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REGULATION A+ TIER 1 AND TIER 2

SUMMARY AND GUIDANCE

2017

BY

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Summary of Regulation A+ Tier 1 and Tier 2

SUMMARY OF REGULATION A+ TIER 1 and TIER 2

On March 25, 2015, the SEC adopted final rules to amend Regulation A, which created two tiers. The new rules update and expand the Regulation A exemption from registration for smaller issuers of securities. The new Regulation A rules are mandated by Title IV of the Jumpstart Our Business Startups (“JOBS”) Act. Below is a summary of the various aspects and differences between Tier 1 vs Tier 2. Tier 1 offerings will be subject to both SEC and state blue sky pre-sale review. Tier 2 offerings will be subject to SEC, but not state blue sky, pre-sale review. Investors in a Tier 2 offering will be subject to investment limits (except when securities are sold to accredited investors or are listed on a national securities exchange) and Tier 2 issuers will be required to comply with periodic filing requirements, which include a requirement to file current reports upon the occurrence of certain events, semi-annual reports and annual reports. Also, an issuer in a Tier 2 offering is provided a means to concurrently list a class of securities on a national exchange through a short-form Form 8-A, without requiring the filing of a separate registration statement on Form 10.

	TIER 1 ISSUERS	TIER 2 ISSUERS
Investment Limits	\$20M in 12-month period	\$50M in 12-month period
Limit of securities offered by selling shareholders	Up to 30% of the offering	Up to 30% of the offering
State Blue Sky Pre-sale Review Required	Yes	No
Ability to file confidentially	Yes	Yes
Ability “to test waters”	Yes	Yes
Restriction on Securities	No restrictions on the resale of securities, except to the extent that the securities are held by affiliates.	No restrictions on the resale of securities, except to the extent that the securities are held by affiliates.
Ongoing SEC reporting	None after initial report	Annual and semi-annual reporting: <ul style="list-style-type: none"> • annual reports on Form 1-K; • semi-annual reports on Form 1-SA; • current reports on Form 1-U; • special financial reports on Form 1-K and Form 1-SA; and • exit reports on Form 1-Z

Summary of Regulation A+ Tier 1 and Tier 2

Investor type	Accredited and Non-Accredited	Accredited and Non-Accredited
Number of Investors	Unlimited (but subject to Blue Sky Compliance)	Unlimited
Max investment per Investor	Unrestricted	Restricted by income/net worth for non-accredited
Investor Disclosure	SEC filing required	SEC filing required
Financial Statements	<p>Audited financial statements only if prepared for other purposes. If audited, then must be audited by an independent accountant, but not required to be PCAOB-registered.</p> <ul style="list-style-type: none"> • Current balance sheet, income statement for two years, as well as any interim period. 	<p>Audited financial statements required, reviewed by an independent accountant and prepared in accordance with PCAOB standards.</p> <ul style="list-style-type: none"> • Current balance sheet, income statement for two years, as well as any interim period.

IMPORTANT NOTES:

The issuer's securities may not be listed or quoted on a securities exchange without registration under Section 12 of the Securities Exchange Act of 1934 ("Exchange Act"), and, as a result, there may not be a liquid market for the securities.

A Tier 2 issuer's periodic reports will satisfy Exchange Act Rule 15c2-11 broker-dealer requirements relating to the obligation to review information about an issuer in connection with publishing quotations on any facility other than a national securities exchange.

FINRA Review: For any public offering of securities, FINRA Rule 5110 prohibits FINRA members and their associated persons from participating in any manner unless they comply with the filing requirements of the rule. Rule 5110 also contains rules regarding underwriting compensation. Rule 5110(b) requires that certain documents and information be filed with and reviewed by FINRA, and these filing and review requirements apply to securities offered under Regulation A.

