

>>>FAIRVIEW FLASH REPORT <<<

Disqualification of Felons and Other "Bad Actors"
from Rule 506 Offerings

WHAT HAPPENED?	As mandated by the Dodd-Frank Act, the SEC's bad actor disqualification rule relating to Rule 506 offerings becomes effective Monday, September 23, 2013.
WHAT DOES THIS MEAN?	<p>Under the bad actor rule, an issuer cannot rely on the Rule 506 exemption if the issuer or any other person covered by the rule had a "disqualifying event". Disqualifying events include but are not limited to criminal convictions, court injunctions or final orders of the SEC and other government agencies, and making a false filing SEC filing.</p> <p>Disqualification applies only for disqualifying events that occur after September 23, 2013. However, bad acts that occurred prior to September 23 and would otherwise be disqualifying require mandatory disclosure to investors.</p> <p>"Covered persons" under the bad actor rule include individuals affiliated with the fund and/or its investment manager, promoters, solicitors and beneficial owners of 20 percent or more of the fund.</p> <p>A complete list of disqualifying events and covered persons can be found on the SEC's Fact Sheet on the bad actors disqualification rule .</p>
NEXT STEPS	Investment advisers to funds relying on the Rule 506 exemption should disseminate questionnaires to their covered persons to determine whether any bad acts requiring disclosure have occurred and implement policies and procedures for monitoring disqualifying events in the future.