

MEMORANDUM

TO: Paul Atkins, Chair, U.S. Securities and Exchange Commission

FROM: William R. Hambrecht, Chairman Emeritus, W.R. Hambrecht+Co

DATE: June 9, 2026

RE: Response to the Commission's May 27, 2026 Announcement on IPO Market Modernization

W.R. Hambrecht+Co submits this memorandum in response to the Commission's May 27, 2026 announcement of its initiative to modernize the initial public offering process. We do so from a position of direct, empirical experience: over a decade, we conducted 24 auction-based IPOs — including the landmark Google offering of 2004 — and have spent the intervening years studying the structural failures that have constrained the public markets. We believe the Commission has identified the right problem. We offer below both a diagnosis and a concrete solution.

Section 1: The Decline of the Technology IPO — A 25-Year Crisis

The data of the past quarter century tells an unambiguous story: the flow of venture capital-backed technology companies accessing the public markets through initial public offerings has declined dramatically and persistently. This is not a cyclical phenomenon — it is a structural failure of the IPO system that demands urgent attention.

The consequences extend well beyond capital markets mechanics. When the path to public ownership is obstructed, innovative companies are left with a stark and often unacceptable alternative: sell to the dominant incumbent. The acquisitions of Instagram and WhatsApp by Meta are emblematic of this dynamic. Rather than maturing into independent, publicly owned enterprises — with the competitive discipline and broad shareholder participation that public markets provide — these companies were absorbed by the very market leader they might otherwise have challenged.

The result has been a measurable reduction in competition in critical technology sectors, a concentration of market power in a handful of corporations, and an extraordinary aggregation of wealth in the hands of a small number of individuals and institutions. This administration has rightly identified competition and the equitable distribution of economic opportunity as national priorities. The dysfunction of the IPO market is directly at odds with both.

Section 2: The Underwriting Community's Failure to Address the Backlog

There are an estimated 8,000 or more privately held, venture capital-financed companies with implied market capitalizations in excess of \$150 million that have not accessed the public markets. This represents an extraordinary backlog of deferred public ownership — and it raises a pointed question that this Commission should ask directly: why has the traditional underwriting community failed to respond?

The answer lies in the economics of the modern investment banking model. The bulge bracket and major regional underwriters have, over the past two decades, systematically migrated their business toward larger and larger transactions. The fees generated by a \$50 million or \$100 million technology IPO are simply not competitive with the returns available from advising on mega-cap mergers, large private placements, or billion-dollar follow-on offerings. Smaller IPOs have become, in the calculus of major underwriters, an inefficient use of capital, distribution infrastructure, and senior banker time.

The result is a structural void. The companies that most need access to public capital — emerging technology businesses with proven venture backing, real revenue, and genuine growth prospects — find themselves without credible underwriting sponsorship. The pipeline exists. The investor appetite, properly organized, likely exists. What is missing is an underwriting infrastructure willing and economically incentivized to serve this market.

This is not a market failure that will self-correct. It requires deliberate regulatory and structural intervention to rebuild the on-ramp to public ownership for the next generation of American technology companies.

Section 3: Why the Alternatives Have Failed — SPACs, Direct Listings, and Regulation A

Faced with a broken traditional IPO pipeline, the markets and regulators have experimented with structural alternatives. Each has demonstrated some utility at the margins, but none has succeeded as a scalable, reliable substitute for a functioning IPO market.

Special Purpose Acquisition Companies (SPACs)

The SPAC boom of 2020–2021 was widely heralded as a democratizing force that would unlock the backlog of private companies seeking public market access. It did not. The SPAC structure proved deeply misaligned with the interests of long-term investors. Sponsor promote economics — typically 20% of the offering to the sponsoring party at minimal cost — created a fundamental conflict between sponsor incentives and shareholder returns. The combination of redemption rights, dilutive warrants, and compressed due diligence timelines produced a cohort of newly public companies that were systematically overvalued at merger close and chronically underperformed thereafter. The SEC's subsequent regulatory tightening, while warranted, effectively extinguished the market. The SPAC experiment demonstrated that shortcuts around proper price discovery carry a heavy cost.

