

# Cherry picking.

The logo for XDATA, featuring a cluster of seven white dots of varying sizes arranged in a roughly circular pattern to the left of the word "XDATA" in a bold, black, sans-serif font.

## Weekly market activity report

May 23, 2016 - 27 May 2016

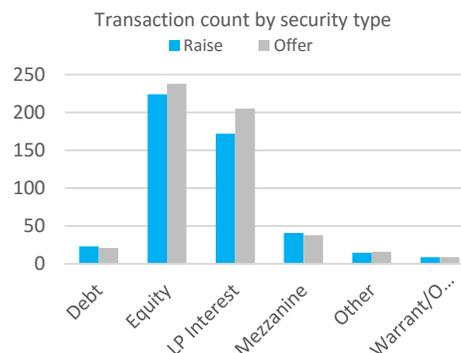
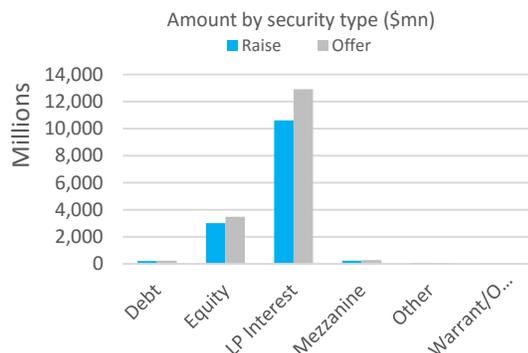
During the seven day period, the Regulation D market contracted at a slightly faster pace in terms of transactions while the pool of money raised shrank at a milder rate. Additionally, the activity of the VC & SMB market expanded, both fundraising and the activity grew at a faster pace than the overall Reg D market.

*XDATA is an information provider and consulting firm that focuses on extracting value from disclosures made under Regulation D. Regulation D enables companies to issue securities without registering them with the SEC. The information filed is regulated, industry and size agnostic, making it the best source of information to evaluate the private placement market and the dynamism of small-and-medium sized companies in the US. XDATA captures all Reg D filings, normalizes the data and surfaces issuances initiated by operating companies.*

## Overall market:

### Market Vitals:

- Average offer size: \$32 million
- Total offered: \$17.02 billion
- Total raised: \$14.15 billion



During the week, issuers were a bit more successful selling securities than before placing 83 cents of each dollar offered. Investors had previously committed 69 cents for each dollar on the market. The average size of closed and partially closed financing rounds dwindled to \$29 million. This was due to a vertiginous drop in the total amount of money garnered and a slow decline in fundraising transactions. Overall fundings reached \$14.15 billion while investors subscribed to a total of 484 issuances. Issuers were able to maintain their compliance score stable at 77.

**Managed funds** captured the lion's share of the market, they were behind 76% of the securities offered and 75% of the money raised, yet they accounted for 39% of the issuers hitting the market.

**Foreign** companies were a key market participant in terms of amount raised during the week. They saw their fundraising pool surge 194% to \$5.83 billion while closing 59 Reg D offerings, a bit more than before (a slight improvement of 7.3%).

### Top 10 foreign countries by amount raised include:

Successful placements started by companies located in **Great Britain** grew 26419% to \$2.83 billion through six transactions. Issuers in **the Cayman Islands** initiated 26 financing rounds and collected \$1.07 billion. \$881 million was captured by a company in **the British Virgin Islands** through one deal, representing a major improvement of 105485% from the prior week. Issuers in **Bermuda** issued \$640 million worth of securities via five offerings, and propelled Bermuda in the top 10 list of foreign countries. Placements started by companies located in **Brazil** rocketed 16119% to \$345 million through three transactions. One issuer in **Jersey** initiated one closed and partially closed financing round and fetched \$34 million. \$12 million was collected by companies in **Canada** through 12 deals, representing a slight increase of 12% from seven days ago. One issuer in **Sweden** issued \$7 million worth of securities via one private offering, and propelled Sweden in the top 10 list of foreign countries. Successful

placements started by companies located in **Luxembourg** shrank 98% to \$6 million through two transactions. **Australia** is new to the top 10 list of foreign countries, one issuer initiated one offering for \$5 million and collected \$3 million.

