UNDERSTANDING SEC REGULATION A+

BY

MICHAEL WILLIAMS AND JIM BURK

HOW IT MAKES IT EASIER FOR YOU TO RAISE MONEY

HOW IT SIGNIFICANTLY LOWERS YOUR COSTS OF GOING AND STAYING PUBLIC

Effective June 19, 2015, the SEC radically changed the landscape for smaller companies desiring to raise money by going public. This seismic shift is called Regulation A+.

In this new Chapter, we will explain in detail how new Regulation A+ can work for you, making it easier to raise money and significantly lowering costs of going and staying public.

However, let's first examine just how Regulation A+ changed the Raising Money world compared to the old model, filing a Registration Statement on Form S-1.

A correctly designed A+ Offering Program can minimize your financial risk and significantly enhance your ability to raise money compared to an S-1 transaction:

- You can aggressively advertise your offering over social media and elsewhere in all 50 states BEFORE you spend any money to prepare and file a Form 1-A, which is the Regulation A+ equivalent of Form S-1. This is discussed in detail in "Testing the Waters" in this Chapter. You cannot do this in an S-1 offering.

- You do not have to register your A+ offering by making separate state "Blue Sky" filings, meaning you are free to advertise sell your A+ Offering in all 50 states, even in states that have "merit review." An S-1 offering, on the other hand, requires separate registrations in every state where you want to sell, practically impossible. Think how well this A+ Offering structure works if you want to sell stock from your website not only to potential investors but also to your customers or visitors to your website!

- All the securities you sell in you're A+ Offering are fully non restricted free-trading, just like those in an S-1 Offering.

- You can sell to both Accredited and Non-Accredited Investors without securing independent verification of investor financial status just like an S-1 Offering. For Non-Accredited Investors, although there's a 10% income/net worth limitation.

- With A+, you only have two on-going SEC filings per year rather than four under S-1.

- Although you have to do audits with an A+ Offering, you do not have to use an expensive PCAOB audit firm but only a competent CPA firm. On-going SEC reporting does not require PCAOB audit firms after going public.

- With A+, you are not subject to the Proxy Rules and your Stockholders are not subject to Ownership Reporting Rules.

- Even with these reduced on-going reporting requirements you can secure a qualification for quotation of your securities on OTC Market's OTCQB, just like with an S-1.

Now it's time for you to learn just how a Regulation A+ Offering can work for you.

Testing the Waters: Advertise Your Offering Before You Spend A Lot of Money on the Filing and Continue Advertising after You File with the SEC

Completely the opposite of issuers in S-1 Offerings, issuers utilizing Regulation A+ are permitted to test the waters with all potential investors and use solicitation materials both before and after the offering statement is filed, subject to issuer compliance with the rules on filing and disclaimers. You can advertise everywhere you want, including all over social media in places where you think you'll find potential investors. You can put together a formal ad campaign costing tens of thousands of dollars or just do it yourself. Of course, all you get are non-binding indications of interest so you can't hold people to their indication of interest in investing in your company. However, it gives you the opportunity before spending hundreds of thousands of dollars on the actual filing itself to see if there's sufficient interest to spend the money to move forward with preparing and qualifying the offering.

Testing the waters materials used before the filing be filed as an exhibit with the first filing on Form 1-A. Although the SEC does not pre-review pre-filing advertising, you are cautioned to be very careful what you say in the offering materials. Solicitation materials are subject to the antifraud and other civil liability provisions of the federal securities laws and you can be sued for what you say in the advertising materials even if you don't include the information in the 1-A Offering Circular itself. Our general advice is the if you don't think the SEC will like it in the Form 1-A filing, or investors may sue you for making the statements, don't use it in advertising materials.

Pre-filing solicitation material must bear a legend or disclaimer indicating that: (1) no money or other consideration is being solicited, and if sent, will not be accepted; (2) no sales will be made or commitments to purchase accepted until the offering statement is qualified; and (3) a prospective purchaser's indication of interest is non-binding.

Solicitation materials used after you publicly file an offering statement must be accompanied by a current preliminary offering circular or contain a notice informing potential investors where and how the most current preliminary offering circular can be obtained. This requirement may be satisfied by providing the URL where the preliminary offering circular or the offering statement may be obtained. If you use testing the waters materials after publicly filing the offering statement, you must update and redistribute such material in a substantially similar manner as

such materials were originally distributed to the extent that either the material itself or the preliminary offering circular attached thereafter becomes inadequate or inaccurate in any material respect.

Offering Types and Size Limitations

The SEC adopted final rules to implement the JOBS Act mandate by expanding Regulation A+ into two tiers:

- Tier 1 for securities offerings of up to $20 million aggregate in any 12 month period
- Tier 2 for offerings of up to $50 million aggregate in any 12 month period

You can make a Tier 2 offering of less than $20 million, but you are subject to the Tier 2 requirements described below.

Eligible Issuers

Regulation A+ is limited to companies organized in and with their principal place of business in the United States or Canada.

Shell companies, Issuers of penny stock, or other types of investment vehicles such as REITS that meet the principal place of business test are also eligible to use Regulation A+.

