



Equity Crowdfunding

Under Title II of the JOBS ACT:

THE FIRST YEAR



SUMMARY OF KEY FINDINGS

In the subject data (see the methodology section for further details) we found the following over the one year period we examined:

- 23,564 Regulation D filings were submitted; 12.6% were amended filings. This is **24% higher** than the historical average.
- \$1 trillion in securities were offered and \$690 billion were sold. This is **slightly lower** than the historical average of \$846.5 billion sold from 2009-2012.
- The median offering size was \$1.2 million, which is **smaller** than the historical median of \$1.5 million from 2009-2012.
- 67% of capital sought was reported raised at the time of filing. This represents a **slight (4%) increase** over historical averages from 2009-2012.
Among 506(c) generally solicited offerings, only 16% of the capital sought had been raised at the time of filing. Filing is required within 15 days of first receipt of capital or irrevocable commitment of capital.
Possible explanations for this difference include earlier filing of Form D by 506(c) offerors and slower capital formation under 506(c).
- The number of investors reported in the offerings **increased 50%** over historical averages – 352,772 investors in the subject year compared to 234,000 in 2012.
One possible explanation for this difference is that the effectiveness of Title II has increased the total number of investors investing in private placements.
- The percentage of offerings with non-accredited investors has **decreased slightly** from 10% of offerings in 2012 to just under 7% in the past 12 months. This is a likely outcome of the prohibition on non-accredited investors in 506(c) offerings.
- 12% of the subject offerings reported using an intermediary, **unchanged** from 2009-2012 reported averages.



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ABSTRACT

This report contains information extracted from Form D filings submitted to the U.S. Securities and Exchange Commission for sales of securities occurring between September 23, 2013 and September 22, 2014. This is the first full year of private placement data since Title II of the JOBS Act was made effective.

The purpose of this report is to analyze the data and attempt to describe the impact of the implementation of Title II of the JOBS Act on the private placement market as a whole. Our key observations include a 50% increase in the number of accredited investors participating in private placements over the previous year and an increase in the number of companies making filings with respect to such placements of 24% over the historic three-year average.



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INTRODUCTION

Change in the marketplace was promised (and feared) as a result of the JOBS Act. As of today, the impact has not been as radical as many had predicted. Investor access to private placements has increased, but only incrementally. Average minimum investments have come down, and the amount of investment sought has decreased as well, but the overall impact of the changes has been relatively modest.

There is room for cautious optimism about the use of 506(c) offerings and the companies that use them – whether on or off private placement platforms – as the market continues to respond and adapt to this new method of raising capital. The data underlying these claims, and the potential conclusions that can be drawn from it, follow.

THE SIZE OF THE REGULATION D MARKET

Capital raised through unregistered offerings during the subject period continues to represent a large segment of the overall capital market. Over the past twelve months, \$690 billion in Regulation D exempt securities have been reported as sold. This is lower than the historic annual totals for 2010-2012, but higher than 2009. Thus, Title II has not yet had the predicted effect of significantly increasing the overall size of the private capital markets.

The average (mean) offering size for the past 12 months was approximately \$44 million, which is significantly larger than the historic average of \$30 million, while the median offering size was \$1.2 million, down from an average \$1.5 million in 2009-2012. This means that the population of smaller deals has increased (possibly due to the availability of general solicitation) and that the larger deals have gotten larger (also possible as a result of general solicitation).

TABLE 1

NUMBER AND AMOUNT OF OFFERINGS BY EXEMPTION					
	Count	Count %	Amount Offered	Amount Sold	Amount Sold %
Rule 504	813	3.5%	463,971,120	369,222,463	79.6%
Rule 505	348	1.5%	421,081,346	206,387,050	49.0%
Rule 506	22579	95.8%	1,030,266,604,649	686,780,518,466	66.7%
Rule 506 (B)	20650	87.6%	912,327,565,192	668,076,160,483	73.2%
Rule 506 (C)	1929	8.2%	117,939,039,457	18,704,357,983	15.9%
Total	23564		\$1,032,827,833,134	\$690,626,001,727	

23,564 issuers offered securities with a date of first sale in the subject period, which is a 24% increase over the three-year historical annual average (2009-2012) of 18,989. An increase like this was a predicted result of the availability of general solicitation and new entrants using private placements for their capital formation needs.