Following a similar yet downward path, securities issued in connection with **M&A** deals were a dismal market driver in terms of funds raised with investors subscribing to \$333 million via 11 closed and partially closed financing rounds. On average transactions captured \$30 million. Reliance on Reg D issuances to finance **M&A** transactions went down by 35% to 11 successful placements vs. the previous week.

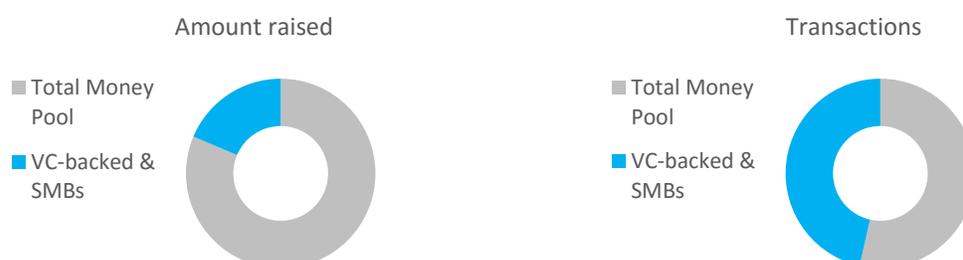
### Venture capital and operating companies market:

*XDATA is focused on making Regulation D filings relevant by surfacing security issuances made by companies with operating assets. Segregating funds and other special purpose financing vehicles is necessary to provide the best possible picture of the amount and size of investments that actually reach small and medium sized companies in the US. Money raised by Hedge Funds via Regulation D is mostly invested in public companies, it would therefore be a mistake to take them into account when evaluating the investments earmarked for private companies. The same goes for Private Equity and Venture Capital vehicles, since in theory money raised under Regulation D by a fund will lead to multiple Form D filed by the companies they invest in. Failing to take this fundamental mechanism into account would lead to counting the same pool of money multiple times, therefore artificially inflating the pool of money reaching small-and-medium sized companies. XDATA also segregates issuances made in conjunction with M&A transactions, because securities issued as compensation in lieu of cash may not represent a net increase in investments reaching SMBs. XDATA is the only source offering such a level of transparency.*

### Overall VC & SMB market

#### Market Vitals:

- Average offer size: \$13 million
- Total offered: \$2.73 billion
- Total raised: \$2.64 billion



The activity of the VC & SMB market expanded, both fundraising and the activity grew at a faster pace than the overall Reg D market.

VC and operating companies captured 19% of the overall pool of money raised via Regulation D, yet they represented 46% of Form D filers during the seven days ending on May 27. Issuers fetched 97 cents for each dollar offered, representing an improvement of 52% for the period. Following a more stable trend, compliance scores on average reached 94.

During the week, the number of fundraising transactions increased by 8.7% to 225. Companies were much more bullish than before and offered the market \$2.73 billion worth of securities, an improvement of 77%. Mirroring a similar path, investors acquired much more, subscriptions grew 282% to \$2.64 billion.



**US-based** issuers were more compliant when filling the Reg D form with a compliance score rising to 94 from 93. For each dollar they offered, they raised 97 cents, a considerable increase from 44 cents seven days ago. With 99% of the money raised and accounting for 94% of the transactions during the week, domestic companies were the most important market participant. Amount raised grew 287% to \$2.62 billion. Following the same upward pattern, yet at a more subdued pace, the number of security issuances reached 211, up from 193 the prior week. The period was characterized by a much bigger average financing round size. It increased by \$9 million to \$12 million.

**Stock exchange traded** companies were able to place 83% of their financing rounds. Investors subscribed to much smaller financing rounds. They dropped by \$5 million or 74% to \$2 million. 12 offerings were launched, eventually raising \$23 million (down from \$96 million) via 12 transactions. Publicly traded issuers were a negligible market participant capturing 0.86% of the subscriptions. Companies decreased their compliance score to 87 from 93.

