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TRIPPOINT

GLOBAL EQUITIES, LLC

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How Capital Formation Options Are Working For Small Businesses

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Reg A+: The Return Of The Small Cap IPO

Final rules on Regulation A+ (Reg A+), as mandated by the Jumpstart Our Business Startups (JOBS) Act, went into effect on June 19, 2015 as issued by the SEC

- Provides small cap issuers ability to raise up to \$50.0MM in a 12-month period
- Raise capital faster than traditional methods
- Both accredited and non-accredited investors can participate side-by-side
- National Blue Sky exemption (can market to all 50 states)
- Allows “test the waters” (TTW) period to determine investor appetite
- Enables use of public channels such as email or social media to market an offering
- Reduced filing and compliance requirements for issuer
- Elimination of quiet period
- Can continue to raise capital during filing process



The Power of Reg A+

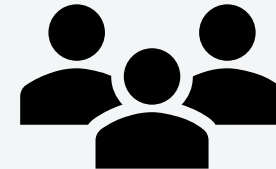
When utilized properly, Reg A+ has the power to convert an issuer's affinity group into shareholders

- Affinity group comprised of social media following and loyal customer base
- General solicitation rules provide issuers means to leverage powerful marketing tactics
- Removal of quiet period allows marketing before, during and after filing process

Affinity Group



Shareholders



The people who support sales of the company can now own a piece of the company

Barriers to Completing Reg A+

Passing regulations was a key milestone, however, a variety of barriers remain that hinder issuers ability to complete successful offerings

- Processing large number of investor inquiries
- Receiving investors funds and issue securities
- Difficulties for non-exchanged listed securities
 - Depositing physical stock certs
 - Clearing the certificates
 - FINRA Regulations
 - Regulatory Notice 09-05 (OTC listed shares)
- Lack of broker dealer sponsorship creates issues with:
 - Diligence
 - Pricing
 - Aftermarket
 - SIPC Insurance
 - Regulated
 - Verifying investor suitability and investment objectives



Reg A+: 2017 Reality Check

Reg A+ has transformed from its original intentions

	Original Intention	2017 Reality
Role of Broker Dealers	<ul style="list-style-type: none">No intermediaries	<ul style="list-style-type: none">Broker dealer required to list on exchange and provide valuation, market analysis and diligence
Post-Closing Liquidity	<ul style="list-style-type: none">Either not trade or only on OTC	<ul style="list-style-type: none">Successful listings on NYSE & NASDAQ, providing liquidity for investors
Cost-To-Market	<ul style="list-style-type: none">Less expensive than S-1	<ul style="list-style-type: none">In order to list on national exchange, cost comparable to S-1 pricing
Time-to-Market	<ul style="list-style-type: none">Faster to market than S-1	<ul style="list-style-type: none">Form 1A is similar to S-1 in timing for a listed security, non-traded securities are faster
Investor Base	<ul style="list-style-type: none">Crowd would fund entire offering	<ul style="list-style-type: none">The crowd has not fully developed yet, requires hybrid approach with retail syndicate and institutional participation
SEC Review	<ul style="list-style-type: none">Quick review and filing process	<ul style="list-style-type: none">Remains quick review and filing process
Testing The Waters	<ul style="list-style-type: none">TTW indications create expectation of large order flow	<ul style="list-style-type: none">Conversion ratio of TTW indications to firm orders is low, requires significant marketing to increase

BANQ®: The Online Division of TriPoint Global Equities, LLC

BANQ® is the online division of TriPoint Global Equities, LLC

- Pioneers in bringing Reg A beyond the OTC markets, creating methodology to look, act and feel like a traditional IPO to trade on a national securities exchange
- Utilizes hybrid approach with crowd, retail syndicate and institutional placement

BANQ The Platform

- Online platform that enables the crowd and wall street to participate in IPOs side-by-side
- Online brokerage account enables low cost trading of securities listed on NYSE or NASDAQ
- Custody securities (traded and non-traded asset classes)
- Capitalize on new general solicitation and advertising rules established in JOBS Act

