure Requirements

Reg CF mandates full disclosure for each Co-Issuer within the Offering Statement.⁶⁹ To minimize compliance burdens, Crowdfunding Vehicles are typically structured with minimal rights attached to their securities, such as non-voting shares without information rights. Required disclosures include:

Rule 3a-9 Compliance:

Explanation of the Crowdfunding Vehicle's involvement.

Crowdfunding Vehicle Information:

Identifying details for the vehicle (see Section 5.2(a)).

Securities Information:

Description of the securities offered by the vehicle (see Section 5.2(i)).

Security Ownership:

Disclosure that the Crowdfunding Vehicle holds no securities before the offering (see Section 5.2(c)).

Past Exempt Offerings:

Details of previous exempt offerings (see Section 5.2(n)).

Risk Factors:

Any risks associated with the Co-Issuer structure (see Section 5.2(f)).

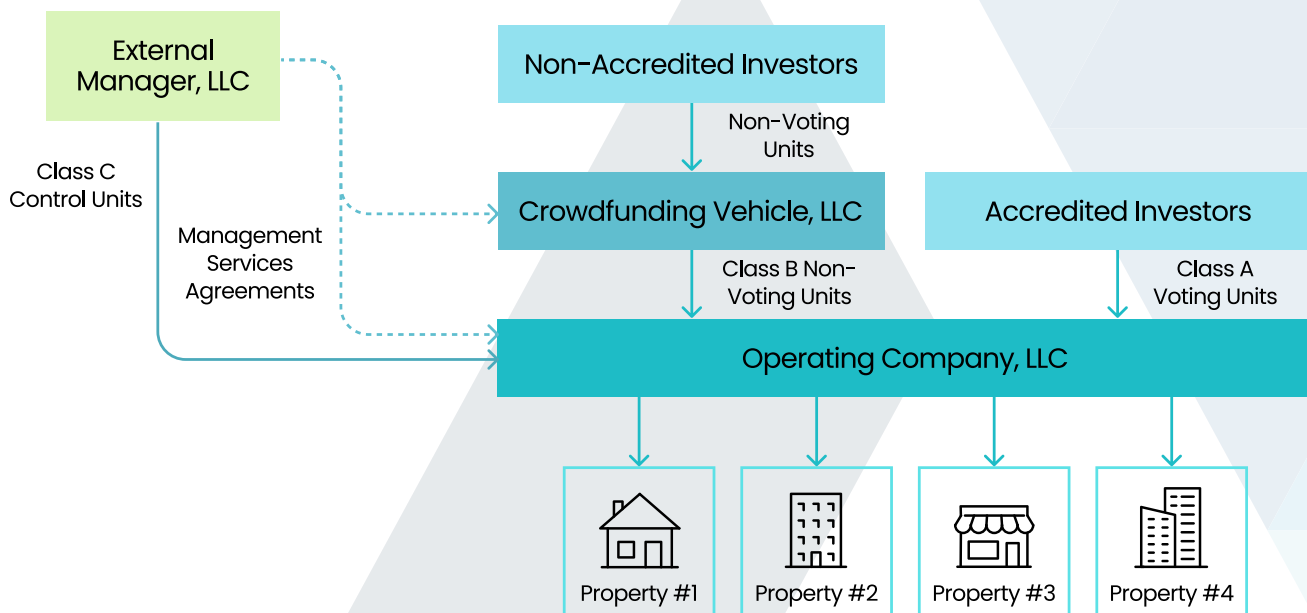
Financial Statements:

Simplified financial disclosures for the Crowdfunding Vehicle (see Section 5.2(q)).

Customary Co-issuer Structures

Crowdfunding Vehicles can adopt any organizational form, with limited liability companies (LLCs) being a popular choice due to their flexibility under state law. LLCs can be managed externally, often by an affiliate or a third party. For example, a real estate investment fund structured as an LLC might use a Co-Issuer Offering to raise up to \$5,000,000 from non-accredited investors over 12 months while reserving its balance sheet for accredited investors.

The following organizational chart provides a visual representation of how a Co-Issuer Offering could function, with one-to-one correspondence between the Crowdfunding Vehicle's securities and the Operating Company's securities.



10. EXCHANGE ACT SECTION 12(G) IMPLICATIONS

Section 12(g) of the Exchange Act requires issuers to register classes of securities with the SEC when both gross assets and the number of record holders exceed certain thresholds.⁷⁰ Specifically, if:

- Your company has total assets of more than \$10 million; and
- Your company's securities are held of record by:
 - ◊ More than 2,000 persons; or
 - ◊ More than 500 non-accredited investors, as defined under Rule 501(a) of Regulation D;

Then you must file a registration statement on Form 10-12g within 120 days of surpassing these thresholds. Once registered, the issuer must comply with continuous reporting obligations under the Exchange Act, including Section 15(d) (annual, quarterly, and periodic reports) and Section 16 (insider transaction disclosures).

