



Private Equity Client Alert

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The Removal of the Prohibition on General Solicitation and the JOBS Act

The Jumpstart Our Business Startups Act, generally referred to as the JOBS Act, was signed into law by President Obama on April 5, 2012. The new legislation significantly eases the burden on private equity funds and other investment vehicles seeking to raise capital in reliance on exemptions from registration under federal and state securities laws. While the full impact of the JOBS Act is yet to be seen, this AGG Private Equity Client Alert briefly highlights some of the provisions impacting private equity fund raising and compliance.

- Subject to completion of implementing regulations by the SEC, private equity funds will no longer be prohibited from engaging in the “general solicitation” of potential investors, subject to the following restrictions:
 1. Investment capital is only accepted from “accredited investors” (as defined in Regulation D);
 2. The private equity fund issuer must take reasonable steps to verify that all investors are accredited investors; and
 3. The offering remains in compliance with the safe harbor of Rule 506 of Regulation D, as amended.
- Before the JOBS Act, private equity funds were required to have a “substantive” and “pre-existing” relationship with their investors. The JOBS Act removes these requirements.
- Subject to completion of implementing regulations by the SEC, private equity funds may be allowed to advertise and solicit investors on the internet and in other sources circulated in the public domain.
- Within 90 days of the enactment of the JOBS Act, the SEC is required to amend Regulation D to remove the prohibition on general solicitation. Until these amendments are adopted, general solicitation will continue to be prohibited.

If you have any questions regarding this Private Equity Client Alert, please contact any member of the AGG Private Equity Team directly.

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