

## TechConnect

### Your Law Firm Link to Industry News

OCTOBER 2015

#### Letter from the Editors

We are thrilled to provide you with the first issue of Mintz Levin's TechConnect, a bi-monthly newsletter on "all things technology" in the legal and business world, from our perspective, of course. We intend TechConnect to be a periodic, easily digestible update for you to hear what we in the Technology Practice at Mintz Levin are doing and seeing in the industry. Each issue will contain a profile of a company that is making headlines in the technology world in any number of ways, which may include its novel technology, its approach to a particular issue, and its impact on the world of sustainability, clean technology, or even biotechnology. Our philosophy is that "every company is a technology company" in one way or another and technology pervades our lives in many interesting and unique ways — TechConnect will aim to highlight and identify many of those ways. In addition, each issue will provide you with important updates in the industry from a legal and/or regulatory perspective, or will identify areas in which change may be forthcoming. In this highly regulated industry it is important to keep abreast of the ever-changing landscape, and we will help you do just that. Finally, each issue will contain an abbreviated list of upcoming events taking place in the major technology hubs around the country so that you can pick and choose where to focus your energy in the next few months. We are excited to share our inaugural issue with you and sincerely hope you enjoy it and share it with friends and colleagues. Stay tuned for more from us in the coming months!

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A handwritten signature in black ink, appearing to read "Evan".

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## Leaders in the News

### Helping The Hult Prize Finalists

Mintz Levin was excited to have been selected as the official legal mentor for teams competing for the 2015 Hult Prize, the world's largest social entrepreneurial competition. See a recent *Huffington Post* article on our involvement: [http://www.huffingtonpost.com/karim-samra/building-startup-incubato\\_b\\_8089984.html](http://www.huffingtonpost.com/karim-samra/building-startup-incubato_b_8089984.html)

The Hult Prize Foundation is a start-up accelerator and enabler for budding young social entrepreneurs emerging from the world's universities. Named as one of the top five ideas changing the world by President Bill Clinton and TIME Magazine, the annual competition for the Hult Prize aims to identify and launch the most compelling social business ideas — start-up enterprises that tackle grave issues faced by billions of people. The focus of this year's competition is the lack of access to quality early childhood education for the 100 million children living in the world's urban slums. Tens of thousands of students from 130 countries, representing over 350 institutions of higher education participated in the annual competition.

[IMPCT.co](#), a company formed by a group of individuals from National Chengchi University in Taipei whose [PlayCares](#) concept is focused on revolutionizing the manner in which children in urban slums receive care and education, was announced as the winner of the 2015 Hult Prize by President Clinton at the Clinton Global Initiative (CGI) annual meeting on September 26 in New York City (video coverage of the event – <http://livestream.com/hultprize/2015awardedinner>). Judges of this year's competition included Muhammad Yunus, Nobel Laureate and Founder, Grameen Bank; Julia Gillard, Former Prime Minister of Australia; Charles Kane, Chairman, One Laptop per Child Foundation; and Mo Ibrahim, Founder, Celtel International.

Congratulations to IMPCT.co which will receive \$1 million in seed capital, as well as mentorship and advice from Mintz Levin and others in the international business community.

### Innovator Profile

This month's innovator, our client [Cylance](#), is taking a unique approach to cybersecurity. Cylance is the first company to apply artificial intelligence, algorithmic science and machine learning to proactively solve complex security problems. What continues to set Cylance apart from other anti-virus software providers is the ability of Cylance's software to predictively pinpoint cybersecurity threats before they execute, rather than reacting to breaches after they happen. By developing the 'next generation anti-virus', Cylance is able to quickly and accurately identify what is safe and what is an actual threat, not just what is in a blacklist or whitelist. In addition, Cylance's products offer many benefits to customers: they do not require substantial memory in order to run; they do not require frequent updates to locate ever-evolving cybersecurity threats; the software can co-exist with other anti-virus or malware programs that often come pre-installed on equipment; and for customers who purchase the product, implementation is fast and easy, and does not require specific IT skills to install or maintain the program nor does it require an Internet connection to be effective.

Because of Cylance's innovative approach to cybersecurity, the company was recently featured in a [60 Minutes](#) story focused on the growing reality of cyber-attacks after the Sony Pictures hacking by North Korea. Mintz Levin has worked with Cylance since inception and has been side-by-side with them as the company rapidly grows. In July of 2015, Cylance closed a \$42 million series C funding, led by DFJ Growth partners (DFJ's core funds have invested in companies like Baidu, SpaceX, Skype, Twitter and Tesla Motors). The latest round brings Cylance's total funding up to \$77 million to date. Other participants in the Series C round include KKR, Dell Ventures, CapitalOne Ventures and TenEleven Ventures, among others. Cylance's product, CylancePROTECT, recently [won a perfect score](#) in SC Magazine's September 2015 Endpoint Security Group Test, receiving five-out-

of-five stars across all categories: features, ease-of-use, performance, documentation, support and value for the money.

We are certain we will continue to hear more stories of Cylance's continued success and innovation in perhaps the most critical concern for businesses, governments and other organizations today.

## Industry Update

### Cybersecurity & Data Breach

The U.S. Senate made some progress toward passing the Cybersecurity Information Sharing Act (CISA) before leaving for its August recess but was unable to reach final passage of the measure. With versions first introduced in 2014, the bill would allow the sharing of Internet traffic data and cyber threat information between the U.S. government and technology and manufacturing companies. Senate Intelligence Committee members said the bill will likely come to the floor on the week of Oct. 19, when the Senate returns from a week-long break. After passing the Protecting Cyber Networks Act in April, the House of Representatives will likely see continued action on the Data Security and Breach Notification Act. This act has a difficult path forward, as privacy advocates argue it leaves consumers worse off by undercutting stronger state laws and eliminating national protections they now enjoy.