Certain Definitions

Total Assets: Refers to the total assets listed on the issuer's consolidated balance sheet, including any subsidiaries (17 C.F.R. § 240.12g5-2).

Held of Record: Refers to (i) each person identified as an owner of record on the issuer's shareholder list and (ii) any person who would have been a record holder had the list been properly maintained (17 C.F.R. § 240.12g5-1).

Surpassing the thresholds of Section 12(g) can place significant regulatory burdens on issuers, especially those raising capital through Reg CF offerings. Many Reg CF issuers have limited resources to manage ongoing compliance, making it essential to carefully track these limits or utilize available exemptions.

10.1. Held of Record Calculation

When calculating the number of record holders under Section 12(g), issuers must count each record holder of the same class of securities, regardless of whether they acquired those securities through a Reg CF offering. However, the following rules apply to that calculation:

10.1.1. Rules for Record Holder Calculations:

Organizational Ownership: Securities owned by corporations, partnerships, trusts, or similar entities are counted as held by one person.⁷¹

Fiduciary Ownership: Securities held by trustees, executors, custodians, or other fiduciaries on behalf of a single account are counted as one person.⁷²

Co-Ownership: Co-owners of a security are treated as one person.⁷³

Similar Names: Securities registered under substantially similar names that suggest the same person may be treated as held by one person.⁷⁴

Reg CF Offerings: Holders of securities issued through Reg CF offerings are counted toward the Section 12(g) threshold, even if acquired outside of the original offering.⁷⁵

10.1.2. Exclusions for Employee Compensation Plans:

Securities issued under employee compensation plans exempt from registration under the Securities Act are not counted toward the record holder threshold.⁷⁶ Similarly, securities issued in exempt transactions under Rule 701 are also excluded if the recipients were eligible for the original securities at issuance.⁷⁷

Safe Harbor Provisions:

Employee Compensation Plans: Securities issued under qualifying employee compensation plans are excluded from record holder calculations if the plan complies with Rule 701(c).⁷⁸

Reasonable Belief: An issuer can exclude securities issued in reliance on an exemption if it reasonably believed that the transaction was exempt at the time of issuance.⁷⁹

10.1.3. Co-Issuer Securities:

In the context of Co-Issuer Offerings, securities issued by a Crowdfunding Vehicle are excluded from record holder calculations if held by natural persons. Securities held by non-natural persons (e.g., entities) are not excluded and must be counted for both Co-Issuers.⁸⁰

10.2. Conditional Exemptions from Section 12(g)

10.2.1. Reg CF Exemption from Section 12(g):

Under Rule 12g-6, securities issued through Reg CF offerings are exempt from Section 12(g) registration requirements if:

- *The issuer is current on its Reg CF reporting obligations.*
- *The issuer has total assets of \$25 million or less at the end of the most recent fiscal year.*
- *The issuer has engaged a transfer agent for the securities issued in the Reg CF offering.*⁸¹

10.2.1.1. Transition Period under Rule 12g-6(b):

If a Reg CF issuer exceeds the \$25 million asset threshold, it has a transition period that ends two years from the day it became ineligible to exclude Reg CF securities from the Held of Record calculation. If the issuer fails to meet its reporting obligations during the transition period, the issuer must register its securities with the SEC within 120 days.

11. CONCLUSION

Reg CF serves as a groundbreaking regulatory framework that democratizes access to equity financing for startups and small businesses. It provides a structured yet adaptable path for early-stage companies to engage with investors from the broader public—a space traditionally limited to accredited investors. Through its clear requirements concerning offering limits, investor participation, intermediary roles, and issuer eligibility, Reg CF strikes a careful balance between fostering capital formation and ensuring investor protection.

The success of Reg CF depends on strict compliance with its rules, including transparent disclosures through the Offering Statement on Form C and adherence to ongoing reporting obligations. These measures not only cultivate a well-informed investing environment but also safeguard the integrity and sustainability of crowdfunding as a reliable method of raising capital. Looking ahead, the continued impact of Reg CF on the investment landscape will rely on the collaborative efforts of issuers, intermediaries, and investors to build a thriving ecosystem that promotes innovation, growth, and accessible opportunities for all.