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PREVALENCE OF GENERALLY SOLICITED OFFERINGS IN THE MARKET

Generally solicited 506(c) offerings are still only a small portion of the market, representing only 8.5% of all 506 offerings. Since the enactment of Title II of the JOBS Act, 1,929 issuers have reported using the 506(c) exemption for a total of \$118 billion in offerings, of which \$18 billion was sold by the time of filing.

506(c) offerings have the lowest percentage of funds committed at the time of filing – 15.9% as compared to 73.2% for 506(b) offerings. This discrepancy can possibly be explained by the gradual nature of the publically-advertised fundraising process, or the fact that issuers are registering earlier in the process because they collect funds immediately, rather than waiting to collect funds once there is a critical mass, as is often done in the 506(b) process. It may also be related to the lower minimum investment size of 506(c) offerings leading to earlier collection of funds – the observed median was \$1,000.

DISTINCTIONS OF COMPANIES USING 506(C) GENERAL SOLICITATION

More prevalent revenue disclosure. The companies using Rule 506(c) more frequently disclose the amount of revenue that they are making than companies using other exempt offerings – 48% as opposed to 70%. This may be due in part to the public nature of the offerings, in which the companies are making a greater amount of information available to the public for general solicitation than they do under other offerings.

TABLE 2

REVENUE RANGES OF COMPANIES FILING FORM D				
Range	All Offerings		506(c)	
	Count	Percent	Count	Percent
No Revenues	3094	13.1%	403	20.9%
\$1 - \$1,000,000	1952	8.3%	397	20.6%
\$1,000,001 - \$5,000,000	739	3.1%	70	3.6%
\$5,000,001 - \$25,000,000	389	1.7%	55	2.8%
\$25,000,001 - \$100,000,000	171	0.7%	20	1.0%
Decline to Disclose	16388	69.5%	919	47.6%
Not Applicable	630	2.7%	53	2.7%
Total	23564		1931	

Some of the results are counterintuitive. For example, the percentage of 506(c) offerings with no revenue is actually lower than for all 506 offerings. This is not what would be expected from the prediction that 506(c) would be more likely to be used by a younger company.

It is also interesting to note that, on average, there are more investors in any given Reg D offering than there are in 506(c) offerings. This may in part be due to the fact that 506(c) offerings on the whole have a lower percentage of funds committed at the time of filing.



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INDUSTRY DIFFERENTIATION

The average number of investors per deal varies widely by industry, and certain industries seem to be increasing the number of investors as a result of the 506(c) exemption. For example, biotechnology, business services, and telecommunication companies had significantly more investors under 506(c) than other exemptions. This may in part be due to the fact that certain industries are being better served by platforms or intermediaries than others, or that – due to market conditions – certain industries are currently more desirable to investors than others.



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INDUSTRY DIFFERENTIATION

TABLE 3

NUMBER OF ISSUERS AND AVERAGE NUMBER OF INVESTORS BY INDUSTRY

Industry	Reg D		506(c)	
	Issuers	Avg # of investors	Issuers	Avg # of investors
Agriculture	139	9.4	19	6.4
Airlines and Airports	13	2.3	4	0.0
Biotechnology	734	14.4	37	26.1
Business Services	305	12.2	63	20.5
Coal Mining	3	43.7	1	2.0
Commercial	824	15.6	89	7.6
Commercial Banking	175	28.2	9	12.7
Computers	224	6.8	17	4.6
Construction	57	5.8	10	2.0
Electric Utilities	17	11.9	2	2.0
Energy Conservation	39	8.3	3	0.3
Environmental Services	54	6.7	1	0.0
Health Insurance	23	5.9	3	7.3
Hospitals and Physicians	68	5.4	8	7.8
Insurance	164	15.9	10	12.2
Investing	445	11.6	48	12.6
Investment Banking	17	9.1	4	2.3
Lodging and Conventions	65	15.1	2	1.0
Manufacturing	491	7.5	51	7.0
Oil and Gas	870	10.6	98	5.3
Other	3752	9.5	290	6.2
Other Banking and Financial Serv	370	15.3	45	5.6
Other Energy	323	7.3	44	1.8
Other Health Care	1046	9.8	52	5.5
Other Real Estate	905	17.6	166	19.5
Other Technology	3759	8.6	229	7.0
Other Travel	32	16.8	5	2.0
Pharmaceuticals	296	13.9	12	5.7
Pooled Investment Fund	6344	19.6	418	14.1
REITS and Finance	602	81.4	36	33.3
Residential	604	12.6	65	6.6
Restaurants	290	7.3	32	10.1
Retailing	326	7.1	33	2.9
Telecommunications	171	10.9	20	21.5
Tourism and Travel Services	17	3.2	5	1.2
Total	23564	14.9	1931	10.7

GEOGRAPHIC DISTINCTIONS

The top 5 states with the most 506(c) offerings by count (in order) were: California, Texas, New York, Florida, and Illinois. This is largely reflective of the market as a whole, with the exception that Massachusetts replaced Florida in the top five, and Texas and New York were switched.