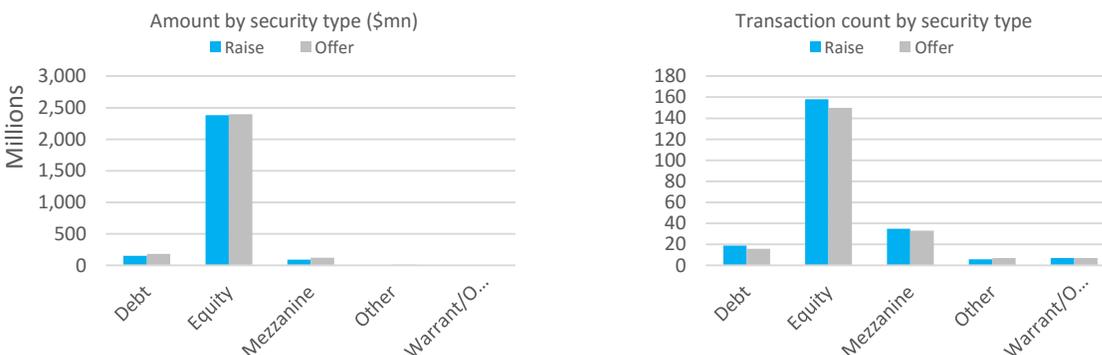
**Foreign** Reg D issuers raised \$19 million (up 31%) via 14 placements. Investors committed 0.71% of their funds to foreign companies which were a minor driver in terms of market activity. The period was characterized by a much bigger average financing round size. It surged by \$314,968 to \$1 million. Foreign companies placed 69% of their planned issuances, a slow improvement from 65% seven days ago. Issuers lowered their compliance score by 12 points to 83.

*Top 10 foreign countries by amount raised include:*

Successful fundraising transactions completed by companies located in **Canada** rose 4% to \$7 million via ten offerings. **Luxembourg** is new to the top 10 list of foreign countries, an issuer started one private

placement and captured \$6 million. A company in **Australia** issued \$3 million worth of securities via one Reg D offering. **The Cayman Islands** is new to the top 10 list of foreign countries, a company initiated one issuance and raised \$3 million. A company in **Singapore** issued \$50,000 worth of securities via one offering.

### Securities

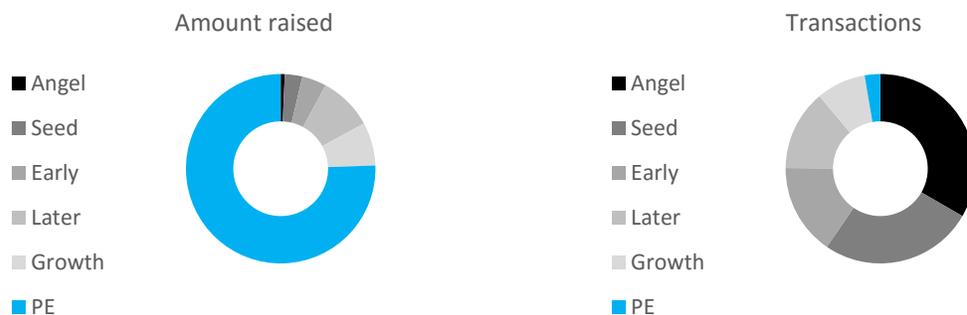


**Equity** securities were the primary instrument issued in connection with companies' fundraising activity. Particularly, 70% of the subscriptions were equity based while they captured 90% of the funds raised. Investors bought \$2.38 billion worth of equity through 158 transactions.

**Mezzanine** denominated successful placements fell, they raised however \$92 million and accounted for \$121 million offered. Issuers relied on mezzanine securities in 35 transactions vs. 48 previously, a drop of 27%. Mezzanine securities were used in 16% of the transactions to raise 3.5% of the pool of money dedicated to SMBs.

Charting a much more pronounced positive path, **debt** investors subscribed to 19 issuances for a total of \$155 million. The number of debt denominated issuances grew 27%, commitments were up 2998%. Overall, debt was the security of choice for 8.4% of the placements while attracting 5.9% of investors' funds.

### Development stage



During the seven day period, the average transaction of **angel stage** companies amounted to \$241,990 which dwindled 22%. Investors subscribed to \$18 million via 75 financing rounds. **Angel stage** financings

were an important contributor in terms of activity. Reg D issuers were as compliant as before with a score reaching 95.

