



Supporting and Assisting Small Businesses Raising Capital

Transactional Clinical Conference 2025



U.S. Securities and Exchange Commission

**Office of the Advocate for
Small Business Capital Formation**

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ROADMAP



INTRODUCTION TO OUR OFFICE



NAVIGATING REGULATORY PATHWAYS



TOOLS TO EMPOWER ENTREPRENEURS



ENGAGING WITH OUR OFFICE



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INTRODUCTION TO OUR OFFICE



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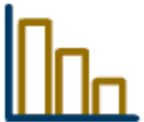


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Three-part Mission



Protect investors



Maintain fair, orderly, and efficient markets



Facilitate capital formation





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Mission: Champion pragmatic solutions so small businesses—from startups to smaller public companies—and their investors can build great companies together using our capital markets.



Special Focus: Identify problems that small businesses have securing access to capital, including unique challenges to minority-owned and women-owned small businesses and small businesses affected by hurricanes or other natural disasters.

Source: 15 U.S.C. §§ 78d and 78qq.



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How?



Education and outreach



Review rules and regulations



Recommend policy changes to
Congress and the Commission





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Outreach and Education

LISTEN

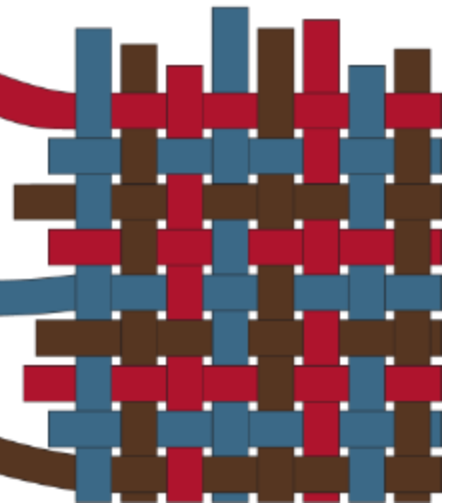
We engage with small business communities across the country to learn about capital-raising challenges and successes.

CREATE

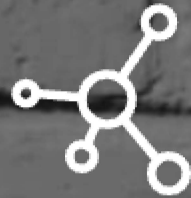
We develop educational resources and bring those resources to life through our outreach efforts.

REASSESS

We measure the efficacy of our work, make improvements, and assess new opportunities to engage, educate, and advocate.



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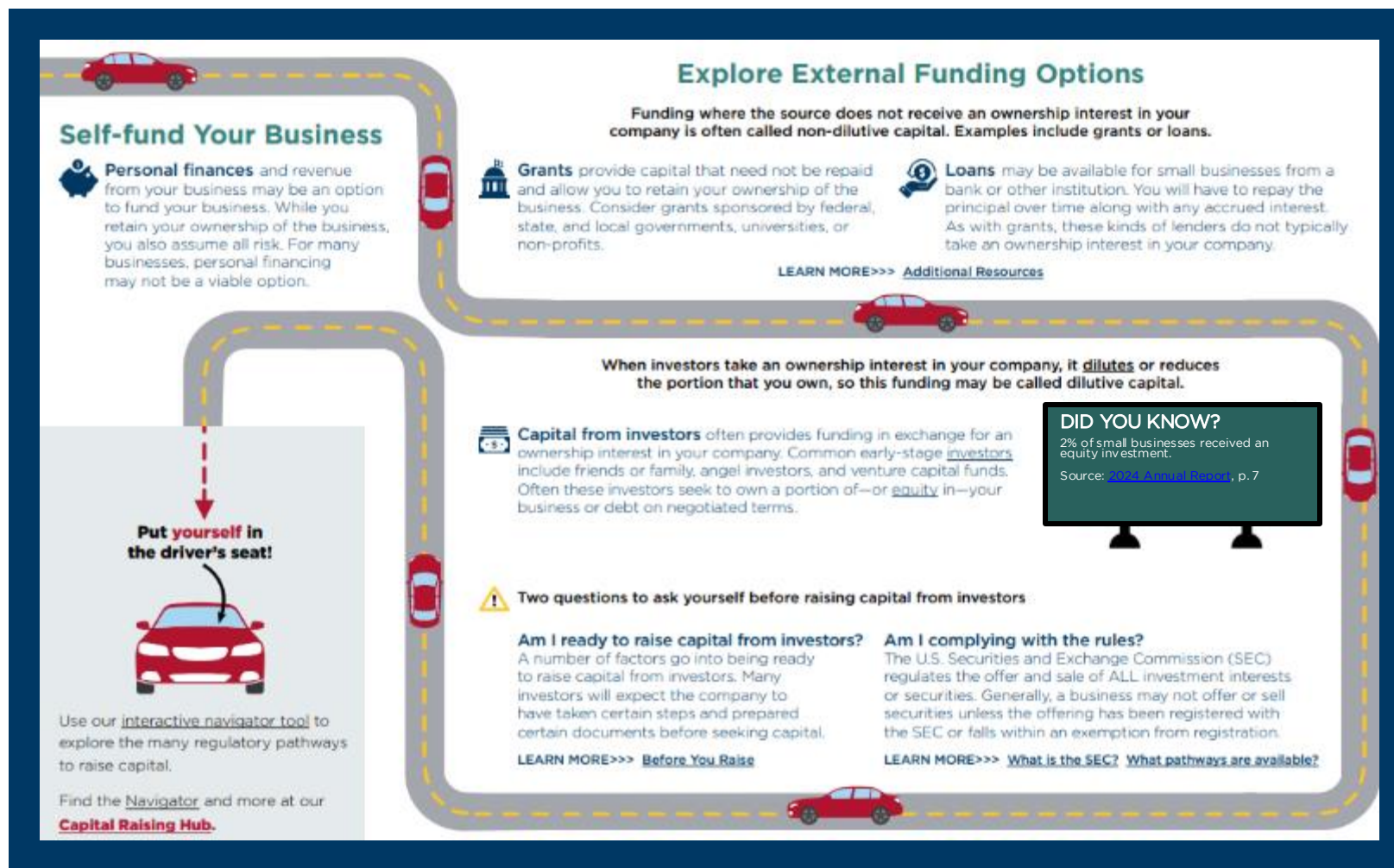
NAVIGATING REGULATORY PATHWAYS



