



The 11 Costly Mistakes Companies Make When Raising Capital

Under Reg A+ & Reg D — and How to Avoid Them

A practical field guide for founders, CEO's, and CFO's navigating
the capital markets for the first — or second — time.

Prepared by JJ Capital Consulting · Capital Markets Advisory

Why This Guide Exists

We've sat across from hundreds of growth-stage companies at every stage of the capital raising process. We've seen the best-run teams in the world stumble on preventable mistakes — not because they weren't smart, but because they didn't know what they didn't know.

Regulation A+ and Regulation D are among the most powerful capital formation tools available to American companies. Together, they enable businesses to raise from \$75,000 to \$75 million per year — from accredited investors, retail investors, or both — without a full IPO. But the rules are technical, the timelines are unforgiving, and the cost of mistakes is real.

This guide documents the eleven mistakes we see most often — with concrete fixes for each one. Read it before you engage a single investor. Better yet, share it with your founding team and your board before your first call with securities counsel.

Reg A+	Reg D 506(b)	Reg D 506(c)
Up to \$75M/year	No raise limit*	No raise limit*
Accredited + retail	Accredited only	Accredited only
SEC qualification req.	No general solicitation	General solicitation OK
3–6 month timeline	Faster (30–60 days)	Must verify investors
Audited financials req.	No audit required	No audit required

* No statutory cap, but subject to state blue sky laws and Regulation D filing requirements.

The 11 Mistakes

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MISTAKE 01

Choosing the Wrong Exemption for Your Stage and Goals

Reg D 506(c) is fast, flexible, and lets you publicly advertise — but it limits you to verified accredited investors only. Reg A+ opens the door to non-accredited retail investors and creates a public float, but it takes 3–6 months to qualify with the SEC and requires audited financials. Companies that pick Reg A+ when they only need \$2M from their existing investor network waste six months and \$150,000+ in legal and audit fees. Companies that pick Reg D when their goal is broad retail brand-building miss the audience entirely.

THE COSTLY MISTAKE

Choosing Reg A+ because it 'sounds better' or more credible, without understanding the 3–6 month SEC qualification timeline, PCAOB audit requirement, and ongoing disclosure obligations — when a simple Reg D 506(c) raise would have closed in 30 days.

THE FIX

Map your investor universe first. If 100% of your investors will be verified accredited, Reg D is almost always faster and cheaper. If you want retail, brand equity, or an OTC-listed security, then Reg A+ is worth the runway. Decision tree: investor type → timeline → budget → exemption.

MISTAKE 02

Underestimating Legal and Audit Timelines

Reg A+ issuers frequently launch with a six-week mental model when the real timeline is four to seven months. The SEC review process alone takes 30 days per comment letter round — and most companies receive two or three rounds. Add PCAOB-standard audit prep (6–10 weeks for a first-time issuer), offering circular drafting, and state blue sky filings, and you're looking at a 5–7 month minimum from kickoff to qualified offering. Reg D is faster — but even that requires careful attorney preparation of the PPM, subscription agreement, and bad actor representations.

THE COSTLY MISTAKE

Telling your board 'we'll be raising in Q1' when you haven't retained securities counsel or an auditor. Missing a fundraising window because the raise wasn't qualified in time. Running out of operating capital while waiting for SEC qualification.

THE FIX

Build a reverse timeline from your target launch date. If you want to be live in October, start the process in March. Retain your securities attorney and auditor before anything else — not after you've built your marketing campaign.

MISTAKE 03

Hiring the Wrong Securities Attorney

Not all securities attorneys are created equal. A general corporate attorney who has 'done some securities work' is not the same as a specialist with 20+ Reg A+ qualifications in their portfolio. The SEC staff comments on Reg A+ offering circulars are highly technical — a specialist knows how to draft to minimize comment rounds, how to respond efficiently, and which auditors the SEC reviewers prefer to work with. A generalist costs you time and money in endless revision cycles.

THE COSTLY MISTAKE

Hiring the cheapest attorney you can find, or using your company's existing outside counsel who handles contracts and employment law. Receiving four rounds of SEC comments on a filing that a specialist would have cleared in one.