**Analysis:** the activity of angel stage companies contracted with a fundraising and activity growth rates that underperformed the overall SMB & VC market.

**Seed stage** issuers initiated 59 successful placements up 20% and eventually garnered \$79 million. The average transaction size grew 4.7% to \$1 million. Compliance scores averaged 93. Overall, they accounted for 3% of the money raised and 26% of the activity.

**Analysis:** the activity of seed stage issuers expanded at a faster pace than the overall SMB & VC market, however funds collected growth underperformed.

The average financing round fetched by **early stage** companies reached \$3 million after rising 14%. Financial backers rocketed their subscriptions to \$109 million via 35 successful fundraising transactions. Early stage issuances accounted for 16% of the issuances and 4.1% of the money raised. The average compliance score for companies falling into this development stage bracket stood at 95.

**Analysis:** the activity of early stage Reg D issuers expanded, however their fundraising growth was below the overall SMB market benchmark.

With 31 financing rounds (up 41%), **later stage** companies were a small market participant. The amount raised, following a similar path, experienced a considerable improvement of 49% to \$244 million, capturing 9.2% of the pool of money. Later stage issuers raised on average \$8 million per fundraising transaction, up 5.8% vs. the previous week. They were more compliant than before with a compliance score increasing to 96.

**Analysis:** the activity of later stage companies expanded and outpaced the overall SMB & VC market trend.

Over the period, the average financing round of **growth stage** Reg D issuers amounted to \$10 million which dwindled 19%. Investors subscribed to \$195 million via 19 financing rounds. **Growth stage** financings were a minor contributor in terms of activity. Companies were less compliant than before with a compliance score easing to 86.

**Analysis:** the activity of growth stage issuers contracted with a fundraising and activity growth rates that underperformed the overall SMB & VC market.

During the seven day period, the average subscription of **private equity stage** companies amounted to \$332 million which surged 1280%. Investors subscribed to \$1.99 billion via six financing rounds. **Private equity stage** financings were a dismal contributor in terms of activity. Issuers were less compliant than before with a compliance score decreasing to 90.

**Analysis:** the activity of private equity stage companies expanded and outpaced the overall SMB & VC market trend.

## Issuers by location

*States that originated 5% or more of the private placements:*

**California**-based companies accounted for 58 Reg D offerings (up 32%) and sold \$1.55 billion worth of securities to financial backers (up 32%). 59% of the money raised during the past seven days was funneled in California which accounted for 26% of the transactions. The average size of financing rounds raised increased by 385% to \$27 million. Issuers placed 103% of their planned issuances, a robust improvement from 81%. With a compliance score rising to 92 from 88, issuers were more compliant when filling with the SEC.

**Analysis:** the activity in the State of California expanded and outpaced the market benchmark.

**Colorado**-headquartered companies launched 5.3% of the private placements and captured 21% of the funds available to VC-backed and operating companies. For each dollar offered, 99 cents were raised during the seven day period, a major increase from 54 cents. Reg D issuers experienced a considerable improvement in the average financing round they were able to collect from investors. It rocketed \$43 million or 1684% to \$46 million. 11 private placement transactions were launched, eventually capturing \$547 million (up from \$28 million) via 12 fundraising events. Companies improved their compliance score by 11 points to 100.

**Analysis:** the activity in the State of Colorado expanded and both activity and fundraising growth followed the market trend.

Reg D issuers located in **New York** remained as compliant as before, their compliance score was flat at 95. On average 67% of issuers' financing rounds were subscribed by investors, an increase of 13%. Investors committed 3.1% of their funds in New York which was responsible for 11% of the market activity. The amount of money collected grew 236% to \$82 million. Following a similar pattern, the number of offerings reached 24, up from 13 the prior week. The average transaction size rocketed by 82% to \$3 million.

**Analysis:** the activity in the State of New York expanded and outpaced the market benchmark.

Reg D issuers located in **Massachusetts** were a bit more successful placing their securities with investors who acquired 104 cents for each dollar offered, up 13 cents. Investors subscribed to bigger financing rounds, they rocketed \$1 million on average to \$5 million. 11 private placement transactions were launched, eventually gathering \$71 million (up from \$52 million) via 14 fundraising events. Investors committed 2.7% of their funds in Massachusetts which was responsible for 6.2% of the market activity. Reg D issuers lowered their compliance score by 2.36 points to 98.

