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TechConnect

Your Law Firm Link to Industry News

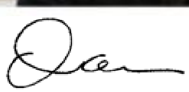
DECEMBER 2015

Letter from the Editors

Welcome to the second issue of Mintz Levin's *TechConnect* — our bi-monthly newsletter on "all things technology" in the legal and business world, from our perspective, of course. This issue contains some key industry news, profiles on two exciting companies, an article about the ever growing "impact investing" space, and an amazing CleanWeb Report on which we collaborated with other industry participants. Also, don't miss the list of events taking place in key start-up hubs around the country.

Over the course of the past two months, the Tech practice here at Mintz Levin has been exceedingly busy closing deals and helping structure others. We perceive a great deal of positive momentum in technology and venture-backed companies from early stage on, and we are excited about the prospects for 2016.

As always, feel free to reach out to the team with inquiries or suggestions and please pass this along to your friends and colleagues. More to come in 2016 — stay tuned!



Leaders in the News

Current Motor Wins 2015 Michigan MobiPrize

Mintz Levin was excited to see its client, Current Motor, win the second annual Michigan MobiPrize. Presented by NextEnergy and the University of Michigan's Sustainable Mobility and Accessibility Research and Transformation (SMART), the award honors Michigan-based mobility entrepreneurs who are developing and commercializing innovative mobility solutions in Michigan.

Current Motor is a privately held electric motorcycle and solar charging station manufacturing company with locations in Ann Arbor and Manchester, Michigan. In addition to electric motorcycle and solar charging station applications, Current Motor has developed a mini-fleet-in-a-box technology comprised of four electric motorcycles nested within a solar charging station and built-in batteries for energy storage.

Sponsored by NextEnergy, the Michigan MobiPrize is one in a series of MobiPrizes awarded around the globe. Developed by the University of Michigan's SMART initiative in 2012, MobiPrize was designed to honor entrepreneurial ventures, as well as city, state, and national governments that are changing the world through sustainable transportation.

RideHop and RightThereWare received honorary mentions for the Michigan MobiPrize. Detroit-based RideHop's mobile application provides real-time transportation tracking, allowing drivers and riders to plan their commutes more effectively. RightThereWare has developed optimized multi-stop navigation technology that automatically re-routes drivers as traffic conditions change.

Congratulations to Current Motor, which will receive a $5,000 cash prize plus mentorship and networking opportunities and will travel to an award ceremony in New Delhi, India.

Innovator Profiles

YieldStreet

Our client YieldStreet is revolutionizing the FinTech ecosystem through its online investment marketplace, connecting accredited investors to curated opportunities that were previously only open to the investing elite, such as hedge funds and high net-worth individuals. Founded in 2014, the company was born out of frustration with the current investing landscape: high-yielding opportunities were scarce and required a hefty investment minimum.

With its innovative crowdfunding marketplace, YieldStreet is democratizing the specialty finance industry and transforming it into a transparent global exchange equally available to all worthy investors. With little to no correlation to the stock market, these ventures are designed to provide diversification for individual investor portfolios. For the first time, investors have access to offerings with attractive yields in legal finance, SMB loans, and residential/commercial real estate. The recent Quest Livery Leasing offering is just one example of how attractive these deals are. Quest is a lease-to-own livery company that raised $600K of its growth capital through YieldStreet. The offering was secured by 29 livery vehicles with an aggregate value greater than the loan.

YieldStreet's own development illustrates the recent shifts in the dynamic FinTech arena. The catalyst for the company's formation was the 2012 Jumpstart Our Business Startups (JOBS) Act, which opened the door to general solicitation and crowdfunding online under the new Rule 506. YieldStreet's online platform embraces the newest technology from around the industry to facilitate both sides of each transaction. Borrowers enjoy a strong platform that guides them through comprehensive but efficient due diligence, evaluation, and presentation of their offerings. For investors, YieldStreet's system facilitates a user-friendly portfolio dashboard with e-sign and bank integration capabilities. Advancing its commitment to a more open marketplace of ideas as well as investment options, the company has launched YieldStreet University to aid the worldwide audience of investors in better understanding alternate investments as a viable asset class. "We strongly believe in educating our investor base, as many are not familiar with asset classes or loan evaluation," says co-founder Milind Mehere.