THE FIX

Ask for a list of every Reg A+ or Reg D offering they have personally supervised — not their firm, them. Look for 10+ completed raises. Check EDGAR for prior filings they've worked on. A higher upfront legal fee with a specialist almost always saves money in total.

MISTAKE 04

Confusing the 'Testing the Waters' Rules

Reg A+ permits a 'testing the waters' (TTW) phase — you can solicit investor interest before filing your offering circular. This is a powerful tool: you can build an email waitlist, run ads, and gauge demand before spending \$100,000 on legal and audit fees. But there are strict disclosure requirements. Every TTW communication must include mandated legends stating no money is being accepted and the offering hasn't been qualified. Violating TTW rules can result in rescission rights for investors — meaning they can demand their money back — and SEC enforcement risk.

THE COSTLY MISTAKE

Running a 'soft launch' email campaign or social media push before your offering is filed, without including the required SEC legends — inadvertently creating rescission liability for your entire investor base.

THE FIX

Use TTW aggressively — it's one of Reg A+'s biggest advantages. But have your attorney draft a TTW communication template before you send a single email. The legends are non-negotiable and specific.

MISTAKE 05

Bad Cap Table Hygiene Before the Raise

Institutional investors, family offices, and sophisticated angels will review your cap table before committing capital. Common problems: convertible notes with no valuation caps or discount rates that are wildly investor-unfavorable; uncapped SAFEs from a 2021 round that will massively dilute all new investors; options grants that aren't properly documented; co-founders who left with unvested equity still on the table. These aren't just aesthetic problems — they can kill a deal or force a painful restructuring mid-raise.

THE COSTLY MISTAKE

Going to market with a messy cap table and discovering mid-raise that your largest prospective investor won't close until the table is cleaned up — stalling your raise for 60–90 days while attorneys sort out the mess.

THE FIX

Before engaging investors, have your attorney produce a fully updated capitalization table and a pro forma showing post-raise dilution at multiple scenarios. Clean up any outstanding issues. Use a cap table management platform (Carta, Pulley, or Captable.io).

MISTAKE 06

Ignoring Bad Actor Disqualification Checks

Rule 506(d) under Regulation D disqualifies offerings where any 'covered person' — including founders, directors, 20%+ shareholders, and compensated promoters — has a disqualifying event on their record. Disqualifying events include SEC enforcement actions, certain criminal convictions, FINRA bars, and court injunctions. If you discover a disqualifying event after you've started raising, your offering is in violation. You can apply for a waiver, but it's expensive, slow, and uncertain. Reg A+ has similar provisions. This is not a box-checking exercise — it's a legal requirement with real teeth.

THE COSTLY MISTAKE

Bringing on a well-connected promoter or advisory board member without running a background check, only to discover mid-offering that they have a prior SEC enforcement action — triggering a potential disqualification and requiring expensive remediation.

THE FIX

Run bad actor checks on every covered person before filing or accepting a single investor. Your securities attorney will handle this, but don't let it be an afterthought. Check FINRA BrokerCheck and the SEC's EDGAR enforcement database.

MISTAKE 07

Launching Marketing Before Qualification or Filing

For Reg D 506(b) offerings, any form of 'general solicitation' — advertising, social media, email blasts to people you don't have a pre-existing relationship with — is prohibited. 506(c) allows general solicitation but requires verified accredited investors. For Reg A+, you must file before making most marketing communications (outside of TTW). Companies that run ads, post on social media, or pitch at public events without understanding which rule they're operating under expose themselves to SEC enforcement and create rescission liability.

THE COSTLY MISTAKE

A founder posts on LinkedIn asking followers to 'reach out if interested in investing' under a 506(b) offering — constituting illegal general solicitation. Or a Reg A+ issuer starts Facebook ads before the offering circular is filed with the SEC.

THE FIX

Before any public communication about your raise, confirm with your attorney which exemption you're using and what marketing is permissible. This conversation takes 30 minutes and can save you from an enforcement action.

MISTAKE 08

No Transfer Agent in Place for Reg A+ Offerings

Reg A+ creates real, transferable securities. Investors need a mechanism to hold, transfer, and eventually sell their shares. A transfer agent (TA) manages your shareholder registry, processes transfers, issues certificates (or book entries), and — if you pursue DTC eligibility — enables your shares to be held and traded through the standard brokerage ecosystem. Without a TA engaged early, you'll have closing delays, unhappy investors who can't access their shares, and potential regulatory headaches. Options include Computershare, Securitize (for digital securities), North Capital, and IST Shareholder Services.

