ONLINE DEAL MARKETING OUTLOOK FOR Q2 2014

Regulators Rain on Parade as Rule 506(c) Enthusiasts Ready for Storm of Advertising

Table of Contents

April 2014

First Thoughts

With the end of Q1 2014, Dealflow.com provides an analysis of data filings for the Securities and Exchange Commission's new Regulation D Rule 506(c) offering for both funds and operating companies. This white paper finds that over the last two complete quarters and the last week in September (when the commission lifted its ban on general solicitation), hundreds of funds and companies have taken steps to call upon the new exemption, which allows for public advertising and online deal marketing.

At the same time, the number of 506(c) filers remains small in proportion to other traditional sources of raising capital. Even among the subset of those who chose the option allowing use of advertising, many are not pressing forward with a public campaign. Others of course are – one hedge fund circulated a video, many companies used websites or portals, and one startup revealed plans to use broadcast television and radio advertising.

While many of the company filings involve startups, some involve financing on a much larger scale, including restructurings or even IPO planning. At the same time, funds are raising billions of dollars through Rule 506(c) filings, many of which reflect foreign investors sourcing capital in the U.S.

The synergies implied by a new regulatory exemption for capital raisers and a host of online capital raising tools seem to create a classic scenario of pent up demand released by a sudden supply of something previously unavailable. And floodgates may be getting ready to open. When it comes to operating company issuers, Rule 506(c) filers are raising less than Rule 506(b) filers in both transactional deal flow and aggregate dollars. Still, when it comes to capital actually raised, companies using the new exemption raised about 10% of the amount raised through traditional means. This is no small achievement for a form of financing that did not exist before Sept. 23, 2013.

At the same time, many market participants are reluctant to use the new exemption or the advertising and online deal marketing it permits. Even among those who have filed for Rule 506(c) offerings, many have done little or nothing to develop public marketing campaigns.

Why are many companies and funds backing away from Rule 506(c) and general solicitation? What needs to happen for capital raisers to overcome their reluctance? These are questions this white paper seeks to answer.

Advertising and the Evolution of Securities Regulation

A number of U.S. financial crises and panics preceded the Crash of 1929 with regularity, initially doing little to induce regulation of exchange and offering practices. In the Panic of

1907, for instance, small investors could find themselves defrauded in bucket shops, or off-market exchanges which had been in business since at least the 1870s. Small investor panic trades were a factor in the Panic of 1907, alongside major liquidity problems, large scale market manipulation and runs on banks. Little was done to protect retail investors over the next two decades, and they joined the host of investors who were devastated in the Crash of 1929 and subsequent market declines. This time the destruction brought some changes.

After the Securities and Exchange Act of 1934 established the Securities and Exchange Commission, one of the commission's first major responsibilities was enforcing the Securities Act of 1933. Now regulators took steps to control advertising of securities and dealings in unregulated offerings, problems that had been endemic since the origin of the bucket shops and other unregulated sales through open outcry at "curb exchanges." Up to this point, offerings were simply not regulated – or faced with registration requirements – the way they are today.

The SEC's prohibition against advertising and general solicitation lasted for many decades and until recently advertising was banned for equity issuers who did not want to go through costly and time consuming registration processes. Over the years the commission has taken actions against those who have sought to use the mail, radio and television to reach a broad swath of securities investors. These means of communication have long since seen plenty of use as adjuncts to many kinds of fraud, including financial fraud that does not involve securities or commodities.

When it came to private offerings, many companies have been frustrated to learn that even after preparing detailed business plans, financial projections and offering documents they could only "advertise" their company to parties with whom they maintained a "substantial pre-existing relationship."

On Sept. 23 of 2013, the SEC eliminated, or at least partially withdrew, its ban on general solicitation. While this would seem to mark the beginning of a new era for legitimate promotion, the commission's ongoing review of related proposals leaves it unclear how laboriously the new regulatory framework will balance access to capital with investor protection.

Rule 506(c) Data and Statistics

From Sept. 23 of 2013 through the end of the first quarter of 2014, Dealflow.com tracked Form Ds for 679 Rule 506(c) filings that raised $10.93 billion for operating companies. The companies were seeking a total of $25.2 billion. (Some 201 of these Form Ds indicated the issuer had not actually sold securities at the time of the filing, and others had only raised part of the funding they targeted.)

In comparison, some 8,185 capital raisers using traditional Rule 506(b) filings raised $121 billion during the same period. Clearly, the disproportionate reliance on traditional means of capital raising indicates that both companies and funds are not fully taking advantage of an online deal environment that did not exist prior to the Rule 506(c) exemption. Their hesitance has a variety of causes that will be discussed below.

The difference is even more pronounced in data from investment fund filings. Here 486 Rule 506(c) filings indicated the funds raised $33.4 billion. Because so many of the funds did not specify a target, it remains unknown how much they were trying to raise. During the same period, 9,700 funds filed Form Ds for Rule 506(b) offerings disclosing aggregate raises of $3.6 trillion. A single raise accounted for $720 billion of this total. (Be aware that multiple and duplicative filings across entire fund families for the same raise can significantly inflate the fund totals implied by regulatory documents.)

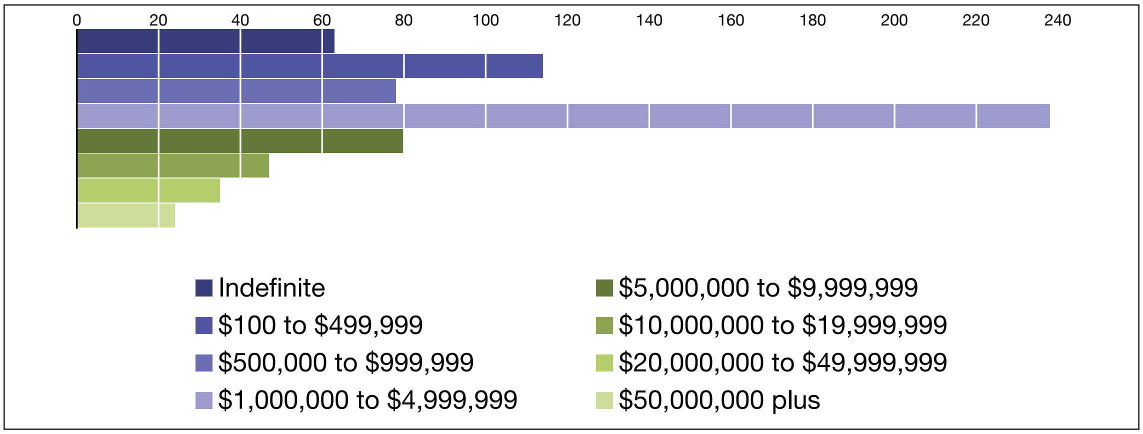
Some 389 Rule 506(c) filings took place from Nov. 23 through Dec. 31 of last year. These companies were seeking to raise an aggregate total of $22.6 billion. The amount that was actually raised, according to the filing data, was $9.8 billion. An offering from an insurance company accounted for approximately $8.4 billion of this total.

