Subject: File Number S7-13-20
From: Kent Lucas
Affiliation:

Dec. 28, 2020

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Dear Sirs and Madams at the SEC:

I am commenting on proposal S7-13-20 which my firm is strongly in favor of the proposed exemption including the Tier 1 and Tier 2 classifications.

As an experienced institutional investor and advisor to both public and private companies of all sizes, I have valuable insights and perspective on the challenges facing small private companies in accessing capital, i.e. fundraising; and in accepting a compensation arrangement that is amenable to both the Finders and company and its board/stakeholders.

For the past few years, I have advised (or invested in) dozens of small early stage (startup) companies. For the companies where my firm offers advisory services only (not capital) to assist and advise in many facets of their business, inevitably fundraising is a pressing need if not the primary need for our engagement. For perspective, 30X actively advises startups in the U.S. in various sectors, advises firms with minority and women founders or teams, and also works with firms globally, particularly Israeli and Korean companies seeking to raise capital from U.S. investors.

In most cases, we are fortunate enough to have the experience to help with their overall business challenges such as biz development, scaling and human resources; as well as their specific fundraising needs, given that we have the investor network to help in this regard. But the challenge around consummating any engagement always centers around compensation for our fundraising service, our role as Finders.

Currently, for our fundraising agreements, we typically ask for a combination of cash compensation and equity options. We feel strongly that as Finders we must have some cash retainer upfront (e.g. monthly retainer) while we assist in fundraising and that a flat fee should be in place for fundraising success.. We tend to give the Founders flexibility and a range of options based on what they are comfortable with - e.g. what they value more - equity or cash. And in many cases, these are pre-revenue or early-revenue companies where cash is scarce. In those cases, the deal often falls through because they do not have the resources to pay for our services, view a flat fee as risky and/or we don't see similarly the value and amount of equity options to be granted.

A flat fee for Finders is problematic for both the early stage company and the Finder. We as Finders must guess how much we will be able to raise for the company and Finders then have little incentive to raise a higher amount of capital under such a flat fee structure. For the company, they are at risk of "overpaying" if we fail to raise the desired amount. This misalignment has prevented many arrangements from taking place - hurting us, the small but sophisticated Finder, as well as the early stage company which struggles to access investors and capital. We face this negotiation challenge constantly and I know that this misalignment of compensation happens throughout the Finder and startup communities

Transaction based compensation, for Finders that have passed some level of qualification and/or screening, with minimal burden of cost or time, is a necessity, In order to maintain our global lead in entrepreneurship, innovation and technology applications, smaller U.S. startup companies must have the same access to capital that larger firms have. This is even more relevant for smaller companies where cash, e.g. revenues are scarce and paying Finders based on their ability to bring in capital is more than logical.

Sincerely,
Kent Lucas
Founding Partner, 30X LLC

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