ELIGIBLE COMPANIES

- Eligible companies organized in and with their principal place of business in the U.S. or Canada
- Exemption not available to the following companies:

Summary of Regulation A+ Tier 1 and Tier 2

- Reporting company under Exchange Act of 1934
- Blank check companies (i.e., development stage companies with no business plan or plan to merge into another company)
- Investment companies
- Company issuing fractional interests in oil, gas or other mineral rights
- Companies that are disqualified as Bad Actors under Rule 262

TIER 2 ELIGIBILITY

- Tier 2 securities are exempt from Exchange Act registration under Section 12(g) if issuer meets all of following conditions:
 - Engages services of a transfer agent registered with the SEC
 - Remains subject to Tier 2 reporting obligations
 - Is current in its annual and semi-annual reporting at fiscal yearend
 - Has public float of less than \$75.0MM as of the last business day of its most recently completed semi-annual period, or, in the absence of a public float, had annual revenues of less than \$50.0MM as of its most recently completed fiscal year
- An issuer that exceeds Section 12(g) thresholds would have a two year transition period before it must register its class of securities

INTEGRATION OF OFFERINGS

A Regulation A offering will not be integrated with:

(1) prior offers or sales of securities; or

(2) subsequent offers or sales of securities that are:

(i) registered under the Securities Act, except as provided in Rule 255(e);

(ii) made in reliance on Rule 701;

(iii) made pursuant to an employee benefit plan;

(iv) made in reliance on Regulation S;

(v) made pursuant to Section 4(a)(6) of the Securities Act (crowdfunded offerings); or

(vi) made more than six months after the completion of the Regulation A offering.

Summary of Regulation A+ Tier 1 and Tier 2

ABOUT JEROLD N. SIEGAN

Mr. Siegan's practice is concentrated in the business transaction areas of corporate, securities, business law, mergers and acquisitions and corporate finance. He is a former Senior Attorney in the Securities & Exchange Commission's Division of Corporation Finance has extensive experience in federal and state regulation of securities, private placements and syndications, registration statements for public offerings, reverse acquisitions, venture capital, disclosure drafting, early stage fundings, going private transactions, bridge loans and PIPE financings, representation of broker/dealers, placement agents and securities underwriters and real estate syndications. His clients include seasoned companies, as well as early stage issuers, underwriters and placement agents, EB-5 Issuers and EB-5 regional Centers. He advises and counsels clients with respect to periodic SEC reporting, corporate governance, fiduciary obligations and compliance programs. He also represents broker/dealers, placement agents and securities underwriters in connection with securities offerings and SEC and FINRA compliance. He provides all aspects of general corporate counseling and business representation for these entities.

Mr. Siegan is the author of "Securities Law Compliance Manual - Manual for Regulation S Offerings" 2009 Edition, "Securities Law Compliance Manual - for Private Placement of Securities" 2009 Edition and "Intersection of Securities Laws and EB-5 Transactions – Securities Laws Compliance Guidance for Immigration Attorneys" 2016.

Representative Experience:

- Represented as business transaction and securities counsel various real estate opportunity fund offerings and syndications.
- Represented EB-5 Issuers' and EB-5 Regional Centers' legal counsel in various EB-5 transactions in compliance with USCIS EB-5 program, including exempt securities offerings conducted under Regulation D and Regulation S.
- Represented broker-dealers in compliance and regulatory matters.
- Represented individuals in connection with SEC filings and compliance matters.
- Appointed to serve as a member of a 3-member Special Litigation Committee in connection with a shareholder derivative lawsuit filed against a public company.
- Represented issuers in NASDAQ, and Over-The-Counter Bulletin Board and exchange listings and up-listings.
- Represented individuals and corporations who are the subject of an investigation by the SEC, FINRA and state securities departments.
- Represented underwriters' in various private placements, initial and follow-on public offerings.
- Represented Issuers in various initial and follow-on public offerings and PIPE transactions.
- Represented private companies and shell companies in reverse merger transactions

Education

- DePaul University (J.D., 1972; Dean's List and Law Review)
- University of Illinois (B.A., 1968)

Summary of Regulation A+ Tier 1 and Tier 2

Bar admissions

- State of Illinois
- United States District Court for the Northern District of Illinois
- United States Court of Appeals for the Seventh Circuit