During Q1, 290 companies sought to raise $2.6 billion and actually raised $1.14 billion at the time of the filings.

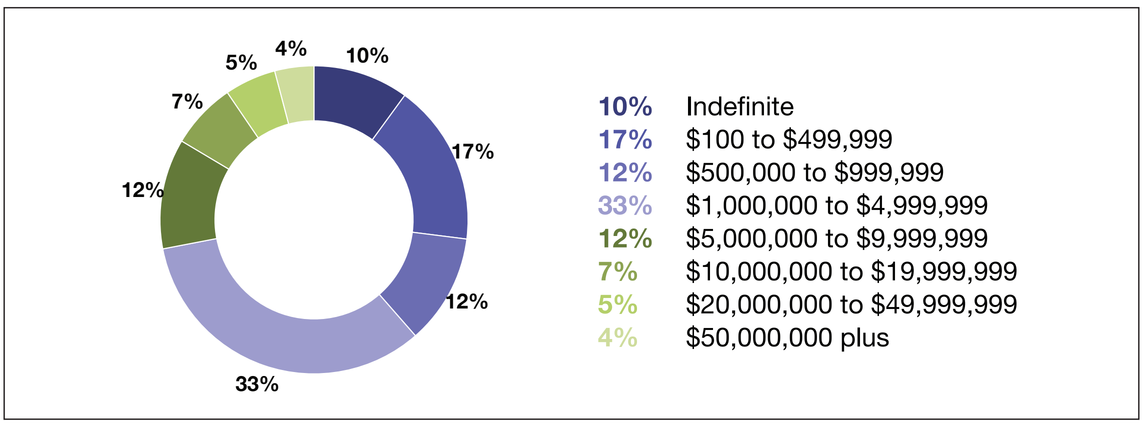
The graphic representations below break down the data along the size of deal structure and size and sector allocation.

Deal Size breakdown for company offerings: In 2013, 86% of the offerings were for less than $5 million, in keeping with the exemption's role as a tool that small companies can use to raise capital (C-2). A handful of offerings exceeded $50 million, including one outlier where a corporation raised over $8 billion. Again, in Q1, most of the deals, or 85% of the total sought to raise $5 million or less (C-3). Across the board for both periods, 84% of the offerings were for $5 million or less (C-1).

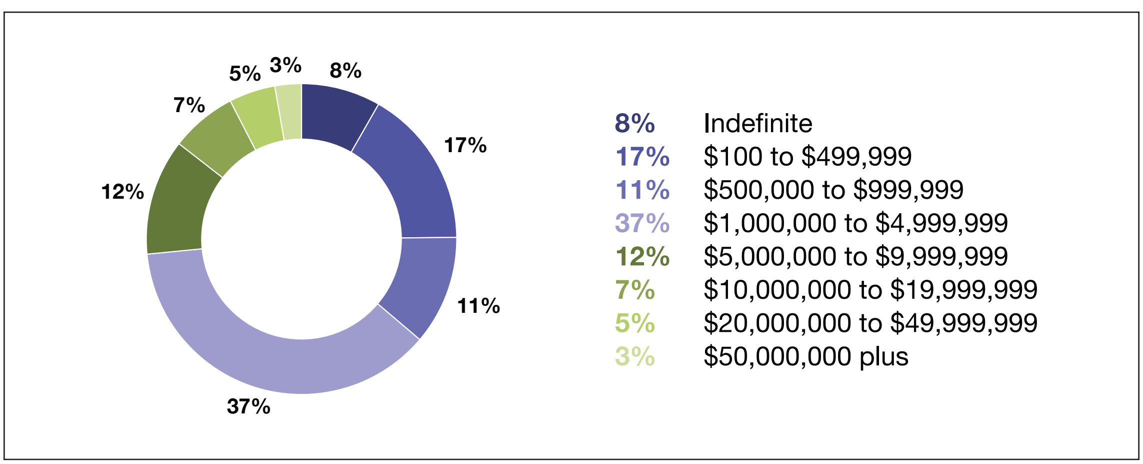
Graph C-1: Deal Size Breakdown Sept. 23, 2013 through Q1 2014



