Capital Placement Management Support

When raising capital, company management may find the process distracting and confusing, especially when using exempt or registration offering. Stony Hill provides leadership and oversight of the capital formation team, managing the function on behalf of clients when raising capital using one or more exemptions or registrations. The process is time-consuming and requires oversight of the underwriters, bookrunners, and placement agents, as well as accounting and legal aspects.

Cost can easily get out of control when unexpected issues arise, or budgets are underestimated during the process.

To raise capital, a business can conduct an offering that is exempt from registration with the SEC. There are multiple exemptions available for small businesses looking to raise capital from investors, such as Rule 506(b) Private Placements, Rule 506(c) General Solicitation Offerings, Regulation Crowdfunding Offerings, Rule 504 Limited Offerings, Regulation A Offerings, and more. Each exemption has its own offering limit, investor requirements, and other specific conditions. For example, Rule 506(b) Private Placements allow companies to raise unlimited capital from investors with whom the company has a relationship and who meet certain wealth thresholds or have certain professional credentials, while Regulation Crowdfunding Offerings allow eligible companies to raise up to $5 million in investment capital in a 12-month period from investors online via a registered funding portal. It's important for businesses to carefully consider the requirements of each exemption to determine the most suitable option for their capital-raising needs.

Companies raise money for a variety of reasons, including to expand their businesses into new markets or locations, invest in research and development, and take money off the table. There are several sources of funding available to companies, debt capital, and equity capital. While debt capital involves borrowing from lenders or issuing corporate debt in the form of bonds. Equity capital comes from external investors and can be raised by selling ownership stakes in the form of shares to investors, known as equity funding. This can be done through private equity or by going public through an initial public offering (IPO). Raising capital allows companies to scale more quickly, gain credibility, tap resources beyond just money, receive assistance with risk and management, and have a stronger cash flow to support reinvestment in products, hiring, or expanding operations.