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SEC Provides Temporary Relief to Permit Expedited Crowdfunding Offerings in a Time of COVID-19

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Picking up on suggestions from its Small Business Capital Formation Advisory Committee, the SEC has adopted a temporary rule to permit small businesses eligible to do a Regulation Crowdfunding offering that have been operating for at least six months to have access to capital through August more quickly by streamlining some of the crowdfunding exemption requirements as follows:

- *Gauging interest.* An issuer can begin its offering through its intermediary platform after filing its offering statement even though its financial statements are not available. However, it cannot accept commitments until the required financial statements are filed and provided to investors. It also must disclose that the financial statements are not available and will be provided later, that no commitments will be accepted until the financial statements are provided, and that the investor should review all the required information.
- *Financial statements required.* For offerings not exceeding $250,000 (but more than $107,000), the requirement for reviewed or audited financial statements is waived and instead, if those are unavailable, the financial statements and information from the issuer's federal tax returns can be certified by its principal executive officer.
- *Expedited Funding.* Instead of the 21-day waiting period under existing rules, an issuer can make sales once it has received binding commitments for the target offering amount (but a commitment is not binding for 48 hours) and it can close on the offering as long as it has complied with the disclosure requirements, notified investors that the target offering amount has been met, and the amount being closed on is at least the target offering amount.

These changes, which became effective May 4, 2020 and apply to crowdfunding ?offerings begun by August 31, 2020, provide welcome short-term relief for those companies that ?can avail themselves of the crowdfunding alternative. ?

Visit our **COVID-19 Resource Center** often for up-to-date information to help you stay informed of the legal issues related to COVID-19.

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