TABLE OF REFERENCES

- 1.) 17 C.F.R. § 227.100 (2023), <https://www.ecfr.gov/current/title-17/part-227#p-227.100>.
- 2.) Brian Belley, Reg CF 2023 – Top Platforms and Year in Review, KingsCrowd (Jan. 7, 2024), <https://kingscrowd.com/reg-cf-2023-top-platforms-and-year-in-review/>.
- 3.) 15 U.S.C. § 77d(a)(6) (2023), <https://www.law.cornell.edu/uscode/text/15/77d>.
- 4.) 17 C.F.R. § 227.100(a)(1) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.100\(a\)\(1\)](https://www.ecfr.gov/current/title-17/part-227#p-227.100(a)(1)).
- 5.) 17 C.F.R. § 230.501(a) (2023), <https://www.ecfr.gov/current/title-17/part-230#p-230.501>.
- 6.) Id. § 230.501(a)(3).
- 7.) Id. § 230.501(a)(6).
- 8.) Id.
- 9.) Id. § 230.501(a)(5).
- 10.) 17 C.F.R. § 227.100(a)(2)(i) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.100\(a\)\(2\)\(i\)](https://www.ecfr.gov/current/title-17/part-227#p-227.100(a)(2)(i)).
- 11.) Id. § 227.100(a)(2)(ii) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.100\(a\)\(2\)\(ii\)](https://www.ecfr.gov/current/title-17/part-227#p-227.100(a)(2)(ii)).
- 12.) U.S. Sec. & Exch. Comm’n, Regulation Crowdfunding Compliance & Disclosure Interpretations, Question 100.02 (May 23, 2016), <https://www.sec.gov/rules-regulations/staff-guidance/compliance-disclosure-interpretations/regulation-crowdfunding>.
- 13.) 17 C.F.R. § 227.100(a)(3) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.100\(a\)\(3\)](https://www.ecfr.gov/current/title-17/part-227#p-227.100(a)(3)).
- 14.) 15 U.S.C. § 77d-1(a), <https://www.law.cornell.edu/uscode/text/15/77d-1>.
- 15.) U.S. Sec. & Exch. Comm’n, Frequently Asked Questions Regarding Regulation Crowdfunding and Intermediary Requirements, Question 300.1 (May 13, 2016), <https://www.sec.gov/rules-regulations/staff-guidance/trading-markets-frequently-asked-questions/cfportal-faqs>.
- 16.) 15 U.S.C. § 78c(a)(80), <https://www.law.cornell.edu/uscode/text/15/78c>.
- 17.) Id. § 78c(a)(4).
- 18.) 17 C.F.R. § 227.100(b) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.100\(b\)](https://www.ecfr.gov/current/title-17/part-227#p-227.100(b)).
- 19.) 15 U.S.C. § 78m, 78o(d), <https://www.law.cornell.edu/uscode/text/15/78m>.
- 20.) 15 U.S.C. § 78o(d), <https://www.law.cornell.edu/uscode/text/15/78o>.
- 21.) 15 U.S.C. § 80a-3, <https://www.law.cornell.edu/uscode/text/15/80a-3>.
- 22.) 17 C.F.R. § 227.503 (2023), <https://www.ecfr.gov/current/title-17/part-227#p-227.503>.
- 23.) 17 C.F.R. § 227.100(b) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.100\(b\)](https://www.ecfr.gov/current/title-17/part-227#p-227.100(b)).
- 24.) U.S. Sec. & Exch. Comm’n, Form C: Offering Statement (Regulation Crowdfunding), <https://www.sec.gov/files/formc.pdf>.
- 25.) Id.
- 26.) 17 C.F.R. Part 227 Subpart B (2023), <https://www.ecfr.gov/current/title-17/part-227#sp-227-Subpart-B>.
- 27.) 17 C.F.R. § 227.201(a) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.201\(a\)](https://www.ecfr.gov/current/title-17/part-227#p-227.201(a)).
- 28.) Id. § 227.201(b).
- 29.) Id. § 227.201(c).
- 30.) Id. § 227.201(d).
- 31.) Id. § 227.201(e).
- 32.) Id. § 227.201(f).
- 33.) Id. § 227.201(g).
- 34.) Id. § 227.201(h).
- 35.) Id. § 227.201(i).
- 36.) Id. § 227.201(j).
- 37.) Id. § 227.201(k).
- 38.) Id. § 227.201(m)(1)-(6).
- 39.) Id. § 227.201(p).
- 40.) Id. § 227.201(q).
- 41.) Id. § 227.201(r).
- 42.) Id. § 227.201(s).
- 43.) Id. § 227.201(t).
- 44.) Id. § 227.201(v).

