

HOW TO SELL LEAD INVESTORS  
ON FUNDING YOUR  
**REG A+**



 MEDICAL FUNDING  
**PROFESSIONALS**

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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.



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 x 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 Before Reg A+	Pre-Money Valuation	Shares Sold by Sellers	Shares Acq. from Sellers	New Shares Issued	Shareholding After Reg A+	Percentage Ownership	Post-Money 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				490,000	5,392,353	5,882,353	15.54%	\$30,000,000
<b>Company Total</b>	<b>32,450,000</b>	<b>\$165,495,000</b>	<b>(490,000)</b>	<b>490,000</b>	<b>5,392,353</b>	<b>37,842,353</b>	<b>100.00%</b>	<b>\$192,996,000</b>

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
<b>Post-Valuation</b>					<b>\$192,996,000</b>



To learn more about lead investors or Reg A+ for your company,  
[Schedule a call](#), and let's talk!

Schedule A Call



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