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SEC Liberalizes Rules for Private Company Equity Compensation

For companies not subject to the reporting requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934 (generally, non-publicly traded companies), Rule 701 under the Securities Act of 1933 (the “Securities Act”) provides an exemption from the registration requirements for offers and sales of securities under certain compensatory benefit plans or written agreements relating to compensation. The exemption covers securities offered and sold by a business under a plan or agreement with the business’ current employees, officers, directors, and certain other service providers. The maximum number of shares that may be sold under the Rule 701 exemption by a business in any 12-month period is the greatest of (a) shares valued at \$1 million, (b) shares equal in value to 15% of the business’ total assets or (c) 15% of the business’ issued equity shares or units.

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For more information, please contact [Patricia Plavko](#), [Alison Stemler](#), [James Giesel](#) or any attorney in Frost Brown Todd’s [Employee Benefits Group](#) or [Corporate/Business Group](#).

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