

# Small Business Notes

Minnesota Department of Employment and  
Economic Development (DEED)

## **U.S. House of Representatives Passes Bill Amending Regulation D to Allow for Road Shows and Demo Days Without Running Afoul of Prohibition on General Solicitation**

### *In this issue:*

#### **▪ U.S. House of Representatives Passes Bill Amending Regulation D to Allow for Road Shows and Demo Days Without Running Afoul of Prohibition on General Solicitation**

On January 10, the House of Representatives passed H.R. 79, the “Helping Angels Lead Our Startups (HALOS)” bill. That bill seeks to address the ease of capital formation by amending the rules on when a communication made to potential investors at a “road show” or “demo day” presentation could constitute a prohibited general solicitation.

The SEC’s July, 2013 adoption of the new Rule 506(c) removed the ban on general solicitation provided that all attendees were accredited investors and that the offeror had taken “reasonable steps to verify” that status. Some parties had complained that the reasonable steps identified in the rule—which involved gathering information from regulatory and other sources on the attendee and making available sometimes complex information about the offering—imposed a cost burden on the potential offeror which constituted a barrier to capital formation.

As passed, the HALOS bill would provide that the definition of general solicitation does not apply to “a presentation or communication made by or on behalf of an issuer” at an event :

- Sponsored by the federal government, a state or political subdivision of a state, or an agency or instrumentality of federal or state government; a college or university; a non-profit organization; an angel investor group; a venture forum, venture capital association, trade association; or any other group that may be determined by rule by the SEC; and
- Where any advertising for the event does not reference any specific offering of securities by the issuer other than that the issuer is in the process of offering securities or is planning to offer securities; the type of securities offered and the amount already subscribed; and the intended use of the proceeds of the offering.
- Where the sponsor of the event does not make investment recommendations of offer investment advice to attendees; does not engage in an active role in any investment negotiations; does not charge event attendees any fee other than administrative fees; and does not receive any compensation which would require registration of the sponsor as a broker of dealer.

This bill was unsuccessful in last year’s Congressional session. Despite its passage here, and support by various small business and venture organizations, it is unclear how it will fare in the Senate.

Past issues of  
Small Business Notes  
are available on the  
Department of  
Employment and  
Economic  
Development  
website at  
<http://mn.gov/deed/>

*Small Business Notes is published to offer timely, accurate, and useful information on topics of concern to small businesses in Minnesota. It is for general information purposes only. It is not legal advice and should not be relied on for resolution or evaluation of legal issues or questions. Readers are advised to consult with their private legal advisors for specific legal advice on any legal issues they may have.*

Copyright © 2017  
Minnesota Department  
of Employment and  
Economic Development  
(DEED)

*Information in Small Business Notes on tax matters, both federal and state, is not tax advice and cannot be used for the purposes of avoiding federal or state tax liabilities or penalties or for the purpose of promoting, marketing or recommending any entity, investment plan or other transaction. Readers are advised to consult with their private tax advisors for specific tax advice on any tax related issues they may have.*



## Department of Employment and Economic Development

1<sup>st</sup> National Bank Building ■ 332 Minnesota, Suite E-200 ■ Saint Paul, MN 55101-1351  
651-259-7114 | Toll Free: 800-657-3858 | Fax: 651-296-5287 | TTY/TDD: 651-282-5909 | <http://mn.gov/deed/>

*An Equal Opportunity Employer and Service Provider*