

The IPO Issue Process: Before and After the JOBS Act

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Overview

- Thecasesolutions.com
- Introduction to Securities
- Securities Act of 1933
- Securities Exchange Act of 1934
- Blue Sky Laws



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Introduction to Securities

The SEC is the Securities Exchange Commission

- Federal agency to enforce security laws
- Cannot bring criminal action
- Refers criminal action to the Justice Department

What is a Security?

- transaction when buyer invests in a common enterprise
- buyer expects to earn profit primarily by the efforts of others



Securities Act of 1933

The 1933 Act requires that before offering or selling securities, the issuer must register the securities with the SEC unless the securities qualify for an exemption

- does not consider quality of offering
- means the company has released all required information

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Exempt Securities

Why would a security be exempt from registration?

- inherently low risk
- regulation by other statutes
- not really investments

EXEMPT

Exempt Transactions

Section 4(2) of the 1933 Act exempts from registration "transactions by an issuer not involving any public offering" (private offering)

- Exempt securities stay exempt throughout their life but exempt transactions do not necessarily stay exempt for subsequent sales.

Private Offering Exemption
Under SEC Rule 147, an issuer is not required to register securities that are offered and sold only to residents of the state in which the issuer is incorporated and does business.

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Crowdfunding

Under the proposed JOBS Act, issuers will be able to raise up to \$1 million in equity through crowdfunding over a 12-month period. Issuers will be able to raise up to \$1 million in equity through crowdfunding over a 12-month period. Issuers will be able to raise up to \$1 million in equity through crowdfunding over a 12-month period.

Direct Public Offering (DPO)

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Public Offerings

Initial Public Offering (IPO)
Significant public offering of securities to a broad range of investors.
Requires registration with the SEC and state securities laws.
Includes a prospectus, underwriting, and a public offering.

PH vs. REG vs. JOBS vs. JOBS/REG

Comparison of securities laws: Public Offering (PH), Regulation (REG), JOBS Act, and JOBS/REG. Includes a table with columns for 'Type of Offering', 'SEC Registration', 'State Registration', and 'Investor Limit'.

Emerging Growth Company

Under the proposed JOBS Act, issuers will be able to raise up to \$1 million in equity through crowdfunding over a 12-month period. Issuers will be able to raise up to \$1 million in equity through crowdfunding over a 12-month period. Issuers will be able to raise up to \$1 million in equity through crowdfunding over a 12-month period.

Blue Sky Laws

In 1915, Kansas became the first state to regulate the sale of securities. It was concerned that some states that had become "blue sky states" were selling securities that were worth nothing but "blue sky". There were other blue sky states, also called "blue sky laws".

Exempt Requirements

Exemptions from registration under the Securities Act of 1933. Includes a table with columns for 'Exemption', 'Description', and 'Requirements'.

Section 4(2) Exemption

Section 4(2) of the Securities Act of 1933 exempts from registration "transactions by an issuer not involving any public offering".

Liability under the JOBS Act

Liability under the JOBS Act. Includes a table with columns for 'Type of Offering', 'Liability', and 'Requirements'.

Table of Restricted Securities

Table of Restricted Securities. Includes a table with columns for 'Type of Offering', 'Restrictions', and 'Requirements'.

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Blue Sky Laws

In 1915, Kansas became the first state to regulate the sale of securities. It was considered that some states that had no laws whatsoever were so many called "hell of Kansas" Blue Sky States. Other states were later called the "Blue Sky" laws.

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Exemption Requirements

Exemptions that require the issuer to disclose certain information to investors

- Private Placement
- Small Business Issuance
- Regulation D
- Regulation A
- Regulation S
- Regulation Crowdfunding
- Regulation A+
- Regulation D
- Regulation A
- Regulation S
- Regulation Crowdfunding
- Regulation A+

Securities Exchange Act of 1934

The purpose of this act is to regulate the markets of the securities market.

To regulate trading with securities, it established the Securities and Exchange Commission (SEC) to regulate the securities market.

Liability under the 1933 Act



Sale of Restricted Securities

Rule 144 is the most common of four types of securities that allow for the sale of restricted securities to the public.

Regulation A

Two types:

- Tier 1: An issuer may sell publicly up to \$5 million of securities in any 12-month period, with no limit on the maximum amount an investor may buy. After the offering, the issuer is not required to make ongoing reports to the SEC.
- Tier 2: An issuer may sell publicly up to \$50 million of securities in any 12-month period. Investors may not buy stock that costs more than the greater of 10% of their annual income or net worth.

Regulation D

Relevant Definitions

Qualified Institutional Buyer (QIB): An institution that has a net worth of at least \$100 million.

Accredited Investor: An individual or entity that meets certain criteria, such as having a net worth of at least \$1 million or an income of at least \$200,000.

Non-Accredited Investor: An individual or entity that does not meet the criteria for an accredited investor.

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Intrastate Offering Exemption

- Under SEC Rule 147, an issuer is not required to register securities that are offered and sold only to residents of the state in which the issuer is incorporated and does business.

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Thecasesolutions.com Exempt Securities

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Crowdfunding

Under the Jumpstart Our Business Startups Act (JOBS Act), private fund exemptions can now be used to raise up to \$5 million in aggregate capital from a large number of investors.

Direct Public Offering (DPO)

Individual going through "mini-DPO" securities, which are sold directly to investors without the use of a broker or dealer.

Public Offerings

Initial Public Offering (IPO): An issuer's first sale of securities to the public.

Follow-on Offerings: Subsequent sales of securities to the public.

RE in SEC 147 in COMPANYING



Emerging Growth Company

An emerging growth company (EGC) is a company that has a market capitalization of less than \$1 billion and has not been in the public market for more than one year.

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12.84	+0.56%	▲	120.34	300,000
23.90	+12.3%	▲	543.23	120,000
15.89	+5.34%	▲	254.23	320,000
5.34	-7.89%	▼	321.56	430,000
7.34	+5.97%	▲	100.08	120,000
1.89	+2.13%	▲	564.23	900,000
1.45	+6.43%	▲	765.90	600,000
1.67	-11.6%	▼	120.34	380,000
1.64	+23.1%	▲	893.23	120,000
1.39	+5.56%	▲	128.98	320,000
1.8	-3.67%	▼	432.12	750,000
1.7	+11.3%	▲	765.23	150,000
1.6	+2.54%	▲	432.24	120,000

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Examples of Securities

- Stocks
- Bonds
- More obscure text book examples
 - agricultural investment
 - investment in an athlete



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Examples of Exempt Securities

- Government Securities (federal or state)
- Bank Securities
- Short-term notes (within 9 months)
- Nonprofit issues
- Insurance policies and annuity contracts (other regulations)



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