U.S. SECURITIES AND EXCHANGE COMMISSION

39TH ANNUAL SMALL BUSINESS FORUM

Thursday, June 18, 2020
12:00 p.m.

U.S. Securities and Exchange Commission
100 F Street, N.E., Washington, D.C.
WebEx
<table>
<thead>
<tr>
<th>Page 2</th>
<th>Page 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>PARTICIPANTS:</td>
</tr>
<tr>
<td>2</td>
<td>On behalf of the U.S. Securities And Exchange Commission:</td>
</tr>
<tr>
<td>3</td>
<td>MARTHA LEGG MILLER, SEC Director, Office of the Advocate for Small Business Capital Formation</td>
</tr>
<tr>
<td>4</td>
<td>JAY CLAYTON, SEC Chairman</td>
</tr>
<tr>
<td>5</td>
<td>HESTER M. PEIRCE, SEC Commissioner</td>
</tr>
<tr>
<td>6</td>
<td>ELAD L. ROISMAN, SEC Commissioner</td>
</tr>
<tr>
<td>7</td>
<td>ALLISON HERREN LEE, SEC Commissioner</td>
</tr>
<tr>
<td>8</td>
<td>ADDITIONAL APPEARANCES:</td>
</tr>
<tr>
<td>9</td>
<td>JOVITA CARRANZA, Administrator, U.S. Small Business Administration</td>
</tr>
<tr>
<td>10</td>
<td>PEITE FLINT, Managing Partner, NFX</td>
</tr>
<tr>
<td>11</td>
<td>STEPHEN GRAHAM, Partner, Fenwick and West, LLP</td>
</tr>
<tr>
<td>13</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td></td>
</tr>
<tr>
<td>16</td>
<td></td>
</tr>
<tr>
<td>17</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td></td>
</tr>
<tr>
<td>19</td>
<td></td>
</tr>
<tr>
<td>20</td>
<td></td>
</tr>
<tr>
<td>21</td>
<td></td>
</tr>
<tr>
<td>22</td>
<td></td>
</tr>
<tr>
<td>23</td>
<td></td>
</tr>
<tr>
<td>24</td>
<td></td>
</tr>
<tr>
<td>25</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Page 5</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
</tr>
<tr>
<td>2</td>
</tr>
<tr>
<td>3</td>
</tr>
<tr>
<td>4</td>
</tr>
<tr>
<td>5</td>
</tr>
<tr>
<td>6</td>
</tr>
<tr>
<td>7</td>
</tr>
<tr>
<td>8</td>
</tr>
<tr>
<td>9</td>
</tr>
<tr>
<td>10</td>
</tr>
<tr>
<td>11</td>
</tr>
<tr>
<td>12</td>
</tr>
<tr>
<td>13</td>
</tr>
<tr>
<td>14</td>
</tr>
<tr>
<td>15</td>
</tr>
</tbody>
</table>
PROCEEDINGS

MS. MILLER: I hope you can hear, and your audio is turned up. Good afternoon, everyone. I am Martha Miller, the SEC's Director of the Office of the Advocate for Small Business Capital Formation. And on behalf of our office, I want to thank you for joining us at the Securities and Exchange Commission's 39th Annual Small Business Forum, which you probably noticed we're hosting virtually this year.

The theme of this year's forum is Access to Capital, more critical now than ever. Our team is absolutely immersed in addressing the challenges that 2020 has brought small businesses and their investors. Small businesses and their investors are currently in a state of crisis, with many abruptly shutting their doors this spring in response to COVID-19.

While Congress has provided relief through several legislative measures, the consensus among many is that public assistance just won't be enough. Effective pathways for investors to support small business capital needs are more critical now than ever to help businesses weather the current environment, rebuild, and to continue to create the companies that we depend on for the future.

The Commission's recent temporary crowd-funding relief is one example of how your feedback has been put into action. We need your input on what you think is needed to support our capital market, both short-term and long-term.

In addition, as we look to dismantle long-standing racial inequality in our country, the opportunities afforded by entrepreneurship and capital investment can create powerful bridges across social and economic barriers.

Our office is focused on identifying and addressing the capital-raising challenges based on minority-owned and women-owned small businesses and their investors.

Now, while entrepreneurship is by no means a panacea to the myriad of challenges with which we're grappling, I look forward to hearing your ideas on how we can improve the capital-raising toolkit to work well for all.

So why do we host the forum? The SEC has hosted this event every year since 1982 in accordance with the Small Business Investment Incentive Act of 1980. The forum is an important event in which members of the public and private sectors gather to craft suggestions for securities policy impacting emerging companies and their investors from start-up, all the way across the private marketplace and up to smaller public companies.

There is no other event like this one where policy makers gather with members of the public to represent entrepreneurs, small business leaders, investors, professional advisors and thought leaders to collaborate on policy changes needed to address the evolving needs of the capital-raising market.

I want to thank our commissioners for their constant enthusiasm for this event, and I also want to recognize the advisory planning group who has been so engaged in supporting us and hosting this year's forum.

While for years, the forum has been open to the public to participate in via webcast and via teleconference technology, this year we've transformed the event into an entirely virtual forum.

I want to give you a little bit of a preview of what you can expect today, before we start diving into the more fun content, which is not hearing me talk. A detailed agenda is posted on the forum's web page, which you can find linked online, and I'll share that with you in just a second. So that we maximize the time that you're spending with us, we encourage you to read the bio, the background information on your own time so that we can focus every minute of this virtual forum on what you came to hear: insightful thought leadership on trends and insights into the capital-raising ecosystem.

So more of a prior forum, we're going to open with statements from our commissioners and then dive into spotlight discussions with practitioners, interspersed with keynote from thought leaders across the country. At 2:45 p.m. Eastern, we're going to switch gears and begin the policy development sessions where we want to hear from you, the public, on ways to improve the capital-raising framework to work better for small businesses and their investors.

Following the forum, our office will submit a report to Congress and to the Commission recapping today's event and highlighting the recommendations that you develop. We'll delve in a little bit more on that in a bit; but first, a couple of housekeeping matters.

And I need -- let's see if I can get this to share.

Nick, can you pass back over sharing so that I can continue to share slides? Thank you. Let's see. There we go. Getting this back over. All right. And here, in case this wasn't showing
Like many, I have been thinking a lot about current events that we've seen; in particular, very disturbing videos that are at the front of all our minds. A couple of those videos that underscore some issues that we must deal with, with the pandemic that we're facing that has placed really unprecedented stress on our economy and on our markets and on our small businesses. And that's why it's, well, more important than ever that we make every effort to hold this forum. Let me try and underline on how important that is with a few statistics. There are over 1 million minority-owned businesses in the United States, with 99.9 percent of those businesses have less than 500 employees. I think we all recognize that COVID-19 has had a disproportionate negative impact on small businesses and we estimate, although this is difficult to estimate, that 50 percent of small businesses face an immediate year term risks due to the effects of COVID-19.

We also recognize that small businesses are the engine of economic growth and that we will need small businesses to support a post COVID-19 economic recovery. Today we're going to hear from a number of panelists that will lead our discussions on how we can support small businesses, including minority and women-owned small businesses and rural small businesses, and those smaller companies that are considering going public or would like to go public in the future. These are very important areas of our economy and we need to support them as best we can.

We want your ideas. We want your questions. Questions of us are very valid. Please know that we recognize that a one-sized regulation doesn't fit all and that we need to tailor our regulations and our support to fit the needs of small and medium-sized businesses.

So with that, I look forward to today. I'm looking forward to hearing your comments. I'm looking forward to hearing your suggestions, and we look forward to your questions. Thanks to all for attending.

COMMISSIONER ROISMAN: Good morning, and welcome everyone to what I am pretty sure is the 39th Annual but first ever Virtual Government Business Forum on Small Business Capital Formation. I attended the past two forums in Columbus and Omaha and think of them as among the best events the SEC has held. Each drew multiple and diverse participants and panels that discussed great ideas and helped shape my own thinking and appreciation for entrepreneurship. I've been particularly looking forward to this year's Small Business Forum and it comes at a critical time. Like many, I have been thinking a lot about
our Nation's small businesses and the immense challenges they have faced over the past few months. A number of businesses' operations have been curtailed or completely shut down amidst the pandemic is staggering. A common policy effort such as those through the CARES Act appear to have provided some help. Great uncertainty still prevents many from being able to know when, how or if they'll be able to carry on their work. I know that today's agenda does not focus directly on these matters, but I'm very interested in hearing how these events have affected the way our small businesses have been able to operate, including by raising capital to weather the storm.

So I hope that those participating today will not be shy in sharing what you can, including your ideas about what regulators can do to help in the long-term and perhaps in the immediate future. We may not be able to address all these issues, but it's certainly our job to try.

I see that today's agenda includes a wide-array of topics and discussions that will touch on all the stages and sizes of small businesses. You'll also hear from individual founders who may have distinct experiences given their backgrounds in geography. I look forward to hearing about the successes and challenges such entrepreneurs have faced at different points in the business lifecycle.

COMMISSIONER LEE: Good morning and thank you for having me at this 39th Annual Government Business Forum on Small Business Capital Formation. I wish we could all be sitting together in the same room, but I'm pleased that we're still able to meet virtually.

I want to thank our Small Business Advocate, Martha Legg Miller, and her staff for putting together this excellent program. Martha, I miss your presence and your energy and your warmth. I'm looking forward to seeing everyone in person again when that's possible.

Thanks also to all the speakers and panelists today for coming together to share your experiences and your insights. It's challenging to put together an event like this in the present circumstances, and for many, it can be challenging even to absorb the daily news and still focus on our day-to-day work, but those very challenges make it all the more important that we go forward with this event for several reasons.

First, we know small businesses are particularly vulnerable right now and it's critically important that we find ways to support them as we did with the recent temporary crowd funding means. Today provides another opportunity for us to listen to and learn from small businesses and to better inform our rule making.

Second, this forum's mandate is unique in that it calls on us to engage not only with small businesses, but also with our fellow regulators; that's what challenges us to think about where we sit in the broader capital raising and regulatory landscape.

For instance, we'll be hearing from the Wyoming County Economic Development Authority. How can the SEC work with local authorities and then supplement their efforts to help small businesses? How can we better assist with educational and other initiatives?

It's more important than ever that we collaborate and work across regulatory channels; think holistically about how to facilitate capital formation for small businesses.