Graph C-2: Deal Size Breakdown 2013

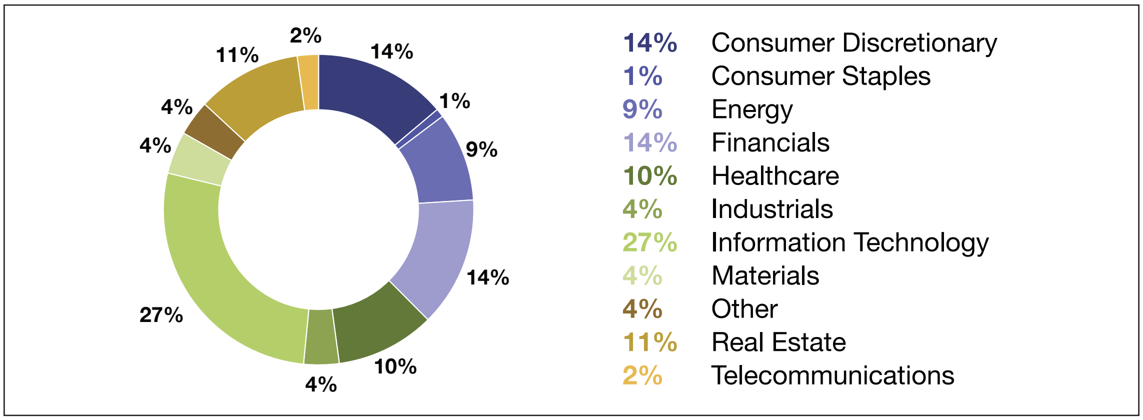


Graph C-3: Deal Size Breakdown Q1



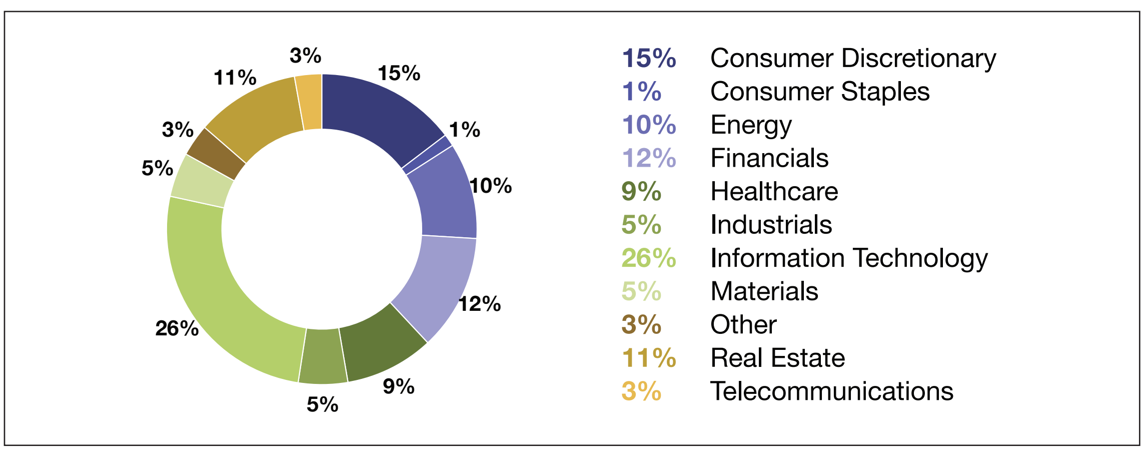
Transactional Deal Flow: Information technology represented the most deals across all the data. Many of the offerings involve startup app makers ranging from those attempting to exploit niche markets to others developing platforms that could scale to optimize ad targeting or product marketing over large markets. Consumer discretionary, healthcare and financial companies were also big deal flow drivers. Real estate was responsible for many offerings but even more in the area of aggregate dollar value as indicated below.

Graph C-4: Sector Breakdown Both Periods

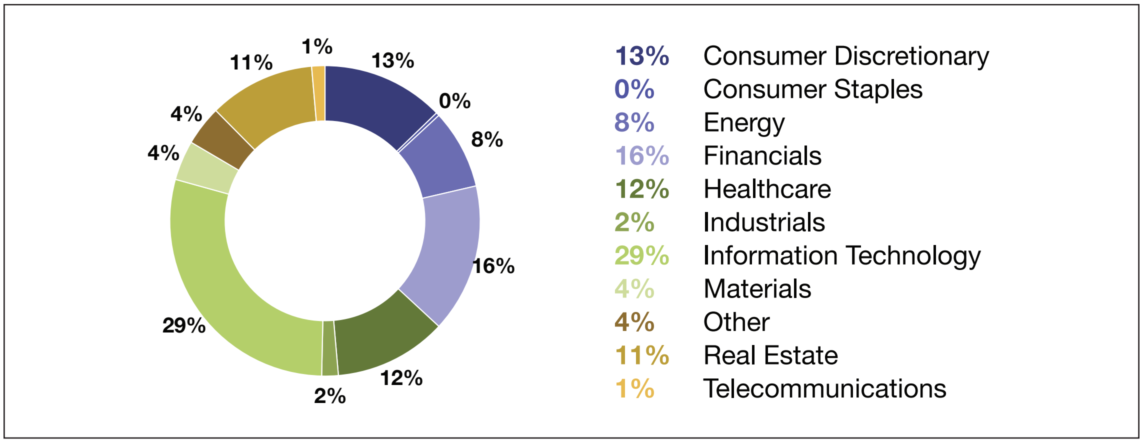


In 2013, 108 information technology deals accounted for 26% of the total (C-5). Likewise, in Q1, this sector's 84 deals accounted for 29% of the total (C-6). Financials, consumer discretionary, and healthcare accounted for the next largest number of offerings in both time periods (C-4).

Graph C-5: Sector Breakdown 2013



Graph C-6: Sector Breakdown Q1

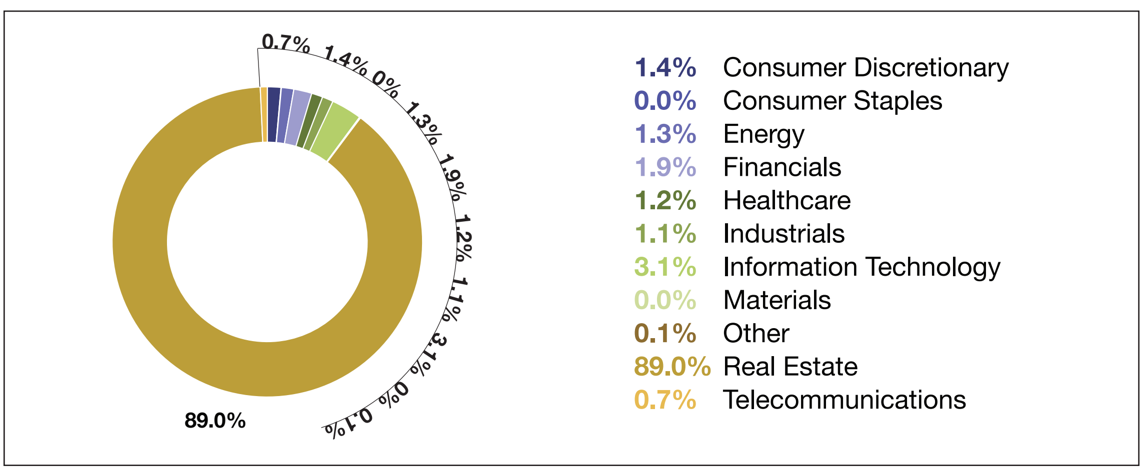


Dollar/sector breakdown: We broke down sectors by dollar amounts in two different ways. First, we look at how much capital companies targeted in the aggregate, and we illustrate how much of that total each sector was seeking on a percentage basis.

Then we look at how much capital was actually raised, and we specify on a percentage basis how much of that aggregate total raised each sector was responsible for.

