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NEWS RELEASE – WHAT DOES REG A+ MEAN FOR BROKER DEALERS?

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The proposed revisions to Regulation A under Title IV of the JOBs Act, commonly referred to as "Reg A+", present the potential for a watershed event in America's securities markets – creating an "intermediate" class of public securities between private placements under Regulation D and those registered securities typically listed on national exchanges. For issuers, this means new channels for capital raising. For broker-dealers, it means the ability to get back big in the public, traded securities game which has been, for at least a decade, dominated by much larger broker-dealers and Wall Street. This allows for new lines of revenue from both sales and trading of these securities. Further, as the rules are proposed, there is a very meaningful role for broker-dealers to play legally to allow issuers to maximize the flexibility that Reg A+ affords in capital raising.

New Business Opportunities:

Reg A+ gives a much broader variety of issuers and businesses the ability to offer their securities to a much broader segment of the population. As such, financial advisors will have far greater opportunities to find unique and quality investments for their clientele and recruit new clients by offering the same.

Under Reg A+, there is the opportunity for a much broader variety of issuers to reach a much broader variety of investors in the market. For these investors, investments that consistently produce reasonable dividends and the ability to achieve some level of appreciation in the secondary market for the same, is generally more desirable than illiquid securities with performance goals that are risky and potentially unrealistic.

Broker-dealers present a professional resource to find and reach more of these investors, and do so in a much more efficient manner through general solicitation.

New Relevancy:

Embedded within the law is a reason for issuers to want to have broker- dealers involved in these offerings – to even need them in these offerings. Under the proposed rules, Reg A+ issuers would still be subject to the Section 12(g) triggers for public registration under the Exchange act of 1934 (the "34 Act"), which would also subject the issuer to regulation under Sarbanes-Oxley and Dodd-Frank. Specifically, any issuer with $10MM in assets and a class of equity securities with 2000 shareholders of record, or more than 500 non-accredited investors within that class, must register under the '34 Act.

However, in applying this rule, the determination of "shareholders of record" is critical to the determination of whether the rule is triggered. Securities offered in "street name" can potentially insulate the end investor from being treated as the shareholder of record for this determination allowing issuers to raise required funds from a larger audience at lower investment amounts. Holding Reg A+ securities, could also make trading them in "street name" less problematic since it could conceivably help to prevent an unintentional trigger of the 12(g) registration in the secondary market. Broker-dealers with the ability to hold customer accounts or who are able to make arrangements with other entities to hold accounts have a real part to play in the world of Reg A+ securities with opportunities for the future abounding.

For more information of what opportunities may exist for you in an active Reg A+ market, contact Robert R. Kaplan, Jr., at rkaplan@kv-legal.com or 804-823-4055.