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)