



MEETING OF SEC SMALL BUSINESS CAPITAL FORMATION ADVISORY COMMITTEE: EXPLORING REGULATION A – PRACTICAL CONSIDERATIONS AND REGULATORY CHALLENGES

May 6, 2025

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| REGULATION A - ADVANTAGES



- Offering size
- Scaled disclosures
- More manageable financial statement requirements
- Access to broad investor base and marketing flexibility
- Unrestricted securities and (some) preemption of state securities laws
- Lower costs

| FINDING THE RIGHT FIT FOR REGULATION A



- Companies with strong brand recognition
- Companies with loyal and engaged customer or user base
- Companies that excel in self-marketing
- Companies that aren't ready for an IPO or don't have an interest in going public
- Real estate platforms and smaller REITs / companies engaged in digital asset space
- Smaller companies that have maxed out Regulation CF but don't have VCs or other institutional investors on equity cap table

| PRACTICAL REALITIES OF OFFERINGS UNDER REGULATION A

- Private placements under Regulation D remain capital raising tool of choice
- Successful offerings under Regulation A may complicate capital raising down the road and often don't go as planned
- Relatively high upfront costs for amount of capital raised
- Despite simplified disclosures, still complex system to navigate, including for investors navigating secondary sales
- Marketing a Reg A offering is difficult and lacks the infrastructure of the traditional IPO market

| WHERE TO NEXT WITH REGULATION A



- Address preemption of state securities laws for Tier 1 and Tier 2 offerings (secondary sales)
- Work to build a stronger market and ecosystem to support Reg A issuers and offerings
- Reconsider the tiers and reasons that different types of small businesses and companies may utilize Reg A
- Consider whether and how Regulation A can fill the need for small cap issuers that have gone missing from the IPO and broader equity capital markets



THANK YOU

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