

# Exempt Securities Offerings: A Viable Solution for SME Capital Formation

Timothy D. Hogan

Trilliam Jeong, CFE

Amy Reischauer, J.D.

Jonny Price

Russell C. Weigel, III, J.D.

March 15, 2021



The Association of  
Accountants and  
Financial Professionals  
in Business

# Webinar Features and CPE Credit

Q&A

Asking Questions



Help



CPE Credit

## Certification

### Criteria for Partial Credit Option 1

- ☐ Minutes to Watch: 50
- ☐ Number of Completed Polls required: 3

### Criteria for Full Credit

- ☐ Minutes to Watch: 75
- ☐ Number of Completed Polls required: 5

# Moderator



**Mai Luu, CMA, CPA, CFE**  
**Chief Operating Officer**  
**Commonwealth Capital LLC**

# Featured Presenters



**Timothy D. Hogan**  
**CEO**

Commonwealth Capital, LLC



**Trilliam Jeong, CFE**  
**Co-Founder & CEO**  
WealthBlock.ai



**Amy Reischauer, J.D.**  
**Strategic Engagement**  
**Advisor**

SEC Office of the Advocate  
for Small Business Capital  
Formation



**Jonny Price**  
**VP Business Development**  
Wefunder



**Russell C. Weigel, III, J.D.**  
**Commissioner**  
Florida Office of Financial  
Regulation



# Timothy Hogan's Biography

- Mr. Hogan started his career as a stockbroker on Wall Street in 1984 with a few large investment firms, such as, Merrill Lynch, E. F. Hutton, and Shearson Lehman Brothers. Mr. Hogan is a former Director of Compliance for North American Financial Group, Inc. and Chairman of the Investment Policy Committee for North American Capital Advisors, Inc., a SEC Registered Investment Advisory firm. He has held seven (7) NASD securities licenses and registrations primarily of “Principal” status.
- Mr. Hogan built an eighteen-hole championship golf course, internet related businesses, as well as an investment banking company. Mr. Hogan holds a double major (Marketing & Finance) Bachelor of Business Administration from Grand Valley State University's Seidman College of Business.
- Mr. Hogan is the author of the courseware entitled: The Secrets of Wall Street: Raising Capital for Start-Up and Early-Stage Companies, the creator of the Corporate Engineering Conservatory™ and the Financial Architect System™.

# Trilliam Jeong's Biography

- Trilliam Jeong is the CEO and co-founder of WealthBlock.AI, a Chicago FinTech firm that develops white-label capital raising platforms for private deals.
- Between 2012 and early 2018, Trilliam served as Lead Quantitative Analyst in the Market Regulation department of the National Futures Association. Meanwhile, Trilliam managed his own hedge fund, Aura Value International, based on his proprietary quantitative-value model that generated 300% in 3 years.
- Before NFA, Trilliam obtained his master's degree in Financial Mathematics from the University of Chicago and another Master's degree in Financial Mathematics from the University of Queen College – CUNY.

# Amy Reischauer's Biography

- Amy Reischauer began spearheading the Office's outreach and education efforts in January 2021. Prior to joining the Office, Amy served as the lead advisor on capital formation matters to the SEC Chairman. Amy previously worked in the SEC's Office of Legislative and Intergovernmental Affairs, the Division of Corporation Finance's Office of Small Business Policy, and in disclosure operations for that Division.
- Before joining the SEC, Amy served as Associate General Counsel at drugstore.com, as Assistant General Counsel at Shurgard Storage Centers, and as an associate at the law firm of Perkins Coie LLP in Seattle.

# Jonny Price's Biography

- Jonny Price leads the Business Development team at Wefunder. Originally from the UK, Jonny started his career in strategy consulting at Oliver Wyman, before founding the U.S. team at Kiva.org, which he led for seven years until early 2018, when he joined Wefunder.
- Jonny studied History at Cambridge, serves on the Federal Reserve Board's Community Advisory Council, and moved to Nashville a few months ago, after ten years in San Francisco, with his wife Ali, and three young children -  
- Felicity, Carlyle and Margot.



# Russell Weigel's Biography

- Mr. Weigel commenced his appointment as Commissioner of the Florida Office of Financial Regulation in March 2020 where he supervises Florida's securities industry, state-chartered banks and credit unions, and regulates consumer lending and other financial matters. Prior to that he served the private sector as a securities attorney for 19 years, counseling securities issuers and securities industry participants on securities law compliance and protecting them from government investigations and litigation. From 1990 to 2001, Mr. Weigel served in the SEC's Division of Enforcement in various capacities. He started his legal career in 1989 as a criminal prosecutor for the state of Florida.
- Mr. Weigel is the author of Capital for Keeps, a book designed to help entrepreneurs plan a capital raise and avoid running afoul of the law.

# Learning Objectives

*Upon completing this webinar, you will be able to:*

1. Describe the framework for exempt securities offerings and the multiple regulatory pathways to access capital.
2. Discover ways to create and use hybrid securities to avoid dilution of equity ownership and voting control.
3. Recognize how to utilize the regulation crowdfunding platforms as a way to raise start-up capital.
4. Give examples of ways to leverage technology to increase effectiveness and efficiency of capital raising in the private capital markets.
5. Develop best practices on post capital raising for continued corporate governance and securities compliance.

Hybrid Securities “Avoid selling too much of a company, too early for too little.”



**Timothy D. Hogan**  
**Chief Executive Officer**  
**Commonwealth Capital, LLC**  
[www.commonwealthcapital.com](http://www.commonwealthcapital.com)

# Commonwealth Capital, LLC : Capitalizing Start-up and Early-Stage Companies since 1998

- Number of innovations unable to be commercialized due to the lack of available private capital for start-up and early-stage companies.
- Need of application utilities that commoditize the process and then tie all the players altogether to create a complete Idea-to-IPO environment ...

## WHAT MAKES THIS REQUIRED INFORMATION FOR A START-UP OR EARLY-STAGE COMPANY

### FUNDRAISING MISTAKES CAN BE FATAL

For 98.46% of all Start-Up and Early-Stage Companies sending their business plans to financial institutions, such as; venture capital firms; private equity firms; special purpose acquisitions companies (SPACs); investment banks/broker-dealers and commercial banks for substantial amounts of funding is a complete waste of time.

### LEGAL MISTAKES CAN BE COSTLY

Legal mistakes within a business plan made early cannot only be costly for a start-up or early-stage company. Those mistakes could ruin any chance for capital attainment down the road. Not understanding what *constitutes a security*; *an offering of securities* under U. S. federal and state(s) securities laws, can be corporate suicide.