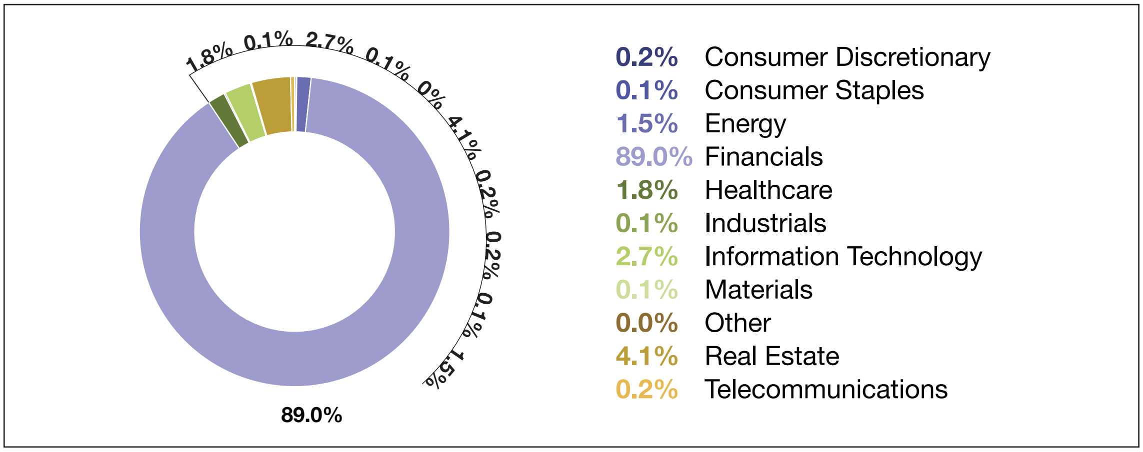
In the 2013 period, real estate dominated in the area of amount targeted (See graph C-7): one real estate entity was offering $20 billion in securities, though it had not actually sold any at the time of the filing.

Graph C-7: Dollar Value Targeted 2013



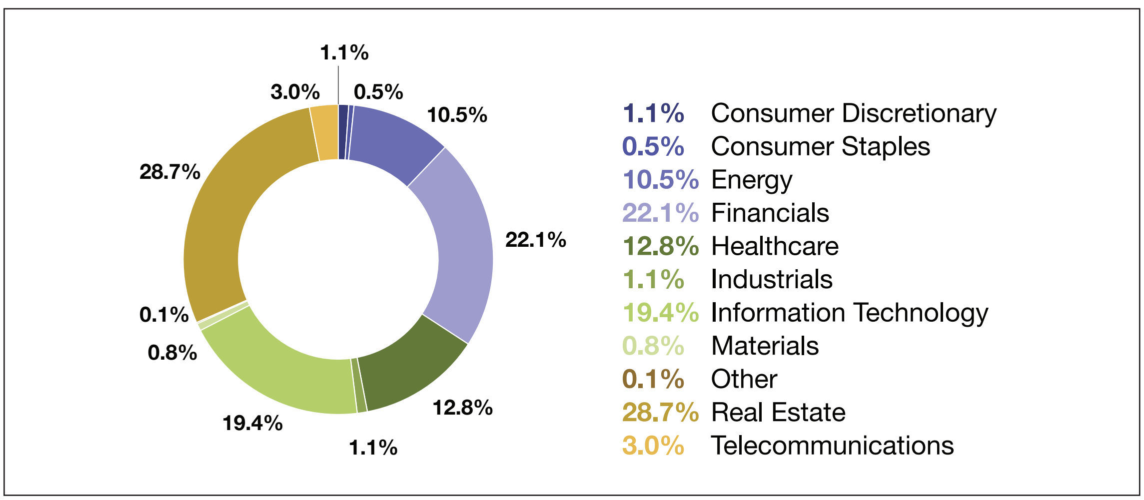
When it came to actual funds raised in 2013 (C-8), the financials sector overshadowed the others due to a single $8.4 billion transaction. A corporation offered and sold this amount of securities, so that the overall real estate sector raised 89% of the $8.8 billion that sector targeted. The one deal also accounted for most of the funds raised across all sectors in the 2013 period.

Graph C-8: Dollars Raised 2013



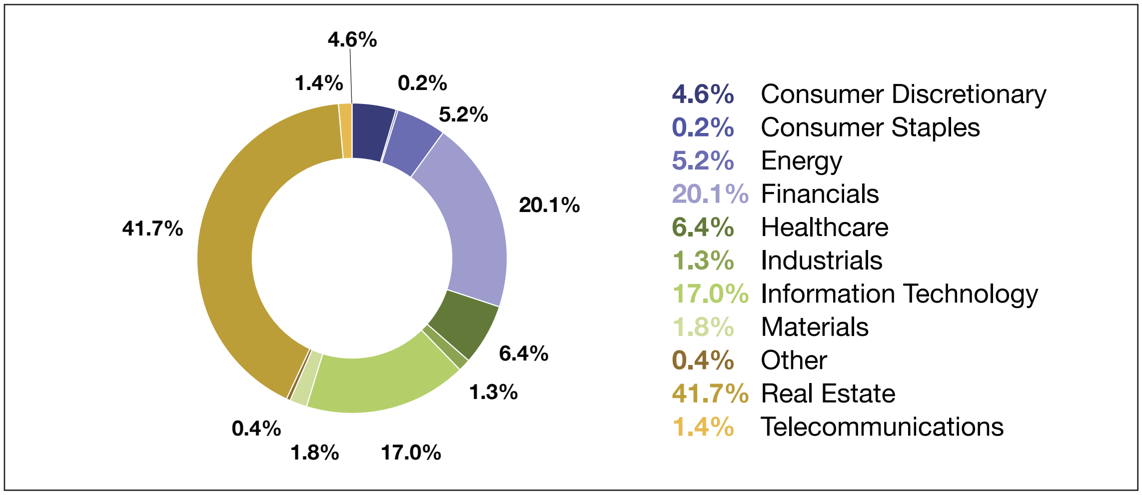
Removing the $8.4 billion transaction from the dollars raised numbers makes it clear how the other sectors performed relative to each other in reaching their capital goals (C-9).