What does "principal place of business in the United States or Canada" mean? The SEC has now issued a clarification, as follows:

> **Question:** Would a company with headquarters that are located within the United States or Canada, but whose business primarily involves managing operations that are located outside those countries be considered to have its "principal place of business" within the United States or Canada for purposes of determining issuer eligibility under Regulation A?
>
> **Answer:** Yes, an issuer will be considered to have its "principal place of business" in the United States or Canada for purposes of determining issuer eligibility under Rule 251(b) of Regulation A if its officers, partners, or managers primarily direct, control and coordinate the issuer's activities from the United States or Canada. [June 23, 2015]

So the test is based upon where management is located rather than where revenues are generated.

Ineligible Issuers

Regulation A+ is unavailable to the following types of Ineligible Issuers:

- Companies subject to the ongoing reporting requirements of Section 13 or 15(d) of the Exchange Act;

- Companies registered or required to be registered under the Investment Company Act of 1940 and Business Development Companies;
- Blank check companies;
- Issuers of fractional undivided interests in oil or gas rights, or similar interests in other mineral rights;
- Issuers that are required to, but that have not, filed with the Commission the ongoing reports required by the rules under Regulation A+ during the two years immediately preceding the filing of a new offering statement (or for such shorter period that the Issuer was required to file such reports);
- Issuers that are or have been subject to an order by the Commission denying, suspending, or revoking the registration of a class of securities pursuant to Section 12(j) of the Exchange Act that was entered within five years before the filing of the offering statement; and
- Issuers subject to "bad actor" disqualification in the Rule.

Eligible and Ineligible Securities

Only certain types of securities are eligible for sale under Regulation A+, specifically common stock and preferred stock as well as warrants and other convertible equity securities and non-asset backed Notes, i.e. straight debt. You can offer Derivatives – Options, Warrants and Convertible Debt, with special rules for calculating offering amount if exercisable within one year or qualified in an offering.

Asset-backed securities, as defined in Regulation A+, are not eligible for sale under Regulation A+. See list of Ineligible Issuers above.

Stockholders Registering their Shares for Resale in a Regulation A+ Offering

One of the biggest changes between A+ and S-1 is how stockholders registering their shares for resale by having them included in a registration statement can sell their securities if they are included in an S-1 Registration Statement vs. a Regulation A+ Offering Statement.

Who is a Selling Stockholder? A Selling Stockholder is not someone who purchases Company shares in an S-1 or Regulation A+ Offering. A Selling Stockholder means someone who owns restricted stock prior to the filing of an S-1 Registration Statement or Regulation A+ Offering Circular who wants to make their shares free trading by include their shares for resale in the SEC filing along with the shares the Company is selling directly in such offering.

Selling Stockholders in a Regulation A+ Offering are subject to more restrictions than Selling Stockholders in an S-1 Registration Statement, as described below.

Number of Shares That Can Be Sold

- S-1: There is no limit on the amount of shares that Selling Stockholders can include in a Registration Statement

- A+: The amount of securities that Selling Stockholders can sell at the time of an Issuer's first Regulation A+ offering and within the following 12 months is limited to no more than 30% of the aggregate offering price of a particular offering.
- *Meaning:* Selling Stockholders cannot resell as many shares in an A+ offering as they could in an S-1 offering.

Price at which Selling Stockholders Can Sell their Stock

- S-1: The shares may sold into the market at market price. The price that Selling Stockholders can resell their stock is not fixed but varies from time-to-time according to the market price of the stock they are reselling.
- A+: The same as S-1. The primary difference is the limitation to 30% of the offering amount in A+ with no such limit in S-1.

Investment Limitations in Tier 2

Non-accredited investors in a Tier 2 offering can purchase no more than 10% of the greater of their annual income or their net worth. Annual income and net worth are calculated as provided in the accredited investor definition under Rule 501 of Regulation D.

The investment limitations for purchasers in Tier 2 offerings will not apply to purchasers who qualify as accredited investors under Rule 501 of Regulation D.

Unlike Regulation D Rule 506(c), Regulation A+ Issuers may rely on a representation of compliance with the investment limitation from the investor, both Accredited and Non-Accredited, unless the Issuer knew at the time of sale that any such representation was untrue.

Integration with Other Offerings

Offerings pursuant to Regulation A+ will not be integrated with prior offers or sales of securities; or subsequent offers and sales of securities that are:

- registered under the Securities Act, except as provided in Rule 255(c);
- made pursuant to Rule 701 under the Securities Act;
- made pursuant to an employee benefit plan;
- made pursuant to Regulation S;
- made pursuant to Section 4(a)(6) of the Securities Act; or
- made more than six months after completion of the Regulation A+ Offering.

An offering made in reliance on Regulation A+ is not integrated with another exempt private offering made by the Issuer, including primarily private placements under Regulation D, provided that each such offering complies with the requirements of the exemption that is being relied upon for the particular offering.

An Issuer conducting a concurrent private placement for which general solicitation is not permitted must prove that purchasers in that offering were not solicited by means of the offering

made in reliance on Regulation A+, including without limitation any "testing the waters" communications. This is virtually impossible to meet. In practice, this means you can only conduct a Rule 506(c) placement simultaneous with a Regulation A+ offering.

In addition, if you conduct a test the waters advertising program and decide not to go forward with a Regulation A+ offering, if thereafter you conduct a private placement for which general solicitation is not permitted, you must prove that purchasers in that placement were not solicited by means of the "testing the waters" communications. In practice, this means you must wait six months after your last "testing the waters" communication to conduct a private placement for which general solicitation is not permitted.