## Special Feature

When our client, Citizen VC, came to us to help them with the launch of their online venture capital platform, they asked us if there were any regulatory issues that they should be concerned about. Online offerings of securities have been conducted since the mid-1990s, and the SEC did have a small body of guidance on how to conduct an online offering in compliance with Rule 506(b) of Regulation D of the Securities Act (which sets the rules for how issuers can sell their securities). But, as we looked through No Action guidance of the SEC on online offerings we realized that there was a gap in the guidance — none of the previous no action letters set out clearly a method or process for a company to establish the “pre-existing, substantive relationship” with prospective investors that was necessary for an online offering not to be considered a general solicitation.

So, they asked us to prepare a request for guidance from the SEC, and we set out to do so by providing to the SEC a description of Citizen VC's process and procedures for establishing relationships with their prospective investors, which included a password protected area of the site accessible only to accepted members, and a rigorous “know your client” procedure designed to enable Citizen VC to truly understand the financial sophistication and suitability for investment of the prospective investor. We also provided the SEC a survey of the existing law and guidance, and our conclusion that Citizen VC's approach was within the boundaries of the law. We asked them to concur with our analysis, and they did.

As a result of this guidance, an issuer can now develop a specific set of policies and procedures that will take the offering of securities outside of being considered a “general solicitation”, which offerings on the internet are considered by default. The key element of the guidance is that the issuer establishes procedures designed to enable the issuer to evaluate a prospective investor's financial sophistication, circumstances, suitability, and capacity to comprehend the risks of a potential investment. Through this process, which also includes direct contact with the investor, the “pre-existing substantive relationship” is established before any securities are offered. The pre-existing relationship is not based on a specific duration of time nor is it satisfied by answering a cursory “accredited investor” question. Rather, the establishment of a pre-existing relationship depends on the *quality* of the relationship between the issuer and a potential investor. We believe the guidance set forth in the Citizen VC No Action Letter will be viewed as “best practices” by issuers who want to

raise capital in a password protected web page under Rule 506(b). You can read the No Action Letter [here](#), and read about Mintz Levin's request for guidance [here](#).

## Upcoming Events

### New York

October 12–18: [Tech Week NY 2015](#)  
October 19–23: [Big Brand Week](#)  
October 20: [Startupalooza](#)  
October 21: [ACA New England Regional Meeting](#)  
October 21: [MarketTech 2015: FinTech Barbarians at the Gates](#)  
October 22: [2015 ACG New York Forward Oktoberfest](#)  
October 22: [Series A Venture Conference](#)  
October 22: [Startup Breakfast with An Investor: Marc Michel, Metamorphic Ventures](#)  
October 26: [Innovation in Financial Technology: The Venture Capitalists](#)  
November 3: [Alley Boost Startup Expo](#)  
November 5: [MTS15: Digital Media Cocktails](#)  
November 17: [Alley Boost: Startup Investor Night](#)  
November 17: [The Pitch NYC](#)

### Boston

October 29: [Cooley & Merrill Lynch's VC/PE Roundtable 2015](#)  
November 9–10: [Global Pediatric Innovation Summit + Awards 2015](#)  
November 16: [MATTO New Ventures Showcase 2015](#)  
November 19: [13th Annual MIT Sloan CFO Summit](#)

### SF

October 20: [BIO Investor Forum](#)  
October 22: [Seed Stage Investor Elevator Pitch](#)  
October 23: [Founders Space Pitch Day & Mixer](#)  
October 30: [Extract Data Conference](#)  
October 30–31: [US-Japan Venture Capital Conference](#)  
November 3: [Silicon Valley VC and Angel Conference](#)  
November 4: [Crowded.com: On-Demand Economy Roundtable](#)  
November 10: [Empire Startups FinTech Conference](#)  
November 12: [RE.WORK Connect Summit](#)  
November 14: [Open Data Science Conference](#)  
November 16–19: [2015 Lean Startup Conference](#)  
November 17: [Social Innovation Summit 2015 – Silicon Valley](#)  
November 18–19: [Structure Conference](#)

## San Diego

- October 15: [It Must Be PitchCraft](#)
- October 15: [Funding Innovation: Investing in the Life Sciences Industry](#)
- October 16: [Connect Executive Forum: The CTO Innovative Lab](#)
- October 21: [TechFire Presents a Fireside Chat with Venture Capitalist Mark Mullen \(Double M Partners\)](#)
- October 23: [Connect Executive Breakfast](#)
- October 28: [Building a Multi-Billion Dollar Company in San Diego](#)
- October 29: [Connect Office Grand Opening](#)
- October 30–November 1: [Startup Weekend MEGA](#)
- November 2–4: [Intel Capital Global Summit](#)
- November 5: [Right Sourcing in 2015](#)
- November 17: [Startup Fundamentals: Doing A Startup Right](#)

## Washington, DC

- October 19: [TechCelebration: NVTC's Annual Banquet](#)
- October 21–22: [2015 Kayo Women's Private Equity Conference](#)
- October 21: [Startup Grind](#)
- October 28: [Cooley Capital Call](#)
- October 29: [2015 Fastest Growing Companies](#)
- October 29: [1776 Challenge Cup](#)
- November 5: [MAVA Flagship Event: CEO/CFO Summit](#)
- November 5: [MAVA Capital Connection](#)
- November 6: [Ask a VC](#)
- November 10: [Angel Venture Forum 2015 Showcase](#)
- November 15: [Scaling Your Organizational Culture](#)
- November 23: [MAVA Private Dinner – CEO/ Investor Invitational hosted by PwC](#)

## Mintz Levin Webinars

- October 28: [Tricks, But No Treats: A Halloween Visit to the Frightening World of Data Security Litigation](#)

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