### WRONG DEAL STRUCTURES CAN PREVENT BUILDING FOUNDER VALUE AND WEALTH

Improper deal structures can mean selling too much of the company, too early for too little and possibly giving up voting control, as well. Even worse, improper deal structures such as SAFEs can disqualify you from entering powerful areas within the U.S. Capital Markets to begin with.

### PROPER CORPORATE ENGINEERING POSITIONS YOUR COMPANY FOR SUCCESS

An eventual investment banking relationship means being at the top of the food chain for accessing unlimited capital. If your company is not properly engineered from the core of its “DNA,” you stand little to no chance of accessing substantial amounts of capital without giving up the most precious elements of your company: Ownership Equity and Voting Control.

Create and use hybrid securities to minimize dilution of both equity ownership and voting control.

- Pure Equity Securities have little to no value in the Start-up and Early Stages of a company.
- Pure Debt Securities have little attraction to investors in the Start-up and Early Stages of a company.

# Hybrid Securities “Avoid selling too much of a company, too early for too little.”

## **Convertible Debt for Seed Capital – Series A Round**

- Understand the practicality of using convertible debt securities for investor risk mitigation and maximum equity retention for company founders. A Convertible Note is an example.

## **Convertible Preferred Equity with for Development Capital – Series B Round**

- Understand the benefits of using convertible equity securities for investor profit maximization with maximum equity retention for company founders. Convertible Preferred Stock is an example.

## **Proper Deal Structuring to Mitigate Investor Risk**

- Viewing the structure of a securities-offering from a professional investor’s standpoint to increase acceptance. One’s capitalization plan should mitigate operational, financial & litigation/regulatory risk.

# Hybrid Securities “Avoid selling too much of a company, too early for too little.”

Seed Capital	Development Capital	Expansion Capital
<b>Convertible Bridge Notes</b> Amounts Normally Range from \$500,000 to \$5,000,000 <i>Standards:</i> Competitive Interest Rate Short-term Maturity 1 <sup>st</sup> Lien Security IS DEBT CAPITAL <i>Additional Features:</i> Convertible into Common Equity prior to Maturity date for Growth  PRIVATELY PLACED & HELD ACTS LIKE EQUITY	<b>Series -A- Convertible Participating Preferred Equity</b> Amounts Normally Range from \$5,000,000 to \$50,000,000 <i>Standards:</i> Competitive Stated Dividend Rate 1 <sup>st</sup> Lien Security replaces all Debt Call Protection to a Date Certain ACTS LIKE DEBT <i>Additional Features:</i> Participation Dividend to Enhance Current Yield Convertible into Common Equity prior to Maturity date for Growth  PRIVATELY PLACED & HELD IS TEMPORARY EQUITY CAPITAL	<b>Common Equity or Series -B-, -C-, &amp; -D- Convertible Participating Preferred Equity</b> Amounts Normally Range from \$25,000,000 to \$100,000,000+ <i>Standards:</i> Competitive Stated Dividend Rate 1 <sup>st</sup> Lien Security replaces all Debt pro rata with previous preferred offerings. Call Protection to a Date Certain ACTS LIKE DEBT <i>Additional Features:</i> Participation Dividend to Enhance Current Yield Convertible into Common Equity prior to Maturity date for Growth PUBLICLY PLACED FOR A SECURITIES EXCHANGE LISTING ACTS LIKE & USED AS CURRENCY FOR ACQUISITIONS

# Hybrid Securities “Avoid selling too much of a company, too early for too little.”

## Attracting Human Capital with an ESOP (Employee Stock Ownership Plan)

- Build your team, pre- or post-offering with the use of ESOP illustration housed in pro forma financial projections.
  - Vesting Schedules

## Engaging a Broker-dealer

- Attracting Broker-dealers to: Sell securities; Oversee transfers; and Relieve burdens of securities compliance.
  - Early (late) to Later Stage Companies.
  - Support Their Efforts



Hybrid Securities “Avoid selling too much of a company, too early for too little.”

## Summary - Benefits of Using Hybrid Securities

Maximum  
Retention of  
Equity Ownership  
and Voting  
Control for  
Founders

Risk Mitigation  
leads to  
Protection for  
Investors, which  
generates  
Interest

Maximum  
Availability of  
Equity for ESOP  
to attract Mgmt.  
Talent

# Polling Question 1

Creating and using hybrid securities to raise capital through a securities offering exempt from registration should:

- a) Increase the offering's acceptance from investors.
- b) Avoid dilution of both equity ownership and voting control for the Founders.
- c) Both of the above

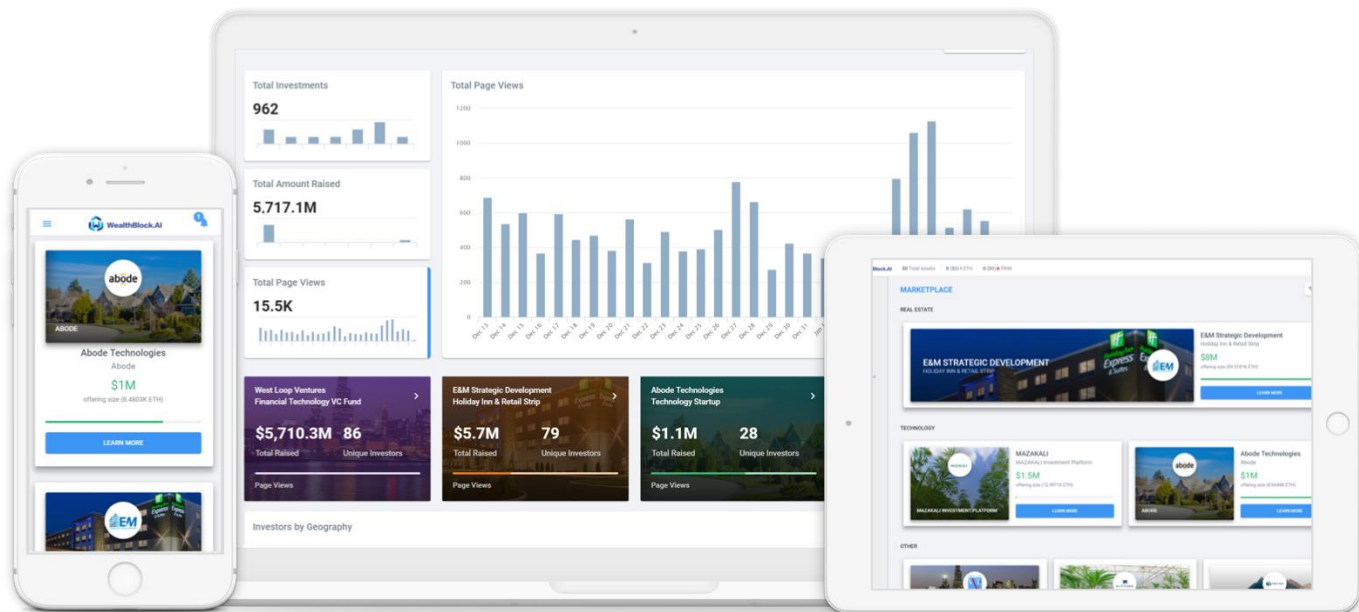
# Polling Question 1 Results (Placeholder)