**Analysis:** the activity in the Commonwealth of Massachusetts expanded and both activity and fundraising growth followed the market trend.

**Washington**-based companies accounted for 13 offerings (up 117%) and raised \$24 million (up 117%). During the seven day period, Washington captured 0.93% of investor's subscriptions and companies located there initiated 5.8% of the transactions. Investors subscribed to much bigger financing rounds, they rocketed \$1 million on average to \$2 million. Issuers were slightly more successful placing their

securities with investors who acquired 67 cents for each dollar offered, up 12 cents. The average compliance score remained stable at 100.

**Analysis:** the activity in the State of Washington expanded and outpaced the market benchmark.

*States that originated between 1% and 5% of the private placements and grew their fundraising pool by 2% or more:*

**Utah**-headquartered companies funneled 0.87% of the funds available to VC-backed and operating companies and accounted for 1.8% of the activity. For each dollar offered, 51 cents were raised during the seven days ending on May 27, a steep drop from 97 cents. Reg D issuers on average collected more money per security issuance than before. The average financing size went up by \$4 million to \$6 million. The amount of money captured rocketed 175% to \$23 million. Following a similar yet downward trend, the number of private placement transactions reached four, down from five the prior week. Companies improved their compliance score by 4.83 points to 95.

**Analysis:** the activity in Utah contracted with a growth rate that underperformed the market.

**Arizona**-based Reg D issuers sold \$17 million worth of securities, a considerable improvement of 1025%. Furthermore, the number of private offerings was up 600% to seven. 3.1% of the transactions stemmed from Arizona which captured 0.64% of the pool of money. The average size of financing rounds raised rocketed by 61% to \$2 million. Issuers sold 101% of their planned issuances, a major increase from 0%. During the period, issuers rose their compliance score on average by 97 points to 97.

**Analysis:** the activity in Arizona expanded and outpaced the market benchmark.

**New Jersey**-based companies saw their subscriptions rocket 457% to \$17 million. The number of placements reached three, up from one the prior week. Investors committed 0.63% of their funds in New Jersey which was responsible for 1.3% of the market activity. The average size of financing rounds raised increased by 86% to \$6 million. Reg D issuers were much less successful than before placing 125% of their offerings to investors. During the period, issuers dropped their compliance score on average by 5 points to 87.

**Analysis:** the activity in the State of New Jersey expanded and outpaced the market benchmark.

Companies headquartered in **Florida** were as compliant when filling the Reg D form with a compliance score going down to 90 from 99. On average 72% of issuers' financing rounds were subscribed by investors, an increase of 56%. During the past seven days, Florida captured 0.61% of investor's subscriptions and companies located there initiated 3.6% of the transactions. Ten Reg D offerings were launched, eventually amassing \$16 million (up from \$2 million) via eight fundraising events. The average size of financing rounds raised rocketed by 387% to \$2 million.

**Analysis:** the activity in Florida expanded and outpaced the market benchmark.

**Maryland** initiated 3.1% of the issuances and gathered 0.37% of the pool of money available to operating and VC-backed companies. Fundraising goals set by issuers were 63% met. They captured 7 cents more for each dollar offered. Companies garnered on average much smaller financing rounds from investors, they shrank by 65% to \$1 million. Seven private placement transactions were launched, eventually amassing \$10 million (up from \$8 million) via seven fundraising events. Issuers were as

compliant when filling the Reg D form with a compliance score going down to 98 from 100.

**Analysis:** the activity in the State of Maryland expanded at a faster pace than the market, however funds collected growth underperformed.

**Pennsylvania**-headquartered companies funneled 0.29% of the pool of money earmarked for VC-backed and operating companies and accounted for 3.6% of the activity. Financing targets set by issuers were 47% met. They captured 45 cents more for each dollar offered. Issuers on average collected more money per security issuance than before. The average financing size went up by \$91,944 to \$943,000. Investors purchased \$8 million worth of securities (up 27%) via eight private offerings (up 14%). Companies saw their compliance score go down to 89 from 97.