Third and very importantly, the agenda today highlights women- and minority-owned businesses, as well as, rural entrepreneurs, and I'm very pleased to see that. Our capital formation solutions in this space should be premised on our understanding of the barriers that exist and should be tailored to address those barriers.

Often, we take a rising tide lifts all boats approach in our efforts to facilitate capital raising and we fail to consider the unique challenges that face these particular communities. Simply taking steps to enhance capital formation broadly does not address the underlying reasons why equal opportunities for access to capital fill in the needs for many talented and hardworking minority, female, and rural entrepreneurs.

And let's be clear, when they lose out, we all lose out. We lose their talent, their enormous potential and their breadth of expertise and ideas. It's crucial that we listen to these voices in front of those communities and to amplify those voices, and that we take the time to educate ourselves and inform our regulatory approach regarding the systemic and structural issues communities face.

The forum presents a good opportunity to do just that. And with that, I will leave you to get on with your important agenda, and thank you all, again, for your time and attention on behalf of --
Ms. Miller: Thank you. And next up, we have remarks from Commissioner Hester Peirce.

Commissioner Peirce? It looks like you might be having a little bit of trouble with audio. So Commissioner Peirce, we are going to message you and get you — oh, there you are. Technology; things that we're learning how to do in the virtual environment. And it looks like we need to make sure we've got an audio connection to use, because I can't quite hear you yet, but I can see your face.

Why don't we do this? While we're getting our audio connected for you, let's take a minute. Let's see. Nick, are we good on audio connection quite yet? If not, what we can do it --

Commissioner Peirce: I think maybe — maybe I'm live now.

Ms. Miller: I hear you.

Commissioner Peirce: I'm going to just keep my remarks very brief. Thank you, Martha, and thank you to everyone who is participating in today's forum.

It's been a really dynamic event in the past, and one that brings together people who really care about Small Business Capital Formation and bring us lots of really valuable ideas. And I'm looking forward to today's forum in the virtual format. I think it can be really effective in this format as well.

I can already see from the chat that there's a dynamic conversation going on. So I will sit back and listen to the ideas that you bring us as we think about the way to Series B, as well as, educating entrepreneurs and investors on capital strategy and how to build scalable, venture-fundable businesses.

So great to meet you all.

Ms. Hernandez: Hi everyone. My name is Samara Mejia Hernandez, and I am founding partner of Chingona Ventures. Chingona Ventures is a venture fund that invests at the earliest stages, so tech companies that have raised less than a million in outside funding.

Prior to this I was at another venture fund based in Chicago, where invested in pre-seed to Series D companies. And then prior to that I was at Goldman Sachs for nearly a decade during the last financial crisis, mainly in sales, but also in technology and operations. I studied my MBA here, in Chicago, at Northwestern University, and I have an engineering degree from University of Michigan.

So I'm excited to be here with everyone to talk about a very important topic that has been escalated in the last few weeks and is something that hopefully Erica and I can provide some color on how we've been able to fund women and minority entrepreneurs for nearly a decade.

Ms. Minnihan: Great. So you know, I think one of the big challenges that we're facing today as investors is the fact that as you guys might probably know, women-led companies are currently receiving less insights from investors who support women-founded companies.

We are featuring today, Erica Minnihan, Founder and Managing Partner of Reign Ventures and Samara Mejia Hernandez, Founding partner of Chingona Ventures.

As we mentioned above, detailed biographies for speakers are on the forum webpage and they're in our virtual program. In a minute I'm going to hopefully be able to share a slide when these ladies get started talking today that includes their social media hashtags in case your handles -- in case you wanted to follow along and to share some of the insights you learn today.

I'll turn it right on over to you, Erica and Samara, thank you.

Ms. Minnihan: Hi, how are you? How is everybody doing today? So my name's Erica Duignan Minnihan. I am founder and managing partner of Reign Ventures and 1000 Angels. I have been doing early-stage investing for about 15 years.

For about eight years prior to that, I was in traditional investment banking and my specialty is investing in companies between the pre-seed stage, all the way to Series B, as well as, educating entrepreneurs and investors on capital strategy and how to build
than 3 percent of total venture capital, and you might wonder why that’s the case.

Well what you may not know is that fewer than 10 percent of investment professionals at the top 100 BC Firms are women; that’s about 100 of us out of over 1,000 professionals. And to make matters even more interesting, you might not know that African Americans receive less than 1 percent of venture capital dollars and represent fewer than seven investment professionals at the top 100 BC firms.

So you know, there’s clearly an issue here with lack of access to capital, and because access to capital is such a crucial component of business success, so many female and minority founders are really being denied access to this very valuable tool.

At Reign Ventures, we’re working to educate female and minority founders, and really any founder who’s interested on how to effectively raise capital and use it efficiently to build great companies.

So although venture capital is not the right fit for every type of business, it can be crucial to success for many founders. For example, if your business can achieve scale, it has relatively low marginal costs and has a clear path to exit through a sale or IPO, venture capital can be an essential tool for growth and wealth creation.

When we educate more women on becoming entrepreneurs and investors, we really increase the landscape for opportunity. I actually started a free YouTube channel that offers investor training to both accredited investors and entrepreneurs that are looking to raise capital. I think that the more women who become investors, the more female founders are going to get funded.

So I hope everybody takes the opportunity today and in the future to educate themselves and to become active participants in the early-stage capital markets.

MS. HERNANDEZ: Yeah. And just to, you know, highlight what Erica was saying, you know, women do have less than you know, 10 percent of the general partners’ spots at venture funds, which are the check writing, you know, positions.

But particularly, people of color and women of color actually have less than 1 percent of all that, and that’s reflected in who gets funded. There is a direct correlation with who’s actually writing these checks into these companies, and who is fundraising, right?

And so we’re changing that discussion and there’s a couple things that, you know, how I think about how we can support women and minority-owned businesses. And one of them is to actually fund more women and minority general partners at these funds.

So we need change. The limited partner landscape, foundations, the institutional investors, the family offices that are looking to seek funding into these funds. So that’s one thing that I’ve seen that has changed and that the discussions have, you know, started up again, but there’s definitely more to do here.

I think providing capital also at the earliest stages. Not everyone is a right fit for venture capital, but if you fit the criteria that Erica had mentioned, you know, a lot of start-ups have what we call friends and family rounds where they can get their network, friends and family that can write them a 10-K to 100-K check. Many in the women, particularly minority founders, doesn’t have access to that.

So I know with my funds, I’ve gone super early to go in at -- as the first institutional check. But we also need more Angel investors to come in. And maybe that’s, you know, changing the definition of what an accredited investor is.

Right now, there’s one definition; but you know, having more ability to have more accredited investors, more Angels, potentially more crowd-funding platforms where these individuals can actually invest.

I’ve seen some early success for early-stage companies to get the initial capital to get the business going.

And then also, two other things are just alternative forms of capital, which we talked about crowd-funding, we talked about venture capital; but maybe grants, maybe other forms of non-dilutive capital.

I’ve seen really work at the earliest stages.

And then the last thing to that would be getting more women and minorities on -- in investor roles. Even if it’s not at the general partner level, coming in at the junior level, mentoring them and then giving them opportunities to bring in investments to the fund, but then also putting more women and minorities on these boards.

Many times these founders will look and seek for diverse capital, and at that board level, it’s really important to have different perspectives that can bring in their network and help you hire more women and minorities onto your companies.

So those are a few things that I’ve seen work. Obviously, we’re still in the earliest stages, but I think that those are some ways that we can get more women and minority-funded businesses.
<table>
<thead>
<tr>
<th>Page 26</th>
<th>Page 28</th>
</tr>
</thead>
</table>
| MS. MINNIHAN: Yeah, definitely. And you know, one of the things I think, is really exciting, is that, you know, more women are just opening themselves up to the idea of actually going out and raising capital because they're seeing other female founders get funded. And I think that's something that was very much lacking for a while. There weren't these great examples of women starting billion-dollar companies, women raising, you know, tens to hundreds of millions of dollars in venture capital. And I think that, you know, as we see more women get into the market, it takes usually five to ten years for a company to mature. So you know, it's something that takes a while for us to get used to. You're also going to see more investors just, in general, become more comfortable at the idea of women leading billion-dollar businesses and making that investment. And I think that, you know, as women and minorities, we really appreciate the impact of female founders getting funded, of minority founders getting funded because they're building the product services and businesses that are actually serving our needs, right, if we think about, you know, in the consumer space, you know, in a lot of different areas. Even in technology, you have a lot of companies that were creating products for women or for minorities that were completely founded by white men. And when I first got into early stage venture capital, you know, it used to drive me crazy. I'd see, you know, a start-up that was creating, you know, a new breast pump idea and the entire founding team would be men. And I would just ask myself, you know, "Why is this?" right, and these men would kind of come at me with a story of like, "Oh, well my wife breastfed once, so hence, I should be the person starting this business." So I think that, you know, for us to really see ourselves as leaders, see ourselves as innovators, feel comfortable being in roles where we're leading technology teams, we're building businesses, we're talking on the responsibility to venture capital, I think it's really crucial to how our future is going to change and, you know, become one that's a little bit more equitable for everybody.

You know, and as Samara mentioned, I know that for a lot of the companies -- so at Reign, obviously, my partner and I are both African American women, but we've, of course, invested in plenty of teams that are led, you know, even by all-white men. And the amount of value that they actually get out of having us as investors and on the board is indescribable because they're sort of seeing these, you know, very diverse perspectives that they may not have considered from the very initial formation of the business and it's creating value in mitigating execution risk as the company grows. And we know that right now, it's so obvious in society that, you know, company culture and the way that it's established from the beginning, the way people are treated, the way female employees are treated, the way minority employees are treated, and just sort of the awareness of building that in from the very beginning and how that can actually minimize execution risk, make a business more valuable. I know that our portfolio companies are very, very much aware of that.

MS. HERNANDEZ: Yeah. And I've seen that also in the companies that I've invested in as well. So I don't only invest in women and minorities. I have also invested in all-male teams, all-white male teams. But I've been able to come in and help them with their first hire. The woman hire; help this early employee get the pay that she deserved given her work and given the consummate space. So I do believe that it shouldn't be separate pools of capital. Women shouldn't be only fundraising

<table>
<thead>
<tr>
<th>Page 27</th>
<th>Page 29</th>
</tr>
</thead>
</table>
| companies that were creating products for women or for minorities that were completely founded by white men. And when I first got into early stage venture capital, you know, it used to drive me crazy. I'd see, you know, a start-up that was creating, you know, a new breast pump idea and the entire founding team would be men. And I would just ask myself, you know, "Why is this?" right, and these men would kind of come at me with a story of like, "Oh, well my wife breastfed once, so hence, I should be the person starting this business." So I think that, you know, for us to really see ourselves as leaders, see ourselves as innovators, feel comfortable being in roles where we're leading technology teams, we're building businesses, we're talking on the responsibility to venture capital, I think it's really crucial to how our future is going to change and, you know, become one that's a little bit more equitable for everybody.

