

# Talk to the SEC!

**Feb 24 @ 10:00 am PST**  
**Online via Zoom**

Join in a conversation with the U.S. Securities and Exchange Commission (SEC), which regulates how businesses raise money from investors, to learn how to navigate your options.

Hosted  
By **RAIN**  
OREGON



**SEC Commissioner**  
**Caroline A. Crenshaw**



**Jenny J. Choi**  
*Attorney*

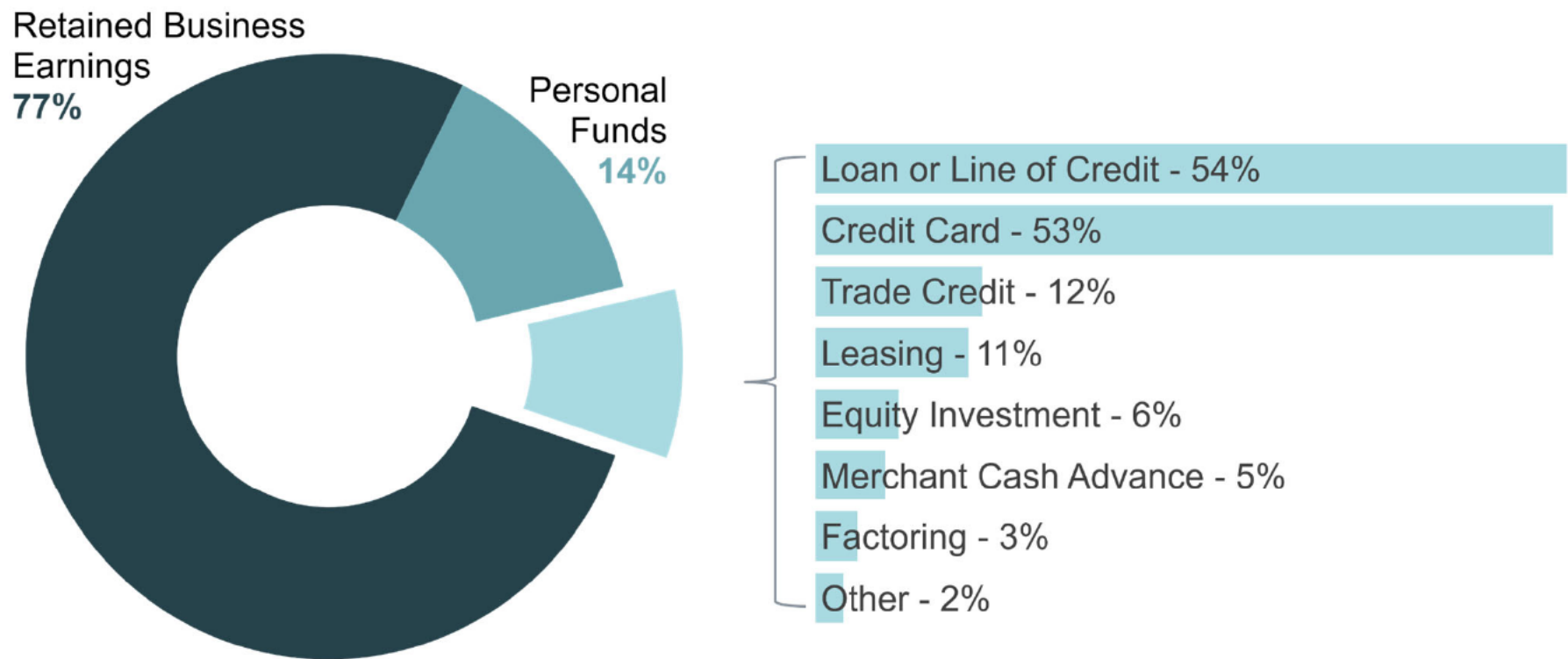


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Small Business Capital Formation**