An Issuer conducting a concurrent exempt offering for which general solicitation is permitted, for example, under Rule 506(c), could not include in any such general solicitation an advertisement of the terms of a Regulation A+ offering, unless that advertisement also included the necessary legends for, and otherwise complied with, Regulation A+.

Exemption from Requirements to Become a Fully-Reporting SEC Company [i.e. a company registered under Section 12(g) of the Securities Exchange Act]

Securities issued in a Tier 2 offering are exempt from the provisions of Section 12(g) for so long as the Issuer remains subject to and is current in, as of its fiscal year end, its Regulation A+ periodic reporting obligations. However, in order for this conditional exemption to apply, Issuers are required to engage the services of a transfer agent registered with the Commission pursuant to Section 17A of the Exchange Act.

The exemption from Section 12(g) is only available to companies that meet requirements similar to those in the "smaller reporting company" definition under Securities Act and Exchange Act rules. As such, the conditional exemption in the final rules is limited to Issuers that have a public float of less than $75 million, determined as of the last business day of its most recently completed semiannual period, or in the absence of a public float, annual revenues of less than $50 million, as of the most recently completed fiscal year. An Issuer that exceeds either of the thresholds, in addition to exceeding the threshold in Section 12(g) of the Exchange Act, would be granted a two-year transition period before it would be required to register its class of securities pursuant to Section 12(g), provided it timely files all ongoing reports due under A.

Section 12(g) registration will only be required if, on the last day of the fiscal year in which the company exceeded the public float or annual revenue threshold, the company has total assets of more than $10 million and the class of equity securities is held by more than 2,000 persons or 500 persons who are not accredited investors. In such circumstances, an Issuer would be required to begin reporting under the Exchange Act the fiscal year immediately following the end of the two-year transition period.

Why is this important? If an Issuer offering securities in a Regulation A+ Offering were required to include purchasers in the offering in the SEC's test for determining whether full-SEC Reporting is required, then Regulation A+ Issuers would quickly lose their ability to file under

the on-going lesser Regulation A+ reporting scheme, defeating one of the purposes of Regulation A+.

EDGAR Filing Requirements

Issuers must file their Regulation A+ offering statements and on-going reports required by Regulation A+ with the Commission electronically on EDGAR.

No Filing Fees

There are no filing fees associated with the Regulation A+ filing and qualification process.

Offering Circular Delivery Requirements

Where sales of Regulation A+ securities occur after qualification on the basis of offers made using a preliminary offering circular, Issuers and intermediaries can presume that investors have access to the Internet and may satisfy their delivery requirements for the final offering circular by filing it on EDGAR.

Issuers are, however, required to include a notice in any preliminary offering circular that will inform potential investors that the Issuer may satisfy its delivery obligations for the final offering circular electronically.

Further, as proposed, "electronic-only" offerings of Regulation A+ securities are permitted under the final rules, provided that Issuers and intermediaries obtain the consent of investors to, or otherwise be able to evidence the receipt of, .the electronic delivery of:

- the preliminary offering circular and information other than the final offering circular, in instances where the Issuer sells Regulation A+ securities based on offers made using a preliminary offering circular; and
- all documents and information, including the final offering circular, when the Issuer sells Regulation A+ securities based on offers made during the post-qualification period using a final offering circular.

There is still a 90 calendar day dealer delivery requirement for participating broker/dealers.

Issuers and participating broker-dealers are required to deliver only a preliminary offering circular to prospective purchasers at least 48 hours in advance of sale only when a preliminary offering circular is used during the prequalification period to offer such securities to potential investors. Issuers and participating broker-dealers, not later than two business days after completion of the sale, must provide the purchaser with a copy of the final offering circular or a notice stating that the sale occurred pursuant to a qualified offering statement. The notice must include the URL where the final offering circular, or the offering statement of which such final

offering circular is part, may be obtained on EDGAR and contact information sufficient to notify a purchaser where a request for a final offering circular can be sent and received in response.

Submission of Non-Public Draft Offering Statements

Issuers whose securities have not been previously sold pursuant to a qualified offering statement under Regulation A+ or an effective registration statement under the Securities Act may submit to the Commission a draft offering statement for non-public review. All non-public submissions of draft offering statements must be submitted via EDGAR, and the initial non-public submission, all non-public amendments thereto, and correspondence submitted by or on behalf of the Issuer to the Commission staff regarding such submissions must be publicly filed and available on EDGAR as exhibits to the offering statement not less than 21 calendar days before qualification of the offering statement.

Non-publicly submitted offering statements must be submitted electronically on EDGAR. The Commission and its staff will not make such offering statements publicly available on EDGAR as a matter of course

Qualification of a Regulation A+ Offering Circular

Under Regulation A+, the offering statements are to be declared qualified by a "notice of qualification" issued by the Division of Corporation Finance, pursuant to delegated authority, rather than requiring the Commission itself to issue an order. Unlike an S-1 Registration Statement, an A+ offering statement that does not include a delaying notation are qualified without Commission action on the 20th calendar day after filing. In effect, this notice of qualification is analogous to a notice of effectiveness in registered offerings. Before qualification, all SEC amendments, comments and responses are disclosed on EDGAR, unlike an S-1 filing.