Recognizing YieldStreet's potential to upend the specialty finance industry, *Business Insider* named YieldStreet one of the "20 Startups Out to Create a New World Order on Wall Street" (July 25, 2015), joining the likes of Stripe and TransferWise. Mintz Levin worked with YieldStreet from the ground up and continued on as counsel during its rapid rise. We expect more innovations soon for this young company as it evolves along with the newest technological and regulatory developments in order to reshape the financing industry.

ChyronHego and Tracab Expansion

This month, we're featuring our client ChyronHego — a true innovator in the realm of broadcast graphics creation, playout, and real-time data virtualization technologies. The company is a recognized global leader in these areas, offering a wide range of products and services for live television, news, and sports production. ChyronHego was formed in 2013 with the merger of Chyron and Hego Group, two companies with more than 80 years of combined industry expertise and a plethora of award-winning solutions — such as the TRACAB™ player tracking system and the end-to-end BlueNet™ graphics workflow — that are now sold under the collective ChyronHego brand. Headquartered in Melville, New York, the company also has offices in the Czech Republic, Denmark, Finland, Germany, Mexico, Norway, Singapore, Slovak Republic, Sweden, and the United Kingdom.

Graphics for sports broadcasting is one area in which ChyronHego is gaining major market share throughout the world. An example is TRACAB, which has been installed in well over 100 arenas around the globe. In short, the TRACAB solution leverages an array of portable optical cameras installed at the pitch and advanced image processing technology to build a digital record of the action. At up to 25 times a second, the system captures the precise movement and speed of players, officials, and sometimes even the ball or puck.

The resultant data offers keen insight into club and player performance such as distance run, speeds, stamina, team formations, set-plays, and other factors. Broadcasters can use the data to tell a better story through graphically enhanced replays or even fully virtual replays in which 3D animations recreate player movements. On-air pundits and expert analysts can better explain the dynamics of how games have been won or lost, and use the data to empirically support their hunches. In addition to powering TV graphics and second screen experiences, sports organizations are taking control of this new content source and extracting performance metrics for the sport, helping to explain the game and its tactics as well as highlighting the remarkable performances of athletes.

In 2014, Mintz Levin served as ChyronHego's legal advisor when Vector Capital acquired all of the outstanding shares of ChyronHego common stock for $2.82 per share in cash. With this strong capital backing, the company is well-positioned to capitalize on exciting trends in the sports, news, and live television markets and take advantage of the significant long-term opportunities in broadcast graphics creation, play-out, and real-time data visualization.

Industry Updates

Regulation Crowdfunding

BY SAMUEL ASHER EFFRON AND KRISTIN A. GERBER

On October 30, 2015, the SEC adopted final rules for Title III of the JOBS Act, more popularly known as equity crowdfunding and dubbed by the SEC as "**Regulation Crowdfunding**" (or "Reg. CRWD"). What should have been an exciting day for entrepreneurs and funding platforms will more likely be seen as a non-event in the annals of corporate finance history. The promise of equity crowdfunding was a world in which *all* investors, whether accredited or non-accredited, could participate in the securities offerings of promising start-ups (the "S" in Jumpstart Our Business Start-Ups of the JOBS Act's title). The reality is that proponents of equity crowdfunding should be disappointed by the new Regulation, as the cost of compliance and ongoing reporting, the restrictions on intermediary communications and compensation, and the potential liability of those involved in Reg. CRWD offerings, coupled with the relatively low maximum offerings amounts and investment limitations, will make Reg. CRWD young companies' least appealing option for an equity financing (registered or unregistered). Regulation Crowdfunding will be effective May 16, 2016. Read our full analysis on Reg. CRWD here.

Cybersecurity Information Sharing Act

The **Cybersecurity Information Sharing Act (CISA)** was signed into law this past Friday as part of the FY2016 Omnibus Appropriations Bill. This legislation is designed to encourage sharing of data between private companies and the government to prevent and respond to cybersecurity threats, and represents a compromise between the Senate bill passed in October 2015 and two complementary bills that passed the House in April 2015. There was significant debate over the appropriate limits for sharing consumer information and which federal agencies should be granted access to private sector data. CISA and its provisions will likely stay in the spotlight as cybersecurity remains a top concern for policymakers and private companies alike.

In the Spotlight

Pure Energy Partners publishes Cleanweb Report

Mintz Levin is very excited to announce the launch of "The State of the Cleanweb" report, which we are proud to support. Within, resources and energy are referred to as "software's next meal" — and you'll want to know why! The report was produced by SuperCollider with data powered by CB Insights, and is also supported by New York State Energy Research and Development Authority.

