HOW TO SELL LEAD INVESTORS ON FUNDING YOUR

REG A+



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Reg A+ has transformed the funding and growth prospects of countless companies that don't have access to venture capital funding or couldn't otherwise bear the costs of a normal SEC registration. Through 2021, Reg A+ offerings raised more than \$7.4 billion with over \$3.4 billion raised last year alone – a 130% year-over-year increase.

Many early-stage companies who would pursue Reg A+ lack the resources to market and promote their offering to a large investor base. For these companies, a scaled-down Seed, Founders, or Positioning round can bridge the gap by funding the projected costs of a Reg A+ in the future.

Reg A+'s selling shareholder allowance, which allows investors who purchase securities in prior rounds to sell a portion of their holdings in Reg A+, can be a powerful tool for attracting lead investors in a bridge round.

One of the biggest risks private investors face is the lack of a liquid market for selling shares. Investments in private companies typically carry extended lock-up periods and the challenge of finding buyers can force investors to sell at a discount when they're finally allowed to trade.

In Reg A+, however, pre-existing shareholders can sell up to 30% of their holdings, creating a unique profit opportunity in the short-term given Reg A+'s strong liquidity and the likely step-up in valuation between capital events.

Let's look at a case study demonstrating the selling shareholder allowance in action.





SELLING SHAREHOLDERS ALLOWANCE - CASE STUDY

Company X decides to raise funds through a Founders round, raising \$1M from a Lead Investor at \$2/share. Less than 12 months later, the company prices a \$30M Reg A+ offering at \$5.10 per share, valuing the investor's holdings at \$2.55M (500K shares * \$5.10) prior to share sales.

Company X allows investors to sell up to 20% of their holdings in Reg A+. Assuming the Lead Investor sells 20% of his 500K shares, this translates to \$510K in sales proceeds ($$5.10 \times 100K$ shares sold) on the initial \$1M investment – a realized ROI of 51%.

The Lead Investor maintains 80% of his holdings (400K shares) in Company X, now worth \$193M at the elevated Reg A+ valuation. The value of the Lead Investor's remaining holdings post-sale is \$2.04M (400K * \$5.10).

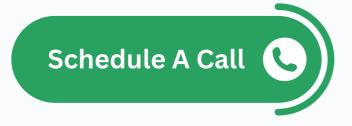
Sales & Valuation Summary	Shareholding	Pre-Money	Shares Sold	Shares Acq.	New Shares	Shareholding	Percentage	Post-Money
	Before Reg A+	Valuation	by Sellers	from Sellers	Issued	After Reg A+	Ownership	Valuation
Founders & Insiders	30,000,000	\$153,000,000				30,000,000	79.28%	\$153,000,000
Lead Investor	500,000	\$2,550,000	(100,000)			400,000	1.06%	\$2,040,000
CPVS Investors	1,950,000	\$9,945,000	(390,000)			1,560,000	4.12%	\$7,956,000
Reg A+ Investors		11 % //	30 30 3	490,000	5,392,353	5,882,353	15.54%	\$30,000,000
Company Total	32,450,000	\$165,495,000	(490,000)	490,000	5,392,353	37,842,353	100.00%	\$192,996,000

ROI Summary	Total Invested	Shares Sold	Sales Proceeds	Realized Return	Value Unsold
Founders & Insiders	\$5,000				\$153,000,000
Lead Investor	\$1,000,000	100,000	\$510,000	51.00%	\$2,040,000
CPVS Investors	\$1,950	390,000	\$1,989,000	100%+	\$7,956,000
Reg A+ Investors	\$30,000,000				\$30,000,000
Post-Valuation					\$192,996,000



SELLING SHAREHOLDERS ALLOWANCE - CASE STUDY

To learn more about lead investors or Reg A+ for your company, **Schedule a call**, and let's talk!



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