Pennsylvania sold the most 506(c) offerings on a cash basis, while New York remains the leader across all Regulation D Offerings.

OFFERINGS BY LOCATION						
Country/ State	All Reg D			506(c)		
	Count	Total Offered	Total Sold	Count	Total Offered	Total Sold
ALABAMA	80	1,006,816,450	696,776,935	7	30,420,000	299,120
ALASKA	18	25,332,289	13,895,627	7	17,405,000	406,000
ALBERTA	79	3,122,397,048	2,602,835,995	2	320,000	320,000
ARIZONA	340	2,496,904,207	815,752,866	44	564,474,500	32,386,750
ARKANSAS	66	347,069,176	300,565,291	3	136,000,000	50,670,000
AUSTRALIA	12	2,311,525,164	318,701,651	1	-	1,142,312
BAHAMAS	1	100,000,000	-	-	-	-
BARBADOS	1	-	500,000	1	-	500,000
BELIZE	1	9,000,000	6,160,000	-	-	-
BERMUDA	50	45,884,067,020	42,399,574,905	4	260,000,025	1,388,200,025
BRAZIL	29	217,138,487	7,816,828,172	1	-	1,714,177,995
BRITISH COLUMBIA	366	1,485,919,900	987,993,036	15	5,989,318	3,864,237
BULGARIA	1	5,981,356	5,981,356	-	-	-
CALIFORNIA	4,345	104,608,404,051	73,449,443,674	431	11,828,599,105	2,201,132,904
CANADA	7	148,114,371	134,168,689	2	20,635,704	20,035,704
CAYMAN ISLANDS	605	38,817,169,211	39,048,203,506	5	750,000,000	334,900,000
CHINA	4	511,830,540	381,821,166	1	55,000,000	55,000,000
COLORADO	679	10,640,273,683	7,574,006,149	52	1,320,272,228	55,139,128
CONNECTICUT	434	37,960,119,187	12,930,173,873	26	660,684,767	1,177,983,656
DELAWARE	138	870,892,631	1,756,592,492	10	79,560,000	1,285,000
DISTRICT OF COLUMBIA	187	4,282,495,178	24,290,226,497	14	216,158,247	125,856,837
ETHIOPIA	1	357,000	340,840	-	-	-
FINLAND	3	6,000,317	12,000,317	-	-	-
FLORIDA	845	16,686,934,805	4,653,949,936	110	2,005,287,191	99,370,647
FRANCE	8	400,671,328	296,514,922	2	100,000,000	184
GEORGIA	365	8,741,245,502	5,119,534,642	40	243,181,031	104,947,590
GEORGIA (ASIA)	13	279,211,455	46,738,905	2	4,794,575	4,175,000
GERMANY	10	74,908,583	73,839,583	6	20,660,863	19,660,863