Direct Listings

The direct listing mechanism, pioneered by Spotify and Coinbase, offered an elegant solution for one narrow category of company: large, well-known enterprises with established brand recognition, no need for primary capital, and a liquid existing shareholder base capable of providing float. It is not a solution for the 8,000-company backlog. A venture-backed company at \$150–\$500 million in implied valuation, without household name recognition and in need of growth capital, cannot generate the institutional interest and price stability required for a successful direct listing. The mechanism solved a problem for a handful of unicorns; it left the broader market untouched.

Regulation A Tier 2

Regulation A was modernized under the JOBS Act with genuine promise — a streamlined offering process for companies raising up to \$75 million annually, with reduced disclosure burdens and the ability to solicit retail investors broadly. In practice, the results have been deeply disappointing. The volume of Regulation A offerings that have successfully converted to exchange-listed securities and built durable public market followings is negligible. Without the support of institutional underwriters, research coverage, and market-making infrastructure, Regulation A issuers struggle to achieve the liquidity and investor base necessary to sustain a viable public market.

Taken together, the failure of these alternatives points to a consistent theme: the problem is not merely the mechanics of how shares are sold, but the absence of the full ecosystem — underwriting, research, distribution, and aftermarket support — that gives a newly public company the foundation to succeed.

Section 4: What We Learned — Lessons from 24 Auctions Over a Decade

W.R. Hambrecht conducted 24 IPO auctions over a ten-year period, making it the only underwriter in the United States to have accumulated a meaningful body of empirical experience with auction-based public offerings. The conclusions drawn from that experience are directly relevant to the Commission's current modernization effort.

1. Auctions produce the most accurate price discovery available.

Compared to the traditional bookbuilding process — in which a lead underwriter and its syndicate solicit largely non-binding indications of interest and then set price at their discretion — the auction mechanism aggregates genuine, committed bids across a broad investor population. The clearing price reflects what the market will actually bear, not what a syndicate desk estimates or what serves the interests of its favored allocants.

2. Institutional investors will participate.

A persistent objection from the traditional underwriting community was that institutions would refuse to engage with an auction format. Our experience disproved this. Institutions participated

actively when the quality of the issuer merited it. The auction did not deter sophisticated capital — it disciplined it.

3. Retail participation remained structurally limited.

Despite the theoretical openness of the auction format to individual investors, retail participation remained disappointingly low in practice. The infrastructure for reaching and educating retail investors at scale was inadequate. This remains an unfinished dimension of auction reform and one that new technology may finally make solvable.

4. Aftermarket volatility was dramatically lower.

Post-offering trading volume in auction-priced IPOs ran at approximately one-third of the volume typical of traditionally priced offerings. The spike-and-crash pattern endemic to conventional IPOs — driven by deliberate underpricing that creates artificial scarcity and first-day “pop” — was largely absent. Auction pricing meant the offering price reflected fair value, leaving less room for speculative trading that benefits flippers at the expense of the issuer and long-term shareholders.

5. Larger, well-known offerings performed best.

The auction model demonstrated its greatest effectiveness with larger, higher-profile transactions where issuer name recognition reduced the need for intensive investor education. Google, Interactive Brokers, Morningstar, and NetSuite are among the transactions that validated the model at scale.

6. Smaller offerings require greater curation.

Conversely, smaller and less well-known issuers benefited from more active underwriter involvement in investor outreach and education prior to the auction. A successful small-company auction requires a curated process that builds familiarity and confidence among bidders before the book opens.

7. The incumbent underwriting monopoly resisted at every turn.

Perhaps the most instructive lesson was institutional rather than mechanical. The traditional underwriting community — whose economics depend on the discretionary allocation of underpriced IPO shares to favored clients — treated the auction model as an existential threat and acted accordingly. Resistance took the form of syndicate exclusion, negative messaging to issuers, and the systematic steering of clients away from the auction process. Any serious modernization effort must contend with the reality that the incumbents who control distribution will not voluntarily yield it.