Filing of and Required Content in Advertising/Solicitation Materials

Issuers must submit or file solicitation materials as an exhibit when the offering statement is either submitted for non-public review or filed (and update for substantive changes in such material after the initial nonpublic submission or filing). However, Issuers are no longer required to submit solicitation materials at or before the time of first use.

Solicitation materials used before qualification in a test the waters transaction are required to bear a legend or disclaimer indicating that: (1) no money or other consideration is being solicited, and if sent, will not be accepted; (2) no sales will be made or commitments to purchase accepted until the offering statement is qualified; and (3) a prospective purchaser's indication of interest is non-binding.

While the expansion of use of solicitation materials after filing may result in investors receiving more sales literature in marketed offerings, in such circumstances, potential investors will also be afforded more time with the preliminary offering circular before making an investment decision because, as noted above, testing the waters materials used by an Issuer or its intermediaries after

the Issuer publicly files an offering statement must be accompanied by a current preliminary offering circular or contain a notice informing potential investors where and how the most current preliminary offering circular can be obtained.

There is also a requirements to make the most recent preliminary offering circular available with solicitation materials after filing, to redistribute solicitation materials after filing to the extent that either the material itself or the preliminary offering circular attached thereafter becomes inadequate or inaccurate in any material respect, to deliver the preliminary offering circular at least 48 hours in advance of sale if the Issuer is not subject to a Tier 2 reporting obligation, to deliver the final offering circular (or a notice of the final offering circular) no later than two business days after sale in all instances, and the minimum 21 calendar day filing requirement for Issuers that non-publicly submit draft offering statements as well as the continued application of the antifraud provisions of the federal securities laws.

What does not constitute solicitation materials that must be filed with the SEC?

Rule 169 compliant regularly released factual business communications do not constitute solicitation of interest materials under Regulation A+.

Ultimately, whether or not a communication is limited to factual business information depends on the facts and circumstances, but Issuers may generally look to the provisions of Rule 169 for guidance in making this determination in the Regulation A+ context.

More generally, factual business information means information about the Issuer, its business, financial condition, products, services, or advertisement of such products or services. Factual business information generally does not include such things as predictions, projections, forecasts, or opinions with respect to valuation of a security.

Content of an a Form 1-A Offering Statement

Form 1-A consists of the following three parts:

- Part I: an eXtensible Markup Language (XML) based fillable form, which captures key information about the Issuer and its offering using an easy to complete online form, similar to Form D, with drop-down menus, indicator boxes or buttons, and text boxes, and assists Issuers in determining their ability to rely on the exemption. The XML-based fillable form will provide a convenient means of assembling and transmitting information to EDGAR, without requiring the Issuer to purchase or maintain additional software or technology;
- Part II: a text file attachment containing the body of the disclosure document and financial statements, formatted in HyperText Markup Language (HTML) or American Standard Code for Information Interchange (ASCII) to be compatible with the EDGAR filing system; and
- Part III: text file attachments, containing the signatures, exhibits index, and the exhibits to the offering statement, formatted in HTML or ASCII to be compatible with the EDGAR filing system

PART I—NOTIFICATION

Item 1. Issuer Information

- Exact name of Issuer as specified in the Issuer's charter
- Jurisdiction of incorporation/organization
- Year of incorporation
- CIK
- Primary Standard Industrial Classification Code
- I.R.S. Employer Identification Number
- Total number of full-time employees
- Total number of part-time employees
- Contact Information Address of Principal Executive Offices
- Telephone
- Contact Person and 2 e-mail addresses for sending comments

Item 2. Issuer Eligibility Check this box to certify that all of the following statements are true for the Issuer(s):

- Organized under the laws of the United States or Canada, or any State, Province, Territory or possession thereof, or the District of Columbia.
- Principal place of business is in the United States or Canada.
- Not subject to section 13 or 15(d) of the Securities Exchange Act of 1934. •
- Not a development stage company that either (a) has no specific business plan or purpose, or (b) has indicated that its business plan is to merge with an unidentified company or companies.
- Not an investment company registered or required to be registered under the Investment Company Act of 1940.
- Not issuing fractional undivided interests in oil or gas rights, or a similar interest in other mineral rights.
- Not issuing asset-backed securities as defined in Item 1101(c) of Regulation A+.
- Not, and has not been, subject to any order of the Commission entered pursuant to Section 12(j) of the Exchange Act (15 U.S.C. 78l(j)) within five years before the filing of this offering statement.
- Has filed with the Commission all the reports it was required to file, if any, pursuant to Rule 257 during the two years immediately before the filing of the offering statement (or for such shorter period that the Issuer was required to file such reports).

Item 3. Application of Rule 262 – "Bad Boy Disqualification"

Check a box to certify that, as of the time of this filing, each person described in Rule 262 of Regulation A+ is either not disqualified under that rule or is disqualified but has received a waiver of such disqualification.

Item 4. Summary Information Regarding the Offering and Other Current or Proposed Offerings

It's important to note that you can offer securities on a continuous basis, meaning you can keep your offering open generally for 12 months.

- Does the Issuer intend to offer the securities on a delayed or continuous basis pursuant to Rule 251(d)(3)?
- Does the Issuer intend this offering to last more than one year?
- Does the Issuer intend to price this offering after qualification pursuant to Rule 253(b)? Will the Issuer be conducting a best efforts offering?
- Has the Issuer used solicitation of interest communications in connection with the proposed offering?
- Does the proposed offering involve the resale of securities by affiliates of the Issuer?
- Disclose anticipated fees in connection with this offering and names of service providers.