You know, and as Samara mentioned, I know that for a lot of the companies -- so at Reign, obviously, my partner and I are both African American women, but we've, of course, invested in plenty of teams that are led, you know, even by all-white men. And the amount of value that they actually get out of having us as investors and on the board is indescribable because they're sort of seeing these, you know, very diverse perspectives that they may not have considered from the very initial formation of the business and it's creating value in mitigating execution risk as the company grows. And we know that right now, it's so obvious in society that, you know, company culture and the way that it's established from the beginning, the way people are treated, the way female employees are treated, the way minority employees are treated, and just sort of the awareness of building that in from the very beginning and how that can actually minimize execution risk, make a business more valuable. I know that our portfolio companies are very, very much aware of that.

MS. HERNANDEZ: Yeah. And I've seen that also in the companies that I've invested in as well. So I don't only invest in women and minorities. I have also invested in all-male teams, all-white male teams. But I've been able to come in and help them with their first hire. The woman hire; help this early employee get the pay that she deserved given her work and given the consummate space. So I do believe that it shouldn't be separate pools of capital. Women shouldn't be only fundraising from women, right, but the more we can open up these teams to these networks, and the more women and minorities that can get on these cap tables, I think that will really, obviously, make a difference.

So I don't know if we have a few questions in the chat room or from Twitter.

MS. MILLER: Yeah, I thought Julie was going to handle the moderator questions.

MS. MILLER: No, we're all -- we're passing batons in lots of different ways right now. So I know one question, we've had a lot of chats coming in about accredited investor. I'm curious, from your perspective, how often do you have to control investors that are not eligible to invest in your funds or who reach out to you and they don't satisfy the net worth or the income threshold?

MS. MINNIHAN: You know, I would say, you know, as somebody who's actually -- you know, just from the perspective of my firm 1000 Angels, which, you know, helps accredited investors make direct investment, you know, certainly there are plenty of people who come and are interested in educating themselves and learning, you know, so that they're prepared once they potentially do...
meet the threshold. 

You know, I know that there is a lot of, you know, a lot going on around sort of relaxing the restrictions, et cetera. But at the end of the day, you know, our investors who are accredited have to realize that, you know, this is basically a zero liquidity asset and the, you know, duration that you're holding this asset is at least five to ten years with a high probability of, you know, some investments in the portfolio might go to zero.

So, you know, we do certainly get people who are interested, but I think the income and asset test fall really, really important to protect people, you know, adding what can be a very risky asset to a portfolio.

So while, you know, I do think that where I would really focus on is the fact that there are actually many people who do meet the accredited investor standard who have not even considered, you know, dipping a toe into these waters.

So, you know, I'd rather see more people pulling, you know, pulling out from the population of folks who actually have met the accredited investor income and asset test. Getting involved as early stage investors, you know, rather than encouraging people who might not be able to withstand a loss to put capital at risk; but of course, to educate themselves, you know, before they even are maybe at that level to understand why this asset class is important and how it might be right for them in the future.

MS. HERNANDEZ: Totally agree. I think we can start writing these checks. I'm an advisor here for an Angel group called Angeles. They invest in Latino founders. And I've seen a lot that needs to be -- happen around the education piece, right, to Erica's point. And you know, when I worked at Goldman Sachs I would educate people on this slice of alternative asset classes and within this sort of asset class, as well as, slice of PE and DC, which is a very small slice, which I've seen some of the people on the chat write about.

But the more we can get women and minorities writing these checks, and even if you may, you know, call it over 100,000 and writing a 10-K check for a year, I mean, that's something to get you knowledgeable on the space. You don't have to do it by yourself, you can work with Angel groups. You can invest like, through a fund if you have the means to.

So I do believe that the more we can expose this committee to the asset class, the more we'll be able to invest in these founders and in these funds.

MS. MINNIHAN: And you know, I love that Samara brought this up because a lot of things that I'll always mention is, you know, as a woman and -- I think you said you went to Chicago -- business school at -- in Chicago?

MS. HERNANDEZ: Northwestern, yeah.

MS. MINNIHAN: Northwestern, okay. So I also went to Columbia Business School and, you know, I look at my graduating class and I see so many men who started companies out of business school who will -- or have started venture funds, and all sort of pass around the hat to all their classmates.

And these guys are writing checks to each other, you know, whereas the women, this just doesn't seem to happen for us. If, you know, if I -- I find that sometimes if I'm approaching, you know, another woman or a community of women about potentially investing in our fund or investing in a female-led start-up, they're very focused on the risk, you know, they're very focused on, you know, sort of, "Oh, you know, well I don't understand it, so I can't invest."

But if you ask them to give $25,000 for philanthropy, you know, they'll happily do it.

So you know, I think really just changing from the onset about, you know, we don't -- everything doesn't have to be for charity. We should invest in ourselves. We have to feel more comfortable supporting each other with capital, you know, taking a chance on each other, taking risks on each other, and also, educating ourselves so that we can support those around us, whether we're doing it in the role of entrepreneur, we're doing it in the role of investor.

I hope that, you know, every person and woman and person of color that's listened to this day will take the opportunity to educate themselves, be able to participate in this part of the capital ecosystem, but it does require a bit of self-education, you know, a bit of sort of stepping out of our comfort zone to be able to do it.

So, you know, anyone who's interested, feel free to reach out to me. I love helping people, I love the idea of getting more folks involved, more knowledgeable, and particularly, for women to start supporting each other the way that the guys are pretty much already doing on a very large scale.

MS. MILLER: Well I think that's a fantastic note to give me an opportunity to plug investor.gov, which has a lot of resources from the SEC on how to educate yourself about becoming an investor, both on the
listen for about, oh, I don't know, the past 10 or 15 minutes, and just a really impressive -- and helpful for me, and I think, probably for my colleagues here at the Commission -- discussion. In particular, the emphasis on an educated investor, and people being comfortable investing in this space and why it's an important asset class. That's what we want. We're not -- to be clear, we're not looking to open the private investment space to people who don't understand what they're getting. We want to open the space to people who understand what they're getting into: the risks, the holding periods, the illiquidity. But also, the potential benefits as part of an overall investment strategy; not as your only investment strategy, but as a reminder, please do keep sending us ideas for policy recommendations in the WebEx chat or by emailing smallbusiness@sec.gov.

And Nick, as soon as we've got Chairman Clayton on, we will be good to go. I think I see that he is here. CHAIRMAN CLAYTON: Martha, am I -- hi. MS. MILLER: I can hear you. Hello.

CHAIRMAN CLAYTON: Well wonderful. Thanks for bringing me in. And thanks to Erica and Samara. I've been listening for about, oh, I don't know, the past 10 or 15 minutes, and just a really impressive -- and helpful for me, and I think, probably for my colleagues here at the Commission -- discussion. In particular, the emphasis on an educated investor, and people being comfortable investing in this space and why it's an important asset class. That's what we want. We're not -- to be clear, we're not looking to open the private investment space to people who don't understand what they're getting. We want to open the space to people who understand what they're getting into: the risks, the holding periods, the illiquidity. But also, the potential benefits as part of an overall investment strategy; not as your only investment strategy, but as overall.

And also, knowing your management teams, and knowing the types of people you are investing alongside. Very important. And then, last thing I'll say is boy, I hope there's some day when gender is irrelevant in this type of capital raising. Gender is very important building a diverse management team and whatnot, but the business idea should be gender-neutral in my view. But just thanks. And let me ask Erica or Samara or you, Martha, if you have any questions for me while I've got the opportunity to join you.

CHAIRMAN CLAYTON: Yes, you do. MS. MILLER: -- that could be really wild and crazy ones besides I see that you have not gotten a haircut in a little bit during quarantine like many of us; and so, I appreciate you being willing to turn on the video and join us today.

CHAIRMAN CLAYTON: (Laughing) A few more days and there will be no more video with this hair. MS. MILLER: (Laughing.) Well wonderful. Well this is a wonderful opportunity for us to pivot over. And I really --

MS. MINNIHAN: I was just going to say I do have a quick question if that's allowed. Sorry. Did I miss my chance to ask the question? CHAIRMAN CLAYTON: I'm here. Go ahead.

MS. MINNIHAN: Okay, great. Thank you so much, Mr. Clayton. I really, really appreciate you being here and this opportunity and the feedback. And I would love to know if the government or the SEC or, you know, you -- this specific organization has any

initiatives to address what Samara and I had talked about, which was helping more minority and women run investment firms that are investing in early-stage companies get off the ground through LP support and creation of GPs?

CHAIRMAN CLAYTON: Well the answer is we don't have capital ourselves. A lot of days I wish we did to help. But yes, Martha and her team -- and it really goes to the networking that you identified by getting -- whether it's a business school or in some other venue -- getting people together, educating them about the benefits of this space, making them comfortable but not making it so they're taking too much risk.

And the answer is yes, and we want to do more. I mean, Martha and her team are incredibly dedicated to this space.

Martha, maybe I'll just -- I know I'm taking into your time but flip over to you, and you can go over some of the many resources that you've developed.

MS. MILLER: Yeah.

So we've been developing resources, but what's most important is that any resources that we have match the market need. And so we've spent a lot of time learning from how everyone from incubators to accelerators to law firm clinics, you name it, are
educating companies on how we can fill gaps as regulators and make sure that people have -- when you have a full toolkit, you know how each tool in the kit works, and you know what it's used for and feel very comfortable with those.

And so that's been a big focus of our office.

If anybody has any ideas, I encourage you to reach out to us. I think we've put our contact info up a few times, but email us at smallbusiness@sec.gov, and we want to continue making sure that the resources that we do have available here at the Commission meet you where you need them.

Chairman Clayton: And I'm going to say just one more thing, which is, Martha's office has been great. This discussion has been great. We know what we need. Investors who can handle the risk, who know what they're getting into and do it smartly; but our rules are too complex in identifying and filtering those investors, and to the extent we can get help with that, we're going to eliminate some of the friction of some people getting into this space.

So thank you all very much.

