



An efficient path toward raising funds through the sale of equity or debt can be beneficial for entrepreneurs, operating businesses and startup companies alike — especially when that path entails fewer restrictions, costs and complexities than syndications involving SEC registration or qualification.

Regulation D is an exemption from registration under the Securities Act of 1933, as amended, and it allows securities to be sold to investors without the burdens of a time-consuming SEC registration or qualification process or the degree of costs commonly associated with publicly registered offerings.

Regulation D Exemptions

Although additional exemptions are available under Regulation D, raising capital in a private placement is frequently done through the exemptions provided under Rules 506(b) or 506(c) of Regulation D.

In a Rule 506 securities offering, companies are permitted to raise capital from a large number of accredited investors, with no limit placed on the total amount of capital that can be raised. The Rule 506(c) exemption further allows businesses to promote and advertise securities offerings provided that certain conditions are met. In both instances, an accredited investor is an investor that meets pre-established thresholds for assets, professional accreditation, and/or income.

Another exemption, which is available in Rule 504 of Regulation D, is the Small Corporate Offering Registration,

or SCOR. This exemption allows for private businesses to raise capital through the sale of stock over a 12-month period, with a cap of \$1 million raised during that time.

Engaging in an offering utilizing any of these Regulation D exemptions requires that the issuer making the offerings inform the SEC of such offerings by electronically filing a Form D through the SEC's EDGAR database. Form D requires the disclosure of the type of securities being offered, minimum investment levels and expected commissions, among other things. Each state may also have unique conditions and filing requirements.

Guidance From Williams Mullen

Our team regularly advises clients on Regulation D exemptions and other capital-raising opportunities, including collaborating with issuers, retail brokerages and forward-thinking institutional investors. We help our clients manage both simple and complex transactions.

Our team works on both SEC registered, SEC qualified and exempt securities offerings, using our depth of knowledge to help issuers achieve their capital market goals.

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