

WHY WE ARE EXEMPT FROM THE SEC REGULATION

Rule 506 of Regulation D is considered a "safe harbor" for the private offering exemption of Section 4(a)(2) of the Securities Act. Companies relying on the **Rule 506** exemption can raise an unlimited amount of money. There are actually two distinct exemptions that fall under **Rule 506**.

Rule 506

An unlimited amount of money may be raised in offerings relying on one of two possible Rule 506 exemptions. Similar to Rule 505, an issuer relying on Rule 506(b) may sell to an unlimited number of accredited investors, but to no more than 35 non-accredited investors. However, unlike Rule 505, the non-accredited investors in the offering must be financially sophisticated or, in other words, have sufficient knowledge and experience in financial and business matters to evaluate the investment. This sophistication requirement may be satisfied by having a *purchaser representative* for the investor who satisfies the criteria. An investor engaging a purchaser representative should pay particular attention to any conflicts of interest the representative may have.

As with a Rule 505 offering, if non-accredited investors are involved, the issuer must disclose certain information about itself, including its financial statements. If selling only to accredited investors, the issuer has discretion as to what to disclose to investors. Any information provided to accredited investors must be provided to non-accredited investors.

General advertising. Issuers relying on the Rule 506(c) exemption can generally advertise their offerings. As a result, you may see an investment opportunity advertised through the Internet, social media, seminars, print, or radio or television broadcast. ***Only accredited investors, however, are allowed to purchase in a Rule 506(c) offering that is widely advertised, and the issuer will have to take reasonable steps to verify your accredited investor status.***