**Analysis:** the activity in the State of Pennsylvania expanded, however fundraising growth was below the market.

### Issuers by industry

54 issuers, or 6.5%, checked " **Other** " as industry when filing with the SEC. XDATA through its curating process narrowed it down to 14 or 0.52%.

*Industries that originated more than 5% of the private placements:*

**Software companies** sold \$1.50 billion worth of securities, a major increase of 412%. Furthermore, the number of Reg D offerings was up 40% to 81. Companies were the main market driver garnering 57% of the subscriptions. Much bigger issuances characterized the period. On average, they rocketed by \$13 million to \$18 million. Issuers were much more successful than before selling 103% of their offerings to investors. With a compliance score increasing to 94 from 93, issuers were less compliant when filling with the SEC.

**Biotech companies** sold \$113 million worth of securities, a major improvement of 45%. Furthermore, the number of private placements was down 18% to 18. Companies captured 4.3% of the money raised during the week, and were a negligible market participant in terms of amount raised. The average transaction size surged by 78% to \$6 million. Reg D issuers were significantly more successful placing securities to investors who purchased 101 cents for each dollar offered, a major increase of 41 cents. With a compliance score rising to 93 from 92, issuers were less compliant when filling with the SEC.

**Device and Medical Device companies** garnered 3.9% of the pool of money available for VC and operating companies. Companies were able to place 83% of their financing rounds. Issuers raised on average smaller financing rounds from investors, they dwindled by 19% to \$4 million. Investors purchased \$103 million worth of securities (down 15%) via 23 offerings (up 4.5%). Reg D issuers were as compliant when disclosing transactions, their compliance score on average decreased to 92 from 93.

**Platform Technology companies** reported selling 88% of their financing rounds. Much bigger private placements characterized the period. On average, they surged by \$2 million to \$5 million. Investors purchased \$68 million worth of securities (up 105%) via 15 issuances (up 7.1%). **Platform Technology**

**companies** were behind 2.6% of the money raised during the past seven days, and were a negligible market participant in terms of amount raised. Reg D issuers saw their compliance score increase to 96 from 92.

*Industries that originated between 1% and 5% of the private placements and which grew their fundraising pool by 2% or more:*

**Oil and gas companies** were more compliant when disclosing transactions, their compliance score on average increased to 100 from 96. For each dollar they offered, they fetched 99 cents, a major improvement from 15 cents the prior week. Companies captured 26% of the money raised during the past seven days, and were an important market participant in terms of amount raised. The amount raised surged 99700% to \$674 million. Following a similar path the number of private placement transactions reached three, up from two the previous week. The average transaction size rocketed by 66433% to \$225 million.

**Manufacturing companies** sold 98% of their planned issuances, a considerable improvement from 0.3%. The average size of financing rounds raised increased by 11239% to \$3 million. Seven new Reg D offerings were launched, eventually \$27 million was collected by issuers (up from \$30,000) via eight fundraising events. **Manufacturing companies** were a negligible market driver accumulating 1% of the subscriptions. Issuers were as compliant when filling Form D, their compliance score on average dropped to 83 from 100.

**Food companies** raised 1% of the funds available for VC and operating companies. Investors were slightly more interested than before acquiring 61% of the securities offered. Reg D issuers collected on average as much as before with \$5 million per placement. Investors subscribed to \$27 million worth of securities (up 154%) via five private offerings (up 150%). Issuers saw their compliance score rise to 91 from 84.

**Consulting firms** saw their compliance score grow to 97 from 82. For each dollar they offered, they garnered 78 cents, a strong drop from 100 cents seven days ago. Companies were a dismal market contributor capturing 0.97% of the subscriptions. The amount raised surged 459% to \$26 million. Mirroring a similar pattern the number of security issuances reached nine, up from six the prior week. Much bigger Reg D offerings characterized the period. On average, they rocketed by \$2 million to \$3 million.