Graph C-9: Dollars Raised 2013 Adjusted for Outlier Transaction



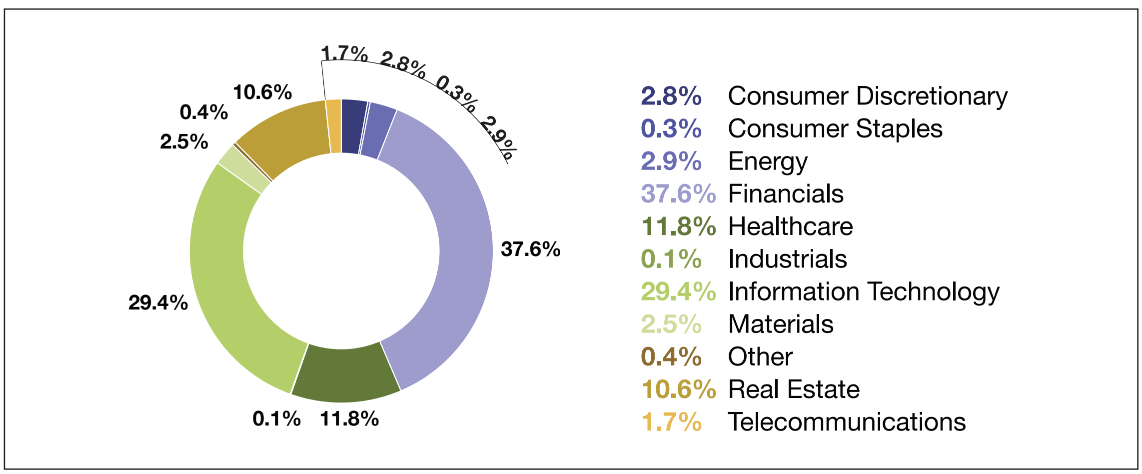
In Q1, no one deal had an inordinate effect on aggregate dollar figures targeted (C-8). Here the sectors that targeted the highest percentage of the aggregate total were real estate (41.7%), financials (20.1%) and information technology (17%).

Graphs C-10: Dollar Value Targeted Q1



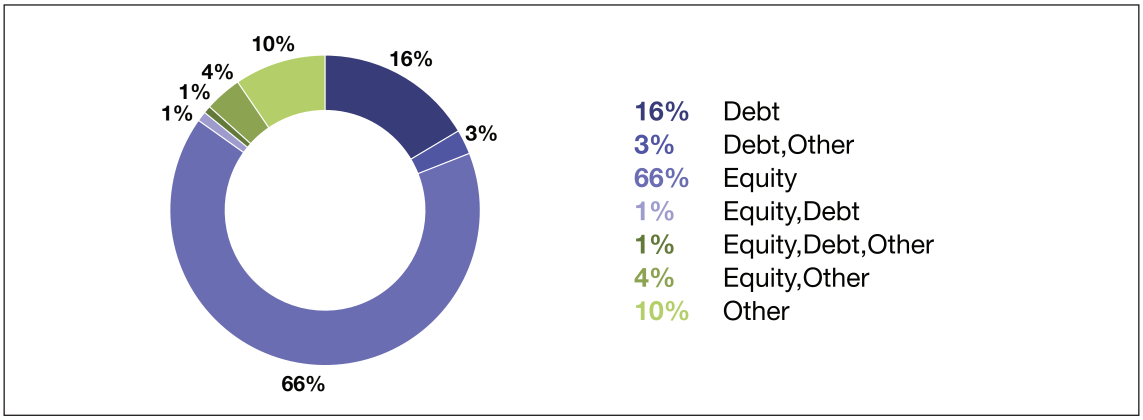
In this quarter, $1.15 billion was raised across all sectors (C-11). Financials accounted for the largest percentage (37.6%) of the funds actually raised, in part due to a pair of large transactions where companies raised a total of $300 million. Information technology companies raised almost 30% of the quarter total.

Graph C-11: Dollars Raised Q1

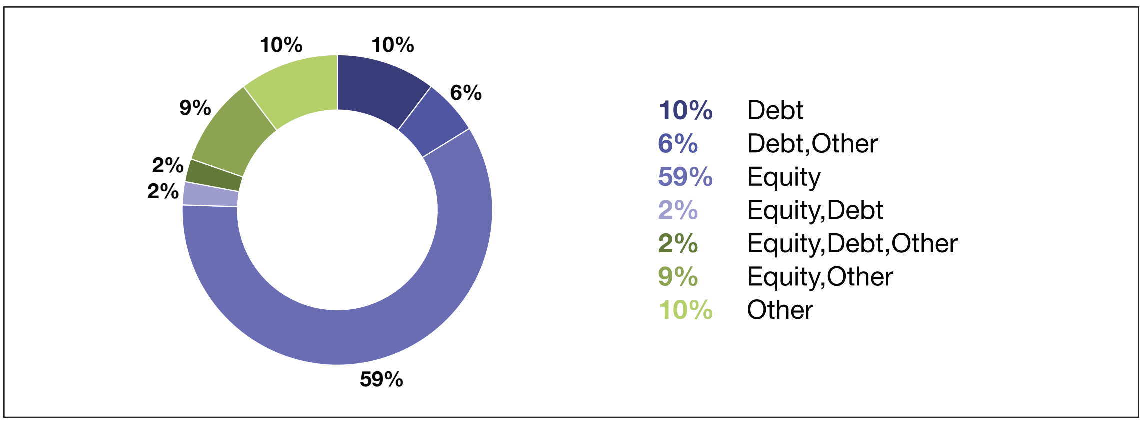


Deal Structure: Most of the deals were equity – 66% in 2013 and 59% in Q1, and 62% overall. Most of other structures involved debt or a debt hybrid structure (C-12, C-13 & C-14).

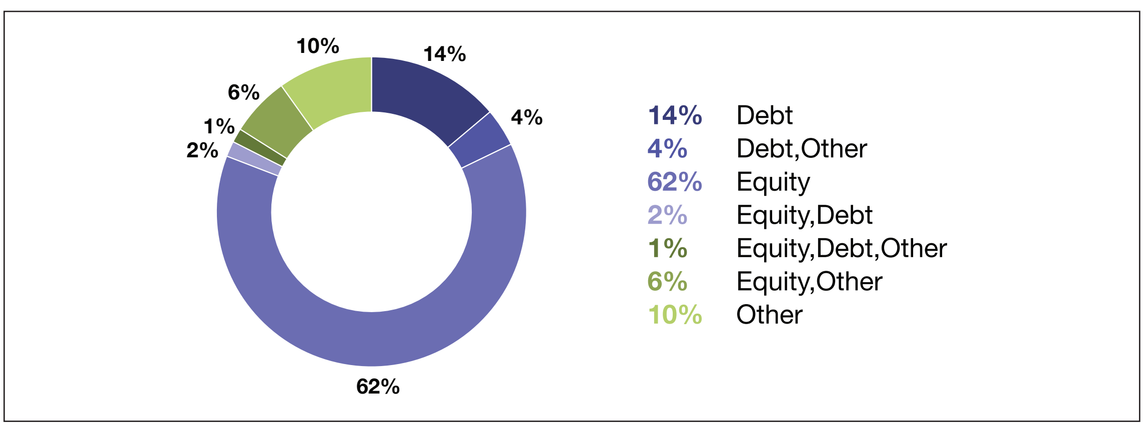
Graph C-12: Deals by Structure 2013



Graph C-13: Deals by Structure Q1



Graph C-14: Deals by Structure Both Periods



Online Deal Marketing: Platform for Success

The development of the advertising industry since the Great Depression, along with the rise of the Internet and the evolution of social media over the last fifteen years, created a marketing environment that gives both buyers and sellers broad powers across almost all industries – sellers have numerous means of targeting buyers, while buyers have access to extraordinary informational resources to guide decisions.