Ms. Miller: Wonderful. Thank you very much, again, Samara, Erica and Chairman Clayton; really appreciate your remarks today.

Keynote: Investing in the Underestimated

I am excited to share with you our first keynote featuring Arlan Hamilton. Arlan actually recorded this earlier this week. She is founder and managing partner of Backstage Capital.

So Nick, take it away with that video keynote.

(A video plays from timestamp 44:54 through timestamp 53:15 of Ms. Miller interviewing Ms. Hamilton.)

Ms. Miller: All right. What a wonderful keynote from Arlan, who I think the world of.

Spotlight: Rural and Thriving

Ms. Miller: It is now our pleasure to switch gears and to kick-off our second spotlight discussion titled, "Rural and Thriving: Overcoming the Unique Challenges of Building Companies in Rural Communities."

Today we'll feature Wil Jenkins, who's an investor and entrepreneur from Pine Bluff, Arkansas;

Christy Laxton, the Executive Director of the Wyoming County Economic Development Authority in West Virginia;

and Nathan Ohle, who is the CEO of the Rural Community Assistance Partnership.

Welcome to each of you, and thank you, Wil, Christy and Nathan for joining us today.

Mr. Ohle: Thank you so much, Martha. We really appreciate the opportunity to be with you today and are excited to be able to present on rural thriving and talk about some of the unique -- both strategies and opportunities that we see in the rural environment, and obviously, also open it up for questions for folks who might have some ideas or thoughts to share.

I'm Nathan Ohle, I run the Rural Community Assistance Partnership, which is a national network of non-profit partners focused on building capacity at the local level. For us that means really intense work in small rural and tribal communities across the country.

One of the things that we wanted to start out this discussion in is -- and really dive in with Christy and Wil -- is to talk about the disparity that we've seen in rural communities, and the lack of access to capital in many rural communities across the country; but also, highlight some really unique ideas and ways that rural communities are innovating and ensuring that they get access to that rural in really unique ways.

One of the things we've seen, obviously over the last decade, is the decrease in a number of bank branches across the country. Just last year, the Federal Reserve announced that rural communities were hit in a much higher rates than urban communities in those bank closures.

In fact, over the 17 hundred bank branches that closed in the last year, 14 percent of those in rural closed compared to the 9 percent that urban communities saw in that same time.

And so we know often times businesses, their first mode of opportunity to go after capital is to talk to a bank, but when there's not a bank branch in your community or even in any communities in your surrounding area, it can often be very difficult, and so we're constantly looking for new and innovative ways to drive capital opportunities.

And thrilled to have Christy, Wil here with us today to talk about some of the things that they've been doing. And so, at first I want to hand it off to Christy who's doing some tremendous work in West Virginia.

And Christy, please introduce yourself and then talk a little bit about some of the work that you guys are doing in West Virginia.

Ms. Laxton: Yeah. Thank you, Nathan.

And good afternoon everyone. I'm excited to be here. I'm with the Wyoming County Economic Development authority here in Southern West Virginia in Pineville. And we are kind of a non-traditional economic development authority.
application in to Appalachian Regional Commission to do
loans with that very similar – to do that across the
State of West Virginia again, currently.

So we just take a very different approach to
what banks do. We’re very different from CDFIs as well.
We partner with the banks, we partner with CDFIs, but we
definitely take a very different approach and we all
collaborate together to make sure that we kind of fill
the gaps that others cannot fill.
So that’s kind of where we come from and what
we do.

MR. OHLE: Thank you so much. It’s great to
hear about the programs that you’re doing, and I want to
follow-up with a couple of questions in just a second,
but want to introduce our other speaker, Wil Jenkins.

Wil Jenkins: Wil Jenkins. I moved to Pine Bluff, Arkansas. He
can tell you the story much better than I can, but he is
both a serial entrepreneur, but also, an investor
himself. And so then -- not only all across the United
States but across the world and brings those vast
experiences to his own community -- and has really found
a home in Pine Bluff, and is really starting to help
revitalize some of the community and have some great
stories and ideas about how others can do the same in
rural communities.
Page 46

MR. JENKINS. Well no risk, no reward. And unfortunately, a lot of people are afraid to do --

invest their money at the present time because it's still under revitalization. I mean, we're probably, maybe two years out from being done.

But again, no risk, no reward. And I'm not that kind of person. I mean, I'm a visionary. I see what's going to take place here. I mean, this is one of the largest, longest main streets in Arkansas, period.

And with the casino, all these people are going to start coming back to Pine Bluff, so what we need to do is give them businesses to shop at, businesses to come to, retail outlets, restaurants, bars.

We need to revive the life that used to be here in Pine Bluff. And you know, again, no risk, no reward. And I mean, back in the early 90's I owned a telecommunications company and I was able to sell that for about 25 million, so it's about taking the risk and to me, Pine Bluff is not a risk.

So please, come invest your money in Pine Bluff, Arkansas.

MS. DAVIS: This is a great opportunity for a question, I think. This is Julie Davis from the Office of the Small Business Advocate. Thank you so much, Wil, Nathan and Christy.

Page 47

We had a question from Janice in the chat who said, "Many businesses will never be a good fit for VC or even Angel capital, and yet, could be perfectly viable, steady growth concerns for a long-term. We need more and better access for these main street entrepreneurs."

So I'm wondering if you could speak a little bit about this observation; it's certainly one that our office hears from many people.

MR. OHLE: Well one thing I would say, and then I'm going to let Christy and Wil step -- type in if they have thoughts on this as well.

But you know, one of the really important aspects when you think about rural is that, you know, when you go to one rural community, you've really been to one rural community. Everyone is different, there's a different situation on the ground, and ensuring the understanding as we'll talk about no risk, no reward, you have to understand what that risk portfolio is and what the opportunities might be.

But you also have to be willing to be innovative in the way that you think about business, the way that you think about opportunities to invest. Part of it is understanding the little culture and the people in that community and as Christy talked about, you know,

Page 48

better -- making grants or loans in some cases where they don't have a credit history to go back on.

And so you've got to think a little bit more innovatively. And what we know firsthand is that rural communities, at their core, are innovative. They have to be because in many cases, there's less resources, less people, less market hours you may say.

So, you know, you've got to be willing to embrace that culture. You've got to be willing to understand the culture and the community, but you've also got to be willing to look at different investment models that fit the opportunities in those communities.

Christy, did you have anything to add from your perspective?

MS. LAXTON: Yes. So I mean, I think you said that great and I don't -- I'm not sure that I can add much more to that. But you know, we have definitely taken a different approach and we were able to do that because the monies that were revolved to our funds were grant fundings, of course. So we were able to do that and take a different approach in that aspect.

Some of the monies that we had were loan monies, so that made it a little more, you know, complicated in that aspect. But we were still able to take the mission -- you know, our mission was to make

Page 49

sure that we wanted to look out for these communities and the economic benefits of the community.

And we wanted to make sure that we could fill the gaps of, you know, what the local community bank could not do or what the CDFI couldn't do or, you know, was there something missing that the -- you know, those Angel investors couldn't fit in.

And so, we were -- that's what we wanted to fill, were those gaps. And so to fill those gaps, we had to take those risks, and we had to be the one to come in on the back-end with the $15,000 loan, and the $50,000 loan, and on average, our loans run about $35,000. And there are so many, you know, people, you know, even on the banking industry that they just really don't want to fool with the paperwork even to deal with the bank -- a size, you know, a loan that size.

And so that's really where we feel like we kind of feel -- fit in that gap. And so -- and we've been told by so many small businesses across the state that, you know, just that little bit is enough to at least get them started on their small business and they can't fund that amount of money, you know, to even get started.

And so many people look for -- you know, they need the half-million or the million-dollar loans and
things like that, and we can’t, you know, we can’t do
those type of loans. We do the much smaller loans. But
they need that small amount to at least get started and
get off the ground. So we feel like we just kind of
fill that gap.

And so I think that you said it well in the
fact that you just have to be innovative in what you --
what you’re looking at and how you can invest and take
that extra risk.

MR. OHLE: And Wil, and in your perspective,
you’ve been in, you know, multiple markets across the
country, and obviously, Pine Bluff --

MR. JENKINS: Yes.

MR. OHLE: -- has its own unique market unto
itself. But how do you think about that and think
about, you know, your own investment strategy as you’re
considering opportunities?

MR. JENKINS: Well Pine Bluff is now becoming
an opportunity zone. We have a lot of historical
buildings here which enable you to take advantage of the
historical tax credits.

I recently acquired a theater here that was
built in 1892. And I have a lot of people across the
people across the country that are watching me. Once I
purchased that building, my phone just started blowing
up with investors wanting to come take a look at the
Pine Bluff area.

So I’m really looking forward to the future
and what it holds for Pine Bluff. You know, with it
being a rural town that’s going to come back, and it’s
going to take the mom and pops to bring it back, not the
big box stores. So I’m really looking forward to it.

MS. MILLER: Well Wil, I think that’s a
fantastic note for us to wrap on. I think we can keep
the conversation going with mom and pops. I’ve been to
Maryanne’s Coffee Shop --

MR. JENKINS: Oh, you have?

MS. MILLER: -- on Main Street, right in the
middle of Pine Bluff --

MR. JENKINS: Oh.

MS. MILLER: -- and so I know exactly what you
mean, and one rural community does not look like every
single other one.

MR. JENKINS: That’s right.

MS. MILLER: And that comes from an Alabama
girl.

So thank you Nate, Christy and Wil for joining
us today and for sharing your perspectives.

KEYNOTE: SMALL BUSINESS MACRO PERSPECTIVES

MS. MILLER: We’re going to move into our next
keynote, which is highlighting perspectives from
Administrator Jovita Carranza, the head of the U.S.
Small Business Administration; someone who needs very
little introduction. So we’ll queue that video keynote
up now. Thank you.

(A video of Ms. Carranza’s address plays from
timestamp 07:58 through timestamp 12:00.)

SPOTLIGHT: STORIES FROM FOUNDERS OF COLOR

MS. MILLER: It is now our pleasure to kick-
off our third spotlight discussion titled, “Stories From
Founders of Color: Building Minority-Owned Companies
that are Raising Capital” featuring two incredible
entrepreneurs: Davyeon Ross, Co-Founder and President
of ShotTracker; and Sevetri Wilson, Founder and CEO of
Resilia.

The floor is yours. Davyeon, Sevetri, thank
you for joining us today.

MS. WILSON: Thank you for having us.