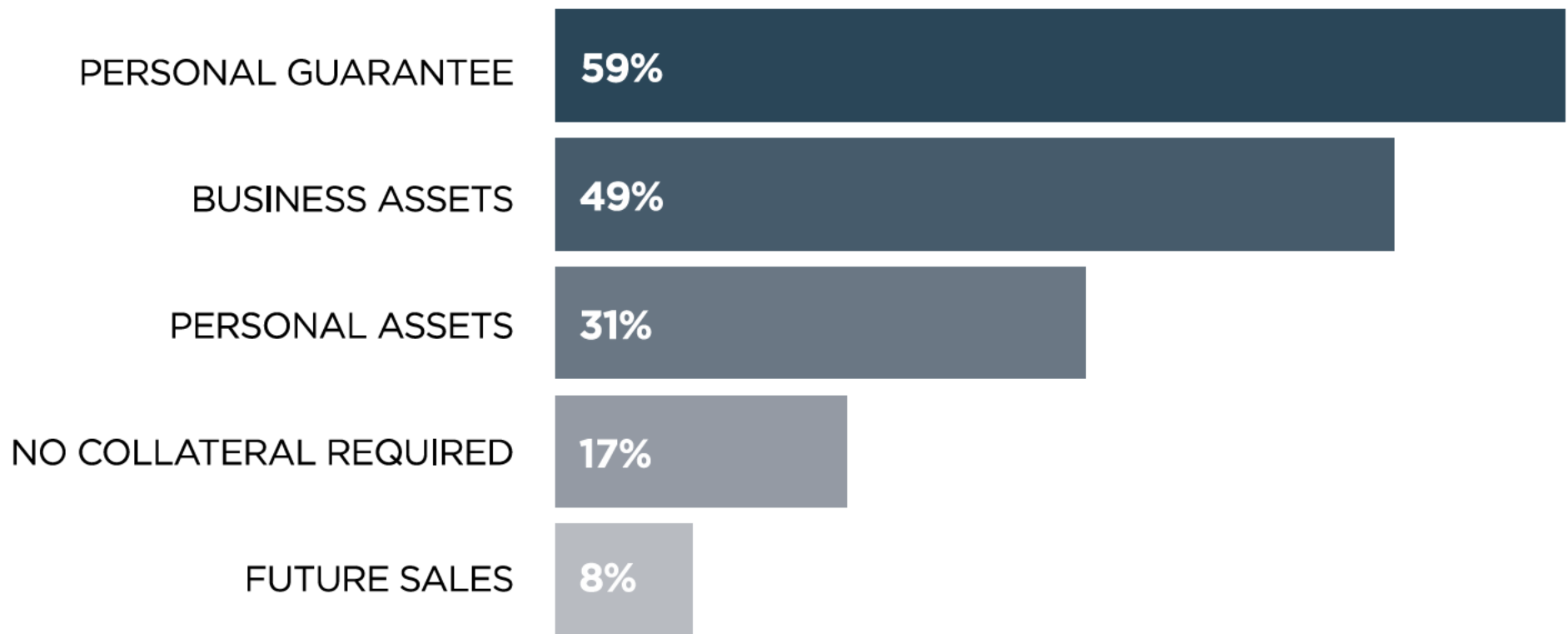
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# What are common sources of capital for small and emerging businesses?



Source: See FY2020 Report p. 29; Federal Reserve Banks, "2020 Report on Employer Firms: Small Business Credit Survey," (2020).

# Collateral is often a pre-requisite for small businesses seeking bank financing



Source: See FY2020 Report p. 30; Federal Reserve Banks, "2020 Report on Employer Firms: Small Business Credit Survey" (2020).

## Minority-owned businesses face challenges accessing bank capital, leading to more financial restraints:

- ✓ More likely to use **personal funds** as primary funding source
- ✓ More likely to use **personal funds** in response to financial challenges
- ✓ Generally **lower credit approval** ratings
- ✓ Less frequently **approved** for full amount of loans

Source: See FY2020 Report p. 54; Alicia Robb, "Minority-Owned Employer Businesses and Their Credit Market Experiences in 2017," SBA Office of Advocacy, (Jul. 22, 2020).