Section 5: Our Solution — From Serial Bespoke to Batch Processing

The central challenge the Commission faces is not simply how to increase the volume of IPOs, but how to do so responsibly. The last time the market approached 500 to 600 technology offerings per year — in 1998 and 1999 — it was followed by a collapse of approximately 95% in total offering value by 2001. The goal is not to recreate the conditions of that era. It is to build a system that

generates sustained, disciplined volume without the price distortion, information asymmetry, and speculative excess that produced the crash.

The fundamental obstacle is structural. The current IPO system is serial and bespoke — each offering individually negotiated, individually priced, and individually distributed through a small cartel of dominant underwriters whose economic interests are misaligned with those of issuers and public investors. A system built on that architecture cannot scale to serve 8,000 waiting companies. It was not designed to. The solution is batch processing.

The Y Combinator Model as Proof of Concept

Over the past twenty years, Y Combinator has demonstrated what a well-designed batch processing system can accomplish at the earliest stage of company formation. By accepting cohorts of startups quarterly, applying consistent evaluation criteria, and leveraging a powerful network effect among alumni and investors, YC has produced over 5,800 companies — including some of the most consequential technology businesses of the past two decades. The power of the model lies not in any individual selection decision but in the discipline, consistency, and credibility of the system as a whole. We propose to apply that same logic to the IPO market.

A Batch Processing Underwriting Platform for Public Offerings

Rather than treating each IPO as a standalone transaction requiring months of bespoke preparation, syndicate assembly, and roadshow theater, the platform would bring cohorts of qualified issuers to market on a regularized cycle. Issuers would be evaluated and curated against consistent standards — financial, governance, and disclosure — before entering the process. Offering preparation would be systematized and parallelized across the cohort, dramatically reducing time and cost. Pricing would be determined through an auction mechanism that produces transparent, market-clearing prices. Distribution would be opened to the broadest possible investor base through modern digital infrastructure.

The Three Pillars the System Must Deliver

The 1999 collapse was the product of three failures: inadequate curation of issuer quality, absence of price discipline, and opacity of information flow. A sustainable batch processing platform must be built explicitly around remediation of each:

- Credible curation ensures that only companies meeting defined standards of business quality, financial transparency, and governance integrity enter the process. Volume without curation is the 1999 model.
- Price discipline is enforced through the auction mechanism. Clearing prices reflect genuine market demand. The artificial underpricing that generates first-day pops — enriching favored allocants at the issuer's expense — is eliminated.
- Transparent information flow means that all material information about each issuer is made available simultaneously and equitably to all potential investors — institutional and retail alike.

Section 6: The Google IPO — The Most Successful Offering of the Modern Era

In August 2004, Google went public through a modified Dutch auction process co-managed by W.R. Hambrecht, raising \$1.67 billion at a price of \$85 per share. It was an imperfect execution of auction principles — compromised at several points by the resistance of the incumbent underwriting community. And yet, measured by any meaningful standard, it stands as arguably the most successful initial public offering of the past fifty years.

The financial returns to investors who participated at the offering price are without parallel in large-cap IPO history. Google's share price appreciated from \$85 at issuance to over \$700 within three years, and the company has since become one of the most valuable enterprises in the history of capitalism. The auction mechanism, by resisting the pressure to underprice dramatically, ensured that the issuer — not the syndicate's favored clients — captured the fair value of the enterprise at the moment of offering.

The strategic outcome for the company was equally remarkable. Google entered the public markets on its own terms, with a shareholder base selected by the market rather than curated by a syndicate desk. The dual-class share structure it insisted upon preserved founder control and long-term strategic independence. The company used its public currency to execute a series of transformative acquisitions — YouTube, Android, and DoubleClick among them — that defined the architecture of the modern internet economy.

