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ECONOMIC REALITY

Unregistered Offerings and the Regulation D Exemption

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Outline

- Aggregate capital formation
- Shift from public to private financing
- Foreign issuer use of Reg D offerings

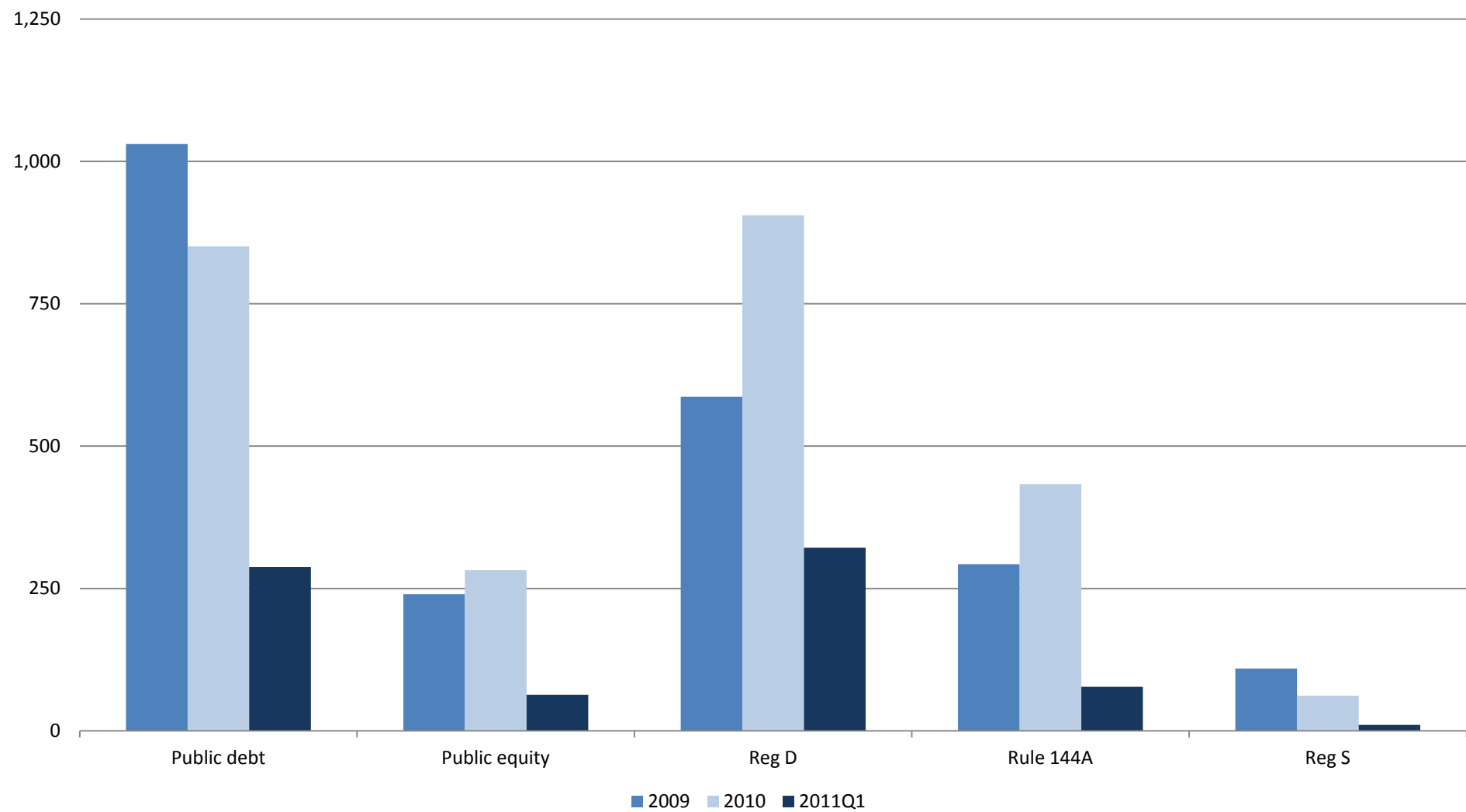


Dominant Offering Method

- Reg D offerings surpassed debt offerings in 2010
 - U.S.: \$905 billion compared to \$851
 - Offerings in 2011 show the same trend
 - Lower bound on the amount of capital raised through Reg D because there is no closing filing requirement



Aggregate capital raised in 2009, 2010, and Q1 2011 by offering method (\$billions)