# Modern Capital Raising Shaped by Technology Arms Race



**Trilliam Jeong, CFE**  
**Co-Founder & CEO**  
[www.wealthblock.ai](http://www.wealthblock.ai)

# WealthBlock.AI - No. 1 White Label Capital Raising Platform For Private Deals



**Time Needed  
To Create a Platform**

**30 min**

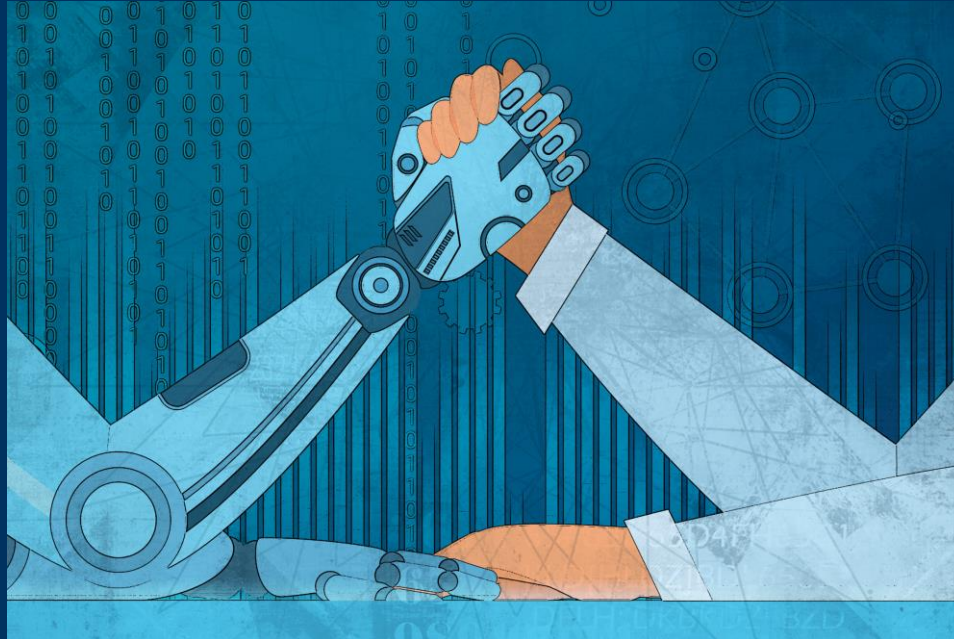
**Capital Raised  
Over Past 6 Months**

**\$60+M**

**Time Needed  
To Set Up An Offer**

**10 min**

# Modern Capital Raising Shaped by Technology Arms Race



# To SURVIVE in today's capital market, HIGH EFFICIENCY is a MUST.



No platform fees  
No data fees  
No trade minimums

**AVERAGE FINANCIAL ADVISOR COSTS ANNUALLY**



• LOW • HIGH

# FinTech has been used mostly to improve back-end operational efficiency.

## Compliance



**ACCREDITED.AM**  
BY NORTH CAPITAL

## Payment



## Fund Admin



## Paper Reduction



## Cap Table Management



## Investment Management

Juniper Square





# FinTech focused on investment sales & marketing has been lacking.



1. The investment sales market is considered too small by the number of users.
2. The investment sales professionals are slow to adopt technology.
3. The problem of Sales & Marketing is challenging. (e.g., a lot more human psychology & behavior than pure workflow functionalities.)

# Investment sales & marketing is the next promising area for FinTech disruption.

## The Incumbents



Each undertakes multi-year and multi-million-dollar projects to build proprietary platforms to remain competitive.