And for the most part, the securities industry can advertise broadly. Brokerages, mutual fund managers and insurance companies flood every avenue of communication with an endless stream of marketing collateral, much of which is misunderstood or shrouded in dense legal language and disclaimers. Yet these sophisticated capital seekers are well within their rights to use the media and online channels of communication. In contrast to these institutional businesses with access to almost every source of online and traditional media, startup companies have no such access when it comes to their small unregistered equity offerings – or at least they didn’t until September of 2013.

The smaller companies pondering a private placement offering have watched in frustration as communications realities like email, websites and web-based trading platforms emerged and became available for almost any kind of business, so long as it did not want to market an unregistered offering of securities.

Given the sum of developments in ecommerce and social networking, the year of 2014 offers deal marketers an unprecedented array of communication techniques that literally did not exist two decades ago. While securities markets always will – and should – be more highly regulated than typical product and service markets, online deal marketing may well experience the explosive hockey stick-type growth that occurred when Internet sales came into their own at a time when few suspected how companies like eBay and Amazon would change the way legions of products would be bought and sold.

Making the Case for General Solicitation

The use of general solicitation is the core selling point of the Rule 506(c) exemption. Typically, startups and entrepreneurial companies look to friends and family when they seek their first investor capital. Friends and family rounds can successfully meet the capital needs of a young company, but a disconnect often ensues once these familiar sources of capital are tapped – and management is strapped. Many companies have failed at this point because they were not at a point where institutional support was feasible.

Fund raisers can also raise unlimited sums under rule 506(c). This provides a huge advantage over the proposed Title III crowdfunding model and over some existing registration safe harbor exemptions. Rule 505, for instance limits capital raising to $5 million in any 12-month interval. Rule 504 allows the sale of only $1 million worth of securities in the same time period.

Companies who file for a Rule 506(c) offering can use every means possible to engage with a new audience of investors, so long as the ones who actually invest are accredited investors. This may seem like a limitation, but accredited investors are an advantage in that they possess capital and probably more acumen and financial sophistication than a typical retail investor.

One of the important aspects of online deal marketing is its leveraging of social media as a way to source new investors, advisors, mentors and employees. A regulation that requires this leverage be directed at high net worth individuals is benign at worst.

An accredited investor may provide an entree to his or her personal network of investors, a network that social media can readily put within reach of company management. Accredited investors may also be investing on their own while they are members of angel groups or institutional players like venture capital funds – these individuals may be able to open doors at the institutional level later.

A company looking for capital may also be able to reach its goals with a limited number of accredited investors. This can make fundraising in itself simpler for a small company: a single accredited investor may be able to provide the necessary amount of capital. And limiting the number of investors may prove beneficial in later funding rounds.

In some cases, accredited investor commitments may serve as a bridge to later rounds. When venture or large-scale angel investors assess the company, they might be more interested in a situation where equity is held by a few individuals rather than a large number of non-accredited individuals. A large early-stage retail investor base poses at least a couple of impediments to institutional buyers. In the event that a large number of early stage investors hold control or voting interests, an institutional investor may be reluctant to get involved because numerous unsophisticated players hold an interest in the company – even if it is not a controlling interest.

Table: Pros and Cons of Rule 506(c) Offerings

Rule 506(c) Benefits	Rule 506(c) Drawbacks
General solicitation	Uncertainty over regulatory issues
Raise unlimited sums – not possible with some existing exemptions or proposed Title III crowdfunding	Being among the first to face the SEC's scrutiny of this new type of offering
Online marketing can source new investors and mentors	Costs disproportionate for smaller companies
Accredited investors bring capital, connections	SEC may require 15-day Form D pre-filing
Exclusion of non-accredited investors leads to more interest from institutional investors	Investor Verification and issuer due diligence create more process
	No unaccredited investors allowed in offering

Accredited investors are perhaps less likely to make demands on management, at least on an emotional basis. And these investors are more likely to be in a position to provide mentoring and professional expertise – an advantage subsequent investors are likely to appreciate.

General Solicitation: What's the Hold up?

Contrasting with the advantages offered by the new exemption are several specific concerns. However, principals of both funds and companies have told Dealflow.com that they have a more general concern: uncertainty over unsettled regulatory issues. While uncertainty is alarming to investors, financial uncertainty can be quantified, hedged and arbitraged, and many financial institutions do so profitably regardless of market conditions.

Regulatory uncertainty, however, is much less manageable. When it comes to specific regulatory issues, it is difficult to estimate when, much less how, such issues will be resolved. There is no algorithm for political processes. As the commission works its way through another comment period, capital raisers are worried about issues like the possibility of being compelled to comply with a pre-filing requirement that would entail filing a Form D 15 days prior to beginning an online deal marketing campaign or any other form of general solicitation.

Likewise, capital raisers are concerned about the commission's plans to review marketing materials. How will the universe of such materials be defined? What will determine thresholds for acceptability? How will the commission even handle a massive influx of paperwork? How will they handle Tweets and other forms of social media communication?

Even where the SEC has left open the possibility for choices beyond the ones it has specified, its apparent attempt to allow for the development of as yet unimagined solutions has created doubt. How much maneuvering room is the agency leaving itself to craft new limitations and hindrances?

Where the SEC leaves undefined regulations regarding matters such as due diligence, investor verification, the proposed 15-day pre-filing requirement and review of marketing collateral, many market participants fear that as early adopters of the new exemption they may become guinea pigs for the working out of regulatory issues even after the currently proposed regulations are finalized.

An additional concern faces some fund managers who trade in assets such as swaps, options, futures and Forex. Funds who trade these assets to a limited extent can use a CFTC exemption to avoid registering with the CFTC as commodity pool operators, but this exemption prohibits public advertising. So these funds would receive no benefit from the SEC's general solicitation exemption.