What makes the Google case particularly instructive is the context in which it was achieved. The traditional underwriting establishment was openly hostile to the auction format. The offering price was revised downward from an initial range of \$108–\$135 under pressure — a concession to the coordinated resistance of the incumbent system. The final result, despite these obstacles, validated every principle the auction model is built upon.

The Google IPO should not be remembered as an outlier. It should be understood as a proof of concept. The question this Commission should ask is simple: if this model produced the most successful large IPO of the modern era under the most adverse conditions imaginable, what might it produce if it were adopted as the standard rather than the exception?

Section 7: Two Case Studies — TikTok and Tasso

To illustrate the practical application of a batch processing auction platform, we offer two examples drawn from opposite ends of the market spectrum. Together they demonstrate the breadth and versatility of the model.

TikTok — The High-End Case

TikTok represents perhaps the most consequential pending IPO opportunity in the American market. With over 170 million U.S. users and a global platform of extraordinary scale, it combines the mass retail name recognition of Google with a layer of national security and governance complexity that makes the conventional bespoke underwriting process particularly ill-suited to the task.

The case for a transparent auction-based offering for TikTok is compelling on multiple dimensions. First, its user base is its shareholder base waiting to be created. An auction opens the offering to the broadest possible population of American investors, which is precisely the outcome the national interest requires. Second, the government's deep involvement in the ownership and structural disposition of TikTok creates an affirmative need for transparency that the conventional bookbuilding process cannot provide. A Dutch auction, by publishing all bids and clearing at a single market price, produces a public record of how the offering was priced and allocated — a matter of public accountability, not merely market practice.

Third, Larry Ellison — one of TikTok's significant new shareholders — has direct personal experience with the auction model through NetSuite's public offering. His familiarity with and implicit endorsement of the process provides a credibility bridge to the institutional investor community that would be invaluable in overcoming the incumbent resistance that has historically plagued auction-based transactions.

TikTok, structured as a large-cap auction offering with broad retail access and full public transparency, would be the defining IPO of this era — and a powerful demonstration of what the modernized system can deliver at scale.

Tasso — The Emerging Growth Case

Tasso is a privately held, venture-backed medical device company that has developed a novel, low-cost platform for blood sample collection that eliminates the need for traditional venipuncture. It represents a classic and recurring profile in the venture ecosystem: a company with genuine scientific innovation, a large addressable market, early commercial traction, and a shareholder base that includes early investors seeking liquidity — but one that has deliberately declined multiple acquisition offers in order to preserve its independence and long-term potential.

This is precisely the category of company that the current IPO system fails most completely. Tasso is not large enough to attract serious attention from bulge bracket underwriters. It is too mature for Regulation A. It lacks the brand recognition a direct listing requires. Under the current system, its realistic paths are continued private operation or eventual sale to a strategic acquirer — the very outcome its management and long-term investors have repeatedly chosen to avoid.

Under a batch processing auction platform, Tasso enters the process as part of a curated cohort of similarly situated emerging growth companies. Its offering materials are prepared within a standardized disclosure framework. The auction mechanism prices its shares based on genuine investor demand. Early shareholders receive the liquidity they need. New public investors — including patients, healthcare professionals, or believers in the technology — receive fair access at a market-clearing price. Tasso does not need to sell itself to a large medical device conglomerate. It needs a well-designed public market on-ramp.

TikTok and Tasso are separated by orders of magnitude in scale, sector, and public profile. That is precisely the point. A well-designed batch processing auction platform is an architecture capable of serving the full spectrum of the 8,000-company backlog.

Section 8: Recommended SEC Actions — A Practical Reform Agenda

The Commission has both the authority and the opportunity to make targeted interventions that would meaningfully restore the flow of companies to the public markets. We organize our recommendations around two tracks: reforms applicable to larger offerings where market integrity and transparency are the primary concerns, and structural relief for smaller emerging growth companies where cost and regulatory burden are the dominant obstacles.

