



Deep Dive on “Finders”

Presentation to SEC Small Business Capital Formation Advisory Committee

JULY 22, 2025

GARY J. ROSS

ROSS LAW GROUP, PLLC

Agenda

- Introduction
- Current Market Practice
- Traditional Broker-Dealer Concerns Don't Fit Early-Stage Market
- Potential Effects of Finder Exemption
- Thoughts on 2020 Proposal and Unlocking Capital for Small Businesses Act of 2025
- Form D
- State Preemption
- Closing Thoughts

Introduction

Current Market Practice

- Finders are Ubiquitous
- Transaction-based Compensation Workarounds:
 - Flat Fee Arrangements
 - No Involvement of Legal Counsel
 - Special Purpose Vehicles

Traditional B-D Concerns Don't Fit Early-Stage Market

- No “Boiler Rooms”
- Investor-Led Due Diligence
- Finders Function More Like Recruiters

Potential Effects of Finder Exemption

- Improved Caliber of Finders
- Streamlining of Finder Participation and Compensation
- Likely No Increase in Fraud

Thoughts on 2020 Proposal

- Raising under Paul Anka No-Action Letter is Not Realistic
- Determining Scope of Prohibited Activities Can Be Difficult
 - “Negotiating the terms of the offering”
 - “Participate in preparation of any sales materials”
 - “Engage in any ‘due diligence’ activities”

Unlocking Capital for Small Businesses Act of 2025

- Moving Away From Paul Anka
- Dollar Thresholds Rather Than Activities

Form D

- Item 12: Identification of Finders and Broker-Dealers
 - Hyperlink Names à la Forms 3, 4, and 5?
- Item 15: Sales Commissions and Finders' Fee Expenses

State Preemption

- Convenient for Market Participants but
- Could Still Be Role for States
 - Could Base State Regulation Solely on Location of Investor

Closing Thoughts

- Early-stage capital raising often involves sophisticated investors, personal networks and modest amounts
- Current regulatory framework does not reflect how this market actually operates
- Creating a finders exemption can support capital formation without compromising investor protection
- Any exemption is better than no exemption