BANQ The People

- Investment Banking and Capital Markets team of TriPoint
- Streamlined underwriting and diligence process
- Experienced bankers, not issuers, drive valuation
- Detailed diligence process provides level of comfort for main street and wall street

BANQ, together with TriPoint, invented the methodology used today that democratizes the offering process for main street while adhering to strict regulations and expectations of wall street participants

Concept Proven

BANQ transformed Title IV of JOBS Act into an IPO that looks, acts and feels like a traditional IPO, providing capital formation to smaller issuers and bringing back the small cap IPO

- Worked with NYSE and NASDAQ to enable listings, completing first Reg A+ IPO to list on national exchange (NYSE: MYO in June 2017)
- With the concept successfully proven, early adopters have begun to enter the market while still in its infancy

Reasons why national exchange listed Reg A+ is better than traditional offerings?

- Leveling playing field for individual investors to participate on same field as Wall Street
- Doesn't trigger designated security rule (penny-stock rule)
- Allows introducing broker dealer's w/ clearing relationships who are prohibited from taking OTC share deposits to participate
- No quiet period
- Transparency of information
- Settles thru DTC
- Supports digital communication in modern world, capitalizing on social media (e.g. Facebook, email marketing, Twitter, Instagram, etc.)

Successful Reg A+ Listings

While the Reg A+ market is still in its infancy, there have been a number of successful offerings that have drawn needed attention to the industry

- Elio Motors (OTC: ELIO) pioneered with first traded security
- Myomo (NYSE: MYO) pioneered as first to list on national exchange
- Adomani (NASDAQ: ADOM) first to go on NASDAQ, followed by PIXY, CSSE, FUV
- FAT Brands (NASDAQ:FAT) first to offer dividend
- Level Brands (NYSE: LEVB) first affiliated with global iconic celebrity, Kathy Ireland

Small percentage of offerings have been successful and it is imperative that we understand the shortfalls of un-successful offerings

- Majority did not use intermediary
- Issuers were given misleading information (e.g. if you file Form 1A and send an email, investors will show up at your door)
- Uneducated service providers without Wall Street experience driving process and providing advice to issuers
- Issuers' businesses were unlikely to meet qualitative and quantitative listing requirements without completing additional significant capital raise post-closing
- Valuations have experienced irrational exuberance, causing price corrections post-closing

Widespread Market Adoption Awaits...

Initiatives must be undertaken to increase adoption in market

Recommendations For Regulators

- Increase limit of offer to sale vs. actual sale to go beyond \$50 million threshold
- Increase overall threshold to \$75 million
- Allow '34 Act issuers to utilize Reg A+
- Integrate QR codes into TTW and qualified materials to comply with Rule 134
- Allow a greenshoe to assist with stabilization after listing
- Require all platforms / portals to be registered with SEC and FINRA in similar manner to Reg CF
- Clear guidance on TTW disclosure guides incl. print, TV and radio communications
- Enforce short selling rules and Reg T compliance on IPO

Recommendations For Issuers

- Increase valuation and pricing scrutiny
- Better disclosure of risk to execute business plans beyond initial capital raise
- Wider institutional adoption needed
- Research Analyst education
- Education of compliance officers of mid-tier BDs
- Consolidate message amongst service providers
- Disconnect amongst service providers in truly understanding the benefits of Reg A+
- Reg A+ is not bad, mis-pricing companies not ready for public markets is bad
- Continued education to issuers, service providers and wall street community

Reg A+ In The Future

As more issuers and investors continue to adopt Reg A+, the market will mature

- No need for S-1s for small cap issuers
- Mid-tier banks will embrace Reg A+ as a means to complement institutional placement with retail distribution
- Right now, small portion of offerings are driven by the crowd and we believe that over time the crowd will become a large piece of the shareholder distribution in the offering
- Move away from issuers in consumer and retail industries to others
- Larger issuers will utilize Reg A+ to expand product awareness and connect with customers
- Non-sponsored research will be initiated on issuers
- Main street will become more educated and aware of opportunities in Reg A+



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