Item 5. Jurisdictions in which Securities are to be Offered

Item 6. Unregistered Securities Issued or Sold Within One Year

PART II — INFORMATION REQUIRED IN OFFERING CIRCULAR

GENERAL

The narrative disclosure contents of offering circulars are specified as follows: (1) The information required by: (i) the Offering Circular format described below; or (ii) The information required by Part I of Form S-1 or Part I of Form S-11, except for the financial statements, selected financial data, and supplementary financial information called for by those forms. An Issuer choosing to follow the Form S-1 or Form S-11 format may follow the requirements for smaller reporting companies if it meets the definition of that term in Rule 405. An Issuer may only use the Form S-11 format if the offering is eligible to be registered on that form. The cover page of the offering circular must identify which disclosure format is being followed.

For Tier 2 offerings where the securities will not be listed on a registered national securities exchange upon qualification, the offering circular cover page must include the following legend highlighted by prominent type or in another manner: Generally, no sale may be made to you in this offering if the aggregate purchase price you pay is more than 10% of the greater of your annual income or net worth. Different rules apply to accredited investors and non-natural persons. Before making any representation that your investment does not exceed applicable thresholds, we encourage you to review Rule 251(d)(2)(i)(C) of Regulation A+. For general information on investing, we encourage you to refer to www.investor.gov.

OFFERING CIRCULAR

NOTE: Except as noted below, the disclosure required by these items is essentially the same as that required in an S-1 filing described elsewhere this book.

Item 1. Cover Page of Offering Circular

Item 2. Table of Contents

Item 3. Summary and Risk Factors

Immediately following the Table of Contents required by Item 2 or the Summary, there must be set forth under an appropriate caption, a carefully organized series of short, concise paragraphs, summarizing the most significant factors that make the offering speculative or substantially risky. Issuers should avoid generalized statements and include only factors that are specific to the Issuer.

Item 4. Dilution

Item 5. Plan of Distribution and Selling Stockholders

Item 6. Use of Proceeds to Issuer

Item 7. Description of Business

Item 8. Description of Property

Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operations/ Plan of Operations for Issuers (including predecessors) that have not received revenue from operations during each of the three fiscal years immediately before the filing of the offering statement.

Item 10. Directors, Executive Officers and Significant Employees

The term "executive officer" means the president, secretary, treasurer, any vice president in charge of a principal business function (such as sales, administration, or finance) and any other person who performs similar policy making functions for the Issuer.

The term "significant employee" means persons such as production managers, sales managers, or research scientists, who are not executive officers, but who make or are expected to make significant contributions to the business of the Issuer.

Provide table showing Name/Position/Age/Term of Office and Approximate hours per week for part-time employees. Provide the month and year of the start date and, if applicable, the end date. To the extent you are unable to provide specific dates, provide such other description in the table or in an appropriate footnote clarifying the term of office. If the person is a nominee or chosen to become a director or executive officer, it must be indicated in this column or by footnote. For executive officers and significant employees that are working part-time, indicate approximately the average number of hours per week or month such person works or is anticipated to work. This column may be left blank for directors.

In a footnote to the table, briefly describe any arrangement or understanding between the persons described above and any other persons (naming such persons) pursuant to which the person was or is to be selected to his or her office or position.

State the nature of any family relationship between any director, executive officer, person nominated or chosen by the Issuer to become a director or executive officer or any significant employee.

Business experience. Give a brief account of the business experience during the past five years of each director, executive officer, person nominated or chosen to become a director or executive officer, and each significant employee, including his or her principal occupations and employment during that period and the name and principal business of any corporation or other organization in which such occupations and employment were carried on. When an executive officer or significant employee has been employed by the Issuer for less than five years, a brief explanation must be included as to the nature of the responsibilities undertaken by the individual in prior positions to provide adequate disclosure of this prior business experience. What is required is information relating to the level of the employee's professional competence, which may include, depending upon the circumstances, such specific information as the size of the operation supervised.

Involvement in certain legal proceedings. Describe any of the following events which occurred during the past five years and which are material to an evaluation of the ability or integrity of any director, person nominated to become a director or executive officer of the Issuer:

(1) A petition under the federal bankruptcy laws or any state insolvency law was filed by or against, or a receiver, fiscal agent or similar officer was appointed by a court for the business or property of such person, or any partnership in which he was general partner at or within two years before the time of such filing, or any corporation or business association of which he was an executive officer at or within two years before the time of such filing; or
(2) Such person was convicted in a criminal proceeding (excluding traffic violations and other minor offenses).

Item 11. Compensation of Directors and Executive Officers

Provide, in substantially the tabular format indicated, the annual compensation of each of the three highest paid persons who were executive officers or directors during the Issuer's last completed fiscal year.

Name	Capacities in which Cash Other Total compensation was received (e.g., Chief Executive Officer, director, etc.)	Cash Compensation	Other Compensation	Total Compensation

Provide the aggregate annual compensation of the Issuer's directors as a group for the Issuer's last completed fiscal year. Specify the total number of directors in the group.

For Tier 1 offerings, the annual compensation of the three highest paid persons who were executive officers or directors and the aggregate annual compensation of the Issuer's directors may be provided as a group, rather than as specified in paragraphs (a) and (b) of this item. In such case, Issuers must specify the total number of persons in the group.

