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SEC Takes Strict Stance on General Solicitations of Certain Regulation D Offerings

WHAT HAPPENED?	<p>In a review of a FINRA disciplinary action, the SEC affirmed its zero-tolerance policy for general solicitations of specific Regulation D offerings. The disciplinary action addressed an independent broker-dealer and investment adviser that offered interests of an unregistered Fund after newspaper articles about the Fund were published.</p> <p>Although the investment adviser intended to rely on a Rule 506(b) exemption to offer the unregistered securities, this exemption was forfeited due to the articles being deemed as general solicitation of the Fund.</p> <p>This general solicitation thus nullified the firms' reasoning that preexisting relationships or the purchasers' qualification as accredited investors allowed them to utilize the exemption. The SEC further emphasized that it was not the <u>sales</u> resulting from general solicitation but rather the <u>making of an offer</u> through general solicitation that precluded reliance on a Rule 506(b) exemption.</p>
WHAT DOES THIS MEAN FOR ME?	<p>The SEC's review highlights their strict interpretation of exemptions from registration in securities offerings. Fairview encourages investment advisers who are making exempt offerings to carefully review their sales practices and all external sources of potential solicitation. This not only includes newspapers but also the websites and social media accounts of those involved in the offerings. Please contact Fairview with any questions or concerns you might have regarding the SEC's opinion.</p>

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