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Funding a Small Business: Many Pathways





The Role of the SEC

The SEC regulates all offers and sales of securities.



Every offer and sale of securities must be registered with the SEC or conducted under an exemption from registration.



This is true for companies of all sizes, private and public alike, and sales to anyone, including friends, family, angel investors, and venture capital funds.





What is a security?

Federal securities laws define the term “security” broadly.

Some types of securities that startups often issue include:



Stock



Membership
Interest



Stock
Option



Restricted
Stock



Convertible
Instruments



Debt

Other early-stage capital raising options may not be a security, such as federal grants, donations, and rewards or pre-purchases of a product.



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Securities Laws in a Nutshell

Every offer and sale of securities must be *registered* with the SEC or conducted under an *exemption* from registration.

Registered Public Offerings

- Initial public offerings (IPOs)
- Special Purpose Acquisition Companies
- Direct Listings
- Secondary registered offerings

OR

- Rule 506(b) Private Placements
- Rule 506(c) General Solicitation Offerings
- Rule 504 Limited Offerings
- Regulation Crowdfunding Offerings
- Intrastate Offerings
- Regulation A Offerings

Exempt Offerings





Capital-Raising Pathways



[Rule 506\(b\) Private Placements](#) allow companies to raise unlimited capital from investors with whom the company has a relationship and who meet certain wealth thresholds or have certain professional credentials. A company cannot use general solicitation in a 506(b) private placement.



[Rule 506\(c\) General Solicitation Offerings](#) allow companies to raise unlimited capital by broadly soliciting investors who meet certain wealth thresholds or have certain professional credentials.



[Rule 504 Limited Offerings](#) allow companies to raise up to \$10 million in a 12-month period, in many cases from investors with whom the company has a relationship.





Pathways to Capital Raising



Regulation Crowdfunding Offerings allow eligible companies to raise up to \$5 million in a 12-month period from investors online via a registered funding portal.



Intrastate Offerings allow companies to raise capital within a single state according to state law. Many states limit the offering to between \$1 million to \$5 million in a 12-month period.



Regulation A Offerings (sometimes called a “mini-IPO”) allow eligible companies to raise up to \$20 million in a 12-month period in a Tier 1 offering and up to \$75 million in a 12-month period in a Tier 2 offering through a process similar to, but less extensive than, a registered offering.