Briefly describe all proposed compensation to be made in the future pursuant to any ongoing plan or arrangement to the individuals specified in paragraphs (a) and (b) of this item. The description must include a summary of how each plan operates, any performance formula or measure in effect (or the criteria used to determine payment amounts), the time periods over which the measurements of benefits are determined, payment schedules, and any recent material amendments to the plan. Information need not be included with respect to any group life, health, hospitalization, or medical reimbursement plans that do not discriminate in scope, terms or operation in favor of executive officers or directors of the Issuer and that are available generally to all salaried employees.

Item 12. Security Ownership of Management and Certain Security Holders

Complete the Ownership Table

Title of class	Name and address of beneficial owner	Amount and nature of beneficial ownership	Amount and nature of beneficial ownership acquirable	Percent of class

This table shows voting securities beneficially owned by: (1) all executive officers and directors as a group, individually naming each director or executive officer who beneficially owns more than 10% of any class of the Issuer's voting securities; (2) any other security holder who beneficially owns more than 10% of any class of the Issuer's voting securities as such beneficial ownership would be calculated if the Issuer were subject to Rule 13d-3(d)(1) of the Securities Exchange Act of 1934.

Item 13. Interest of Management and Others in Certain Transactions

This information is found in the "Related Party" or similar footnote in the financial statements. However, you must modify the footnote disclosure giving the name and title of each related party in a related party transaction.

This is the section where your attorney has to disclose his stock or other interest.

Item 14. Securities Being Offered

PART F/S

For Tier 1 offerings, the balance sheets must be filed for two years (along with the other required financial statements as of the two most recently completed fiscal year ends). Significantly, financial statements for Tier 1 offerings do not need to be audited.

Financial statements in Tier 2 offerings must be audited, but either in accordance with either the auditing standards of the American Institute of Certified Public Accountants (AICPA) (referred to as U.S. Generally Accepted Auditing Standards or GAAS) or the standards of the Public Company Accounting Oversight Board (PCAOB). In terms of cost savings, this requirement is significantly different than registration statements on Form S-1 in that you don't need to pay for a PCAOB qualified firm to audit your financial statements. Hopefully you'll be able to secure a non-PCAOB audit significantly cheaper than an S-1 PCAOB required audit.

Don't be misled on the period the financial statements must cover. You must provide financial statements for each of the two fiscal years preceding the date of the most recent balance sheet being filed *or such shorter period as the Issuer has been in existence.* If you are a startup company or a company that hasn't been in business for two years, you can still use Regulation A+.

Continuing Disclosure Obligations

Annual Reports on Form 1-K

Form 1-K consists of two parts: Part I (Notification) and Part II (Information to be included in the Report).

Part I (Notification): Part I of Form 1-K is an online XML-based fillable form that will include certain basic information about the Issuer, prepopulated on the basis of information previously disclosed in Part I of Form 1-A, which can be updated by the Issuer at the time of filing. Additionally, if at the time of filing the Form 1-K an Issuer has terminated or completed a qualified Regulation A+ offering, the Issuer is required to provide certain updated summary information about itself and such offering in Part I, including the date the offering was qualified and commenced, the amount of securities qualified, the amount of securities sold in the offering, the price of the securities, the portions of the offering that were sold on behalf of the Issuer and any selling security holders, any fees associated with the offering, and the net proceeds to the Issuer.

Part II (Information to be included in the Report): As with Part II of Form 1-A, Part II of Form 1-K must be submitted electronically as a text file attachment containing the body of the disclosure document and financial statements, formatted to be compatible with the EDGAR filing system. Part II will require Issuers to disclose information about themselves and their business based on the financial statement and narrative disclosure requirements of Form 1-A.

Form 1-K will cover:

- Business operations of the Issuer for the prior three fiscal years (or, if in existence for less than three years, since inception);
- Transactions with related persons, promoters, and certain control persons;
- Beneficial ownership of voting securities by executive officers, directors, and 10% owners;
- Identities of directors, executive officers, and significant employees, with a description of their business experience and involvement in certain legal proceedings;
- Executive compensation data for the most recent fiscal year for the three highest paid executive officers or directors;
- MD&A of the Issuer's liquidity, capital resources, and results of operations covering the two most recently completed fiscal years; and
- Two years of audited financial statements (or less if the company has been in business for less than two years).

Form 1-K must be filed within 120 calendar days after the Issuer's fiscal year end, not the 90 days required in a Form 10-K for 1934 Act filers.

Semiannual Reports on Form 1-SA

Issuers are required to provide semiannual reports on Form 1-SA that, much like reports on Form 10-Q, consist primarily of financial statements and MD&A. Form 1-SA also requires disclosure of updates otherwise reportable on Form 1-U (See below). Unlike Form 10-Q, however, Form 1-SA does not require disclosure about quantitative and qualitative market risk, controls and procedures, updates to risk factors, or defaults on senior securities.

Issuers may incorporate by reference in Form 1-SA certain information previously filed on EDGAR, but must include a hyperlink to such material on EDGAR without limitation to incorporation by reference to information previously filed pursuant to Regulation A+.

Form 1-SA must be filed within 90 calendar days after the end of the first six months of the Issuer's fiscal year. The first such obligation to file will commence immediately following the most recent fiscal year for which full financial statements were included in the offering statement, or, if the offering statement included financial statements for the first six months of the fiscal year following the most recent full fiscal year, for the first six months of the following fiscal year.