## The Disintermediators



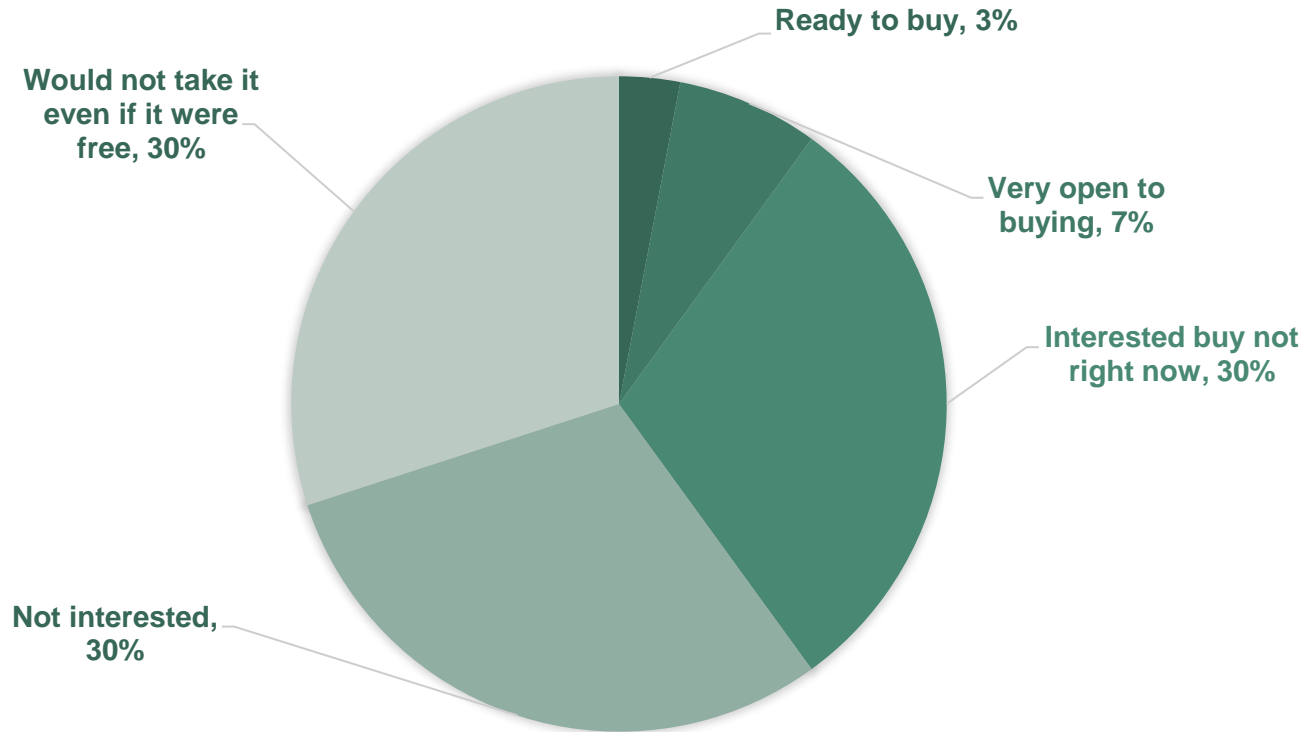
## The Disruptors



# How can FinTech improve investment sales?



# Understand your target market



# Areas where FinTech can shine.

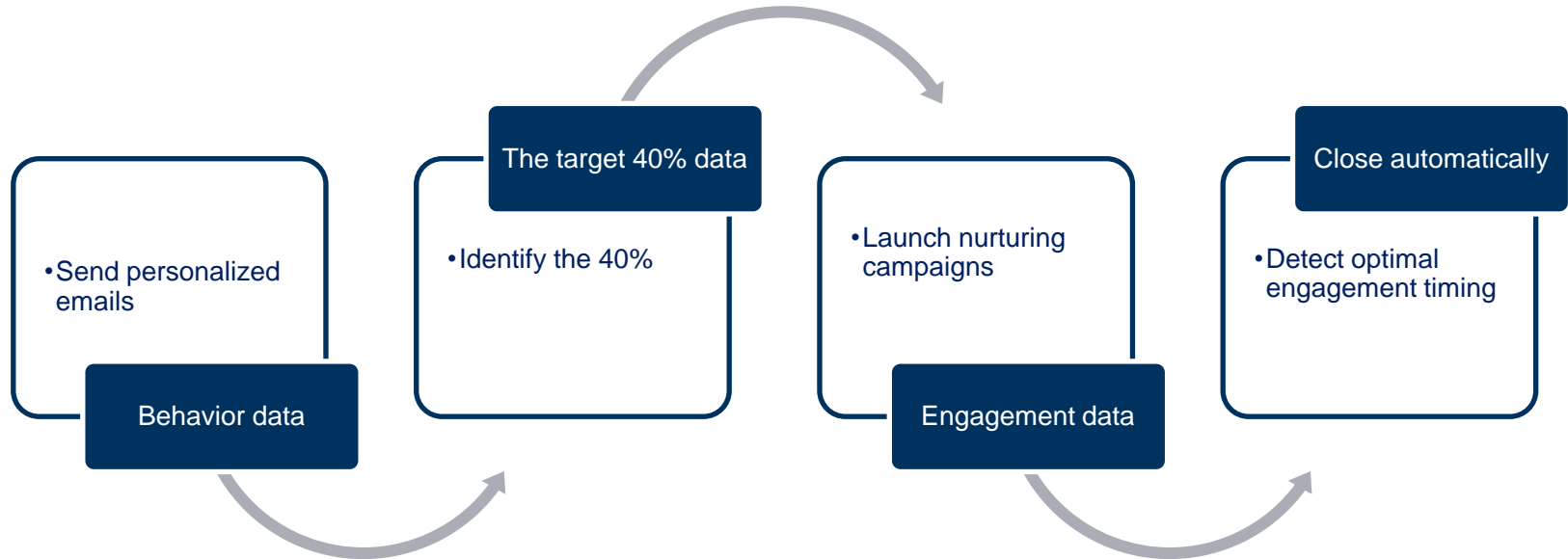
1. Increase the total size of the target market. (e.g., send mass personalized email to invite large number investors to an online dataroom or portal.)
2. Correctly & efficiently identify the 40%. (e.g., use behavior data to measure interest.)
3. Systematically nurture the 40%. (e.g., routinely follow up with value-adding emails.)
4. Close whenever the investors are ready. (e.g., enable online investment processing.)

# Nurturing is especially important in investment sales because more trust is required.

- Amount is large so potential loss is large.
- Feedback loop is long. (e.g., Takes years to validate “quality”)
- “Quality” is intangible and takes expertise to assess.

**Therefore, higher risk requires higher trust.**

# The key is in integrating these pieces together so that data intelligence can flow.



# Polling Question 2

What do you think is the most important aspect of a tech tool for investment sales?

- a) Comprehensive features
- b) Intuitive user interface/user experience design
- c) Cost-effective
- d) Superior technical support
- e) All of the above
- f) None of the above



# Polling Question 2 Results (Placeholder)

# Access to Capital and the SEC



**Amy Reischauer, J.D.**  
**Strategic Engagement Advisor**  
**SEC Office of the Advocate for**  
**Small Business Capital Formation**

# Access to Capital and the SEC



The views expressed in this presentation are the speakers' own and do not necessarily reflect those of the Commission, Commissioners, or Commission Staff.

# What We'll Cover

- What is the SEC's Office of the Advocate for Small Business Capital Formation?
- What regulatory pathways are available to raise capital?
- What's happening in the markets?

# The SEC's Office of the Advocate for Small Business Capital Formation

<https://www.sec.gov/oasb>

[smallbusiness@sec.gov](mailto:smallbusiness@sec.gov)

# Regulatory Pathways: A Complex Landscape

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	<u>\$75 million</u>		"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	<u>\$10 million</u>	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)	<u>\$5 million</u>	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 became effective on March 15, 2021.

# Breaking Down the Pathways

Private  
Placements  
(Rule 506(b))

