

## SEC Files Settled Charges Against 3 Companies for Failures to Timely File Form D

In December 2024, the Securities and Exchange Commission (the “SEC”) filed settled charges in three separate administrative proceedings against GRID 202 LLC, a registered investment adviser (“GRID”), and two other privately-held companies, Pipe Technologies Inc. (“Pipe”) and Underdog Sports Holdings, Inc. (“Underdog” and, together with GRID and Pipe, the “Respondents”), for failures to timely file Form D in connection with various unregistered securities offerings. Each of the three companies agreed to settle the charges by accepting a cease and desist order and paying a cash penalty. The SEC’s orders settling these proceedings can be found in the following links: [Grid](#), [Pipe](#) and [Underdog](#).

In general, Regulation D (“Reg D”) under the Securities Act of 1933, as amended (the “Act”), provides three exemptions from the registration requirements of the Act, each of which permits certain issuers of securities to offer and sell their securities without registering the offering with the SEC (as would otherwise be required by the Act). Among other things, Reg D requires that a Form D, providing certain information about the offering, be filed with the SEC no later than 15 days following the first sale of securities in the offering. Although the failure to file a Form D does not result in a loss of the exemption from the Act’s registration requirements, the failure to timely file constitutes its own violation of the Act.

Each of the Respondents was found to have violated Reg D by failing to timely file a Form D in connection with one or more securities offerings. GRID was found to have been responsible for failing to ensure timely filing by two funds of which it was the managing member. In each of the offerings in question, over 100 prospective investors were contacted regarding possible investment in the offering, and the SEC found that certain communications in each of the offerings constituted “general solicitation” under the Act, making the general private placement exemption under Section 4(a)(2) of the Act unavailable. The SEC’s orders do not specify how late any of the required Form D filings were, and, although each SEC order indicates that consideration was given to remedial acts by the Respondents, none of the remedial acts were specified.

Without admitting or denying the SEC’s findings against them, each of the Respondents agreed to settle by agreeing to cease and desist from further violations of the Form D filing requirements. In addition, GRID, who raised at least a little over \$1,000,000 from the offerings in question, agreed to pay a cash penalty of \$60,000 (to be paid in installments over the next year), Pipe, who raised at least \$250,000,000 from the offerings in question, agreed to pay \$195,000, and Underdog, who raised tens of millions of dollars from the offerings in question, agreed to pay \$175,000.

The settlements of these administrative proceedings serve as an important reminder to issuers that, whenever Reg D is being relied upon, or may be relied upon, as an exemption from the registration requirements of the Act, failure to comply with the Form D filing requirements of Reg D can result in penalties, even if the offering is otherwise exempt from the Act’s registration requirements. Consequently, in such cases, each of the requirements of Reg D should be carefully reviewed and addressed in order to ensure full compliance.

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If you have any questions about the issues addressed in this memorandum, or you would like a copy of any of the material mentioned in it, please do not hesitate to call or email authors Javier Ortiz (partner) at [jortiz@cahill.com](mailto:jortiz@cahill.com) or 212.701.3301, or Geoffrey E. Liebmann (senior counsel) at [gliebmann@cahill.com](mailto:gliebmann@cahill.com) or 212.701.3313; or email [publicationscommittee@cahill.com](mailto:publicationscommittee@cahill.com).

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