

**Presentation to
SEC Advisory Committee on
Small and Emerging Companies**

May 10th, 2017

"I want to challenge entrepreneurs to revolutionize the new-issue process, urging them to come public early and let the public participate..."

-- Bill Hambrecht

Regulation A+ Presentation Outline

WRH+Co – Overview

- Heritage & Culture
- Data-driven Selection Process

Reg A+ Review and Experience

- Case Studies

What We Have Learned

Recommendations

**From the folks who
brought you Apple,
Adobe and
Genentech...**



Adobe



WR Hambrecht + Co, like Hambrecht & Quist before it, has consistently identified new trends and business opportunities throughout its history.

WRH+Co was founded in January 1998 to level the playing field for investors and our corporate clients. Our Founder, Bill Hambrecht, is a Silicon Valley pioneer that has been financing growth companies from Apple to Google during his time at Hambrecht & Quist and WRH+Co.

WRH+Co has been focused on opening up the investing world to as many people as possible at fair market prices and was instrumental in reforming Regulation A to help accomplish that for growth companies and investors. Bill Hambrecht was influential in the structure and implementation of the JOBS Act, and his remarks and letters were cited over 40 times in the SEC's release of the final rule.

WR Hambrecht + Co Guiding Principles

Throughout our history, WRH+Co has been an innovative leader with a core philosophy based on three tenets:

- Identifying exceptional companies
- Helping them raise capital and go public early
- Delivering efficient market pricing

Public Markets Once Embraced Emerging Growth Companies



In July 1986, Adobe Systems filed to sell 500,000 shares and raise approximately \$5.5 million (~\$13 million in 2017 dollars)

- At the time, the company was four years old and had 49 employees
- The public markets provided Adobe with the capital to grow, create jobs and stay independent of OEMs

In February 21, 2017, Adobe Systems now has a market capitalization of over \$59 billion and 2016 revenue of \$5.8 billion

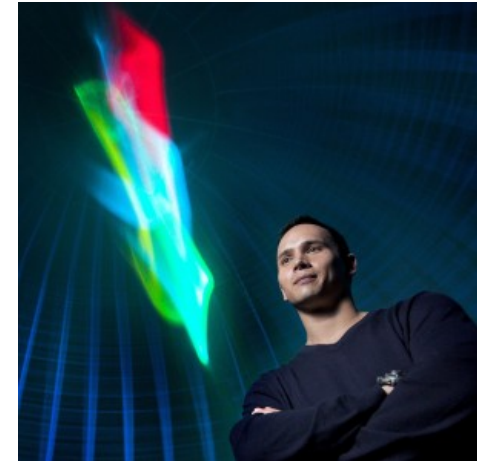
- Currently, Adobe has over 15,000 employees and is consistently named a top place to work
- Adobe has a 23% annualized return since inception; \$100 invested in Adobe in 1986 would now be worth approximately \$40,000

Other Sub- \$50MM IPOs:

Starbucks
AOL
Peet's Coffee
Whole Foods
Panera Bread
Odwalla
Intel
Amgen
Oracle
Cisco

Data-Driven Selection Process

- WRH+Co draws on predictive data science and thoroughly vetted statistical pattern recognition in the screening and selection of its investments
- Algorithms and technologies stem from research breakthroughs in 2007 – 2008 between data scientist Thomas Thurston, then at Intel Capital, and Professor Clayton Christensen (HBS)
- Empirical processes have been applied in over 3,000 real-world predictions to date, forecasting new innovation survival or failure with significantly greater accuracy than the corresponding VC industry benchmark of 70-80% portfolio failure within 10 years of initial funding
- Joint development with investors Bill and Elizabeth Hambrecht since 2008 has continued to enhance these capabilities while simultaneously demonstrating their efficacy in VC and public markets alike