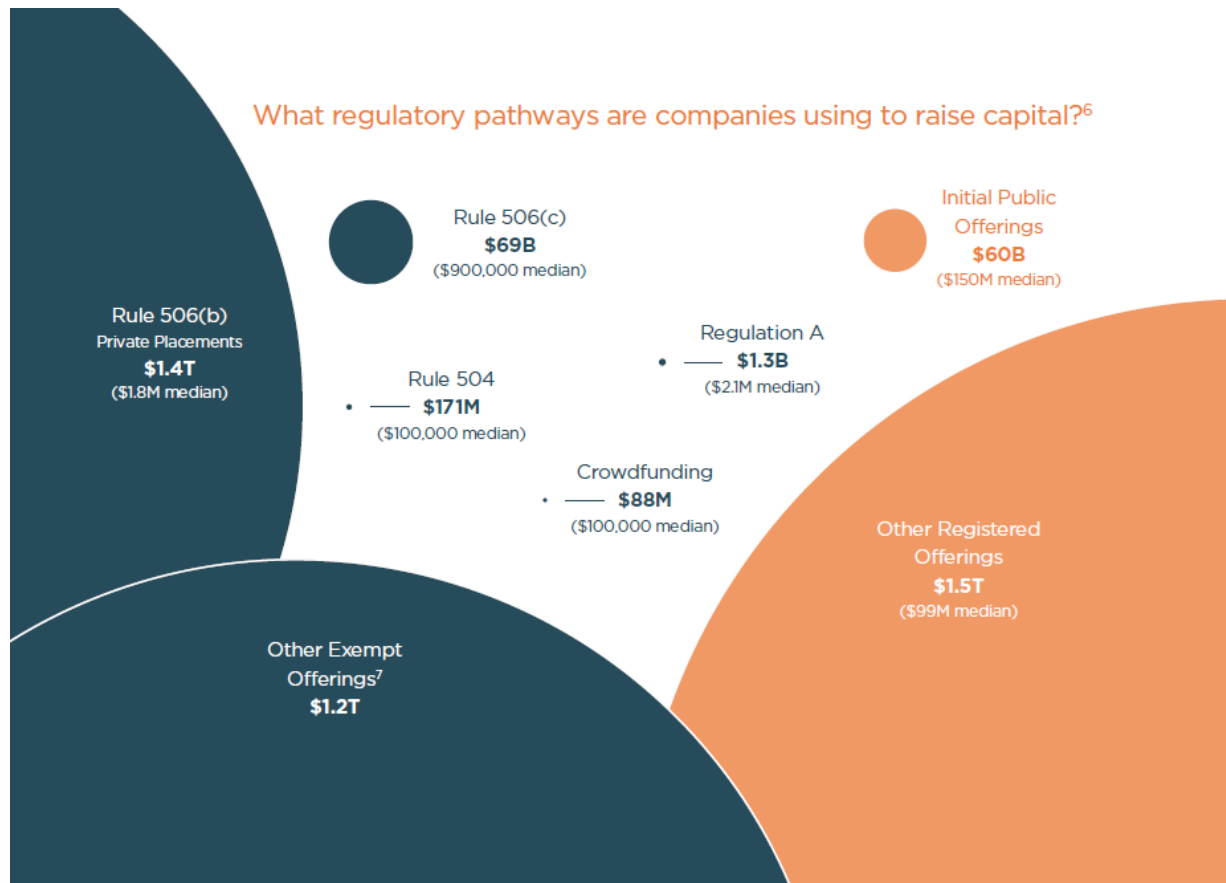
Accredited  
Investor  
Crowdfunding  
(Rule 506(c))

Crowdfunding  
(Reg CF)

Mini IPOs  
(Reg A)