Initial public offerings (IPOs) provide an initial pathway for companies to raise unlimited capital from the general public through a registered offering. After its IPO, the company will be a public company with ongoing public reporting requirements.





Choosing the Right Pathway

Make a plan.

AMOUNT NEEDED

What amount of money do you plan to raise?

WHAT



HOW



CONNECTIONS

How do you plan to connect with potential investors?

LOCATION

Where are your potential investors located?

WHERE



WHO



ACCREDITED STATUS

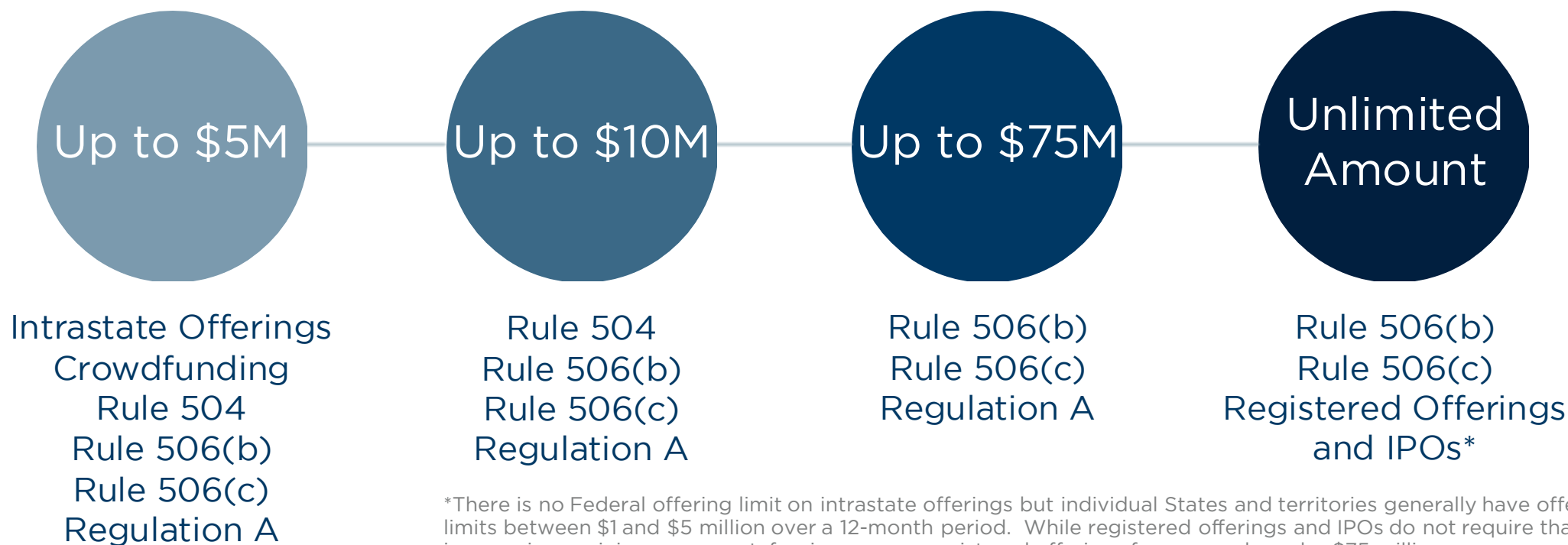
Are your investors all accredited?



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Amount Needed: How much will be raised?

 Different pathways allow you to raise different amounts of capital.



*There is no Federal offering limit on intrastate offerings but individual States and territories generally have offering limits between \$1 and \$5 million over a 12-month period. While registered offerings and IPOs do not require that an issuer raise a minimum amount, few issuers use registered offerings for proceeds under \$75 million.

Connections: What is General Solicitation?

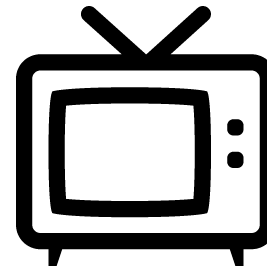
 A general solicitation is a solicitation that conditions the market for an offering of securities, such as:



Newspaper and
magazine
advertisements



Unrestricted public
websites



Television and radio
broadcasts



Seminars (excluding
demo days)



Connections: What is General Solicitation?



Why does this matter?

Some regulatory pathways **limit** how companies can connect with potential investors.

For example, **Rule 506(b) of Regulation D**—the most commonly used offering exemption—**prohibits** the use of **general solicitation** to market the securities.





