

## For VCs, SEC Ruling Should Make Fundraising a Bit Easier

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What impact will the venture industry see from the SEC's decision to lift the ban on general solicitations for private fundraising?

For established VCs, it'll make it easier to talk about new funds, though there won't necessarily be much change in how capital gets raised. For emerging managers seeking to close new funds, it should make life a little easier. And for startup entrepreneurs, it could offer an additional avenue for raising capital from accredited investors, particularly at the seed stage.



Those are some of the takeaways from venture industry insiders in the wake of Wednesday's ruling by the Securities and Exchange Commission to permit issuers to advertising and speak publicly about private placements.

Under the new rules, partners raising new funds will be able to advertise and discuss funds with anyone. However, they still can only sell stakes to accredited investors. For that reason, it remains unclear to what value firms will see from the regulatory shift.

**"You can solicit to the world. But you have to make sure to a reasonable standard the people (who invest) really are accredited investors," says Mitchell Littman, a partner at law firm Littman Krooks, who specializes in private placements. Littman predicts that smaller and less experienced fund managers will be the ones most likely to make efforts to publicly promote offerings.**

Established venture firms, meanwhile, are more likely to stick limited partners with whom they already have an existing relationship, says Mark Heesen, president of the National Venture Capital Association. He says he does not expect the rule change to have a significant impact on the venture industry overall, though it may particularly useful for newer funds seeking fresh capital.

Attorneys at law firm Goodwin Procter, however, say the new rules are expected to "materially change the fundraising landscape for the private fund industry, and will facilitate use of the Internet and traditional press as means to communicate information about offerings of fund interests."

In an **analysis** on the law firm's website, attorneys predict that for many private fund managers, the new rule "will substantially increase the scope of permitted fundraising activities."

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