Cont'd



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GEOGRAPHIC DISTINCTIONS

OFFERINGS BY LOCATION

Country/ State	All Reg D			506(c)		
	Count	Total Offered	Total Sold	Count	Total Offered	Total Sold
GHANA	2	6,000,000	430,000	-	-	-
GIBRALTAR	1	5,755,208	2,179,000	-	-	-
GUATEMALA	1	1,500,000	932,180	-	-	-
HAWAII	34	127,316,055	41,853,802	3	22,150,000	1,384,000
HONG KONG	30	4,042,430,000	2,424,156,935	-	-	-
IDAHO	47	89,561,794	38,726,978	6	15,802,000	717,000
ILLINOIS	948	62,994,614,057	58,436,488,456	65	1,356,557,255	2,080,244,665
INDIA	5	23,546,021	21,038,825	1	19,100,000	16,619,995
INDIANA	196	1,149,249,315	782,511,861	17	89,448,045	43,260,047
INDONESIA	1	27,402,638	27,402,638	-	-	-
IOWA	90	685,366,569	715,459,931	11	141,200,000	3,349,850
IRELAND	50	297,201,405	1,589,185,952	-	-	-
ISRAEL	88	713,322,331	361,611,881	43	111,925,418	99,611,218
KANSAS	114	854,341,617	695,967,056	16	169,897,575	102,406,000
KAZAKHSTAN	1	1	1	-	-	-
KENTUCKY	133	2,274,057,349	127,087,154	7	1,032,157,500	1,150,000
KENYA	1	52,298,400	38,315,817	-	-	-
KOREA (SOUTH)	6	231,193,219	217,041,796	-	-	-
LOUISIANA	58	301,889,147	90,568,147	4	3,000,000	-
LUXEMBOURG	34	6,173,566,539	2,540,706,271	2	431,547,239	411,728
MAINE	48	242,453,852	90,733,338	1	400,000	25,000
MALAYSIA	3	1,100,000	1,100,000	-	-	-
MALTA	5	4,000,001	10,142,300	1	-	-
MANITOBA	7	71,322,171	80,284,850	-	-	-
MARYLAND	334	9,406,169,253	6,956,484,002	13	67,494,459	29,003,428
MASSACHUSETTS	1,081	32,174,517,354	25,717,061,893	60	389,198,304	116,260,844
MAURITIUS	26	362,000,000	363,620,435	1	-	1,200,000
MEXICO	3	21,501,998	1,501,998	-	-	-
MICHIGAN	210	1,945,741,263	679,164,923	10	28,850,000	5,865,000
MINNESOTA	260	6,057,388,411	3,130,318,012	7	307,725,000	1,110,000
MISSISSIPPI	32	1,217,895,977	599,853,835	-	-	-
MISSOURI	182	2,383,984,940	1,359,487,516	42	683,290,300	95,443,601
MONTANA	31	121,961,319	44,432,707	3	9,300,000	2,300,000
NEBRASKA	69	490,582,028	179,635,143	8	90,480,000	48,630,000
NETHERLANDS	3	6,810,043	3,187,648	2	5,000,000	1,377,605
NETHERLANDS ANTILLES	1	-	60,000,000	-	-	-
NEVADA	211	595,866,072	322,494,041	26	146,200,000	2,842,500
NEW BRUNSWICK	1	59,672	59,672	-	-	-
NEW FOUNDLAND	1	3,532,266	3,532,266	-	-	-
NEW HAMPSHIRE	64	489,308,341	201,526,656	2	2,000,000	50,000
NEW JERSEY	334	23,580,469,796	3,849,859,623	29	232,670,230	22,357,690
NEW MEXICO	48	153,571,479	76,751,557	6	60,850,000	2,686,044
NEW YORK	3,126	290,974,096,513	168,074,636,349	189	25,604,542,388	1,989,614,213