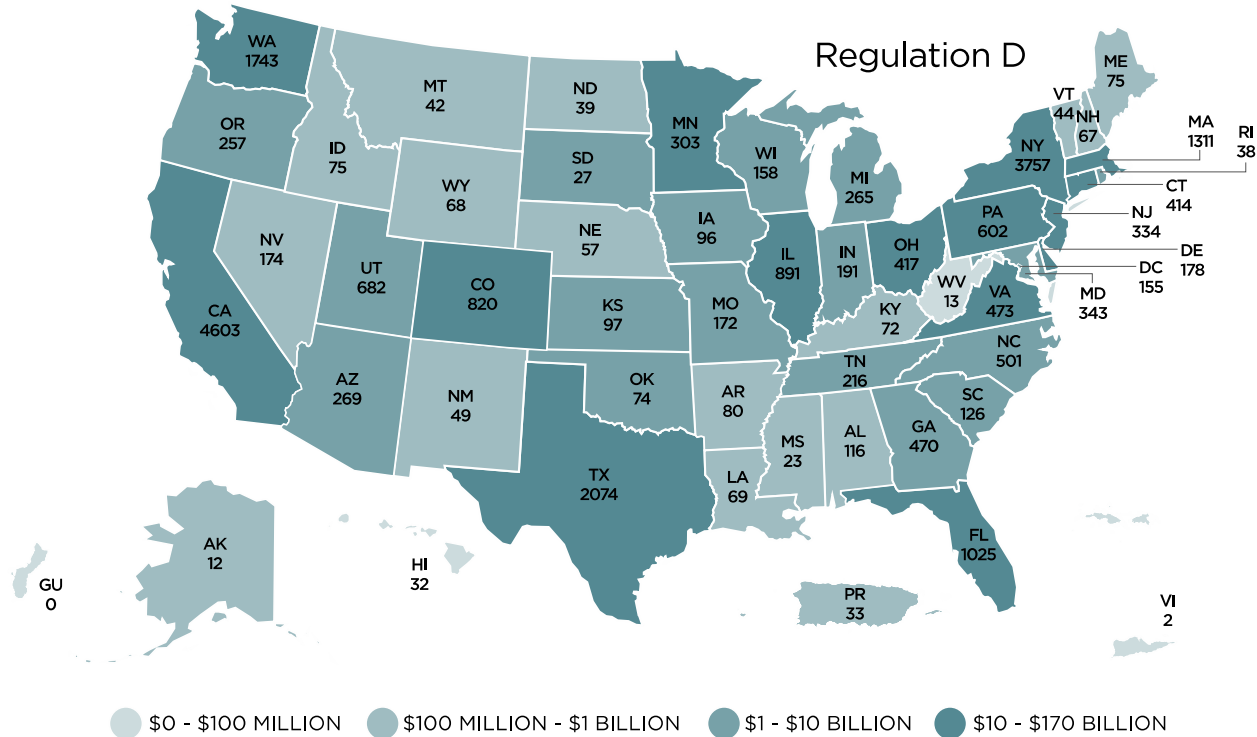
Intrastate  
Offerings

# What's Happening in the Markets?

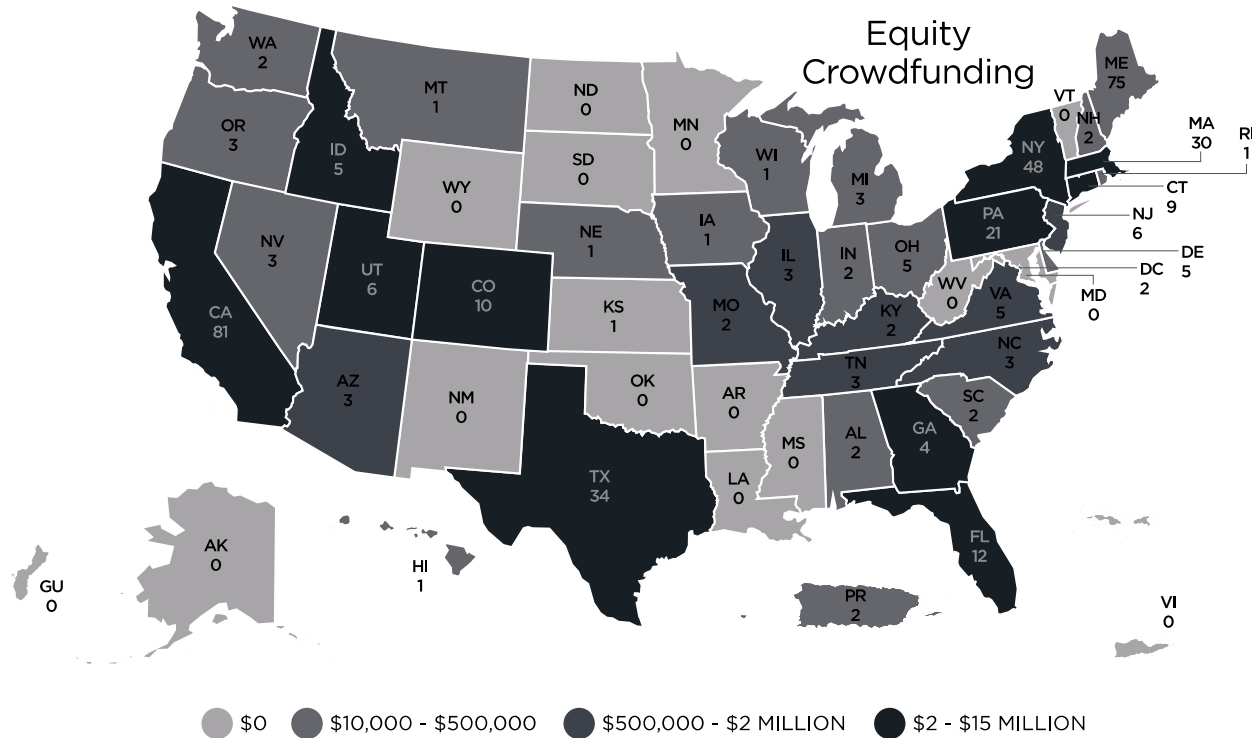




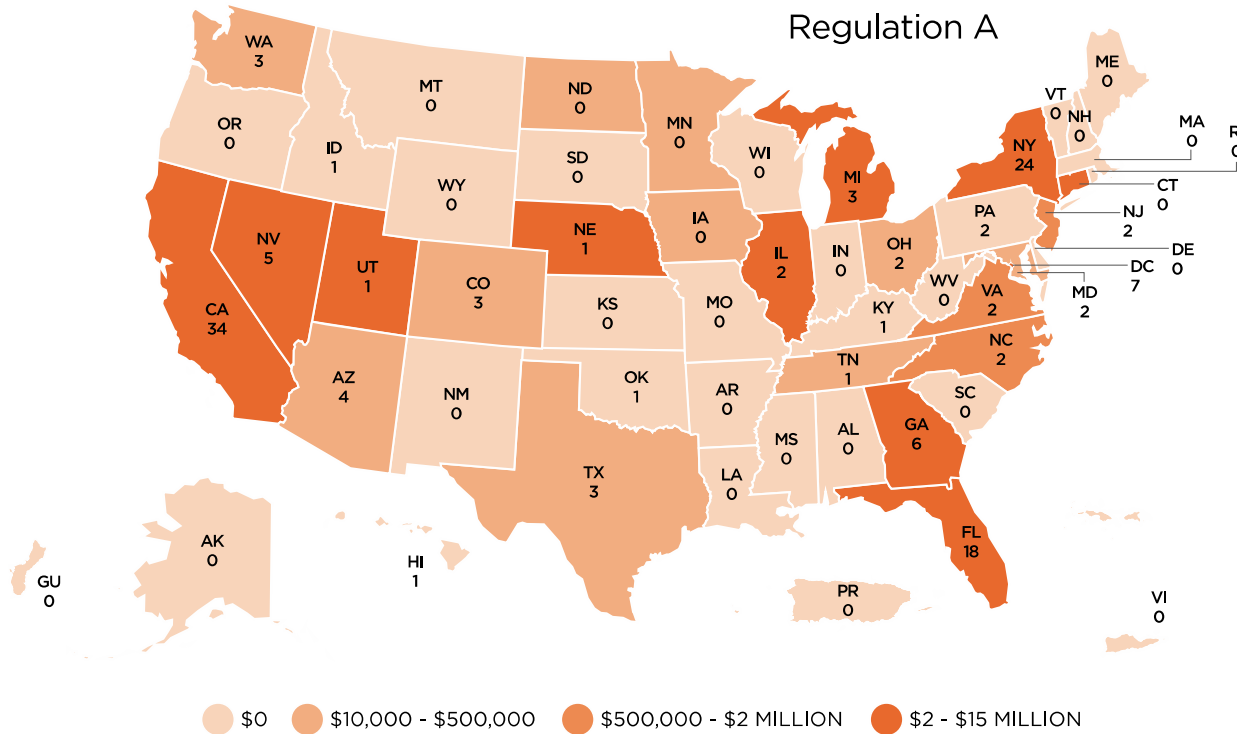
# What's Happening in the Markets?



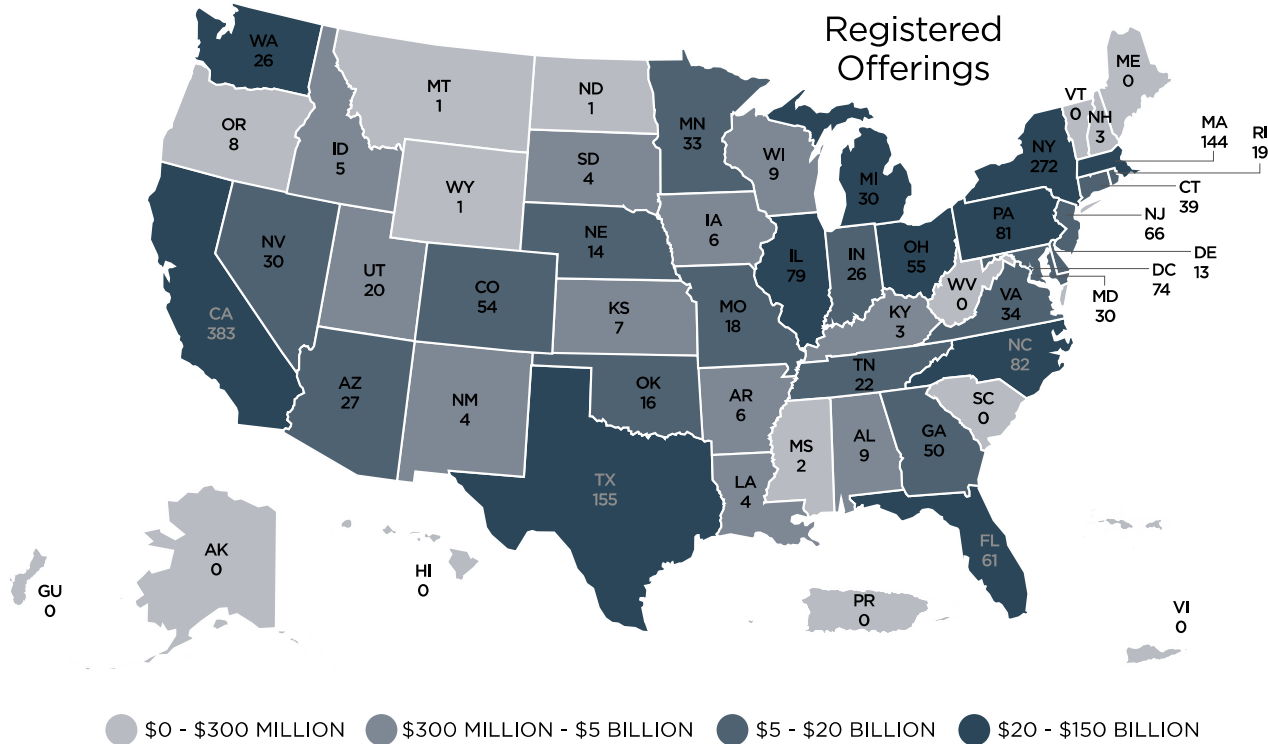
# What's Happening in the Markets?

