

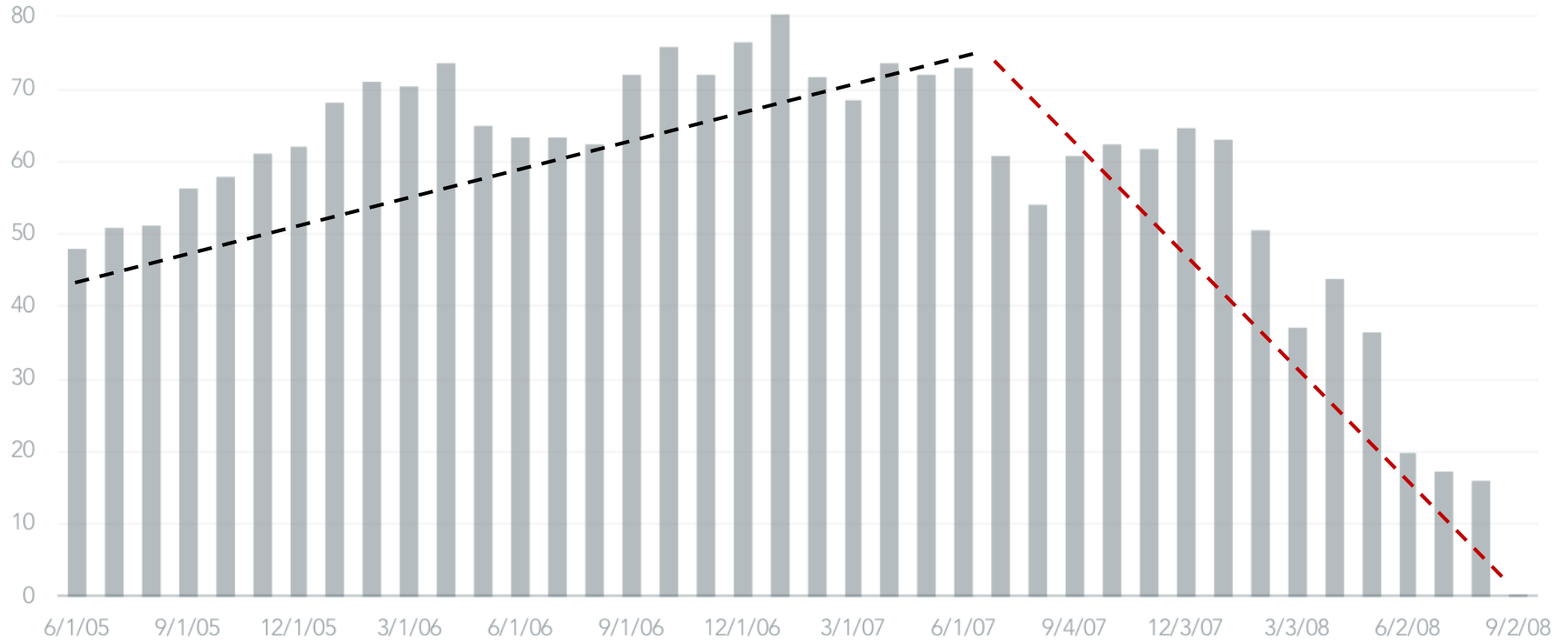
CRYPTO SECURITIES REGULATIONS IOI

BLOCKFIN SUMMIT | LENDIT FINTECH USA 2018

seedinvest

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ABOUT ME: TIMING IS EVERYTHING



