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Microcap Stock: A Guide for Investors

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**Introduction**

**A Word About Offering Requirements**

Any company that wants to offer or sell securities to the public must either register with the SEC or meet an exemption. Here are two of the most common exemptions that many microcap companies use:

* **"Reg D" Offerings**Some smaller companies offer and sell securities without registering the transaction under an exemption known as Regulation D. Reg D exempts from registration companies that seek to raise less than $1 million in a twelve-month period. It also exempts companies seeking to raise up to $5 million, as long as the companies sell only to 35 or fewer individuals or any number of "accredited investors" who must meet high net worth or income standards. Reg D also exempts some larger private offerings of securities that are sold exclusively to accredited investors and other sophisticated investors. In general, offerings under Reg D are not permitted to use the internet, broadcast media or other means of 'general solicitation and general advertising' to attract investors.  In legislation enacted in 2012 called the 'JOBS Act,' Congress required the SEC to permit public advertising in Reg D offerings where securities are sold only to accredited investors and the issuer takes reasonable steps to verify that they are accredited. While companies claiming an exemption under Reg D don't have to register or file reports with the SEC, they must still file what's known as a "Form D" within a few days after they first sell their securities. Form D is a brief notice that includes the names and addresses of owners and stock promoters, but little other information about the company. You may be able to find out more about Reg D companies by contacting your state securities regulator. You will find [contact information](https://www.sec.gov/cgi-bin/goodbye.cgi?nasaa.org/about-us/contact-us/contact-your-regulator/) for your state securities regulator at [http://www.nasaa.org/about-us/contact-us/contact-your-regulator/](https://www.sec.gov/cgi-bin/goodbye.cgi?nasaa.org/about-us/contact-us/contact-your-regulator).
* **"Reg A"**Companies raising less than $5 million in a 12-month period may be exempt from registering their securities under a rule known as Regulation A. Instead of filing a registration statement through EDGAR, these companies file a printed copy of an "offering circular" with the SEC containing financial statements and other information.