THE COSTLY MISTAKE

Closing \$3M in a Reg A+ offering and not having a transfer agent in place — leaving investors in a documentation limbo for months while you scramble to engage a TA and backfill the shareholder registry.

THE FIX

Engage your transfer agent before you launch marketing. The setup process takes 2–4 weeks. For Reg A+ issuers who want OTC trading or DTC eligibility, start this process even earlier — DTC eligibility can take 3+ months.

MISTAKE 09

No Investor Relations Infrastructure

Raising capital is the beginning of a relationship, not the end of one. Investors expect regular communication: how is the company performing, how are proceeds being deployed, what are the milestones. For Reg A+ issuers, ongoing disclosure is a legal requirement — annual reports (Form 1-K), semi-annual reports (Form 1-SA), and current reports (Form 1-U) for material events. Companies that treat IR as an afterthought lose investor trust, face SEC scrutiny for late filings, and destroy any chance of a successful follow-on raise.

THE COSTLY MISTAKE

Raising \$5M from 800 retail investors through a Reg A+ offering and then going radio silent — triggering investor complaints, SEC late filing notices, and a permanent reputational stain that follows the company into its next raise.

THE FIX

Before you close your offering, build your IR infrastructure: investor portal (EquityNet, iR/direct, or even a Substack), reporting calendar, and a fractional IR professional if needed. Budget for this in your use of proceeds.

MISTAKE 10

Underestimating Ongoing Disclosure Obligations

Reg A+ issuers are ongoing reporting companies. You must file annual reports (Form 1-K) within 120 days of fiscal year end, semi-annual reports (Form 1-SA) within 90 days of the mid-year, and current reports (Form 1-U) for material events like changes in control, bankruptcy, or departure of key officers. These filings require audited or reviewed financials, which means maintaining an ongoing auditor relationship. Many companies are shocked by the cost and operational burden — ongoing compliance can run \$50,000–\$150,000 per year in professional fees.

THE COSTLY MISTAKE

Budgeting for the upfront raise costs (legal, audit, TA) but completely ignoring the ongoing annual compliance cost — then discovering in year two that you've allocated no budget for mandatory SEC reporting and are facing late filing penalties.

THE FIX

Model ongoing compliance costs into your three-year budget before you raise. Include auditor retainer fees, SEC filing costs, IR software, and outside counsel for annual filings. If the ongoing burden is too high, reconsider whether Reg A+ is the right structure.

MISTAKE 11

No Realistic Use-of-Proceeds Narrative

The use of proceeds section of your offering circular or PPM is one of the most scrutinized parts of the document — both by the SEC and by investors. Vague language ('general working capital and business development') triggers SEC comment letters and signals to investors that management hasn't done the work. Overly specific projections that don't match your actual operating plan create fiduciary risk. The sweet spot is a clear, prioritized allocation tied to specific business milestones: product development, sales headcount, inventory, marketing, and working capital reserve — each with a dollar amount and a rationale.

THE COSTLY MISTAKE

Submitting an offering circular with 'general working capital' as the primary use of proceeds — receiving an SEC comment letter demanding specificity, adding another 30–60 days to your qualification timeline.

THE FIX

Build a 24-month operating budget tied to your raise. Allocate proceeds to specific line items with percentages. Show investors what success looks like at each funding milestone. Have your attorney review the language before filing.

You've Read the Mistakes. Now Let's Make Sure You Don't Make Them.

JJ Capital Consulting offers a complimentary 30-minute Capital Strategy Call for growth-stage companies considering a Reg A+ or Reg D raise. No pitch. No pressure. Just an honest assessment of where you are and what the path forward looks like.

- Is your company Reg A+ or Reg D ready?
- Which exemption makes sense for your investor base and timeline?
- What does your vendor stack look like (attorney, auditor, TA)?
- What's the realistic cost and timeline for your raise?
- Where are the red flags we'd want to address before going to market?

[Book Your Free Strategy Call →](#)

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