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UNIVERSITY of PENNSYLVANIA

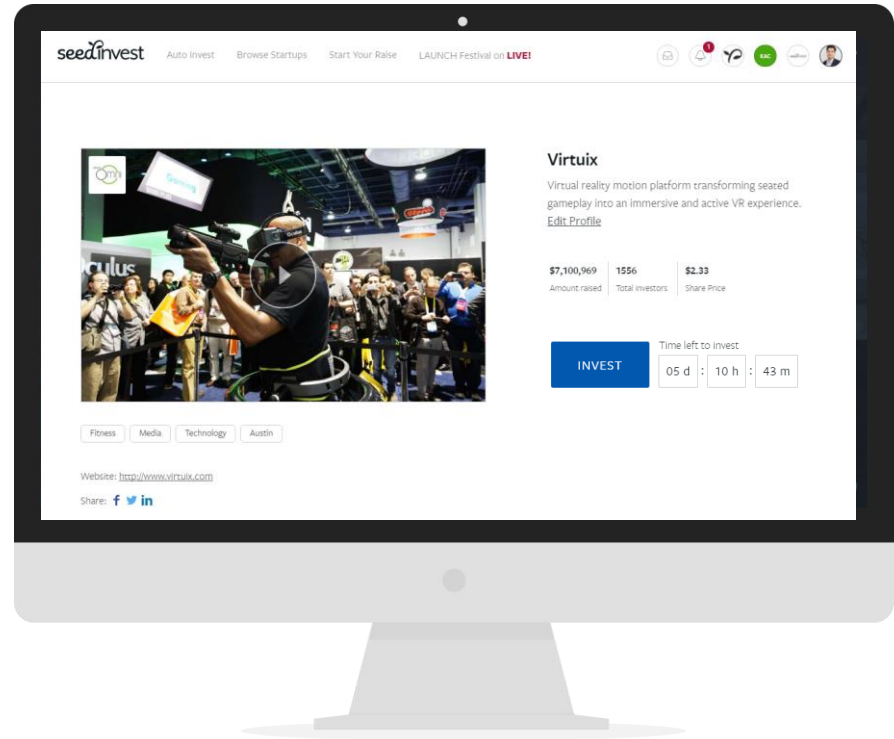
WE CHANGED 80-YEAR-OLD SECURITIES LAWS

Between 2011 and 2012 we helped get the JOBS Act signed into law.

After the passage of the JOBS Act we worked closely with the SEC, FINRA, the White House and Treasury Dep't on finalizing the rules.

The JOBS Act made security token offerings possible:

- Removal of the ban on general solicitation
- Ability to access non-accredited investors



AND MOVED STARTUP INVESTING ONLINE

200,000

TOTAL
INVESTORS

2,000

INVESTMENTS
PER MONTH

25,000

STARTUP
APPLICATIONS

1%

ACCEPTANCE
RATE

SeedInvest is the largest US-based equity crowdfunding platform.

We receive 1,000+ startup applications each month and launch just the top 1%.

Perform independent due diligence on companies before presenting on platform.

Have operated a wholly-owned, SEC & FINRA licensed broker-dealer for the past 3 ½ years.

CRYPTO REGULATION IS COMING

The SEC will treat virtually all tokens as securities.

Just because some tokens have or will have utility doesn't mean they won't be deemed securities.

When a token becomes operational it doesn't mean it's not considered a security anymore.

And the SEC is not the only game in town. Don't forget about the states and plaintiff's attorneys.