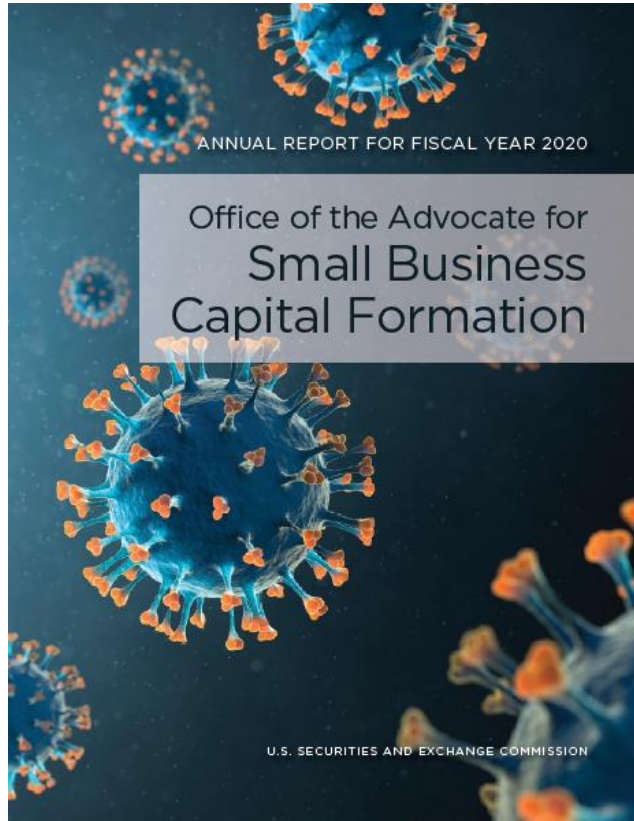


# What's Happening in the Markets?

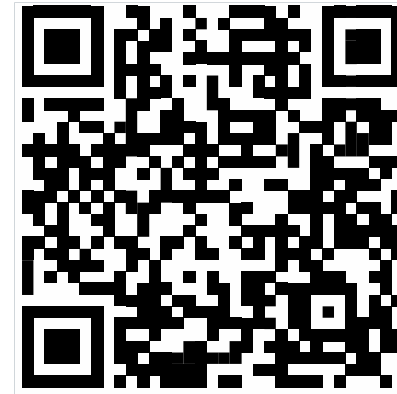


# What's Happening in the Markets?





Download a copy of our  
FY2020 Annual Report:  
[www.sec.gov/oasb](http://www.sec.gov/oasb)



# Polling Question 3

What types of educational resources or formats do you find most effective? (please select all that apply)

- a) Question & Answer format
- b) Glossary
- c) Videos
- d) Fact sheets
- e) Infographics

# Polling Question 3 Results (Placeholder)

# The SEC's Office of the Advocate for Small Business Capital Formation

<https://www.sec.gov/oasb>

[smallbusiness@sec.gov](mailto:smallbusiness@sec.gov)



# An Introduction to Equity Crowdfunding



**Jonny Price**  
**VP of Business Development**  
**Wefunder.com**

[jonny@wefunder.com](mailto:jonny@wefunder.com)

# Wefunder – Invest in Startups You Love



ONE OF THE  
MOST POWERFUL  
FORCES IN THE  
WORLD IS WHEN  
SOMEONE  
BELIEVES IN YOU  
AND BACKS IT UP  
BY INVESTING  
WITH THEIR OWN  
MONEY.

## Creating a new stock market: angel investing for the public

On Wefunder, everyone can invest **as little as \$100** in **startups they love**

**\$200M+**

investment (GMV)  
annual run rate

**\$8M+**

revenue run rate

**5X**

year-over-year  
growth, Q4 over Q4

**\$5B**

follow-on  
investment in  
portfolio

**41%**

market share in Reg  
CF, Q4,  
#1 market leader.

**THE WHY NOW**

New regulatory reforms  
rolling out March 15 2021



We created this industry in 2012.  
Then **lobbied 9 years** for regulatory reform.

INVESTMENTS ON WEFUNDER



### WE LOBBY CONGRESS

We petitioned Congress & shaped law. Invited to watch Obama sign the JOBS Act.

### LAUNCH TO ACCREDITED INVESTORS

It took 4 years for the SEC to write the rules for the JOBS Act. While waiting, we built a platform for accredited investors to invest in mostly YC startups.

### LAW GOES LIVE FOR EVERYDAY INVESTORS

Mid-2016, it became legal for anyone to invest. But the rules were bad for startup founders. It was also a brutal slog in '16-'18 to build the payment and compliance infrastructure.

### REGULATORY REFORM

On November 2020, the SEC announces fixes to the laws - to be rolled out March 15th 2021

Our growth has accelerated in advance of the reforms that go live on 3/15/2021

# The Problem: “Accredited” investors only!

Up until May 2016, only “accredited” investors could (easily) invest in startups



**Peter Thiel looking  
(understandably)  
smug**



**Facebook's IPO**



**Google image result  
for “sad ordinary  
person”**

Interestingly, the sophisticated definition of an “accredited” investor was basically “a rich person”

# The Solution: The JOBS Act!

- In 2012, President Obama signed the JOBS Act, which paved the way to a solution
- But it took a few years for “Title III” of the JOBS Act to be rolled out by the SEC
- Understandably, the SEC wanted to ensure that measures were put in place to protect people from losing their hard-earned savings
- Regulation Crowdfunding was rolled out in May 2016



# Why do I work for Wefunder?

1

## Access to Capital

Right now, 1% of VC goes to African-American entrepreneurs and 2% goes to women-only founders



By democratizing investment decisions, we hope to get more capital flowing to good startups and small businesses currently hearing “no” for the wrong reasons

