

Reg A+ Would Help High-Growth Companies Boost the Economy

By William G. Klehm, Chairman and CEO of Fallbrook Technologies

Recently, I filed [Advance Comments](#) with the Securities and Exchange Commission to share a tech company's perspective on how Reg A+ could be drafted to help growth companies like [Fallbrook Technologies](#). As Chairman and CEO of Fallbrook, I spend a substantial portion of my time evaluating options for capital, so I am well aware of the issues. If the SEC's Reg A+ rules are user-friendly and preempt state securities laws, companies like Fallbrook can use Reg A+ to help boost the economy by creating new American jobs, expanding R&D efforts, and driving innovation faster.

Fallbrook is an emerging manufacturing and technology development company dedicated to improving the flexibility of power transmission within a wide variety of mechanical devices. Our core technology is the patented and award-winning [NuVinci®](#) continuously variable planetary (CVP) transmission system. Fallbrook's *NuVinci* CVP technology is a standard component on more than 60 major bicycle brands throughout Europe, and is potentially applicable to improving the performance and efficiency of virtually any product that uses a transmission, such as light electric vehicles, outdoor power equipment, agricultural equipment, automobiles, and wind turbines.

Based in Cedar Park, Texas, near Austin, Fallbrook employs more than 140 people here in the U.S., including about 30 of the best engineers in the transmission sector. We currently hold over 600 patents with more applications pending worldwide. We have secured major partnerships with global players in the automotive sector to design and develop applications of our transmission technology. We have met the commercial challenges of both physics and economics while increasing revenue from modest amounts in 2009 to nearly \$45 million last year. We are the type of high-growth company that is ready and eager to fulfill the promise of Congress' bipartisan JOBS Act.

We are grateful that the SEC created the opportunity for Advance Comments on various JOBS Act provisions. As regular readers of this blog may be aware, the Regulation A+ provision would allow companies to raise \$50 million per year without fully going public (also known as a "mini-IPO"). The current Reg A cap is only \$5 million and is insufficient to satisfy the capital needs of growing companies like Fallbrook.

In my comments, I suggested that the SEC focus on the following four factors as it crafts Regulation A+ rules related to Title IV of the JOBS Act.

First, the SEC should strive to make Reg A+ rules simple and user-friendly, eliminating the need for growing companies to have to expend undue resources on decoding complex and cumbersome regulatory changes. If the rules are not clear and straightforward, utilization will be hindered, leaving the promise of the JOBS Act unfulfilled.

Second, the SEC should act to preempt state securities laws that would require growing companies to file paperwork in every state in which they propose to raise capital. Not only are numerous multi-state filings extremely difficult to navigate and execute correctly, but because of the Internet, a growing company's message can rapidly spread across the U.S. making the advantages and risks of investing more easily available to the public. Social media can drastically open the playing field of where and how capital can be raised, which is exactly the kind of robust national access Congress and the President envisioned activating for growing companies.

Third, because the increased Reg A+ cap provides better scalability options for companies that are growing beyond their earliest stages, Reg A+ rules should continue to be a top priority for the SEC.

Finally, reporting requirements should insist on reasonable detail and transparency, but should not be so frequent or complex as to be burdensome. The requirements should not consume an undue portion of a company's resources that could be better directed toward achieving the company's core mission.

When President Obama signed the JOBS Act, he recognized the promise of the JOBS Act to America's innovators, stating:

One of the great things about America is that we are a nation of doers -- not just talkers, but doers. We think big. We take risks. And we believe that anyone with a solid plan and a willingness to work hard can turn even the most improbable idea into a successful business.

Fallbrook Technologies strongly supports the ideals the President expressed and the promise Congress made in passing the JOBS Act. We are ready to make those promises a reality and look forward to working with the SEC in the future.