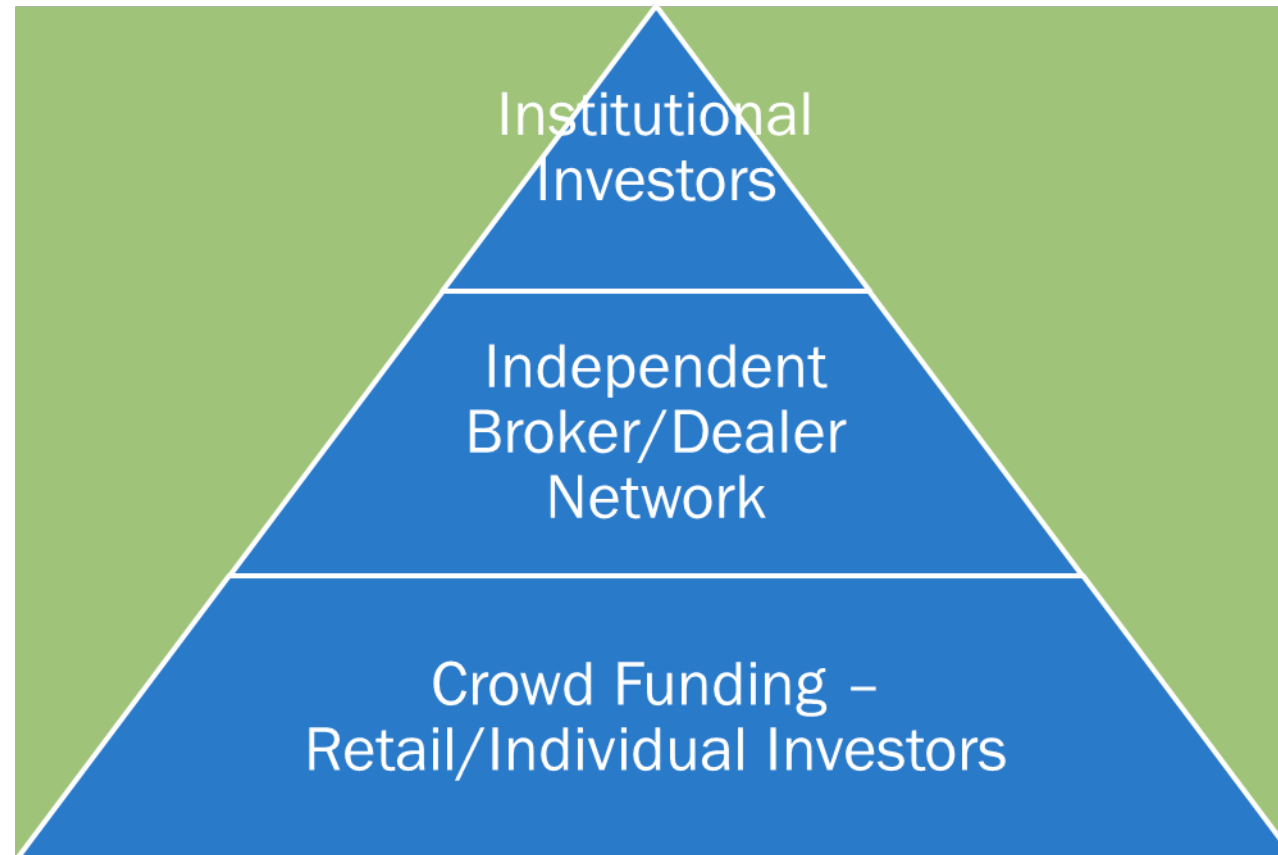


Reg A+ to Date

- SEC published final rules in June of 2015
- 140+ filings seeking to raise \$2.6 billion
- 14 withdrawals
- Real Estate has the most filings as a class
- Elio Motors is the only traded A+ IPO (OTCQX); \$17 million raised, 6,000 investors
- Largest raise for the real estate company Fundrise at \$50 million
- Crowdsourcing is evolving

**Common misconception remains in the marketplace:
Reg A+ is “Crowdfunding” or necessarily includes some crowdfunding component**

Reg A+ Distribution Strategy



WRH+Co Case Studies : Elio



Self-sponsored, self marketed offering (no underwriter or broker/dealer support)

100% retail distribution

- 6,300 investors, 60% reservation-holders for Elio vehicle
- Average purchase ~ 200 shares
- Total capital raised of \$16.7 million

WRH+Co facilitated Secondary Trading on OTX QX Market

- DTC eligibility
- 15c211 for permission to quote
- Served as market-maker

WRH+Co Case Studies: Aperion



Strategy

- Institutional and retail marketing
- Structured similar to traditional registered offering
- “All or None” w/ price range (3.1mm shares @ \$7-\$9)
- Targeted Nasdaq listing

Experience

- Encountered institutional resistance due to lack of familiarity with Reg A+
- Found strong retail demand for Nasdaq-listed offering
- Uncovered institutional interest late in process, but not enough to complete offering
- Never sought qualification

WRH+Co Case Studies: Allegiancy



ALLEGIANCY

Strategy

- Min – Max Offering (~\$15-30mm)
- Company committed to extensive retail and crowd marketing effort
- Minimal institutional marketing
- Intention to quote on OTCQX

Experience

- Despite concerted marketing effort, crowd participation was limited
- Brokers declined to participate in “unlisted” offering
- Did not meet minimum offering size

WRH+Co Case Studies: BeautyKind



BEAUTYKIND

Strategy

- Min – Max Offering (\$5-10mm)
- Strong B-to-C marketing component (Support for charitable causes)
- Intention to quote on OTCQX

Experience

- Very limited broker participation
- Crowd participation proved unpredictable

WRH+Co Case Studies: NewsBeat Social



Strategy

- Min – Max offering (\$1-50mm)
- Leverage established world-wide fan base of nearly 4 million viewers
- Targeted Nasdaq listing
- Sequenced marketing effort

Experience

- Conversion from fans to investors proved challenging
- Despite low minimum, Nasdaq listing standards imposed higher “floor”
- Never pursued broker and institutional channels

WRH+Co Case Studies: ShiftPixy



Strategy

- Traditionally marketed offering including all investor channels
- Min – Max structure (\$15-50mm)
- Nasdaq-listed (set minimum to reflect qualification requirement)

Experience

- Offering met institutional standards (approx. 50 roadshow meetings)
- General acceptance of Reg A+, but confusion/concern regarding fixed price
- Strong retail participation
- Investors yet to embrace early-stage entrants to public market

What have we learned?

- Large numbers of issuers consider Reg A+ an attractive alternative to private financing or registered offering
- Promise of less expensive, more efficient pathway to public offering has largely been realized
- Distribution of Reg A+ offerings remains challenging
 - Institutions not relevant or appropriate for many deals
 - Broker-dealers generally will not participate in “unlisted” deals
 - Crowd is highly unpredictable
- Disconnect remains between issuers, investors, brokers and underwriters regarding benefit/value of Reg A+
- Marketing spend not a panacea

Recommendations

- Continued support of Reg A+ via cooperation, education and data dissemination
- Consider efforts to differentiate Reg A+ securities from broader “unlisted” market
 - Distinctions for underwritten offerings?
 - DTC eligibility standard?
 - Book-entry vs. physical certificates?
 - Emphasize protection against fraudulent offerings
- Attempt to better clarify differences between Reg A+ and crowdfunding