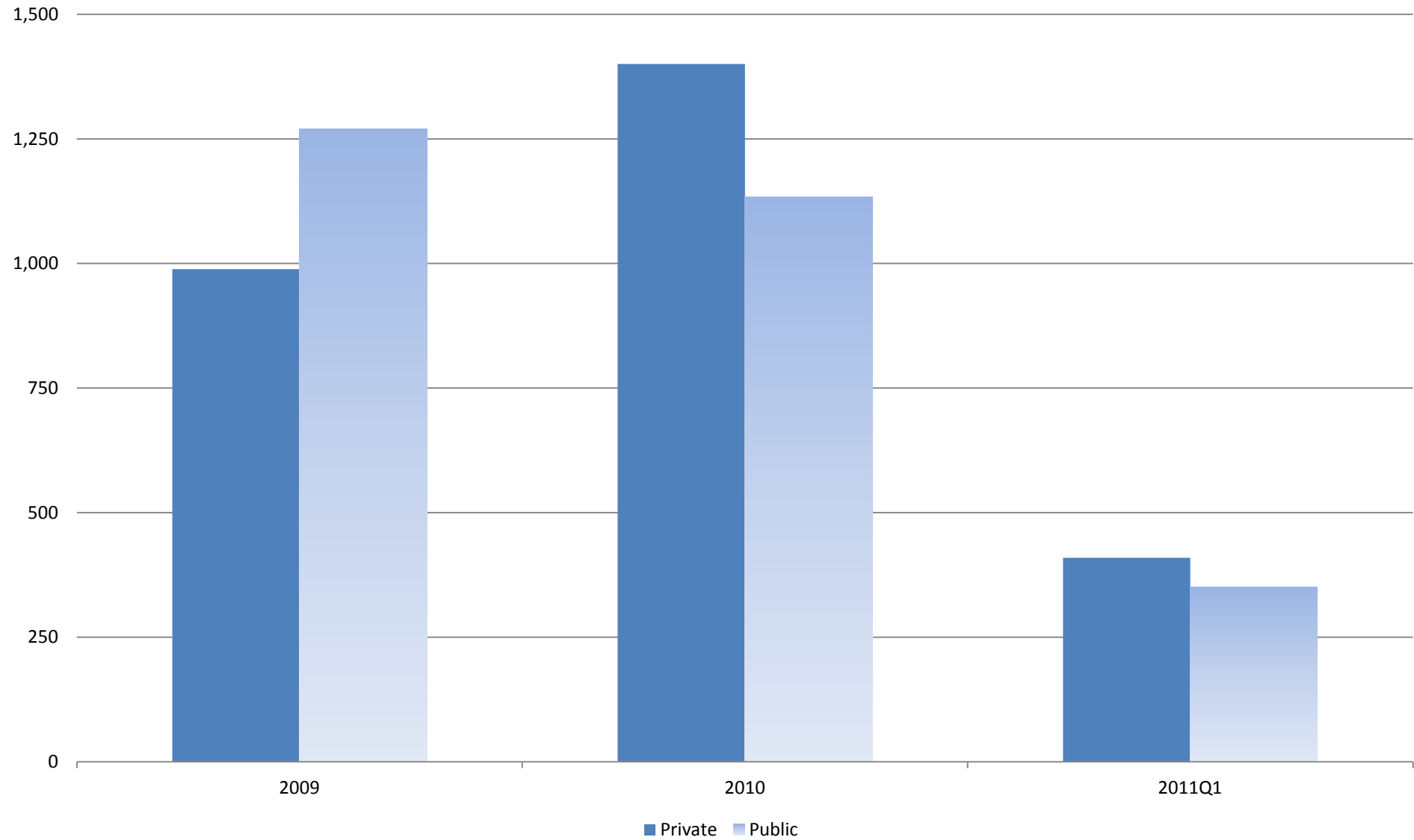


Private or Public Financing

- There has been a shift from public to private capital over the past three years
 - Public issuances fell by 11% from 2009 to 2010
 - \$1,270mm to \$1,133mm
 - Private issuances increased by 42% over the same period
 - \$989mm to \$1,400mm



Aggregate capital raised in the U.S. by public and private offerings (\$billions)



Important Findings

- Does Reg D meet the capital formation needs of small business?
 - There have been a large number of smaller offerings
 - 37,000 unique offerings since 2009
 - The median Reg D offering is modest in size
 - Approximately \$1 million



Domestic vs. Foreign Issuers

- Foreign issuers access the Reg D offering market
 - For the period under consideration, they account for approximately 25% of capital raised
- The total capital raised by foreign issuers increased by almost a third from 2009 to 2010
 - This is consistent with the U.S. competing favorably with foreign markets



Aggregate capital raised in the U.S. by domestic and foreign issuers (\$billions)