Our support of this report stems from the Mintz Levin team's involvement in this sector since its inception. We see the vast opportunities in this space and we are thrilled that our friends at SuperCollider do too! Whether you're an entrepreneur, investor, someone who is engrained in the energy and/or software spaces, or someone who is unfamiliar with cleanweb, this report contains information of interest to you. The largest takeaway is that this space is budding with opportunities and there is research from CB Insights to support this.

We are delighted to remain committed to the cleanweb space as it continues to grow. Notably, Mintz Levin and our client EnerNOC have sponsored Cleantech Open Northeast's annual Cleanweb Prize since it began in 2014. In addition, Mintz Levin's Evan Bienstock, who has a depth of experience in this space, serves as a judge for this prize. Most recently, Energy Technology Practice Chair Tom Burton moderated the "Boston Cleanweb Tech Night" hosted by MassCEC.

Click here to read the report

Join the conversation on social media by using **#SoftwaresNextMeal**

Featured Article

Impact Investing: Doing Well by Doing Good

BY AVISHEH AVINI

From the days of divesting assets from companies doing business in apartheid South Africa and withholding investments to protest big tobacco, values-based investing has come a long way. And it's no longer just about hippie companies like Ben & Jerry's ice cream, which pioneered the concept of corporate social responsibility. With impact investing, investors are now seeking to use the markets to solve the toughest challenges of our time, such as financial inclusion, climate change, access to health care, and affordable housing. So what exactly is impact investing?

Impact investing is a term that has different meanings for different people. The term "impact investing" itself reportedly was coined only in October 2007 at a gathering of the Rockefeller Foundation and, given that it is a relatively nascent sector that is ever evolving, there is not one standard definition. The Global Impact Investing Network (GIIN), a leading nonprofit organization dedicated to increasing the scale and effectiveness of impact investing, defines impact investments as those "made into companies, organizations and funds with the intention to generate a measurable social and environmental impact alongside a financial return." What really differentiates the impact investor is its proactive nature: the impact investor seeks out investment opportunities that have an explicit focus on making a positive environmental, social, and/or governance (ESG) impact, as opposed to the socially responsible investor (SRI), who merely avoids investments in sectors that are inconsistent with its values. But how does the impact investor measure the ESG impact of an investment?

Using mainstream metrics is a challenge, especially given the longer term investment horizons and the varied and often complex nature of the ESG issues to be tackled. However, several organizations have attempted to quantify the ESG changes to be delivered by an impact investment. The Rockefeller Foundation, a leading player in the impact investment sector, has funded multiple measurement systems to assess, benchmark, and report ESG changes, the two leading metrics being the Impact Reporting and Investment Standards (IRIS) and the Global Impact Investing Rating System (GIIRS). IRIS is managed by GIIN, which measure things such as company clients (*i.e.*, who are the recipients and beneficiaries of the company's products and services), employment (including full-time employees versus part-time employees, employees residing in low-income areas, gender and minority break-downs, and wage payments), environmental performance, financial performance, governance and social policies, and product information. B Lab, a nonprofit organization that seeks to use business to address social and environmental problems, developed GIIRS, a ratings and analytics approach analogous to Morningstar investment rankings and Capital IQ financial analytics that uses a company's IRIS-based metrics (along with additional criteria) to determine a company's overall impact rating. Although many other organizations have also developed proprietary processes to assign social responsibility scores in different market sectors, IRIS metrics and GIIRS ratings currently appear to be emerging as the gold standards in the impact investment sector.

The private sector, however, is only one side of the story when it comes to impact investing, and to move impact investing to the next level requires legal and regulatory alignment. So far, over 30 states and the District of Columbia have adopted legislation to enable the establishment of for-benefit corporations, or B Corps. B Corps are a form of for-profit corporate entity that includes positive impact on ESG issues in addition to profit as its legally defined goals. B Corps differ from traditional C corporations in purpose, accountability, and transparency, but not in taxation. Some of these state laws require certification of B Corps by third parties, such as B Lab. One well-known B Corp is Warby Parker, a high-fashion eyeglass maker that "was founded with a rebellious spirit and a lofty objective: to offer designer eyewear at a revolutionary price, while leading the way for socially conscious businesses." For every pair of glasses sold, Warby Parker donates a pair of glasses.

