



5015 PINE CREEK DRIVE
WESTERVILLE, OH 43081
614 . 901 . 1690 (PHONE)
WWW.SSTI.ORG

TOM RIDGE
CHAIRMAN, BOARD OF TRUSTEES

June 1, 2020

Secretary Brent J. Fields
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number S7-05-20

Dear Secretary Fields:

On behalf of numerous state, local, university and nonprofit organizations around the country, SSTI welcomes the opportunity to respond to proposed rules of the Securities and Exchange Commission (SEC) for Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets (File Number S7-05-20). We are writing specifically to comment on the "Exemption from General Solicitation for 'Demo Days' and Similar Events," which are covered in proposed rule 148.

SSTI, a nonprofit organization founded in 1996, strengthens initiatives to create a better future through science, technology, innovation and entrepreneurship. Many of our members work with entrepreneurs to transform American innovations into new products, businesses and jobs. These organizations provide technical assistance, business development services, investment capital and other support to scale innovations.

The SEC's efforts to facilitate issuer participation in "Demo Days" are appreciated by SSTI and our members, many of which do sponsor and otherwise participate in these types of events under the current regulations. We believe that proposed Rule 148 may succeed in expanding participation and do so in a way that balances investor protections.

However, there are a few aspects of the proposed rule that could be expanded or clarified in order to achieve the intended goal of appropriately broadening issuer participation:

- The first part of §230.148 provides a list of organizations that are eligible to host a meeting that may make use of the exemption. We are pleased to see that this list includes local government and nonprofit organizations. We encourage the SEC to add "state government" and "instrumentalities of state and local governments" to this list as well.

Multiple state governments, as well as local governments, conduct activities to support capital access for entrepreneurs, and we see no reason to provide the exemption for one and not the other. The instrumentality addition would help ensure that state and local governments

conducting entrepreneurship and economic development activities through a special entity—of which, there are many—are eligible for the exemption. Both groups we suggest adding may already be eligible under certain interpretations of “local government” or “nonprofit organizations,” but adding this language to the rule would eliminate the need for legal opinions or specific inquiries to the SEC.

- We ask for several clarifications related to §230.148(b)(2). For covered organizations that provide both entrepreneurial services and direct investments into companies, such as angel investor groups and some nonprofit venture development organizations, the brief phrasing of this proposed rule seems insufficient to facilitate use of the exemption. The following are our specific areas of concern:
 - The wording of the proposed rule does not clarify the duration of the prohibition on engaging in investment negotiations between the issuer and investors attending the event. We would assume, and suggest, that the duration of the prohibition be limited to the duration of the event itself. An example may illustrate why we see this to be important. Imagine an angel investor group holds a “Demo Day” for its portfolio companies, and venture capital firm ‘X Ventures’ is interested in investing in ‘A Startup.’ At some point, the angel investment group is likely to be asked to enter these negotiations, whether to provide advice to their current portfolio company, to protect their limited partners’ current investment, or to make a new investment in a funding round alongside ‘X Ventures.’ If sponsoring the “Demo Day” permanently bars the angel investor group from these later negotiations, holding the event under the exemption would seem to be untenable, which would seem to defeat the purpose of the proposed rules. We encourage the SEC to revise 148(b)(2) to clarify the duration of the prohibition, and that this limit be the duration of the event itself.
 - There are two other clarifications that would be useful within 148(b)(2) both to help issuers access capital through this rule and to protect issuers’ pre-existing relationships after participating in an exempt meeting. *Please note that we view the following items as important primarily if the rule’s prohibition on negotiations were to apply beyond the end of the seminar or meeting, but they will not be as strongly relevant if the SEC adopts our suggestion on timing.*
 1. First, sponsors of “Demo Day” events would need clarity as to whether the organization is able to negotiate on its own behalf. The literal reading of the phrase “negotiations between the issuer and investors” suggests that the sponsor *could* negotiate separately with either party, but many organizations would want to seek clarity from the SEC or legal counsel without a more definitive statement.
 2. Second, sponsors and potential issuers would need guidance as to what distinctions may be made between the sponsor providing only *advice* to the issuer and engaging in “any investment negotiations.” As an example, an incubator holding an otherwise exempt event may be asked by one of their client entrepreneurs (now an “issuer” within the rule) to assist with its evaluation of

potential investors or offers. Without further clarification, the line between providing advice to the issuer and engaging in negotiations may be unclear and could result in the sponsor being unwilling to talk with their client companies for fear of jeopardizing the legality of the entire event. Young companies should not be cut off from a trusted source of information in this way.

- §230.148(b)(3) would allow eligible organizations to utilize the exemption so long as they do not "charge attendees of the event any fees, other than reasonable administrative fees." We encourage the SEC to expand this portion of the rule to include other structures commonly used to address those administrative costs. Currently, many "Demo Day" events around the country are held with little or no fee to attendees, and the event organizer (the "sponsor" within the rule's terminology) covers its administrative fees through charitable contributions or sponsorship payments by third parties. This model keeps costs low for attendees, which achieves maximal exposure for the companies, while keeping the event organizer financially solvent.

Rule 148(b)(3) could allow these events to continue their pre-existing model under the exemption by changing the sentence to something like the following: "Charge attendees of the event any fees, other than reasonable administrative fees, although the sponsor may receive payments or contributions from other entities to cover reasonable administrative fees."

Once again, we appreciate the SEC's interest in facilitating access to private capital markets for young companies and are encouraged by the direction of the proposed rules. SSTI and our members stand ready to work with you throughout this process.

Sincerely,

A handwritten signature in black ink that reads "Dan Berglund". The signature is written in a cursive, flowing style.

Dan Berglund
President and CEO, SSTI