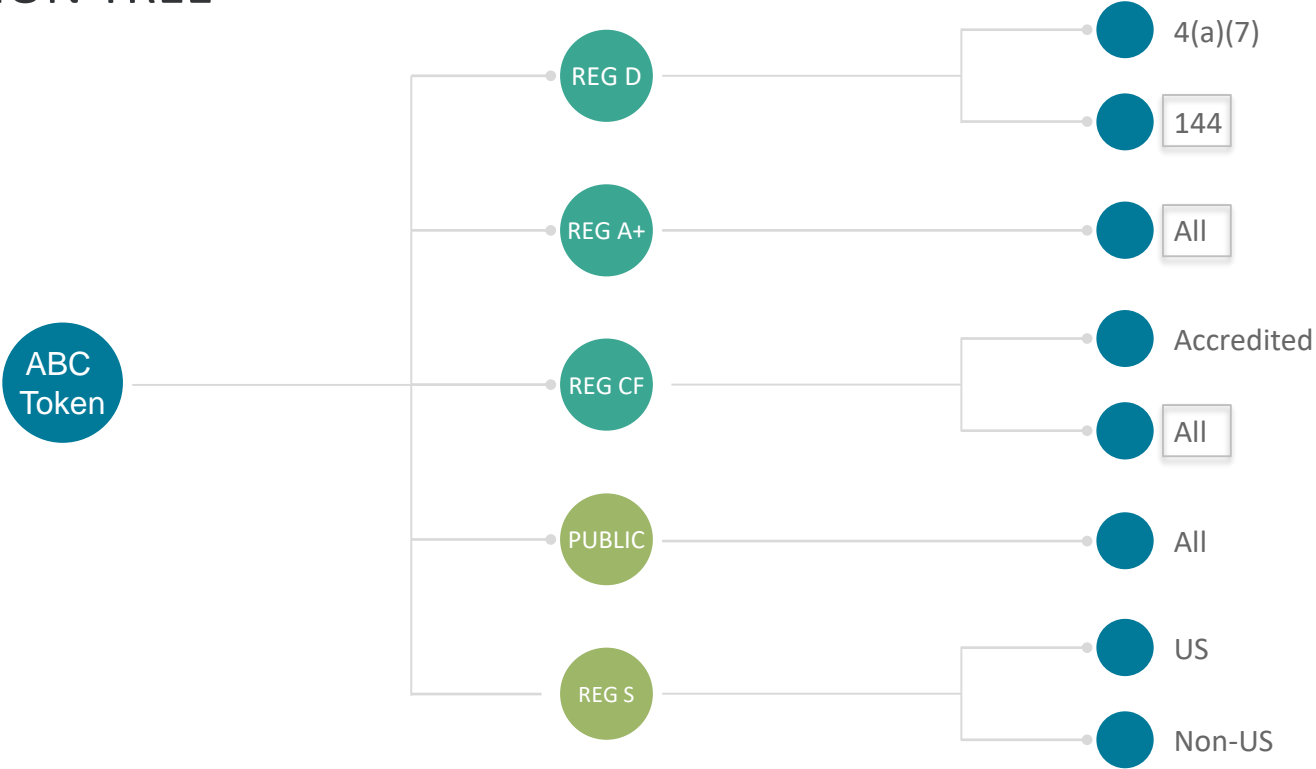


THE ABCS OF SECURITY EXEMPTIONS

	REG D – 506B	REG D – 506C	REG CF	REG A+ (TIER II)	REG S
ACCREDITATION	Accredited only	Accredited only	All	All	Depends on country
ADVERTISING	No	Yes	Yes	Yes	Depends on country
RAISE LIMIT	Unlimited	Unlimited	\$1.07 mm	\$50 mm	Unlimited
SEC INVOLVEMENT	No	No	Effective upon filing	Effective upon qualification	No
FINANCIALS REQUIRED	None	None	Reviewed financials ⁽¹⁾	Audited financials	None
ONGOING REPORTING	None	None	Annual filing	Semi-annual filing	None

(1) Audited financials required for raises over \$500k unless first time Reg CF issuer.

SECONDARY TRADING DECISION TREE



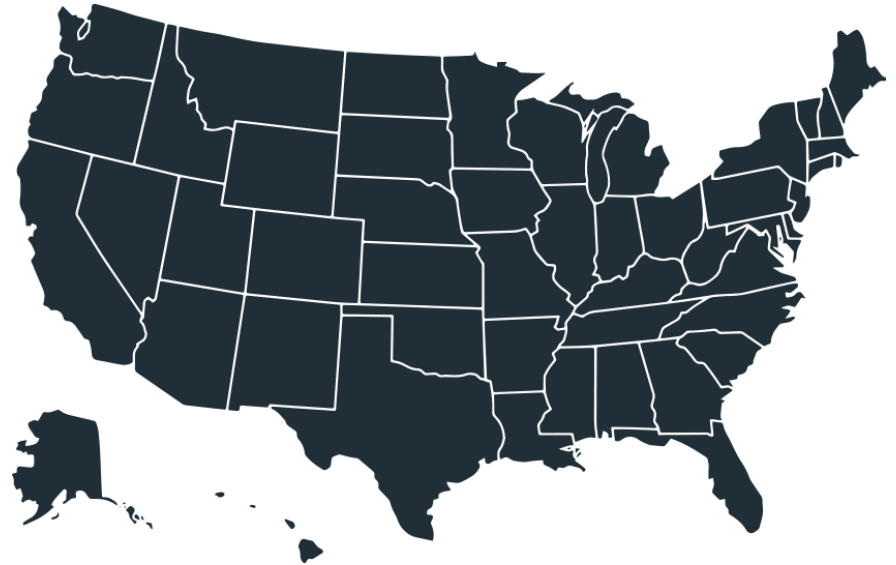
NOT SO FAST... THE BLUE SKY PROBLEM

States are preempted from primary sales but not secondary sales.

