

# TECH STARTUP FUNDING



The Securities and Exchange Commission (SEC) regulates laws that govern how founders raise startup capital, who they can raise from, how, and how much. Securities law segregates investors into two classes: "accredited" and "non-accredited."



For individuals ("natural persons"), the SEC defines accreditation by income and net worth. Investors who don't meet SEC thresholds are restricted - sometimes barred - from investing in startup offerings.



Founders without high net worth networks face separate and unequal offering regulations that make it hard for most founders to raise capital. Due to the wealth and wage gaps, it is especially hard for underrepresented founders. This is a result of economic engineering and startup redlining, a form of systemic racism.

**The Jumpstart Our Business Startups (JOBS) Act introduced general solicitation under Reg D 506(c) & Reg CF (crowdfunding) to enable offerings beyond issuers' professional networks, but it did not fix the "friends & family" gap or discriminatory outcomes.**

Offering Type : Reg D 506(b)      Reg D 506(c)      Reg CF

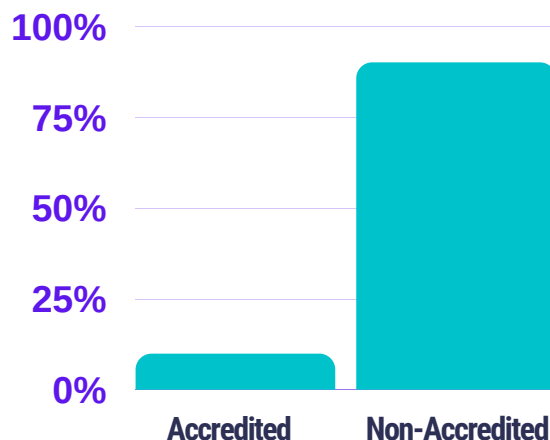
\$ LIMITS	None	None	\$1MM / 12mos
General Solicitation	No	Yes	Restricted *
Non-accredited Investors	≤ 35	None	Restricted **
Verify Investor Status	Non-accredited "sophistication"	Yes	Yes
Increased Disclosure	Yes; for non-accredited investors	Yes	Yes
Blue Sky Compliance	Not required	Not required	Yes
Enhanced Filing Reqs.	No	No	Yes
Investment Funds (e.g. VC)	Yes	Yes	No

\* Crowdfunding offerings must be conducted on a registered portal and have additional filing & reporting requirements.

\*\* Non-Accredited investors may invest no more than 5-10% of annual income (5% if income is under \$100K / year).

\*\*\* Form C filings, annual reports, etc. (see <https://www.sec.gov/info/smallbus/secg/rccomplianceguide-051316.htm>)

## MOST AMERICANS DON'T MEET THE SEC DEFINITION OF ACCREDITED INVESTOR



## ACCREDITED INVESTORS ARE ALSO UNDERREPRESENTED DUE, IN PART, TO SEC REGULATIONS

1%	BLACK
3%	LATINX
22%	WOMEN

← LEARN MORE ABOUT ACCREDITED VERSUS NON-ACCREDITED INVESTORS →

SIGN THE PETITION TO STOP STARTUP REDLINING: [HTTPS://SIGN.MOVEON.ORG/P/TECHFUNDINGEQUITY](https://sign.moveon.org/p/techfundingequity)

Tech Funding Equity  
Founder and Funder Opportunities



# ACCREDITED VERSUS NON-ACCREDITED

REDLINING ACCESS TO STARTUP INVESTMENT OPPORTUNITIES



## ACCREDITED INVESTORS

≥\$200K Income 2 yrs. +  
(\$300K / household)  
and / or  
≥ \$1Million net worth  
(excluding primary residence)

Can freely invest in  
opportunities

May freely invest in  
opportunities; founder /  
issuer must obtain proof of  
accreditation

Can invest subject to  
limits based on income /  
net worth with \$107K cap.

ELIGIBILITY

506(B)

506(C)

REG CF\*

## NON-ACCREDITED INVESTORS

No personal eligibility other  
than income, net worth, or  
limited professional roles

Can be among 35 in an  
offering; founder / issuer  
must affirm sophistication

Cannot invest in these  
offerings; **NO** exceptions

Can invest subject to  
limits based on income  
and / or net worth