And so, Davyeon, I know we have a short period
of time, so I would love to kind of just start with just
a brief intro and jump right into it. Does that sound
good for you?

MR. ROSS: That sounds awesome.

MS. WILSON: Yes. Go ahead, go ahead.

MR. ROSS: Oh, you want me to start? Okay,
MS. WILSON: And so I'll jump right in with a question that we can definitely continue the dialogue around this question. And you talked about it. You know, we're here to talk about raising capital and financing and how we build our companies.

But the question I want to pose for you is how have you crafted your financing strategy and leveraged barriers -- just areas of capital resources to build your business? So we'd love to know a little bit about that. I know that you bootstrapped your first company without, and then the second one, you raised capital.

So walk us through it a little bit.

MR. ROSS: Yeah. So I mean, our company is a little bit different as we discussed before. So we -- it's fairly complicated. It's, you know, it's a hardware-based company with software, so we've got devices that sit on a player's devices in the basketball. And for those of you that don't know, when you actually have a hardware company, there's a lot of capital that goes into, you know, the R&D process. So it's fairly capital-intensive.

So for us, we had to -- I mean, we started off raising, you know -- my co-founder and I put the first money in.

MS. WILSON: Mm-hmm.

MR. ROSS: First, go through that process.

But then quickly we realized like -- so for instance, there was one project that we built where we had to put a sensor in the basketball that it took a ton of R&D to get through that process. So we needed the capital.

So we started off funding it ourselves, and then we started to look at, like, partners who would understand the vision, understand what we're trying to do and accomplish from a different perspective.

And, you know, we had a couple multi-family offices that stepped up, a few VCs, a lot of Angels. So I mean, it sometimes is a little tough on the cap table, but we had to do what we had to do to bring in the capital.

The other thing that we also tried not to do, was try to figure our strategically, who could actually utilize our data and try to work with them to be able to help them fund it via either some partnership or sort of a revenue channel that allowed us to really scale. And you know, that's been our strategy thus far.

So what about you? I mean, I know that you've -- you have a little bit of a different strategy being like, software-related and --

MS. WILSON: Yes. So my first company truly bootstrapped. We didn't take outside capital, but the success of that company allowed me to also invest the first capital that went into my tech company years later.

And so from there, we began to build out our MVP, we began to build some traction, and then felt that we were in a good position to go out now and raise capital. And that's what we did. Definitely going through the pre-seed, seed rounds, Series A, starting off being able to raise capital from the network that I had built.

And so that's going to actually segue me into another question for you, and that's around network.

And so when I tell people that I raised my first pre-seed, which was like, just $400,000 and just could be different things to a lot of people on this call. As I told them, I used my network that I had built primarily through my business circles.

We generally call this like a friends and family, but let me tell you, it was not my friends and family who I raised the capital from. And when people say, "Oh, you know," they immediately, particularly for founders of color or minority founders, they're like, "Oh, well you had the network. You knew people."

And I immediately tell them, "Well that might be the case as I built my network, right, I didn't come from money. I didn't come from a last name where everyone knew. First generation college student, so yes, I definitely built my network."

So I would love to talk a little bit more about like, how do you build a network, and you know, how you begin to create these relationships.

MR. ROSS: Yeah. You know, that's an amazing point. Like, you know, I think -- and you -- we see this with a ton of founders of color, right, like, you know, don't -- they don't necessarily have the resources like, within their family that they can just go and say, "Hey, I need a hundy to start the company." It just doesn't work like that, right?

MS. WILSON: No.

MR. ROSS: So the networks are really important and I think that -- I know for us, I've got some specific examples.

So after I sold my first company, just in the Kansas City Region, you start mentoring. And I was fortunate to be able to be a mentor at Techstars. And being a mentor at Techstars, it opened me up to a whole world of people, right, because Techstars has got this national global network; and you're a mentor, so you're seeing tons of companies, you're interacting with a ton of people.
And you know, that conversation allowed me to talk to the Techstars venture folks who decided, "Hey, this is not a fit. We don't necessarily get sports," but they hooked me up with a VC firm which ultimately had an intern by the name of David Stern.

MS. WILSON: Absolutely.

MR. ROSS: He's actually -- it was his post-commission career and he was an intern at this VC firm. I mean, he actually had cards that said, "Intern." And you know, we struck a relationship which, you know, just ended up making it work for us and allowing us to raise some funding with him being involved, et cetera.

So you know, I think it was -- it started off as -- when you're starting to build your network, I think there's something about giving back the little that you have --

MS. WILSON: Mm-hmm.

MR. ROSS: -- to interact with people which helps to build that network even more. So I mean -- and I think what I've seen historically is that some founders have, you know, either they've done it before so they can go and say, "Hey, I've done it before" and they get nothing to build the $30 million valuation. It's in our situation, right?

MS. WILSON: Yeah.

MR. ROSS: Yeah. And you mentioned it, so let's talk about it a little bit; the impact of COVID, because I know you were also building a company outside of Silicon Valley. And what will you tell other founders about doing that and how they can strategize around building a company, as well as, accessing capital?

MR. ROSS: Yeah. So I think like -- I think you're a perfect -- you know, I think we're both the recipe, right, but what you just said is so important. If you could actually own and be able to build, you know, locally, where people know you, where you know your name.

MS. WILSON: Mm-hmm.

MR. ROSS: You know, you have to branch out and start -- whether it's conferences or other places where you meet people reaching out, I think that, you know, geography -- there's advantages and disadvantages to geography, right?

MS. WILSON: Yes.

MR. ROSS: I mean, so the coast, there's a wealth of, you know, capital available: VC firms, et cetera. But I also think that one of the benefits for us is that, you know, we were able to get -- I mean, we were that shiny object, right, so we were able to get the right resources from a talent pool to funding and, you know, look, we're still working through some of these things.

MS. WILSON: Yes.

MR. ROSS: You know, I would tell people, you know, start at home if you can. I think it's important to get out and get money. I think that's one of the benefits of COVID. COVID, which, yeah, I think it's probably the only one; but what COVID has done, is COVID has trained us that like, geography doesn't necessarily matter. We have the tools, there are things -- I mean, think about now. Instead of going to all these meetings, we're all doing Zoom meetings, WebEx meetings, et cetera.

So I think that's what COVID has taught us, that we can be wherever we are and still execute and still build relationships. But it's good to start at home, but you've got to branch out and start building those relationships and those social platforms to get to individuals in your space that could be helpful to help you, you know, reach your end goal.

MS. WILSON: Yeah. And you mentioned it, so let's talk about it a little bit; the impact of COVID, right?

MR. ROSS: Yeah.

MS. WILSON: You talked about COVID and on top of that, we obviously are seeing protests, civil unrest, the whole -- everything that can probably happen has --

is happening right now in 2020.
MR. ROSS: Yeah.
MS. WILSON: And I think that in many ways, some founders were like, maybe gearing up to like, raise capital and now they're just like, "What should I do? How should I think about this?"

What is some advice that you could -- potentially could give to other founders about like, wavering or going through the storms to look on the other side? And I know, it's kind of a hard question and could -- possibly because we're both going through it as we talk about it.

MR. ROSS: Yeah. This black guy right here, that's from COVID.
MS. WILSON: Yes.
MR. ROSS: No. Look, I think that -- yeah, I think that we're all going through it, right? As I said, there's a lot of advantages, you know -- I guess when I think about it, not only the marketization of geography is due to COVID, but I think like, you know, if we think about like, the social climate of what's going on, just the awareness about the injustice and things that are going on has been brought to the forefront, right?

MS. WILSON: Yes.
MR. ROSS: As you know, we're a sports business. So you talk about impacted --
MS. WILSON: Mm-hmm.
MR. ROSS: -- you know, it's -- it has really changed the dynamic and you know, just to be vulnerable and upfront. Like, we're trying to figure it out, because you know, at one point in time we had a bunch of installs that had to -- got cancelled that was scheduled from March until May.

MS. WILSON: Yes.
MR. ROSS: We had to like, shut it down because like, no schools were open. And I don't think we're out of the gate right now because, you know, you have to think that, like, we don't have a vaccine. So there's a lot of things that are going on right now in the sports world that we are trying to figure out and it is not easy; it is hard. But you know, like, look -- and I think, you know, I'd love to hear kind of how it's affected you also.

But I think that it's just important to note that, you know, entrepreneurship is like, this emotional roller coaster and you're going to get punched in the mouth and you've got to get back up. And you know, that's part of the process, that's part of the journey, part of the experience. So I mean, tell me a little about some of the things that you guys have had to navigate as it relates to just COVID and just this whole climate.

MS. WILSON: That's an interesting question.
MR. ROSS: Especially since you've been working in like, government parts. I mean, it's got to be impacting, right?
MS. WILSON: Absolutely. So you know, we essentially -- our enterprise product, which is kind of like our big baby as we call it, we essentially are providing software to manage, to pull data, to create transparency around reporting for those who are deploying capital, right, so anything like cities, private foundations, public charities.

And so interesting enough, we've seen almost a -- like a boom in business because of all the activity. We've -- it's unprecedented activity happening right now in philanthropy and funds being created and in money being deployed rapidly to organizations. Like Ford Foundation just announced a billion-dollar effort that's going to be backed by bonds, which is something that we had envisioned happening, and now COVID is actually making it happen faster, and it's making charitable organizations move faster when generally, they have moved very slow.

MR. ROSS: Yes.
thing that I would add are I think it's important to like, identify the different Angel groups, and attend some of these events, right? I think a lot of these Angel groups are looking for great ideas.

I think if there are situations where you can -- if you have a certain expertise, you could try to find accelerator programs, different programs that -- where you can actually provide. You know, there's something about going into a relationship where you're willing to give.

And then, you know, on the -- especially seeing that none of us are traveling, you're somewhat at least limited to your geography right now. I'd say there's a lot of information out there about people who are, you know, building funds. And as I said before, the time is now, right, people are probably more open --

MS. WILSON: Mm-hmm.

MR. ROSS: -- to entrepreneurs and people of
MS. MILLER: All right. Well that is the
spotlight: building tomorrow's public companies.

Track 2 timestamp 33:40 through timestamp 40:50.
(A video of Mr. Flint's address plays from
them to the public market.

we're starting to look at how do you actually scale and
stage access to capital in the private market. And now
where we're switching from talking about really earlier-
stage access to capital in the private market. And now
we're starting to look at how do you actually scale and
take those companies that are good candidates and bring
them to the public market.