Many market participants also believe that if one large fund goes forward with a very public online marketing campaign, the "dam will break," resulting in a deluge of campaigns from other funds – and a new impetus for operating companies to go forward with general solicitation. Many funds are purportedly in contact with advertising and marketing firms, especially those with digital marketing and social media expertise. But the funds that have raised large sums after filing under Rule 506(c) have not generally been eager to run a public campaign.

The largest dozen or so firms that Filed Rule 506(c) specifying amounts already raised have raised amounts ranging from $500 million to $3.96 billion. But these entities – hedge funds, funds of funds, insurance entities – tend to maintain a low profile in the media.

Hedge fund data compiled by Preqin indicates that hedge fund and private equity fund managers are not enthusiastic about marketing under the JOBS Act. In the hedge fund world, 55% of respondents said they are not considering it, while 8% said they will never consider it. In private equity, 63% said they are not considering it and 14% said they will never consider doing so. Few funds are at the other end of the spectrum. The most positive respondents were in the minority, where 4% of hedge fund managers and 5% of private equity managers said they have already registered an offering.

Like any other investment component, Rule 506(c)'s accredited investor requirement poses some challenges. The greatest of these involves due diligence with respect to investors, company management and fund managers alike.

Due diligence is also a major concern for issuers, who need to examine their executives in at least two different lights. Issuers must examine their "covered persons" and determine whether any of them are subject to a "disqualifying event."

Fortunately for issuers, disqualifying events prior to September 23 are not really disqualifying – they just need to be disclosed. And issuer management should always track compliance issues associated with members of their team. Hopefully, it will not be necessary to conduct a background investigation of employees, and some companies are asking executives to fill out compliance questionnaires aligned with the SEC's disqualifying event categories.

There may also be some grey area around the definition of who in an issuer's company is a covered person. Anyone playing a role in deal structuring or marketing could be a covered person, regardless of job title. Issuers can do themselves a favor by including any potential covered person in their due diligence activity.

Fund managers face similar issues – they need to vet the placement agents, finders, and consultants they often use to source investors.

With Rule 506(c), issuers can no longer "take it on faith" that investors are accredited. Instead, they must take "appropriate steps" to verify status even if they have ample reason to believe investors are accredited. Fortunately, the SEC has made it very clear that investor verification can be provided by third parties, such as CPAs, attorneys and financial advisors.

Issuers should also bear in mind that Rule 506(c) offerings completely preclude accepting capital from non-accredited investors. The traditional Rule 506(b) exemption provides for up to 35 non-accredited investors, but Rule 506(c) does not. And again, issuers under Rule 506(c) must make an affirmative determination of accredited investor status.

A final consideration is cost, for both funds and companies. Here there are differential effects for startups as opposed to established companies that have grown used to budgeting legal, accounting and advertising costs. These services may appear impossible to obtain for a young company that has no cash, much less revenues. Fund managers are wary of services that increase the management costs that are passed on to investors, who have become increasingly aware of fees in recent years. Likewise, managers are not eager to absorb regulatory or advertising costs.

While there are many concerns, the biggest delay in launching online or other advertised deal marketing is regulatory. Here there is uncertainty about the uncertainty. It is not clear how the commission will finalize the various proposals, nor is it clear when it will do so.

Once the regulatory framework solidifies, likely some larger player in the hedge fund or private equity industries will start a campaign on a large scale. While many fund managers feel that it is beneath their dignity to advertise, the value of advertising and especially online marketing will become apparent. Remaining competitive in many situations will require general solicitation.

Case Studies

Funds and companies are taking steps to reach out across public channels of communication to source accredited investors. Below are some examples of companies and funds doing so.

Funds

Joule Assets. In January, Joule Assets announced the launch of a $100 million energy efficiency focused private equity fund. The company specializes in financing energy efficiency and usage projects and advises on efficiency and energy market design. The press release noted that only accredited investors can get involved with the fund. CEO Mike Gordon also talked about the fund on the company blog and in other publications.

Topturn Capital. In December of 2013, hedge fund Topturn Capital released a short video that talked about the company's investment philosophy, comparing it to certain aspects of surfing. The video did not disclose returns, but it clearly identified the company and noted that it invests in asset classes such as fixed income, commodities, currency and equities. “We don't play with the money,” co-founder and CIO Greg Stewart says in the video. “I don't guess – I treat the money as if it's my own.”

Balyasny Asset Management (BAM). The $4 billion plus hedge fund placed an ad in Pensions & Investments but had not filed a Form D for a Rule 506(c) offering at the time – nor did it have to, as the pre-filing requirement is merely a proposal, and the commission cannot sanction a party who acted prior to the existence of a regulation.

ff Venture Capital. The ff Venture Capital ff fund was the first venture capital fund to take the general solicitation route. The company announced its choice immediately when the JOBS Act came into effect on Sept. 23. The fund used general solicitation to finalize capital raising that began with a traditionally funded vehicle prior to Sept. 23. Management has been vocal about the choice, noting in comments to the media that the new exemption allows the fund to discuss its high returns openly.

Funding Portals. Funding portals usually create an LLC to invest in the companies they list, and these LLCs often file under Rule 506(c). Syndicate portal investors usually file as 3(c) entities to avoid registering as hedge funds, either under Rule 506(b) or (c).

These investors often face problems when they hit the 99 investor limit for these funds – a limit that can put capital on hold.

Companies

Funding Portals. While many companies raising capital on funding portals are not generally soliciting (and guard their raise details behind accredited investor walls), others are. Over 3,000 public facing companies are looking for accredited investors through portals.

The Grilled Cheese Truck. This upscale mobile sandwich company is raising $5.8 million via portal I-BankersDirect and traditional fund raising. The company has filed for a Rule 506(c) filing and plans to double the size of its food truck fleet with the capital. The company uses its website to provide investment information to accredited investors, and is also considering the use of radio and television advertising to reach investors.

Prodigy Network. Prodigy crowdfunded several commercial real estate developments in Bogotá, Colombia, including an airport business hub and BD Bacatá. Over 3,500 investors put $200 million into the BD Bacatá project, a 1.2 million square foot 66 story skyscraper combining business space and a 364 suite hotel. The company now is raising funds for two commercial mixed use projects in New York City. Prodigy uses its website to reach foreign Regulation S investors and U.S. accredited investors, and its chief executive has praised the potential of general solicitation.

RealCrowd. This real estate portal facilitates general solicitation involving residential, commercial and industrial projects and real estate funds based on Rule 506(c) filings. The site provides public access to general deal terms, and the portal verifies accredited investor status. In some cases, deals allow investors to participate with investment minimums as low as $5,000.