**Mining companies'** compliance score dropped by 3 points to 92. Investors were much more interested than before buying 57% of the securities offered. Companies captured 0.56% of the money raised during the week, and were a dismal market participant in terms of amount raised. Investors bought \$15 million worth of securities (up 48%) via 11 private placements (up 10%). Much bigger issuances characterized the period. On average, they grew by \$345,079 to \$1 million.

**Medical organizations** sold 75% of their planned issuances, a slight increase from 68%. Investors subscribed to much smaller financing rounds which dwindled by \$1 million on average to \$2 million. Seven new Reg D offerings were launched, eventually \$12 million was collected by issuers (up from \$7

million) via six fundraising events. **Medical organizations** garnered 0.47% of the pool of money available for VC and operating companies. Issuers were more compliant when filling Form D, their compliance score on average increased to 96 from 94.

**eCommerce companies** sold 87% of their planned issuances, a considerable improvement from 46%. Much bigger private placements typified the period. On average, they rocketed by \$968,497 to \$2 million. The amount of money raised surged 71% to \$9 million while the number of placements remained stable at four. **eCommerce companies** were a dismal market contributor garnering 0.35% of the subscriptions. Issuers were more compliant when filling Form D, their compliance score on average rose to 96 from 94.

## About XDATA

XDATA is a consulting and research firm that focuses on US small and medium-sized (SMB) companies, offering full-fledged company profiles, custom activity reports and timely filing reporting via APIs, news platforms and its website [www.XDATA.co](http://www.XDATA.co). We leverage the latest and best technology to focus on what we do best: collect, normalize, curate, contextualize and provide a second life to a source of information that has been abused by data miners and that has been traditionally poorly leveraged by data providers.

Our research process actually offers a more complete and unbiased view of the private SMB market than venture capital data sets that are based on unregulated information such as press release and therefore, fraught with inaccuracies. At the very least (and most importantly), we provide an alternative, a novel and fresh perspective, in other words, a second opinion to investment professionals and market participants.

We offer a 24h turnaround service for clients who need custom activity reports based on issuers' location, industry, custom timeframe and any other attributes combinations. For further information contact us at [info@xdata.co](mailto:info@xdata.co) or via our website.

## Methodology

### 1) Amounts and their allocation through time

Amounts reported, unless otherwise specified, are aggregated amounts that were disclosed as raised by issuers. Amounts are allocated for the weekly reports at the date of disclosure to the SEC. All filings' amendments are analyzed. Changes in amounts raised disclosed via amendments are allocated to the filing date. Hence the aggregated amount raised may be higher as the aggregated offered amount for a period. An increase in amount raised in related subsequent filings are not considered as a new offering. Hence the aggregated number of raises may be higher as the aggregated number of placements.

### 2) Curation

Funds, special purpose and financing vehicles such as, but not limited to, financing subsidiaries, oil fields, real estate, Broadway shows and thoroughbred ownership or investment schemas are not taken into account in the "Venture capital and operating companies market" section.

### 3) Compliance score

The score is based on a proprietary algorithm that analyses how compliant an issuer has been when filing under Regulation D with the SEC. Filing timeliness, completeness as well as issuer specific data, history and placement agent registration are all taken into account to compute the score. The score ranges from 100 (best) to 0 (worst). Generally, a score below 60 indicates the issuer bears a heightened risk of being scrutinized by the SEC and is at risk for rescission.

#### 4) Securities

Securities issued are normalized using a proprietary methodology.

#### 5) Issuer development stage

Issuer development stage is defined based on a proprietary methodology that takes into account a number of attributes including, but not limited to, the foundation date and estimated size.

#### 6) Industry classification

XDATA developed a proprietary 4 tiered industry classification to take into account a company general activity, product, market and a number of other product attributes. This was designed to provide highly correlated comparable companies/competitors. The data aggregation in the report is based on our most basic classification level. However we do make some important distinctions based on the universe we cover. For example "Platform Technology" companies include companies that use technology to sell a service rather than sell a software (SaaS are classified under Software), as such a ridesharing company as UBER is classified under "Platform Technology" but a company which develops and sell a ridesharing software would be classified under "Software".

#### 7) Disclosure related to data removal and other edits

For further information on the methodology, please contact us directly at [info@xdata.co](mailto:info@xdata.co)