

Small Securities Issuer Snapshot



Why is this important to my firm?

The Securities and Exchange Commission (SEC) has adopted new rules that may impact your firm's practice. On March 25, 2015, an existing exemption from registration for smaller securities issuers was updated and expanded. The new rules and form amendments, Regulation A+, allow for issuance of securities up to \$50 million. Regulation A+ provides two tiers of offerings:

- Tier 1 – offerings of up to \$20 million in a 12-month period (not more than \$6 million in offers by affiliates)
- Tier 2 – offerings of up to \$50 million in a 12-month period (not more than \$15 million in offers by affiliates)

A number of eligibility and disclosure requirements exist for investors and issuers in both tiers. In addition, issuers in each tier are subject to financial disclosure requirements. The table below summarizes key points. [Access](#) complete information.

How will I know if financial statements my firm has audited are used to meet these requirements?

Your firm should ask about this possible use, noting that any client's intended use may change.

What's the effective date?

The new rules and form amendments became effective June 19, 2015.

What are the requirements for issuer financial statements?

All financial statements are required to be prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for issuers domiciled in the United States. Issuers domiciled in Canada may prepare financial statements in accordance with either U.S. GAAP or International Financial Reporting Standards (IFRS). Issuers are ineligible to rely on any alternative accounting or reporting standards for non-public business entities, including special purpose frameworks and Private Company Council alternatives. Financial statements are to cover the shorter of the two most recently completed fiscal years or the period since the issuer's inception and must be formatted in HyperText Markup Language (HTML) or American Standard Code for Information Interchange (ASCII).

Audited financial statements are required to be audited in accordance with either the AICPA's auditing standards (U.S. Generally Accepted Auditing Standards or GAAS) or the Public Company Accounting Oversight Board's (PCAOB) standards. Tier 2 issuers must have financial statements audited by an auditor who is in compliance with the SECs independence rules (see table below).

Where can I learn more?

[Access](#) Regulation A+.

Key Financial Disclosure Requirements			
Offering statement		Post-issuance, on-going	
<u>Tier 1</u>	<u>Tier 2</u>	<u>Tier 1</u>	<u>Tier 2</u>
Unaudited financial statements ¹ However, if financial statements that have been audited ² by an independent ³ auditor ⁴ are available, these must be provided instead.	Financial statements ¹ audited ² by an SEC-independent ⁵ auditor ⁴ .	Disclosure of summary information ⁶ regarding the offering and proceeds	Financial statements ¹ audited ² by an SEC-independent ⁵ auditor ⁴ .

- ¹ Financial statements should include a balance sheet, statements of income, cash flows, and stockholders equity. Financial statements are required to be prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) for issuers domiciled in the United States. For issuers domiciled in Canada may prepare financial statements in accordance with either U.S. GAAP or International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Issuers are ineligible to rely on any alternative accounting or reporting standards for non-public business entities. Financial statements are to cover the shorter of the two most recently completed fiscal years or the period since the issuer's inception and must be formatted in HyperText Markup Language (HTML) or American Standard Code for Information Interchange (ASCII).
- ² Audited in accordance with either the auditing standards of the AICPA (U.S. Generally Accepted Auditing Standards or GAAS) or the standards of the PCAOB. However, if audited in accordance with PCAOB standards, the audit must also be in accordance with U.S. GAAS.
- ³ Independence for auditors of Tier 1 issuers requires public accountants to comply with either the (1) SEC's independence rules, Rule 2-01 of Regulation S-X, or (2) the AICPA's independence rules.
- ⁴ Auditors in this table need not be PCAOB registered.
- ⁵ Independence for auditors of Tier 2 issuers requires compliance with the SECs independence rules, which are set forth in Rule 2-01 of Regulation S-X.
- ⁶ See Rule 257(a) of Regulation A.