- 45.) Id. § 227.201(w).
- 46.) Id. § 227.201(x).
- 47.) Id. § 227.201(y).
- 48.) Id. § 227.201(z).
- 49.) 17 C.F.R. § 227.203(a)(2) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.203\(a\)\(2\)](https://www.ecfr.gov/current/title-17/part-227#p-227.203(a)(2)).
- 50.) 17 C.F.R. § 227.304(c) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.304\(c\)](https://www.ecfr.gov/current/title-17/part-227#p-227.304(c)).
- 51.) Id. § 227.304(a).
- 52.) Id. § 227.304(c)(2).
- 53.) Id. § 227.304(d).
- 54.) Id. § 227.304(b)(1)-(4).
- 55.) 17 C.F.R. § 227.202(a) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.202\(a\)](https://www.ecfr.gov/current/title-17/part-227#p-227.202(a)).
- 56.) 17 C.F.R. § 227.203(a)(3)(i) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.203\(a\)\(3\)\(i\)](https://www.ecfr.gov/current/title-17/part-227#p-227.203(a)(3)(i)).
- 57.) Id. § 227.203(a)(3)(ii).
- 58.) Id. § 227.203(a)(3)(iii).
- 59.) 17 C.F.R. § 227.202(b) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.202\(b\)](https://www.ecfr.gov/current/title-17/part-227#p-227.202(b)).
- 60.) 17 C.F.R. § 227.204(a)(1) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.204\(a\)\(1\)](https://www.ecfr.gov/current/title-17/part-227#p-227.204(a)(1)).
- 61.) Id. § 227.204(b) (2023), [https://www.ecfr.gov/current/title-17/part-227#p-227.204\(b\)](https://www.ecfr.gov/current/title-17/part-227#p-227.204(b)).
- 62.) U.S. Sec. & Exch. Comm'n, Regulation Crowdfunding Compliance & Disclosure Interpretations, Questions 204.02 & 204.03 (May 23, 2016), <https://www.sec.gov/rules-regulations/staff-guidance/compliance-disclosure-interpretations/regulation-crowdfunding>.
- 63.) 17 C.F.R. § 227.205 (2023), <https://www.ecfr.gov/current/title-17/part-227#p-227.205>.
- 64.) 17 C.F.R. § 227.206 (2023), <https://www.ecfr.gov/current/title-17/part-227#p-227.206>.
- 65.) Id. at § 227.206(c).
- 66.) U.S. Sec. & Exch. Comm'n, Securities Act Release No. 33-8591 (July 19, 2005), <https://www.sec.gov/files/rules/final/33-8591.pdf>
- 67.) 17 C.F.R. § 270.3a-9 (2023), <https://www.ecfr.gov/current/title-17/part-270#p-270.3a-9>.
- 68.) Id. <https://www.sec.gov/files/rules/final/33-8591.pdf>
- 69.) 17 C.F.R. § 227.201 (2023), <https://www.ecfr.gov/current/title-17/part-227#p-227.201>.
- 70.) 15 U.S.C. § 78l(g), <https://www.law.cornell.edu/uscode/text/15/78l>.
- 71.) 17 C.F.R. § 240.12g5-1(a)(2) (2023), [https://www.ecfr.gov/current/title-17/part-240#p-240.12g5-1\(a\)\(2\)](https://www.ecfr.gov/current/title-17/part-240#p-240.12g5-1(a)(2)).
- 72.) Id. § 240.12g5-1(a)(3).
- 73.) Id. § 240.12g5-1(a)(4).
- 74.) Id. § 240.12g5-1(a)(6).
- 75.) U.S. Sec. & Exch. Comm'n, Regulation Crowdfunding Compliance & Disclosure Interpretations, Questions 202.01 & 202.03 (May 23, 2016), <https://www.sec.gov/rules-regulations/staff-guidance/compliance-disclosure-interpretations/regulation-crowdfunding>.
- 76.) 17 C.F.R. § 240.12g5-1(a)(8)(i)(A) (2023), [https://www.ecfr.gov/current/title-17/part-240#p-240.12g5-1\(a\)\(8\)\(i\)\(A\)](https://www.ecfr.gov/current/title-17/part-240#p-240.12g5-1(a)(8)(i)(A)).
- 77.) 17 C.F.R. § 230.701 (2023), <https://www.ecfr.gov/current/title-17/part-230#p-230.701>.
- 78.) Id. § 230.701(c).
- 79.) 17 C.F.R. § 240.12g5-1(a)(8)(ii) (2023), [https://www.ecfr.gov/current/title-17/part-240#p-240.12g5-1\(a\)\(8\)\(ii\)](https://www.ecfr.gov/current/title-17/part-240#p-240.12g5-1(a)(8)(ii)).
- 80.) 17 C.F.R. § 240.12g5-1(a)(9).
- 81.) 17 C.F.R. § 240.12g-6 (2023), <https://www.ecfr.gov/current/title-17/part-240#p-240.12g-6>.
- 82.) 17 C.F.R. § 240.12g-6(b).