For example, where an offering statement is filed in October 2015 and includes full financial statements for the fiscal years ended December 31, 2014 and December 31, 2013 and interim financial statements for the six months ended June 30, 2015 and June 30, 2014 and is qualified in December 2015, the Form 1-SA will not be required until within 90 days following the first six months of the following fiscal year (i.e., within 90 days following June 30, 2016). If, however, the offering statement is filed in March 2015 and qualified in June of 2015 than the first Form 1-

SA would cover the six months ended June 30, 2015 and June 30, 2014 and would not be required to be filed until within 90 days following June 30, 2015.

Current Reports on Form 1-U

In addition to the annual report on Form 1-K and semiannual report on Form 1-SA, any Tier 2 Issuer is required to submit current reports on Form 1-U when it experiences one (or more) of the following events:

- Fundamental changes (See discussion below);
- Bankruptcy or receivership;
- Material modification to the rights of security holders;
- Changes in the Issuer's certifying accountant;
- Non-reliance on previous financial statements or a related audit report or completed interim review;
- Changes in control of the Issuer;
- Departure of the principal executive officer, principal financial officer, or principal accounting officer; and
- Unregistered sales of 10% or more of outstanding equity securities.

A fundamental change requiring the filing of a Form 1-U is limited to the entry into or termination of material definitive agreements resulting in fundamental changes in the nature of an Issuer's business, which includes major and substantial changes in the Issuer's business or plan of operations or changes reasonably expected to result in such changes, such as significant acquisitions or dispositions, or the entry into, or termination of, a material definitive agreement that has or will result in major and substantial changes to the nature of an Issuer's business or plan of operation. An acquisition transaction will only result in a fundamental change for these purposes if the purchase price, as defined by U.S. GAAP and IFRS, exceeds 50% of the total consolidated assets of the Issuer as of the end of its fiscal year.

Item 9 of final Form 1-U contains provisions for disclosing other events not directly required of Issuers in the form. This Item 9 is significant because Issuers that voluntarily elect to provide relevant information to the market on, for example, a quarterly basis may do so pursuant to Item 9.

Form 1-U must be filed within four business days after the occurrence of any of the triggering events, and, where applicable, will permit Issuers to incorporate by reference certain information previously filed on EDGAR.

Incorporation by reference is not limited to information previously filed pursuant to Regulation A+.

Where in connection with a succession by merger, consolidation, exchange of securities, acquisition of assets, or otherwise, securities of an Issuer that is not subject to the reporting requirements of Regulation A+ are issued to the holders of any class of securities of an Issuer that is subject to ongoing reporting under Tier 2, the Issuer succeeding to that class of securities

must continue to file the reports required for Tier 2 offerings on the same basis as would have been required of the original Tier 2 Issuer. The successor Issuer may suspend or terminate its reporting obligations on the same basis as the original Issuer under Rule 257.

Forms Not Required to be Filed by A+ Issuers and their Stockholders

A+ issuers are not subject to the Proxy Rules, meaning that if they want to take a corporate action such as increasing authorized shares, they are not required to file a Proxy Statement that meets the requirements of Schedule 14A or Information Statement that meets the requirements of Schedule 14C with the SEC for review and approval before being sent to stockholders.

Stockholders of an A+ Issuer are not subject to the short swing profit rules of Section 16 of the 1934 Act and thus do not have to file Forms 3, 4 and 5 or Schedule 13D disclosing ownership or changes in ownership.

These are very significant and sometimes very costly requirements that an A+ Issuer and its Stockholders do not have to worry about.

Regulation A+ Ongoing Reporting and Exchange Act Rule 15c2-11

Exchange Act Rule 15c2-11 governs broker-dealers' publication of quotations for securities in a quotation medium other than a national securities exchange.

A broker-dealer can satisfy its obligations under Rule 15c2-11 if it has reviewed and maintained in its records certain specified information. The particular information that is required by the rule varies depending on the nature of the Issuer and includes, among other things:

- For an Issuer that has filed an offering statement under the Securities Act pursuant to Regulation A+, a copy of the offering circular.
- For an Issuer subject to ongoing reporting under Sections 13 or 15(d) of the Exchange Act, the Issuer's most recent annual report and any quarterly or current reports filed thereafter.

More significant, Regulation A+ specifically provides an Issuer's ongoing reports filed under Tier 2 will satisfy the specified information about an Issuer and its security that a broker-dealer must review before publishing a quotation for a security (or submitting a quotation for publication) in a quotation medium. This means that the Financial Industry Regulatory Authority, Inc., or FINRA, cannot deny an application for quotation of securities filed on behalf of a Tier 2 Issuer subject to and current in filing requirements of Regulations A+ on Form 211 on the grounds that the Market Maker filing the Form 211 does not have the requisite Exchange Act Rule 15c2-11 information on the Tier 2 Issuer.

Ongoing Reporting Obligations and Rule 144

Tier 2 Issuer required ongoing reporting filings do not constitute "adequate public information" or "reasonably current information" as required in Rule 144.

The semiannual reporting required under the final rules for Tier 2 offerings will result in Issuers only having "reasonably current information" and "adequate current public information" for the three months following the filing of each semiannual report.