Cont'd



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GEOGRAPHIC DISTINCTIONS

OFFERINGS BY LOCATION

Country/ State	All Reg D			506(c)		
	Count	Total Offered	Total Sold	Count	Total Offered	Total Sold
NEW ZEALAND	1	97,909,226	97,909,226	-	-	-
NORTH CAROLINA	386	3,277,496,469	4,840,395,960	27	75,037,404	67,729,404
NORTH DAKOTA	38	361,835,000	28,387,362	2	14,350,000	5,961,000
NORWAY	1	3,597,658	-	-	-	-
NOVA SCOTIA	12	20,104,710	10,779,587	1	866,769	828,159
OHIO	411	4,587,395,068	2,970,903,370	24	463,987,020	128,206,000
OKLAHOMA	116	4,374,186,843	3,939,208,820	17	128,880,225	65,353,910
ONTARIO	179	2,195,754,406	1,437,780,399	8	207,046,200	100,466,032
OREGON	245	52,929,934,485	2,216,463,979	21	51,077,300,000	503,789,501
PANAMA	1	158,250,000	158,250,000	-	-	-
PENNSYLVANIA	531	14,790,813,092	10,257,162,261	41	4,305,512,715	3,314,034,255
PHILIPPINES	1	-	22,500	-	-	-
PUERTO RICO	11	34,551,546	50,001,536	-	-	-
QUEBEC	35	845,813,730	898,617,660	1	-	113,841,291
RHODE ISLAND	38	170,204,715	228,859,233	4	2,798,000	48,000
RUSSIA	2	1,116,000	44,446,541	-	-	-
SAINT KITTS AND NEVIS	2	1,000,000	168,000	-	-	-
SINGAPORE	15	1,608,187,500	709,802,172	1	300,000,000	-
SOUTH AFRICA	1	-	-	-	-	-
SOUTH CAROLINA	156	1,111,844,406	595,729,912	15	86,250,000	1,760,000
SOUTH DAKOTA	38	814,320,892	334,265,410	1	3,880,000	1,891,500
SPAIN	1	-	-	-	-	-
SWEDEN	6	926,099,074	915,457,129	1	10,500,000	-
SWITZERLAND	7	2,601,370,448	1,271,060,499	-	-	-
TENNESSEE	250	2,785,377,328	1,927,753,828	18	61,259,798	32,690,653
TEXAS	2,060	161,463,725,983	127,095,115,798	193	8,983,230,499	1,714,029,374
THAILAND	1	1,000,000	500,000	-	-	-
TURKS AND CAICOS ISLANDS	1	-	1,300,000	-	-	-
UNITED ARAB EMIRATES	5	-	642,591,748	-	-	-
UNITED KINGDOM	154	12,826,790,891	5,628,648,204	10	1,276,180,820	224,271,362
UNITED STATES	132	1,651,045,629	205,260,363	17	656,624,000	55,187,999
URUGUAY	3	135,000,000	135,000,000	-	-	-
UTAH	560	5,425,312,405	1,159,805,667	56	168,519,744	25,692,375
VERMONT	43	1,473,836,206	1,434,760,989	2	1,850,000	350,000
VIETNAM	4	301,000	396,400	-	-	-
VIRGIN ISLANDS (BRITISH)	21	56,449,531	186,888,041	-	-	-
VIRGIN ISLANDS (US)	1	5,000,000	-	-	-	-
VIRGINIA	369	4,310,683,718	3,884,671,448	25	128,624,346	76,819,083
WASHINGTON	756	6,587,450,480	5,276,432,500	31	181,337,575	80,979,575
WEST VIRGINIA	19	279,021,320	50,270,484	6	213,800,000	41,175,944
WISCONSIN	165	2,395,785,234	524,592,890	23	148,908,075	83,040,186
WYOMING	28	433,857,888	300,388,007	6	46,126,000	246,000
(blank)	150	10,734,656,494	5,505,200,395	19	57,467,000	6,592,000
Grand Total	23,564	1,032,872,802,728	690,655,902,788	1,931	117,940,564,457	18,704,357,983



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TYPE OF SECURITIES OFFERED

Among all Regulation D offerings, 65% are equity offerings, which is consistent with historical averages. 506(c) offerings seem to be consistent with historical ratios, except in the case of debt where the 506(c) debt offerings are 7% more prevalent than the total market. This may in part be due to the prevalence of convertible notes as an instrument among 506(c) offerings, though it is difficult to say definitively as the Form D filings do not capture that security type specifically.

TABLE 4

NUMBER AND PERCENT OF REG D OFFERINGS BY TYPE OF SECURITY ISSUED				
Security Type	All Offerings		506(c)	
	Count	Percent	Count	Percent
Equity	15260	64.8%	1222	63.3%
Pooled Investment Fund Interests	4506	19.1%	390	20.2%
Option, Warrant, security to be acquired, and other	5348	22.7%	415	21.5%
Debt	3193	13.6%	410	21.3%



CONCLUSIONS

The advent of the 506(c) publically advertised private placement has gradually begun to have several significant effects on the overall private placement market. The number of accredited investors investing in private placements has increased, as has the number of offerings, yet the overall volume of capital raised is mostly unchanged compared to historic averages. The ratio of accredited to unaccredited investors has slightly declined. The use of intermediaries remains in line with historic averages. At this stage, Title II of the JOBS ACT has not significantly disrupted the markets or revolutionized capital raising in the U.S., yet it has increased access for both investors and emerging growth companies.



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METHODOLOGY

We assembled our dataset from one year's worth of Regulation D filings that could have used the 506(c) exemption, limiting our search to filings where the first funds accepted were between September 23, 2013 and September 22, 2014, one year after the enactment of Title II of the JOBS Act. All data for that time period was acquired from public sources, aggregated by a third-party data provider, and analyzed by OfferBoard Group. The dataset also includes offerings in which the first sale has not yet occurred but the filing was submitted within the same timeframe. Because we decided to focus on offerings in which the first sale occurred in the past 12 months, we have disproportionately excluded amended filings, which could have an impact on the overall report.

Historical data is taken from *Capital Raising in the U.S.: An Analysis of Unregistered Offerings Using the Regulation D Offering from 2009-2012* by Vladimir Ivanov and Scott Bauguess (July 2013) unless otherwise indicated.

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