Connections: How can I avoid general solicitation?



Limit the offering to investors with whom the company (or its broker-dealer or investment adviser) has a pre-existing, substantive relationship.

"Pre-existing"

Formed *before* the start of the offering

or

Established through a broker-dealer or investment adviser *prior to* that investment professional's participation in the offering

"Substantive"

Formed when the entity offering securities has sufficient information to evaluate and evaluates a potential investor's status as an accredited investor



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Accredited Status: What is the role of accredited investors?



Many offering exemptions limit participation to accredited investors or restrict participation by non-accredited investors.

Only Accredited Investors Allowed



- Rule 506(c) General Solicitation Offerings

Restrictions for Non-Accredited Investors



- Rule 506(b) Private Placements
- Regulation A Offerings
- Regulation Crowdfunding

No Restrictions for Non-Accredited Investors



- Rule 504 Limited Offerings
- Intrastate Offerings
- Public Offerings





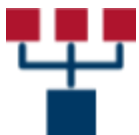
Accredited Status: How can entities qualify as accredited investors?



Entities owning investments in excess of \$5 million



The following entities with assets in excess of \$5 million: corporations, partnerships, LLCs, trusts, 501(c)(3) organizations, employee benefit plans, “family office” and any “family client” of that office



Entities where all equity owners are accredited investors



Investment advisers (SEC- or state-registered or exempt reporting advisers) and SEC-registered broker-dealers



A bank, savings and loan association, insurance company, registered investment company, business development company, or small business investment company, or rural business investment company



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Location: Where are your investors?



Why does this matter?



Intrastate offerings allow companies to raise capital within a **single state** according to **state law**. Many states limit these offerings to between \$1 million to \$5 million in a 12-month period.



Some—but not all—federal offering exemptions **preempt** state securities **registration and qualification requirements**.



States retain authority to investigate and bring enforcement actions for **fraud**, impose state **notice filing** requirements, and collect state **fees**.





TOOLS TO EMPOWER ENTREPRENEURS



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Tools to Empower Entrepreneurs

Roadmap to Funding a Small Business
Looking for capital for your small business? Funding a small business depends on your financial situation and goals. This guide provides routes to consider as you begin your capital-raising journey.

Self-fund Your Business
Personal resources may be an option to fund your business, while you also secure all other financing options. Personal financing may not be a viable option.

Explore External Funding Options
Funding where the source does not require an ownership interest in your company is often called non-illiquid capital. Examples include grants or loans.

Grants provide capital that need not be repaid and allow you to retain your ownership of the business. Consider grants sponsored by federal, state, and local governments, universities, or non-profits.

Loans may be available for small businesses from a variety of other institutions. They will have to repay the principal over time along with any required interest. As with grants, these kinds of sources cannot require that an ownership interest in your company.

Capital from investors often provides funding in exchange for an ownership stake in your company. Consider equity crowdfunding, private equity, and venture capital funds. Other financing options may also be a source of illiquid capital in your business or start-up requirements.

Two questions to ask yourself before raising capital from investors:
Am I ready to raise capital from investors?
Am I complying with the rules?

Did You Know?
Take the SEC's online course, *How to Raise Money from Investors*, to learn more about the rules and requirements for raising capital from investors.

Learn More!

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RESOURCES FOR SMALL BUSINESSES

Navigate Your Options

Capital-Raising Building Blocks

Exempt Offerings

Resources for Small Businesses

Explore SEC resources to help equip small businesses, from startup to small cap, and their investors with the tools needed to navigate capital raising.

Funding Roadmap
Take a tour through various funding options for small businesses.
LEARN MORE!

Navigate Your Options
Explore regulatory pathways to raise capital from investors.
LEARN MORE

Capital-Raising Building Blocks
Explore the fundamentals of capital raising.
LEARN MORE

Exempt Offerings
Regulation D, Regulation A, Crowdfunding, and other ways to raise capital without registering with the SEC.
LEARN MORE

Going Public
Raising capital through a registered public offering.
LEARN MORE

Glossary
Cut through the jargon and learn the language of capital raising.
LEARN MORE

Capital Trends
Mapping Investment in America: Where are Companies Raising Capital?

Regulation D

Methodology

Annual Report
FISCAL YEAR 2024

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Empowering small businesses and their investors

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