So with that, we'll tune in to Pete.
(A video of Mr. Flint's address plays from
Track 2 timestamp 33:40 through timestamp 40:50.)

SPOTLIGHT: BUILDING TOMORROW'S PUBLIC COMPANIES
MS. MILLER: All right. Well that is the

MR. LEVEY: Very good. That sounds great.
Well so far, very impressed with the spotlights, the
keynotes. So thank you, Martha and the team, for
organizing all of this.

MS. MILLER: Absolutely. Absolutely. I
take those companies that are good candidates and bring
them to the public market.

I appreciate you making time and joining us from out on
the West Coast.

MR. LEVEY: Yes, my pleasure. My pleasure.

MS. MILLER: I think that we -- unfortunately,
if we didn't have some lovely technical quirks, so we're
switching over to make sure that we get Pete's video
ready and queued up for everyone. So Jenny on our team
should be ready to share that with you in just a minute.
And this is the point in the forum program
where we're switching from talking about really earlier-
stage access to capital in the private market. And now
we're starting to look at how do you actually scale and
take those companies that are good candidates and bring
them to the public market.

So with that, we'll tune in to Pete.
(A video of Mr. Flint's address plays from
Track 2 timestamp 33:40 through timestamp 40:50.)

SPOTLIGHT: BUILDING TOMORROW'S PUBLIC COMPANIES
MS. MILLER: All right. Well that is the

I am thrilled to be introducing you to two
people who I think the world of as we talk about
building tomorrow's public companies, exploring the past
IPOs and future of public offerings, featuring Stephen
Graham. He's a partner at Fenwick and West in Seattle,
and Brian Levey, Chief Business Affairs and Legal
Officer at Upwork in California, both of whom were also
members of our SEC Small Business Technical Formation
Advisory Committee.

Thank you both so much for being here today
and for sharing some of your perspectives on the path to
becoming a public company.

MR. LEVEY: Thank you, Martha.

Stephen, are you there?

MS. MILLER: While he gets queued up, it can
be the two of us, Brian; how does that sound?

MR. LEVEY: Very good. That sounds great.

I sit.

And also, just to say that, you know, the
views that I'm expressing today are, you know, my
personal views, they don't necessarily reflect those of
my employer, nor of the SEC Advisory Committee on which
I sit.

I think with respect to Upwork, our 2018 IPO
provided us, you know, five primary benefits, certainly
a, you know, long arduous process to get there. But for
us it really served as a branding event which I believe
continues to give us more credibility, prestige, with
customers of all sizes.

I think secondly, as a company that had been
formed 15 years before the IPO, and because we generally
restricted stock transfers in the secondary market for a
good five years before the IPO going public did provide

people have great ideas, but they don't have the
technical chops to be able to develop the prototype.

If you could actually partner up with some
technical founders, it would allow you to get closer to
the point where you have a prototype; and when you have
something to show, it's a lot easier to be able to raise
that capital. It's like the train is leaving, buy your
ticket, let's keep it really moving. So --

Any other questions?

MS. MILLER: I think that we -- unfortunately,
I think we could ask questions all day, Sevetri and
Davyeon.

MS. WILSON: That's great.
MS. MILLER: So when you -- but out of --
we've run out, inevitably, against the clock, so -- to
borrow a lovely sports pun from Davyeon's industry.

I appreciate both of you being here today,
Sevetri and Davyeon, and sharing your perspective,
particularly as you talk about navigating network
challenges. That's something that we are particularly
interested in and want to make sure that we understand.
And your discussion about the founder's journey is
actually the perfect segue, Davyeon, into -- are the
cradle of our next keynote, "The Founder's Journey."
So I know that we have COVID-19, people aren't
environment? Now as they're looking at the changed economic
22
What are you hearing people talk about right
20
question for you. As you're thinking about the -- you
got your experience going public. And I have a feeling
that being right in the heart of the valley, you’ve got
lots of -- that reach out to you and say, "Okay. We're
thinking about it, but we're trying to weigh different
things.'
22
What are you hearing people talk about right
23
environment?
24
So I know that we have COVID-19, people aren't

traveling. There's a lot that's been said about what's
happening with roadshows, and we've got Steve here.
3
Steve, welcome. I see your video. Glad that
you're here. Just curious what you're thinking about
kind of the evolution of roadshows, and how you go about
marketing pre-IPO to investors, if that's something that
you're hearing people talk about?
8
MR. GRAHAM: Martha, I'm assuming that was a
question for Brian.
10
MS. MILLER: It is a question for whoever of
the two of you would like to answer it, Steve.
12
MR. GRAHAM: Okay. It sounded to me like I
dropped in when Brian was talking about the advantages
of going public.
19
MR. LEVEY: Yes.
20
MR. GRAHAM: So you had a question, Martha,
you know, I'll jump in and talk about the
disadvantages as soon as you finish.
22
MR. LEVEY: Yeah. As far as what companies
are doing now, I really don't have a sense, Martha. I
think the investment banks and the other -- you know,

I think third, it -- the IPO gave us the
optionality more than anything else to more readily use
our publicly traded stock if we wanted to do a stock
acquisition for example, employee retention. It also
gave us the ability, for example, to hand-pick, you
know, the -- what we thought were going to be buying
whole institutional investors who we wanted to receive
the newly issued shares.
10
I will say that looking back now, a number of
them were much more short-term focused than we had anticipated. So I will say that one of the biggest
disappointments for me thus far.
13
And lastly, even though we didn't need to
go public and to raise capital, the IPO also opens up
the public capital markets for additional financing,
capital raising, and it also results in just higher
valuations, I think, because there's no longer the
illiquidity discount that's associated with the private
market. And my sense is, is that this year's public
convertible debt market has seen much better pricing for
issuers than a private debt market would be priced.
23
And just sort of lastly, in connection with
our IPO process, I do think the Commission's efforts to
facilitate IPOs over the past several years helped us on

several fronts. First, it enabled us to, you know,
conduct useful non-deal roadshows, testing the waters
meetings to get our name out there, to tell our story;
and frankly, refine our messaging before the formal
roadshow.
6
Second, you know, the initial S-1 confidential
filing was helpful; and lastly, the SEC comment letter
process seemed more focused on substantive issues as
opposed to what I view as more nitty form items that I
had seen in my prior IPO experiences.
11
So that's a flavor, you know, of sort of the
pros of going public. And I don't know if that --
MS. MILLER: Yeah.
13
MR. LEVEY: -- if that's helpful.
14
MS. MILLER: That's interesting. So Brian,
question for you. As you're thinking about the -- you
got your experience going public. And I have a feeling
that being right in the heart of the valley, you've got
lots of -- that reach out to you and say, "Okay. We're
thinking about it, but we're trying to weigh different
things.'
22
What are you hearing people talk about right
now as they're looking at the changed economic
environment?
24
So I know that we have COVID-19, people aren't

the big law firms may have a better sense just because
they're more repeat players in the space.
3
But I do think it's, you know, with the
benefits come the disadvantages. And you know, we
certainly are facing some of those now. But I'm
feeling, you know, that might be a good segue into Steve
and sort of giving his sense of some of the negatives so
-- of being public or thinking about going public.
9
MR. GRAHAM: Sure, let me just kind of jump
into that. Everyone hears about cost, cost and more
cost. And certainly, it is a very expensive and time-
consuming process, as well as, an expensive and time-
consuming existence. You'll need a team of lawyers and
accountants to assist with the drafting of the
registration, stamping and getting it through the SEC.
16
You'll need increased infrastructure in terms
of financial legal personnel to handle finances, you
have to communicate with the street and deal with
periodic reporting requirements. Listing fees or other
consulting fees, and by the time all is said and done,
the tab for going public typically is in the range of 2-
1/2 to $4 million. And of course, investment bankers
are there to earn a fee of -- ranging between, you know,
4 to 7 percent of the gross proceeds.
22
And certain other costs incurred in the run-up
to an IPO will of course be permanent. The enhanced infrastructure is not going anywhere. There's the costs associated with ongoing statutory and regulatory compliance, your 10-K, your 10-Qs, the occasional 8-K, your proxy statement, your annual meeting. There's a quarterly earnings release establishing complying with public company policies such as the insider trading policy and you know, dealing with the things that will come along in what may seem to be an endless flow. For example, wrestling with disclosure issues and Regulation FD and addressing disgruntled shareholders. The annual costs of all that is between 1 and $2 million, and those are just the hard-dollar costs. In addition to the hard-dollar cost, you'll need to understand that your life will no longer be your own. There will be increased investor scrutiny, you will have the street and your public shareholders to be responsive to. Disclosure requirements may force public disclosure of information that you would rather not ever disclose, or at least not yet, such as a key metrics of your business; you become more of an open book to your competitors. Executive compensation, security breaches, executive and board changes, unsuccessful business ventures, et cetera.

There is also, of course, the potential for stock price volatility to have an adverse effect on the employment realm, not to mention, generating shareholder suits. And so you can add greater exposure to litigation and the activist shareholders to the list. And finally, there is the potential for employee turnover when they suddenly have access to something. But not withstanding all of that, you decide to go public anyway, and in that case, you'll be spending a lot of time drafting disclosure. The reporting regimen does provide for some areas of scale disclosure for small companies. And I was going to flip it back to Brian and ask what are some of the areas that -- where you think it makes sense to scale, and do you view any of these requirements as kind of out of whack in terms of driving shareholder value?

MR. LEVEY: Yeah, thanks for that, Stephen. I definitely have, I think two observations here. First, I think the compensation disclosure for issue is issuers other than smaller reporting companies and emerging-growth companies is burdensome and expensive. And I don't get the sense that the streamlined disclosure requirements for these SRCs and EGCs is depriving investors of meaningful information. You know, and second, while auditor attestation of internal controls is important, it does seem like there's an opportunity for a longer phase and period following a company's IPO, even if the issuer would otherwise qualify as an accelerated or large-accelerated filer.

We had to comply with SOX 404(b) attestation in only our second 10-K after going public because the company qualified as a large accelerated filer and was no longer an EGC. And that transition was very expensive, required a ton of internal effort, especially on the heels of the very time-consuming and expensive IPO process, you know, Steve, as you just referred to. I should note that the SEC has made good progress here, having already changed the definition of a smaller reporting company and allowing smaller companies to avoid the attestation requirement. I just think there may be more opportunity to tailor their requirements on this front. You know, I don't -- and with that, Stephen, you know, do you have any thoughts on quarterly reporting and sort of a sense of short, you know, short-termism versus long-termism, for example?