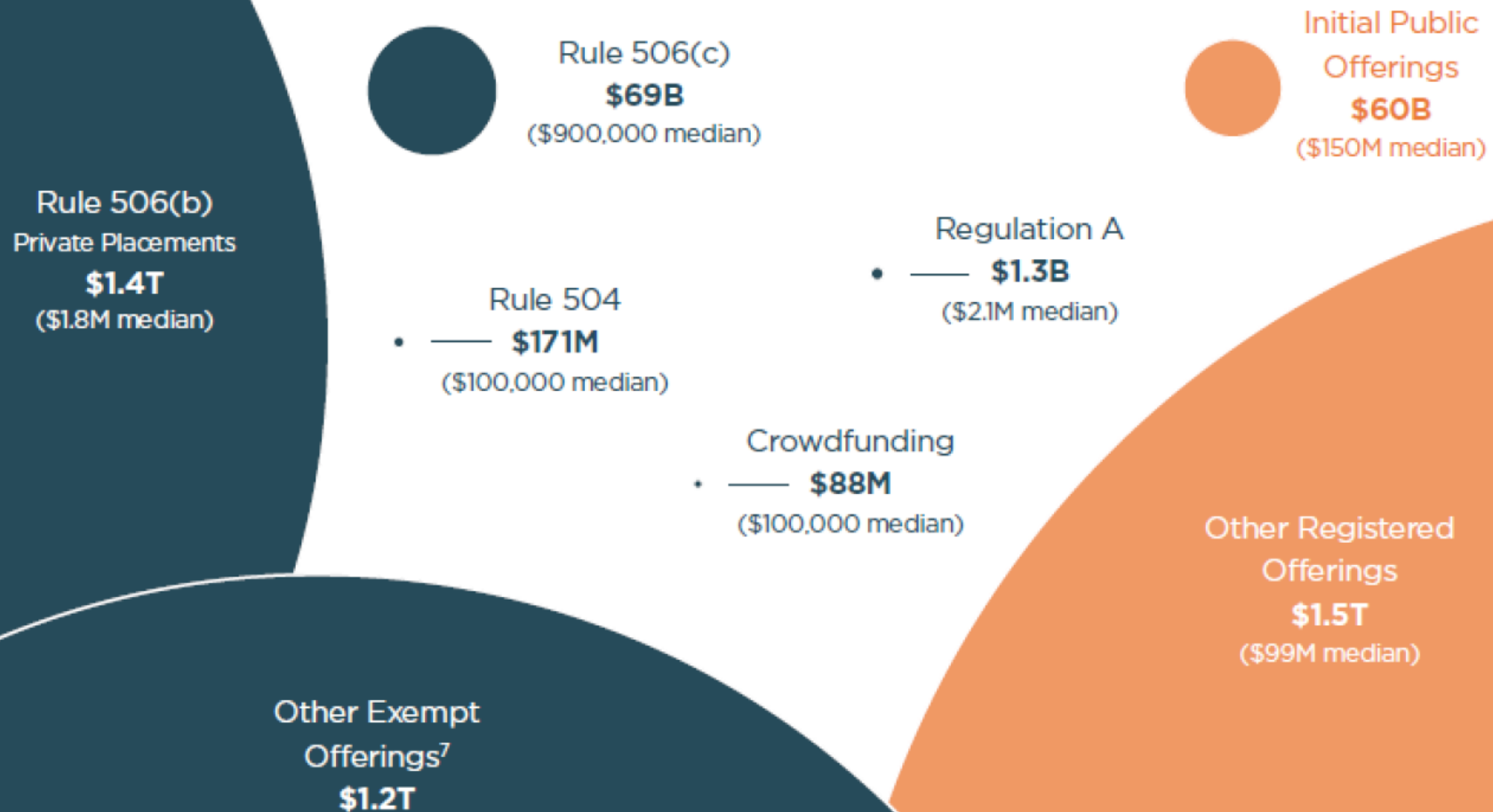
## Common Terms You May Encounter

- Security
- SEC (Securities and Exchange Commission)
- Registered Offering
- Exempt Offering
- Accredited Investor



Info on other terms available at: [www.sec.gov/cutting-through-jargon](http://www.sec.gov/cutting-through-jargon)