The federal government has also stepped up to the plate: in June 2014, the US National Advisory Board on Impact Investing (NAB) released its first report, "*Private Capital, Public Good: How Smart Federal Policy Can Galvanize Impact Investing – and Why it's Urgent,*" to provide a framework for federal policy action in support of impact financing. This report was also presented at the White House and to members of Congress and highlights the strategies for how the government can partner with impact investors to help this sector reach its potential. Specific recommendations include removing regulatory barriers, increasing the effectiveness of government programs, providing financial incentives for more private sector investments, supporting innovative impact enterprises and investment opportunities, and improving metrics and data access. After the meeting at the White House, more than 20 foundations and financial firms committed to invest more than $1.5 billion in new impact investments, including Prudential, Capricorn Investment Group, and the Omidyar Network.

Across the pond, under the auspices of the UK presidency, the G8 established The Social Impact Investment Taskforce in June 2013, which issued a report in September 2014 entitled, "*Impact Investment: The Invisible Heart of the Markets,"* recommending similar changes as the NAB. Member countries, such as France, have their own initiatives as well, where legislation now requires that all corporate employee pension plans offer at least one "solidarity fund," which invests 5-10% in eligible ESG enterprises, and typically invest the rest according to SRI principles. And the UK government itself now provides a 30% tax relief for social investments.

Canada has gone one step further and launched the Social Venture Connexion (SVX), the first investment platform of its kind in North America. SVX was built to connect impact ventures, funds, and investors and provide a platform for fundraising for impact ventures. SVX is registered with the Ontario Securities Commission, and has raised several million Canadian dollars to date.

The United Nations–supported Principles for Responsible Investment (PRI) Initiative, an international network of investors working together to put the initiative's six aspirational and voluntary principles into practice, has also quickly become a leading global network for investors to publicly demonstrate their commitment to impact investing across various asset classes. The principles are designed to be compatible with the investment styles of large, diversified, institutional investors that operate within a traditional fiduciary framework. The PRI Initiative's goal is to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices. Assets under management by PRI signatories now stand at more than $59 trillion, and 94% of signatories now have a responsible investment policy in place, covering an increasing range of asset classes.

And Wall Street is not one to be left behind: Credit Suisse, JP Morgan, Bank of America, and Morgan Stanley, among others, offer ESG-based financial products in response to their clients' demands. Last year, Bain Capital hired former Massachusetts Governor Deval Patrick to build the firm's social impact investing business; Goldman Sachs acquired Imprint Capital, an institutional impact investing firm based in San Francisco; and BlackRock announced its own new initiative, BlackRock Impact.

While the impact investment sector is still evolving and highly fragmented, it is fast developing into a formidable market force, which can only become stronger with increased scale and efficiency in the future. Even if impact investment accounted for just 1% of global financial assets, that would be an estimated $2 trillion, according to GIIN. Now *that's* impact.

Upcoming Events

New York

January 6: PITCH 2016

January 21: DisruptHR New York

January 21: Flash Pitch 2016

January 25: Tech and Women – It's Time for Disruption

January 26: Venture Capital Forum 2016

January 27: Master Class I – Realty Alt Fi: Regulated Equity/ Debt Crowdfunding

January 28: Womensphere Global Leadership, Innovation, & Venture Summit

February 1–3: SuperInvestor 2016

February 4: Ask a VC NYC

February 7–12: Fintech Founders Club

February 11: 2016 ACG New York Forward & NYIC Future Leaders Joint Event

February 25: NYC Venture Capital and Angel Investor Conference

Boston

January 19: Business Incubators and Co-Working Space Expo

January 21–22: LearnLaunch Across Boundaries Conference

San Francisco

January 11–13: 8th Annual Biotech Showcase 2016

January 12: Redefining Early Stage Investments Conference

January 21: VC Outlook 2016

February 1–3: SuperInvestor US

February 9: SaaStr Annual 2016: From Impossible to Inevitable

February 16–17: FP&A Innovation Summit

February 18: The GrowthHackers Conference 2016

February 18–19: Predictive Analytics Innovation Summit

February 23: Startup Grind's Global Conference

San Diego

January 13: Connect Executive Breakfast

Washington, DC

January 26: NVTC Tech CEO Networking

February 29 – March 2: Energy Innovation Summit

Mintz Levin Webinars

December 22: Getting to Grips with the New EU General Data Protection Regulation: Key Changes and What You Need to Do to Prepare

January 7: Biosimilars/Biologics Webinar Series – Part I: Legal and Regulatory Overview

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