MR. GRAHAM: Good points. Quarterly reporting is important, and I think it generally works well. I think there's some things around the edges that I think might be useful. There is the potential for more streamlining, you know, for example, sometimes your risk factors manage to sneak into your queue as well, and I'm of the view that 40 or 50 pages of risk factors doesn't do anybody any good; figure out some kind of way to deal with that. I know that a lot of it is based on fear. "If my competitors built that risk factor in, then I better put it in, too." And "If one paragraph is good, then three paragraphs has got to be even better."

But as far as, you know, things that, you know, that we might be thinking about, one is just note that foreign private issuers are not required to do quarterly reporting. If they are not required to do reporting, then why shouldn't domestic issuers, you know, have the -- be extended the same -- that same courtesy.

And sometimes I wonder to what extent investors really care about 10-Qs in any event. Stock price changes tend to be driven by earnings releases and calls and not by quarterly disclosures in a 10-Q. MR. LEVEY: Yeah, I agree.

MR. GRAHAM: But it can be hard for companies...
to resist managing to quarterly results instead of managing to long-term business strategy. I have always been of the view that you should do what is best for the business long-term and not be driven by quarterly -- by the quarterly earnings call.

I've never thought that, "The market made me do it" was a very good defense.

MR. LEVEY: Mm-hmm.

MR. GRAHAM: But you have a strategy, you have a vision; make sure you are understood by the street, and investors can invest in your company or not, you know, based on that vision, not on your return stock price is sometimes easier said than done, but you're running the business, not the -- not some outsider.

And on the subject of doing what you think is best for the business, and not bowing down to outside forces, that brings to mind proxy advisory firms.

And Brian, I just -- I thought I might get your thoughts on these firms and related to that, what you might think about the shareholder proposal regimen.

MR. LEVEY: No, thanks for asking, Steve.

I -- on the -- first addressing the shareholder proposal, I do think it's currently far too easy to being a shareholder proposal. I'm certainly very supportive of the SEC's proposed 14a-8 Amendment to

increase the $2,000 minimum ownership threshold that's required now. It's just far too low and I'm not sure that's changed in decades.

I also do believe that the proxy advisory firms review, you know, governance per se, in a black box and do so pretty formulaically. I think the current system doesn't account for the company's results, it's stage of development, because the governance of a newly public company should look very different than a mature company. Nor do I think it accounts for the company's voluntary governance improvements over time.

And all this sort of tied together with the fact that large, passive investment funds or the index funds have essentially handed over their voting rights to the proxy advisors. The proxy advisory firms wield a ton of power these days.

So when combined with the current shareholder proposal regimen, you know, companies are being forced to make governance changes that aren't necessarily in the interest of the company, but rather, the small activist stockholders. And I get the sense that large investors aren't affirmatively driving many governance changes, but rather, they're voting for them after much smaller stockholders put them on the ballot and are almost unanimously supported by the proxy advisory firm.

So this is a frustrating environment for a company such as ours, which has been public for less than two years, has customary protections for a young public company, and where there is solid stockholder representation on our board because we have several board members who hold sizeable equity stakes in the company.

So just some thoughts there. Maybe a little bit of segue, yeah, Stephen you're -- you know, you see a lot of firms out there. Are there any, you know, types of companies, sectors of companies you see in the current marketplace who want to go public, you know, who -- those who want to stay private?

Give me a sense of, you know, the profile of a company, you know, you would recommend they go public or not go public if you can.

MR. GRAHAM: Yeah. And usually when these kinds of questions come up, it's the -- it just -- well there's so many people that are just kind of ignorant, I guess, to the process. Which is not surprising; this is not their life. But they have a company and their dream is to go public, whatever that means.

But it sounds good and kind of establishes your brand and suddenly it's -- you get all this liquidity and everything else, which as we well know, if...
companies’ scrutiny. And tech has been leading the way in that sector, and I do a profile as high-revenue growth that would be in the -- defined as 30 percent plus.

MR. LEVEY: Mm-hmm.

MR. GRAHAM: I think part of the question is, you know, who wants to go public and who doesn’t. And then again, the real question is -- I mean, there’s plenty of companies across sectors who want to go public and the real question is, “Do you meet the criteria?”

You have an unattractive story, unattractive financials, management not ready, and just the opposite of the list that I just provided.

And then I suppose there are those companies that do qualify but don’t want to, and sometimes get forced to anyway because of the liquidity that is demanded by their employees and by their investors.

MS. MILLER: I think, Steve, one thing you’ve made very clear, there’s a lot of variables that need to be considered as you’re weighing the -- when to go public and what you’re looking at, whether it is driven by liquidity or by need to tap the market for repeat access to capital.

But I just want to say thank you to both of you for sharing your perspective. We’re coming up on time, and I’m the taskmaster that’s keeping us on a schedule today.

So I’m going to -- unfortunately I have to wrap this, but you’ve queued up a number of topics that will be very insightful for our 4 p.m. Eastern session focused on challenges and opportunities that we can address with public companies.

It is now my pleasure to switch us over into our final keynotes from the day featuring Susan Tynan who is the founder and CEO of Framebridge. And so we’ve got her video queued up.

And again, Steve, Brian, thank you very much for being with us today. I appreciate it.

MR. LEVEY: Our pleasure.

KEYNOTE: SCALING YOUR IDEA

(A video of Mr. Tynan’s address plays from Track 3 timestamp 03:16 through timestamp 08:50.)

MS. MILLER: All right. We cut that last bit of her remarks a little bit short, but appreciate Susan’s thoughts as an entrepreneur based here in D.C.

SPOTLIGHT: SMALL CAP TODAY

MS. MILLER: It is now my pleasure to kick-off our fifth and final spotlight discussion on small cap today, how smaller public companies overcome challenges in today’s market climate, featuring AJ Krick, CFO, and then in 1995 the company determined to go from a debt-structure to an equity-structure and did the IPO on NASDAQ. And then in the early 2000s, we were delisted from NASDAQ and we’ve been on OTC ever since.

Back in 2015, we met the criteria of the top, roughly 450 out of 10,000 OTC companies to be on their OTCQX platform, and it has been tremendous for us; it’s been a great place to get some liquidity for our investors. So I guess that’s kind of our story and we’ll get more into that.

So Dave, I think you’re next in line, alphabetically?

MR. WAGNER: All right. Thank you, AJ.

My name’s Dave Wagner, President and CEO of Zix Corp. Zix is a leading provider of a cloud email security productivity and compliance solutions for businesses of all sizes. We service about 30 percent of the hospitals in the United States, 31 percent to the banks and credit unions. So the mid-market buyer of compliance-oriented solutions is really the market vertical that we’re focused on and customers that we service.

We have about $214 million of annual recurring revenue, about 540 employees. We just celebrated our 30th year on the NASDAQ, so quite an old public company
for a micro-cap company. We raised $100 million in the late '90s to get the company started. We ended up buying back shares over the late 2000s: 2009, 2015, and then last year, we raised $100 million in a pipe offering.

Our passion right now as it relates to the investment community is ESG. I've been spending a lot of time thinking about ESG, working on ESG and have earned the ISS ESG premiere designation as a company in the top decile for ESG. And so looking forward to talking to you more about the issues we face as a longtime public company.

Mary Ann --

MS. SCULLY: Sure. I'll get started.

So Howard Bank is a $2-1/2 billion bank headquartered in Baltimore. We're very focused on people and place, so we work with SME, small and medium sized enterprises that are based either in the greater Baltimore region or in the greater Washington areas and Philadelphia areas immediately contiguous to those.

So the irony in our business model is that we focus exclusively on privately-held, very often family-owned businesses. Started the bank in 2004, so we're a young company and became an SEC registrant in 2012 and listed on NASDAQ at that point in time.

We've done a couple of capital offerings: two independently, one associated with an acquisition, and have also grown in capital based if you need 2-1/2 billion in assets through some whole bank acquisitions. But while we're focused on and respectful of family-owned businesses, we decided in 2012 that we needed to be an SEC registrant in order to have access to the kind of capital that you need to be relevant to business owners and tacit in your communities and in order to be totally transparent.

Member banks that started early in the 21st Century had a repeat business model that basically went along the lines of we'll start, we'll raise some capital and then we'll sell. And we wanted to have at least the option to do something other than that for a longer-term basis.

And so we needed to focus on optionality for our original shareholders; a way for them on their own, and on their own timeframe, to liquidate their investment and make those initially illiquid investments more liquid.

We've been very happy with the SEC registration and with the public role. We're a highly regulated company, and so that means some of the quarterly requirements and the transparency just comes naturally by virtue of being kind of a regulated industry.

But we believe it's given us that access to capital, it's given us that transparency that our shareholders want, it's given them the optionality on clearly, as a micro-cap, that doesn't mean that you necessarily have the liquidity that sometimes your shareholders want, but that's something that we believe is ultimately, again, on an optional basis, only available as an SEC registrant.

So I don't know how David and AJ -- I know a little bit how you've experienced the liquidity challenges of micro-cap, but you know, I guess could comment on how you found out that --

MR. KRICK: Yeah. I'll go. So for us, you know, we're $50 million in revenue, so you know, the word micro-cap takes on a bigger and bigger company in the year. So we're in the nano-cap spaces is what we call it around here.

So you know, you talked about raising money, but you know, we're -- as I said, we're on OTCQX, which is a secondary trading market, so it's not really a platform for raising capital per se. We just have it because there's a little bit of liquidity for our investors, but it's a major, major challenge. It being so small, you know, we're training -- our average daily volume's roughly 5,000 shares.

So it's not a lot, you know, it takes a long time to get a -- get in a big position, and it takes a long time to get out of a big position. So definitely a lot of challenges there being in that nano-cap space.

What about you, Dave?

MR. WAGNER: Well you know, so we're a step up from that, but still very much in the micro-cap space. Our maturity has allowed us to get some analyst coverage, which, we have about six covering analysts now, which is certainly helpful.

But the market has changed so much. I was a public company CFO for more than a decade, started 10 years ago. And what I noticed coming back into the public markets in 2016 is how much the ETFs and the algo-traders have changed the complexion of what we are facing in the public markets.

And so the volatility is -- that is sometimes created by those phenomenon where we get basketed in with cybersecurity stocks or basketed in with software stocks. And then as a small company, get moved around sometimes disproportionately as those positions move, creating a lot of volatility.

So you know, we've had a good -- great
 experience being a publicly-listed company for a long time. But one of the challenges we're facing now is this -- the volatility as the character of the shareholder base has changed.