2

## Wealth Equality

Wealth inequality is a massive problem in America



By enabling ordinary people to participate in the explosive wealth being created by startups, we can help to alleviate this wealth inequality

3

## Social Capital

In conventional fundraising, companies have a small number of investors with a lot of power and control



Through crowdfunding, hundreds and even thousands of investors can provide assistance, advice and ambassadorship for companies they invest in

# Capital Options

- FFF
- Angels
- VCs
- Kickstarter
- Grants (e.g., SBIR), pitch competitions, etc.
- Equity crowdfunding is an additional option



# Some boring facts about Regulation Crowdfunding

- You can raise up to \$5 through “Reg CF” (up from \$1.07M)
- You must have two years of GAAP financials (or back to your incorporation date if more recent). If you are raising more than \$250K these must be reviewed by an independent CPA
- More established companies can raise up to \$75M (up from \$50M) through “Regulation A+”, which was also enabled by the JOBS Act. But the requirements to launch are a lot more onerous than Regulation Crowdfunding
- Unaccredited investors are limited in what they can invest
- Through “Testing The Waters”, founders can now talk about a potential raise straight away, but they need to file a Form C with the SEC before they can receive any funds



# Who is equity Crowdfunding a good fit for?

## 1 You need a fundraising boost

There are many good reasons you are struggling to raise capital – e.g., your company sucks 😊

But if you're a woman of color in KY, you might be struggling to raise capital for bad reasons.

Crowdfunding lets you tap into three new pools of capital (without “cannibalizing” other capital):

- 1) Unaccredited investors
- 2) Out network of investors
- 3) Angels that previously passed

## 2 You want more customers

When one of your customers invests in you, if your company succeeds, they make money

This can make them very loyal customers, and very passionate brand ambassadors

*“We now have 150 evangelists for our brand that are our advocates. They’re the people helping us build our community, and the level in which people are willing to do that has exceeded my expectations.” – Fares Ksebati, CEO of MySwimPro*

## 3 You're not a great fit for VC

Either because you don't want to take VC money (e.g., some of our founders have been burned in the past)...

ZEBRAS  UNITE  **The New York Times**

***More Start-Ups Have an Unfamiliar Message for Venture Capitalists: Get Lost***

Or because you're not on that growth trajectory (or don't want to grow that way)



# Beta Bionics

Building a bionic pancreas to improve the lives of people with type 1 diabetes

  [BETABIONICS.ORG](https://betabionics.org)

technology hardware bio tech medical device healthcare



 **Last Funded August 2016!**

**\$1,000,000**

total funds raised

**718**

total investors

**FOLLOW FOR UPDATES**

**Beta Bionics raised \$1M from 718 investors. Just closed \$58M Series B from Novo Nordisk and other strategic investors.**

# Pros and Cons of Regulation Crowdfunding

## Pros

- It's another option for raising up to \$5M in Equity or Debt capital
- You can engage your customers and community in your company's success...
- ...And recruit new customers, advisors & brand ambassadors from our network
- As a founder, you retain more control – i.e., you are not giving up a board seat, and you retain voting rights over investors' shares (on Wefunder)

## Cons

- Can be less certain than conventional fundraising
- It takes time and effort to run a successful crowdfunding campaign
- If you are raising equity, you will have a long cap table (although the downside here is largely fixed by the voting and repurchase rights clauses in the Wefunder investor contract)
- Wefunder charges a 7.5% fee if successful
- Your company info will be publicly shared

# Polling Question 4

How familiar are you with “investment crowdfunding”?

- a. Never heard of it before
- b. I have heard of it, but have never used Investment Crowdfunding
- c. I have made an investment in a company through Investment Crowdfunding, or raised capital for my own company through Investment Crowdfunding

# Polling Question 4 Results (Placeholder)

# Corporate Governance and Continued Securities Compliance after the Raise



**Russell C. Weigel, III, J.D.**  
**Commissioner**  
**Florida Office of Financial Regulation**

# The Issuer's burden on Corporate governance and continued securities compliance

# Corporate Governance and Continued Securities Compliance after the Raise

## A. Having just completed a capital raise, the issuer:

1. Had to satisfy all due diligence requests from prospective investors
  - a) Had to be organized and have documents ready for disclosure, such as proof of assets or business concept, viable business plan, possibly financial statements, etc.
  - b) Had to comply with state and federal securities registration or exempt offering requirements.

## 2. Going forward, should be thinking what will be needed for:

- a) Public exit
- b) M/A opportunities
- a) Next funding round
- b) Periodic regulatory filings, such as Form C-AR, 1-Z, 1-SA, or 1-K
- c) Frequent communications with investors
- d) Ongoing corporate governance and internal control diligence



3. What records are needed for the above goals?
  - a) Public exit, M&A, and next Funding round
  - b) Periodic regulatory filings
  - c) Investor communications
  - d) Ongoing corporate governance and internal control diligence

## 4. Who will prepare the records?

- a) Attorneys
- b) Senior Management
- c) Administrative Staff implementing policies, procedures and protocols
- d) CFO & Accountants in financial record keeping.

# Poll Question 5

Who is best suited to create policy manuals?

- a. Senior Management
- b. Corporate Attorney
- c. Accountant

# Polling Question 5 Results (Placeholder)

# Summary – SEC Regulations

- Regulatory pathways available to raise capital through Exempt Offerings
  - Rule 506 (b)
  - Rule 506 (c)
  - Regulation A Tier 1 and 2
  - Rule 504
  - Crowdfunding – Regulation CF
  - Intrastate
- The SEC Office for the Advocate of Small Business Capital Formation

<https://www.sec.gov/oasb>

# Summary - Practical Standpoint

- Deal Structuring to reach the best possible outcome
  - Hybrid securities to minimize dilution of equity ownership and voting control
  - Proper Deal Structure to protect investor and attract human capital
- The Issuer's burden on Corporate governance and continued securities compliance
  - Post raise compliance requirements
  - Recordkeeping requirements

# Summary – Technology

- Tech-driven efficiency is required to compete in the modern capital raising space.
- Know what type of technology is available and for what purpose.
- Crowdfunding platform.
  - Streamline the process of capital raising.
  - Offers investment opportunities outside the conventional means for innovative companies.

# Questions & Answers

*Use the Q & A Panel to send your questions to our panelists.*



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Commissioner  
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# Thank You to Our Presenters!



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# Final Reminders

- ▶ **Complete the Evaluation poll** – 2 options
  - On your screen
  - Evaluation Survey icon at the bottom of your console
- ▶ **Access to your CPE Certificate** – 2 options
  - Click the “CPE” icon at the bottom of your console  
or
  - Click the link in your post-event e-mail
- ▶ Please print a copy of the CPE certificate for your records.
- ▶ Your CPE credit will be automatically recorded in your transcript.



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# Thank You!





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