## What regulatory pathways are companies using to raise capital?<sup>6</sup>



# Exempt securities landscape... It's complex.

Type of Offering	Offering Limit within 12-month Period	General Solicitation	Issuer Requirements	Investor Requirements	SEC Filing or Disclosure Requirements	Restrictions on Resale	Preemption of State Registration and Qualification
Section 4(a)(2)	None	No	None	Transactions by an issuer not involving any public offering. See <i>SEC v. Ralston Purina Co.</i>	None	Yes. Restricted securities	No
Rule 506(b) of Regulation D	None	No	"Bad actor" disqualifications apply	Unlimited accredited investors Up to 35 sophisticated but non-accredited investors in a 90 day period	Form D Financial statement requirements for non-accredited investors consistent with Regulation A.	Yes. Restricted securities	Yes
Rule 506(c) of Regulation D	None	Yes	"Bad actor" disqualifications apply	Unlimited accredited investors Issuer must take reasonable steps to verify that all purchasers are accredited investors	Form D	Yes. Restricted securities	Yes
Regulation A: Tier 1	\$20 million	Permitted; before qualification, testing-the-waters permitted before and after the offering statement is filed	U.S. or Canadian issuers Excludes blank check companies, registered investment companies, business development companies, issuers of certain securities, certain issuers subject to a Section 12(j) order, and Regulation A and reporting issuers that have not filed certain required reports	None	Form 1 A, including two years of financial statements Exit report	No	No
Regulation A: Tier 2	\$75 million		"Bad actor" disqualifications apply No asset-backed securities	Non-accredited investors are subject to investment limits based on the greater of annual income and net worth, unless securities will be listed on a national securities exchange	Form 1 A, including two years of audited financial statements Annual, semi-annual, current, and exit reports	No	Yes
Rule 504 of Regulation D	\$10 million	Permitted in limited circumstances	Excludes blank check companies, Exchange Act reporting companies, and investment companies "Bad actor" disqualifications apply	None	Form D	Yes. Restricted securities except in limited circumstances	No
Regulation Crowdfunding; Section 4(a)(6)	\$5 million	Testing the waters permitted before Form C is filed Permitted with limits on advertising after Form C is filed Offering must be conducted on an internet platform through a registered intermediary	Excludes non-U.S. issuers, blank check companies, Exchange Act reporting companies, and investment companies "Bad actor" disqualifications apply	No investment limits for accredited investors Non-accredited investors are subject to investment limits based on the greater of annual income and net worth	Form C, including two years of financial statements that are certified, reviewed or audited, as required Progress and annual reports	12-month resale limitations	Yes
Intrastate: Section 3(a)(11)	No federal limit (generally, individual state limits between \$1 and \$5 million)	Offerees must be in-state residents	In-state residents "doing business" and incorporated in-state; excludes registered investment companies	Offerees and purchasers must be in-state residents	None	Securities must come to rest with in-state residents	No
Intrastate: Rule 147	No federal limit (generally, individual state limits between \$1 and \$5 million)	Offerees must be in-state residents	In-state residents "doing business" and incorporated in-state; excludes registered investment companies	Offerees and purchasers must be in-state residents	None	Yes. Resales must be within state for six months	No
Intrastate: Rule 147A	No federal limit (generally, individual state limits between \$1 and \$5 million)	Yes	In-state residents and "doing business" in-state; excludes registered investment companies	Purchasers must be in-state residents	None	Yes. Resales must be within state for six months	No

\* This chart provides an updated summary of the capital raising exemptions. See Facilitation Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets, Rel. No 33-10884, available at <https://www.sec.gov/rules/final/2020/33-10884> for further information about the recent amendments. These amendments will become effective on March 15, 2021.

# Breaking down the pathways

Private  
Placements  
(Rule 506(b))

Accredited  
Investor  
Crowdfunding  
(Rule 506(c))

Mini IPOs  
(Reg A)

Crowdfunding  
(Reg CF)

Intrastate  
Offerings



# Taking the Pulse of Oregon's Capital Infrastructure

- How could a company in Oregon go about raising \$200K for a coffee shop?
- Would it be different if they don't have a network of accredited investors?
- What about a company looking for a larger amount of money, such as \$15 million?

# Q&A



[www.sec.gov/oasb](http://www.sec.gov/oasb)



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