Mary Ann, are you --

MS. SCULLY: Yeah, it's an interesting -- it's an interesting perspective. I mean, we, because of the growth that we've had, are close to a 200 million market cap; it'll be around 186 now. But one of the interesting dynamics of our market capitalization is that the last acquisition that we did was of a privately-held company that had recapitalized themselves a few years before and they had a few institutional investors with a private equity company.

So first of all, our market cap has been impacted by any very large shareholders. And we found those large shareholders and the traditional institutional shareholders, plus our original retail shareholders going back to 2004, and going back to one of the companies that we bought that had a regional shareholder base, have helped to offset that general trend.

But we've certainly seen in the last year -- let's call it the good and the bad of being in an index where less than 2,000 can be. And the good news is that does give us more visibility. We're covered by about four institutional analysts. And that also gives you more of a platform for liquidity. For the minute you're in an index, you're now beginning to be part of those index funds, an integral part of the funds.

And what we have seen in the last year, and in particular, with the challenges of the pandemic, that the ETFs are playing a more and more dominant role, I think, in all of our lives. And that is difficult because basically, it means that rather than having institutional or retail shareholders who can take that transparent information -- you give them, I would say, talk to you. We're obviously very accessible, both as a microcap and as a community bank.

But the ETFs are not talking to you; they're basing all of this purely on a group of metrics. And to your point, David, on industries rather than on the unique characteristics of a company.

MR. WAGNER: Yeah, and maybe a derivative act, Mary Ann, you were talking about is the proxy advisors then, and how many of the votes are driven by, you know, proxy. How are you finding that in your business?

MS. SCULLY: Well we've been challenged and yeah, we've never had a proxy advisor who's done anything other than support our proposals. But having said that, I think that I would agree with one of the previous panelists who indicated that there are now some institutional investors; not all, but some, who have completely abdicated their own role, again, in analyzing the specifics of your governance: you're looking at a chart and their checking boxes.

The proxy advisors, I think theoretically, provide a very useful role, but I think that the way they execute occasionally leaves a lot to be desired. You tend to have sometimes very junior people, again, using more of a checkbox formula rather than an actual analysis. There are a lot of rules around whether or not, and when and how you can speak to proxy advisors to have it not billed as a company and not be able to talk to our stakeholders. And the proxy advisors at this point are stakeholders.

And I think there are also some conflict in some of the proxy advisors have in terms of additional services and analyses that they would like to provide, but understandably, their business model doesn't allow them to provide that free of charge. And so there is some potential elements of conflict.

So proxy advisors, for us, are part of the game. We're happy to be in the game. I think sometimes the actions leave something to be desired. And I know that the SEC's going to be playing more of a role going forward in providing them with the same sort of boundaries that they provide all of us, which, we think is good and we've been supportive of that.

MS. DAVIS: Hey all, this is Julie. We've got a question that I wanted to lob into you. We've had a couple folks ask about the fact that the SEC's recording regimen provides for some areas of scale disclosure for a smaller company, such as yours. And I know you talked a little bit about that opportunity to scale.

But we got one particular question asking if you view any of the requirements as being out of whack in terms of the shareholder value when it drives, whether there's -- so maybe some other areas that you would like to see scaled, or if you think they're appropriate.

MR. WAGNER: AJ, you're the smallest stack in terms of market cap or how -- what would your thoughts be?

MR. KRICK: Yeah. So you know, from us, I'm in a department with five people. So you know, it all falls onto my lap. I wear, you know, CFO, secretary, treasurer, IR, you know, you name it, I'm there. I'm on the production floor. So it can be a burden being as small as we are; however, I will say a lot of the
<table>
<thead>
<tr>
<th>Page 98</th>
<th>Page 100</th>
</tr>
</thead>
<tbody>
<tr>
<td>disclosure that we put out there has drawn a lot of investors.</td>
<td>that balance between transparency and the cost.</td>
</tr>
<tr>
<td>So just the NDNA that's required, you know, that actually does help us quite a bit because a lot of times, if I'm on the shop floor, an investor's going to call in and I'm not going to be able to answer the questions, right?</td>
<td>But I would agree with you. And I do think the fact that the SEC provides information quarterly isn't in and of itself the challenge; it's what goes with that. I mean, we've had some -- many sudden changes were long-anticipated but perhaps, unwise changes that FASB has imposed on our industry as well.</td>
</tr>
<tr>
<td>So for us, even though it's a burden, I think it is a very useful tool, filing quarterly -- you know, all the required filings. But you know, as again, I have all the same filing requirements as, you know, Dave and even bigger companies. So that is fairly tough.</td>
<td>And it's those changes, rather than the fact that you have to report them quarterly, that really drive a lot of issues. And then it's also what some people do with that now. Some of the previous panelists talked about this, but the expectation in some quarters that you're going to give earnings which tends to make you very short-term oriented unless you're passionate about resisting.</td>
</tr>
<tr>
<td>MR. WAGNER: Yeah. And for us it's not so much the scaling. I found -- I think it was Mary Ann that really emphasized this transparency as something that, you know, we're moving to a more and more and more transparent world. And so we recognize that at Zix and we're embracing that at Zix. And we serve compliance-oriented buyers, and so they want that transparency from us. But it's more the changing regulations that -- and accounting practices -- when they change, it creates a lot of extra work. And so I think there are a lot of things that the FASB thinks about, and they think it's going to help shareholders and maybe it does.</td>
<td>And we do try to focus very much on long-term strategy, so it can be difficult when you're providing not only quarterly retrospective information, but you've got people that then want you to pick out your crystal ball and you tell them what's going to happen six months from now.</td>
</tr>
<tr>
<td>But you know, these accounting rule changes and run team back through, you know, every contract we have and sales compensation and as these -- or Zix changes, these put a big -- it's the changes that put the bigger burden on the team that I find and I wonder if sometimes, you know, we don't -- just that change for change sake as opposed to recognizing the value of being a constituent and following through and letting the companies, you know, maturing to the processes. It's the change in process is what stresses my team.</td>
<td>So it's the unintended consequences rather than the reporting itself, I think. And I think that's what you're saying in terms of the vast few rules as</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Page 99</td>
<td>Page 101</td>
</tr>
<tr>
<td>But I think it's less the fact that the SEC registration requirements are that you need to report quarterly. And I'm always very appreciative of the small issue where exceptions -- you know, I could make some distinctions that I know, again, we file quarterly reports for our regulators as well, for the FDIC. They have some interesting rules on their quarterly call reports where some things are only reported every six months and some things are only reported annually. So there's a skeleton of the information that's always going to be useful to an institutional investor. But other pieces, they might be looking at it less frequently. So it lets me -- it lets me toggle well.</td>
<td></td>
</tr>
<tr>
<td>MS. SCULLY: So David, I would agree, but let me ask if you agree with this. I think it's less the fact that the SEC registration requirements are that you need to report quarterly. And I'm always very appreciative of the small issue where exceptions -- you know, I could make some distinctions that I know, again, we file quarterly reports for our regulators as well, for the FDIC. They have some interesting rules on their quarterly call reports where some things are only reported every six months and some things are only reported annually. So there's a skeleton of the information that's always going to be useful to an institutional investor. But other pieces, they might be looking at it less frequently. So it lets me -- it lets me toggle well.</td>
<td></td>
</tr>
</tbody>
</table>
| MS. MILLER: Well Mary Ann, you saying the crystal ball, I think, is the perfect segue. I've got a good crystal ball that you just all three queued-up incredible thoughts for this afternoon's discussion on ways that people can develop recommendation and address some of these challenges. I think that 20 minutes is nowhere nearly enough time to delve into how do we actually solve all of them, but you've pieced out a lot of wonderful issues today. So thank you all very much for joining us and I hope that we can continue this important conversation later this afternoon. | So today, to recap, we've heard from a number of thought leaders with fantastic insight. And now it is your turn, as our participants in the forum, to take what you've heard, as well as, the unique perspectives that each of you bring to help shape recommendations for how the rule book should change to meet evolving market demands. As you will have guessed, if you participated in an SEC event before, the fantastic perspectives you've heard today should be attributed to the speakers, not necessarily the Commission or commissioners. And please feel free to keep sharing some of the wonderful
ideas that you heard on social media and tenuous speakers using the handles flagged in our forum program. Please also continue to think about ideas. Type those into the WebEx or email smallbusiness@sec.gov. And I'm going to turn it over to my colleague, Colin Caleb.

Colin, did you hear?

MR. CALEB: Thank you, Martha.

So next up we'll have a 15-minute break, during which we hope you'll take a moment to pause, reset, stretch, reflect on what you've heard thus far today. And after the break we'll start our first policy development session at 2:45, focused on exempt offerings and the capital formation proposal. This session is the venue to bring up topics we've heard about today such as accredited investor definition, amortization of the exempt offering rules, guidance on demo days, crowd funding, Regulation A, mini IPOs and finders.

So after Session 1, we'll start with two -- after Session 1 we'll start Session 2 at 4 p.m.: "On the Path to IPO and Small Cap Company Perspectives." This session is a venue to bring up topics we've heard about today such as public company disclosures, SOX 404(b), research coverage, secondary liquidity and other topics highlighted today. Both of those sessions are accessible solely through WebEx given their interactive nature. Registered participants should have a unique link in their inbox. For more details on how to participate, head over to our forum webpage. And before --

MS. MILLER: Wonderful. And thank you very much. So before we head over to the break, I want to take a moment and I want to thank the team who has been working behind the scenes tirelessly to make this event possible.

So that includes our team that's shown on the display here, as well as, our Office of Information Technology, Nick Bain, who's name you've seen on the screen; and our Office of Public Affairs team who made sure you know about this event and could engage with us. In the U.S., I think we have the myth of the solo entrepreneur. We like to attribute things to one leader. You've seen my face a lot today. There is no such thing as the solo entrepreneur who's leading things, nor is there such a team -- thing as a really small team pulling off a big and heavy lift.

So special gratitude to our team: Colin Caleb, Julie Davis, Jessica McKinney, Jenny Riegel, Malika Sullivan and Todd Vanlaere. While we haven't been seeing each other in person and sitting in conference rooms together and working in-person like we're used to since early March, we're honored to bring so many of you here today to talk about these important topics in a virtual setting.

Thank you for all that you have put into making this your swarm of success and enjoy the break for a little bit, everybody. Thank you.

(Whereupon, the forum was recessed.) ****