KYTOSAN. The company is raising capital to support commercial production of chitosan, a material produced from the treatment of chiton, a constituent of crustacean exoskeletons. The company announced its financing plan through a press release, and a financial advisor is using LinkedIn to source accredited investors.

NaturalShrimp. The company is a small entrant in global shrimp farming, which though huge has had even bigger problems with health issues that have at times caused the entire market to shut down. NaturalShrimp is raising capital to build a larger version of its commercial self-enclosed shrimp farming system, which sidesteps health issues arising from contamination. The company announced on its website in April that it is ramping up its Rule 506(c) sales efforts through third party marketers specializing in investing in companies with IPO exit potential.

Ocean Thermal Energy Corp. The company, which is commercializing an industrial scale technology that uses cold water from ocean depths for both cooling and heating, is marketing itself through its own website and funding portal Wefunder. The company plans to use capital raised to develop its energy projects and to fund plans to go public. At that point, the company's website notes, accreditation will no longer be necessary.

Companies in the process of going public. While many Rule 506(c) filings come from early stage companies, some are in the process of going public. Some examples:

CymaBay Therapeutics. Last fall the company raised $27 million through a Rule 506(c) offering with over 250 investors. The metabolic disease treatment developer, formerly known as Metabolex, had not filed with the SEC since 2009. After raising capital in October, the company raised additional funds in another offering in November, after which it filed for an IPO. In January, the company announced its listing on the OTCBB and OTC Link, and in April CymaBay applied for Nasdaq listing. The company has stated in regulatory filings that it is taking full advantage of its status as an emerging growth company under the JOBS Act to enjoy reduced reporting obligations.

Tecogen. Industrial cooling and heating and energy cogeneration specialist Tecogen received approval for a $10 million IPO last year but withdrew the offering due to market conditions. The company filed a Form D for a $10 million Rule 506(c) filing at the end of October, and since then it has raised $10 million and filed for a new IPO and listing on Nasdaq.

Final Thoughts

Regulatory Background: The Rule 506(c) exemption did not exist until late in the third quarter of 2013. Despite the potential for reaching out to new investors, early adopters are still wary about unresolved regulatory issues.

Rule 506(c) Deal Numbers: By the end of the quarter, hundreds of companies had filed Form Ds for Rule 506(c) offerings – they are outnumbered at least ten to one by capital seekers taking more traditional routes.

Online Deal Marketing: Like the Rule 506(c) exemption, the internet didn't exist in the SEC's early days of operation decades ago, and the commission is trying to balance the pros and cons of how online commerce will affect securities purchasers. The SEC has opened the door to general solicitation via the Internet and other forms of media – and then partially closed it. Most equity capital seekers are using traditional fund raising avenues rather than overcoming uncertainties relating to online deal marketing and public advertising.

What's the Holdup?: Many capital seekers are holding back from general solicitation until regulatory issues are resolved. Companies and funds do not like surprises from regulators, and some managers are getting contradictory analyses from different attorneys.

Regulations need to be finalized, setting the stage for large scale early adoption of general solicitation in the form of online deal marketing. Some very large funds are raising capital through Rule 506(c) offerings, but for the most part they are using the exemption to ease constraints over personal discussions, rather than broader appeals that are public.

Case Studies: A growing minority of funds and companies are enthusiastic about using general solicitation, and they believe its benefits outweigh its drawbacks. Some company issuers find the choice more amenable than other financing approaches, like S-1 and S-3 filings. While many company Rule 506(c) filings reflect incipient financing efforts of very young companies, some are scaling up the use of the exemption, even to the extent of going public.

Final Thoughts: The tremendous potential for online deal marketing is largely unrealized at this time. Choosing to raise funds through a Rule 506(c) offering and general solicitation is an innovative and effective approach for many companies – as it will be for many more once regulatory uncertainty is eliminated.

However, neither this form of financing nor any other should be undertaken without serious deliberation. The choice of a specific deal structure and legal framework should represent extensive research and planning on the part of an issuer, starting with the determination of capital needs.

From the earliest stages, competent and trustworthy advisors are invaluable. Finding the right advisors may take considerable time, and issuers should use every means possible to assess the capabilities of advisors. Take nothing on faith.

That said, Rule 506(c) and general solicitation present companies with unparalleled opportunities to use new media and online deal marketing to reach investors, tap new sources of capital and articulate new capital structures. Likewise funds, including many offshore investors, are using the new exemption to raise substantial amounts of capital. The world awaits a major venture capital, hedge fund or private equity fund advertising campaign that will also advertise the potential of general solicitation.

Disclaimers

In this whitepaper and in our newsletters, Dealflow.com provides information and data about companies actively raising capital in reliance on the exemptions provided by Rule 506 of Regulation D of the Securities Act of 1933. We provide information to the investment community, entrepreneurs, and service providers. We are not a funding portal, hedge fund, broker-dealer or investment advisor.

Dealflow.com has used reasonable effort to ensure that the information in this publication is accurate and up-to-date; however, Dealflow.com makes no representations or warranties, express or implied, relating to this information, and Dealflow.com expressly denies any liability direct or indirect, related to the accuracy or completeness of this information and to any decisions that may be made based on this information. By receiving this whitepaper you agree that Dealflow.com, nor its affiliates has liability whatsoever for any claim, expense, fee, cost or other type of loss related to or arising from use of the information, and has no obligation to correct, refresh, or update any information.

This whitepaper is a general circulation publication. The information herein is not intended to be and should not be construed to be recommendations to purchase, retain, or sell securities, or investment advice with regard to the companies mentioned or advertised. Customers of Dealflow.com may be discussed or advertised in this publication. Dealflow.com, its subsidiaries, and its employees or contractors may, from time to time, purchase, own, or sell securities or other investment products of the companies discussed or advertised in this publication.

The contents of this whitepaper do not constitute the solicitation or provision of legal advice. This information should not be used as a substitute for obtaining legal advice from an attorney. Securities regulation is an evolving area of the law and the information contained in this publication may be rendered out-of-date by new laws, regulations or interpretations of existing legislation.

Deaflow.com™ is a trademark of DealFlow Analytics, Inc. (d/b/a Dealflow.com). Trademarks, trade names, and logos used in this publication are the property of their respective owners.

About Dealflow.com

Dealflow.com is developing software based on the collaborative collection of actively-marketed deal information. We offer insight into investment deals including operating companies, startups, investment fund interests, real estate opportunities, mergers and acquisitions, and other types of deals being marketed on the Internet. Sign up for our newsletters at Dealflow.com or call us at (516) 876-8006 to learn more.