There is a solution for Issuers desiring to make Rule 144 available year around for Stockholders holding their restricted securities. Issuers may voluntarily submit on Form 1-U quarterly financial statements or other information necessary to satisfy the respective rule requirements. In such instances, and provided that the financial statements otherwise meet the financial statement requirements of Form 1-SA, such voluntarily provided quarterly information could satisfy the "reasonably current information" and "adequate current public information" requirements of Rule 144. Under Regulation A+ and Rule 144, an Issuer that is current in its semiannual reporting required under the rules and voluntarily provides quarterly financial statements on Form 1-U will have provided reasonably current and adequate current public information for the entirety of such year under Rule 144.

Issuers wishing to register a class of Regulation A+ securities under the Exchange Act may do so by filing a Form 8-A in conjunction with the qualification of a Form 1-A. However, only Issuers that follow Part I of Form S-1 or the Form S-11 disclosure model in the offering circular are permitted to use Form 8-A. An Issuer registering a class of securities under the Exchange Act concurrently with the qualification of a Regulation A+ offering statement become an Exchange Act reporting company upon effectiveness of the Form 8-A and, if applicable, its obligation to file ongoing reports under Regulation A+ are suspended for the duration of the resulting reporting obligation under Section 13 of the Exchange Act.

Termination or Suspension of Tier 2 Disclosure Obligations

Issuers that conduct a Tier 2 offering may terminate or suspend their ongoing reporting obligations on a basis similar to the provisions that allow Issuers to suspend their ongoing reporting obligations under Section 13 and Section 15(d) of the Exchange Act. A Tier 2 Issuer that has filed all reports required by Regulation A+ for the shorter of: (1) the period since the Issuer became subject to such reporting obligation, or (2) its most recent three fiscal years and the portion of the current year preceding the date of filing Form 1-Z to immediately suspend its ongoing reporting obligation under Regulation A+ at any time after completing reporting for the fiscal year in which the offering statement was qualified, if the securities of each class to which the offering statement relates are held of record by fewer than 300 persons and offers or sales made in reliance on a qualified Tier 2 offering statement are not ongoing.

Issuers seeking to terminate or suspend their Tier 2 ongoing reports in a Tier 2 offering under Regulation A+ are suspended immediately upon the filing of a notice to the Commission on Part II of proposed Form 1-Z.

Insignificant Deviations from a Term, Condition or Requirement

A failure to comply with a term, condition or requirement of Regulation A+ will not result in the loss of the exemption for any offer or sale to a particular individual or entity, if the person

relying on the exemption establishes that: (1) The failure to comply did not pertain to a term, condition or requirement directly intended to protect that particular individual or entity; (2) The failure to comply was insignificant with respect to the offering as a whole, provided that any failure to comply with the offering limitations, Issuer eligibility criteria, or requirements for offers or continuous or delayed offerings are deemed to be significant to the offering as a whole; and (3) A good faith and reasonable attempt was made to comply with all applicable terms, conditions and requirements of Regulation A+.

Bad Actor Disqualification

The covered persons and triggering events in the final rules for Regulation A+ are substantially the same as the covered persons and triggering events included in Rule 506(d).

The covered persons include managing members of limited liability companies; compensated solicitors of investors; underwriters; executive officers and other officers participating in the offering; beneficial owners of 20% or more of the Issuer's outstanding voting equity securities, calculated on the basis of voting power; persons subject to final orders and bars of certain state and other federal regulators, and persons subject to SEC cease-and-desist orders relating to violations of scienter-based anti-fraud provisions of the federal securities laws or Section 5 of the Securities Act.

An Issuer will not lose the benefit of the Regulation A+ exemption if it is able to show that it did not know, and in the exercise of reasonable care could not have known, of the existence of a disqualification.

Blue Sky

The term "qualified purchaser" in a Regulation A+ offering to consists of: (1) all offerees in a Regulation A+ offering and (2) all purchasers in a Tier 2 offering.

This definition preempts state securities laws registration and qualification requirements with respect to all offerees in a Regulation A+ offering, in order to allow Issuers relying on Regulation A+ to communicate with potential investors about their offerings using the internet, social media, and other means of widespread communication, without concern that such communications might trigger registration requirements under state law.

State securities laws concerning registration and qualification requirements with respect to all purchasers in a Tier 2 offering are preempted. However, state securities laws concerning registration and qualification requirements with respect to all Tier 1 offerings are NOT preempted.

State securities regulators retain their authority to:

- require the filing of any document filed with the Commission and the payment of filing fees;

- investigate and bring enforcement actions against fraudulent securities transactions and unlawful conduct by broker-dealers in such offerings; and
- enforce the filing and fee requirements by suspending the offer or sale of securities within a given state for the failure to file or pay the appropriate fee.

A FINAL NOTE ON REGULATION A+ FROM YOUR AUTHORS

We love Regulation A+. We think that you will too.

But Regulation A+ is new. Some people tell us it's "too scary" to try and A+ Offering.

The drafting, filing and clearing a Form S-1 offering and thereafter getting FINRA, DTC and OTC Markets/OTCQB approval, these aspects of the A+ offering process are essentially the same as for a Form S-1 offering. If you hire professionals with a proven track record in these areas, an A+ offering will be a breeze. Our experience has shown that we can clear a Form 1-A filing with the SEC in less than 60 days!

Don't deny yourself the tremendous advantages of Regulation A+ because you are scared. You will only be hurting yourself.