Only covered securities (listed on NYSE or NASDAQ or sold under 4(a)(7)) are pre-empted from blue sky.

Different rules for each state and the rules and compliance is complex.

In order to even go state-by-state, need to ID investors to know which reside they reside in.





AND DON'T FORGET THE 12(G) CATCH

Section 12(g) requires companies to register with the SEC (like a publicly-listed company) once certain tests are met.

12(g) requires an issuer to register with the SEC if:

- Assets exceed \$10 million and;
- 2,000 holders of record or 500 non-accredited holders.

Reg A+ has a conditional exemption from 12(g) but is still problematic. The exemption applies if:

- Public float (common stock held by non-affiliates) <\$75 million (or if no public float, revenues of <\$50 million) and;
- Makes required ongoing filings and;
- Engages a registered transfer agent.

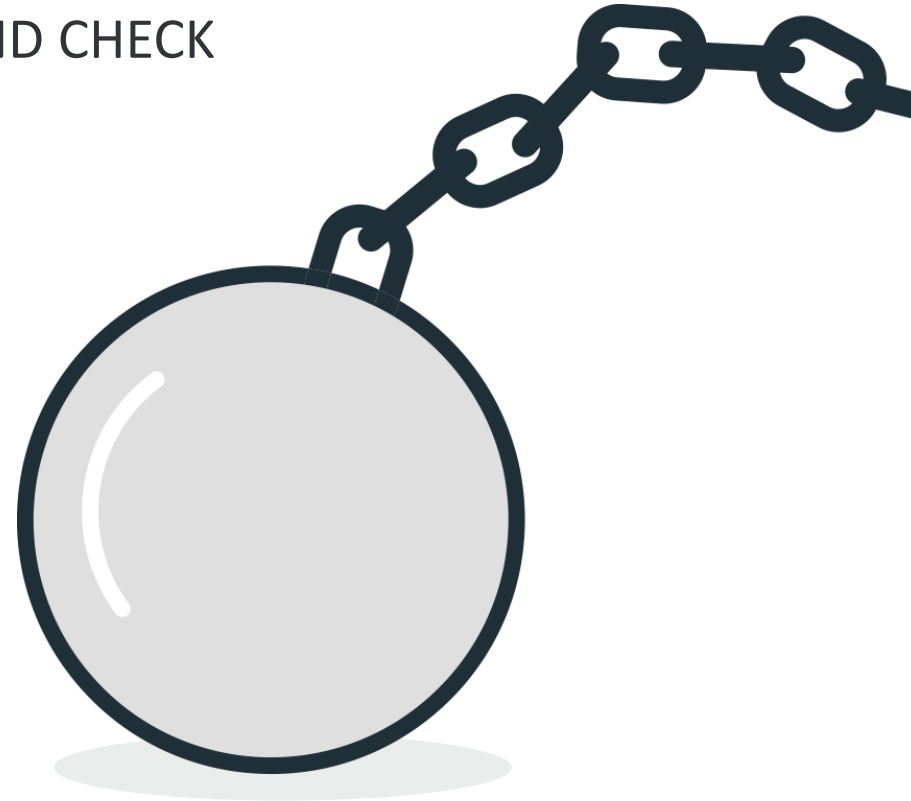
ALREADY DO A TOKEN OFFERING AND CHECK ALL THE BOXES? DIDN'T THINK SO

The SEC isn't going to just let you off the hook if you accidentally violated the law.

Investors will effectively have a permanent put option on your company (and you).

People are going to need to go back and "fix" their non-compliant ICOs and offer a right of rescission.

Need to utilize a valid securities exemption and these won't work: Reg D (accredited-only), Reg CF (too small), Reg S (non-US only) and Registered Offerings (blue sky issues).





OK SO HERE'S THE LIKELY SILVER BULLET

Reg A+ is going to be best option for executing on right of rescission offers:

- Accredited and non-accredited;
- Ability to generally solicit;
- \$50 million per year;
- States are preempted; and
- Public offering so could likely “make an offer” to people who originally invested if you don’t actually know who they are.

SEEDINVEST IS HERE TO HELP



“I think this is the kind of thing that could be the future of how startups get funded.”

- Jim Cramer, Mad Money

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