Track One: Larger Offerings — Transparency, Pricing Disclosure, and Investor Protection

Mandatory Pricing Rationale Disclosure. The three largest pending high-value offerings in the current market present a systemic risk that the Commission should address directly: the absence of any requirement that underwriters explain or justify their offering price to the investing public. For offerings of significant scale, the Commission should require that the final prospectus include a clear, plain-language description of the pricing rationale — how the price was determined, what comparables or methodologies were applied, and how the final price relates to the range of valuations reflected in investor indications of interest.

Disclosure of Private Revenue and Valuation Estimates. As illustrated pointedly by recent financial reporting, a wide range of revenue estimates and valuation assumptions for high-profile pre-IPO companies circulates freely among institutional investors and financial media — while retail investors remain entirely uninformed. This information asymmetry is structural and systematically disadvantages the public investor the securities laws were designed to protect. The Commission should require that any material financial estimates or valuation analyses prepared or circulated by the underwriting syndicate, or known to the issuer, be disclosed in the registration statement or made simultaneously available to all investors.

Bookbuilding Process Disclosure. The Commission should consider requiring post-offering disclosure of aggregate demand at various price points, the basis for final price determination, and the allocation methodology applied. Sunlight is the most effective constraint on the allocation practices that have long distorted IPO economics.

Track Two: Smaller Offerings — Structural Relief for Emerging Growth Companies

Raise the Regulation A Tier 2 Ceiling to \$150 Million. The current \$75 million annual offering limit is insufficient to serve the capital needs of the companies most likely to use it. We recommend raising the ceiling to \$150 million, which would bring a materially larger universe of companies within reach of the streamlined offering process while remaining well within the risk parameters appropriate for the exemption.

PCAOB Audit Relief Below \$1 Billion. The single most significant cost barrier facing smaller companies contemplating a public offering is the burden of PCAOB audit requirements. The layering of PCAOB standards onto the existing audit process has added substantial cost and complexity that is disproportionate to the scale and risk profile of emerging growth companies. Following the Sarbanes-Oxley precedent of scaled compliance frameworks, we recommend that companies with market capitalizations below \$1 billion be exempt from PCAOB internal control attestation requirements while remaining subject to standard financial statement audit obligations. This single change would do more to reduce the all-in cost of going public for smaller companies than any other available intervention.

Flexible NASDAQ Listing Standards for Emerging Growth Issuers. We recommend that NASDAQ work with the Commission to develop a formal emerging growth listing tier with

appropriately calibrated financial and governance standards for companies below \$500 million in market capitalization. PCAOB relief would resolve the majority of the cost-of-compliance problem; a dedicated listing tier would provide the regulatory certainty and market visibility needed for issuers that currently fall between existing standards.

Company Video Presentations as Registered Offering Materials. The prospectus, as currently conceived, is not an effective investor communication tool. Very few retail investors read it. We recommend that the Commission formally recognize company-produced video presentations as permissible registered offering materials, subject to the same accuracy and anti-fraud standards as written disclosure documents. A well-produced, plainly spoken video presentation by management — covering business model, market opportunity, competitive positioning, financial performance, and use of proceeds — would do more to inform the retail investor than a 200-page prospectus. This is what works on the internet. Regulatory modernization should reflect that reality.

Conclusion

The Commission's May 27 announcement represents the most significant opportunity in a generation to repair a public market that has failed American companies, investors, and the broader economy for twenty-five years. The backlog is real. The tools exist. The empirical record — from our own auction history, from the Google offering, from the Y Combinator model — provides the evidentiary foundation for a new architecture.

We respectfully urge the Commission to move with urgency. The 8,000 companies waiting for a functioning public market cannot wait another decade for reform. American retail investors, who have been systematically excluded from the wealth creation of the technology era, deserve the access that a modernized, transparent, batch-processing auction system would provide.

We welcome the opportunity to present these recommendations directly to the Chair and the Commission, and to demonstrate the operational model we have developed.

Respectfully submitted,

William R. Hambrecht

Chairman Emeritus, W.R. Hambrecht+Co