



A sponsor of a new oil and gas fund organized under the new 506(c) rules pursuant to the JOBS Act approached Phoenix American for front-office and transfer agent services. The sponsor would be conducting general solicitation of new investors. Interested parties would respond to advertising through a toll free phone number. In the absence of any broker-dealer involvement, prospective investors would have to be guided through the sales and investment process: their questions answered, sales material provided, their suitability verified through an accreditation process and new business entered into a shareholder record keeping system with reporting to the sponsor as needed.

THE SPONSOR'S BACK OFFICE PAIN POINTS

- The sponsor had never started a 506(c) fund and many aspects of how the operations side of the fund would work were unknown.
- The sponsor's law firm identified several problems the sponsor would have with administering such a fund and referred the client to Phoenix American.
- The sponsor would not be able to handle the volume of expected telephone responses to its advertising but would need to retain the ability to respond to sales, fund and investment questions from interested parties.
- Qualifying investors would be a problem. SEC Rule 501 requires investors to be accredited but no broker-dealer would be providing that service and attorneys and CPA's representing investors are often unwilling to warrant their clients' accredited investor status.
- The sponsor expected a total of 800-1000 investors and had no system or procedures that would effectively limit input errors or provide the kind of reporting they would require.
- The sponsor had arrived late at the conclusion that a partner for these services would be necessary and the solution would have to be put in place in a hurry.

OUR SOLUTION

1. Phoenix American established a service team for the sponsor and established a STAR XMS database for management of their investors and investments.
2. The sponsor's new service team at Phoenix worked with the sponsor to develop a customized package of services that would most efficiently address the needs of the sponsor, the investors and regulators.

3. Phoenix American established a toll free phone number for prospective investors to call that would be answered by a Phoenix American phone team. The phone team would only answer questions on the investment process and provide sales material if requested. Any fund, sales or investment questions from interested parties would be forwarded to the sponsor.
4. Phoenix American provided fulfillment services upon request according to sponsor specifications. Sales materials, prospectus and other information was provided to prospective investors by email, mail, FedEx or FAX according to urgency or preference.
5. Accreditation Services, provided by Phoenix American, employed a process in strict compliance with SEC Rule 501 to establish investor suitability according to income, net worth, credit status and investment history. Accredited investors received a certification that would qualify them for any alternative investment fund for the length of its validity.
6. New investments were entered into Phoenix American's STAR-XMS transfer agent system from which reports for the sponsor could be generated for any requirement and in any format requested.
7. An Accredited Investor Database was designed and implemented as a module of STAR XMS that would manage the accredited status of investors in the fund, house supporting documentation and track certificate expiration dates. This database would both simplify compliance and streamline re-accreditation for future investments.

THE RESULT

The sponsor is extremely happy with the smoothness and efficiency with which his operations have run. Investors enjoyed a friendly and efficient process in subscribing to the sponsor's fund. The sponsor was able to limit his involvement to high level questions from likely investors. The sponsor is in full compliance with all regulations and prospectus commitments. The sponsor was able to reach his money raising goal and his expected number of investors. The fund's investor base is qualified, familiar with the accreditation process and represents a solid field of prospects for participation in the sponsor's next fund. The sponsor represents stability and confidence in the minds of the investors. The advertising entity that partnered with the sponsor is pleased with the process and likely to partner with the sponsor for future investment funds.

The JOBS Act is still new and few companies have any experience with 506(c)/General Solicitation funds. Phoenix American's technology, customer service focus and 40 years of experience in alternative investments made our role for this sponsor a natural evolution of our service offering. The sponsor's attorney saw this in recommending Phoenix American to this client.