

CrowdCheck's New TradeCheck

Regulation A and Regulation CF have enabled hundreds of companies to raise funds from investors across the country. Those investors have received shares that, in the absence of contractual restrictions, are freely tradable (after one year in the case of Regulation CF). However, finding buyers or sellers of these securities means a new patchwork of regulation applies. CrowdCheck can help investors and intermediaries comply with those regulations.

Regulatory Requirements

Each party to the resale of securities is subject to regulation at the state and federal levels:

- Securityholders: Under federal laws, if you are not an “affiliate” of the issuer, you can rely on the exemption provided by Section 4(a)(1) of the Securities Act to resell securities. At the state level, things become more complicated, and the transaction must either be registered under the laws of the states in which the buyer and seller are located, or be made in compliance with an exemption from registration.¹
- Broker-dealers: If you are effecting a resale transaction in unlisted securities, you must make sure the transaction complies with the requirements of each state that has jurisdiction over the buyer and seller.
- ATSs: Transactions on your platform must comply with federal and state laws regarding secondary trades of securities.

CrowdCheck Solution

CrowdCheck's latest compliance service helps with all of these issues.

- **TradeCheck:** This is CrowdCheck's assurance that the state rules relating to resales of unlisted securities are met. CrowdCheck walks the issuer through state requirements and what may be needed to comply. CrowdCheck then produces a report detailing which states transactions may be effected in, and for what time period. This service includes inclusion of the issuer's information in the Mergent “Securities Manuals.”² The end result will usually be clearance for all states and territories (including California), although the number of transactions permitted to be made by an individual seller may be limited in some states. Why trust CrowdCheck? We have offered compliance services for the online capital formation world since 2012, and have dealt



¹ The typical exemptions that may apply are for isolated, non-issuer transactions; unsolicited sales through a broker; and the manual exemption, requiring that information about the company be published in a securities manual.

² Inclusion in the Securities Manuals alone is also available as a standalone service.

with hundreds of offerings under Regulation A and Regulation CF. CrowdCheck is managed by attorneys with deep experience in federal and state securities laws and extensive relationships with federal and state regulators.

Cost

The full TradeCheck service costs \$5,250 for the initial review for companies that offered securities in reliance on Regulation A, and \$5,750 for companies that have only offered securities in reliance on Regulation CF. Renewals cost \$1,650. Inclusion in the Securities Manual alone costs \$4,700.

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