

U.S. SECURITIES AND EXCHANGE COMMISSION

ONLINE INVESTMENT CAPITAL RAISING  
VIRTUAL COFFEE BREAK

Friday, April 3, 2020  
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WebEx Videoconference

1 PARTICIPANTS:

2

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## P R O C E E D I N G S

1  
2 MS. RIEGEL: Okay. Well, good morning, and  
3 thanks so much for joining us. I'm going to kick it off  
4 and hopefully people may be joining as we go. But we just  
5 wanted to thank you for joining us here today. I'm  
6 Jenny Riegel, and I'm with the SEC's Office of the  
7 Advocate for Small Business Capital Formation. And  
8 we're really happy to have this opportunity to virtually  
9 engage with small businesses and their investors.

10 And during this time when so many of you are  
11 hunkered down in front of your computers and our office  
12 is unable to go out and talk in person to members of the  
13 small business community, we're embracing the  
14 opportunity to host a series of virtual coffee talks to  
15 spotlight what's happening in different areas of the  
16 market.

17 So let me stop sharing my screen so you can  
18 see my whole face. It kind of makes me cringe but we'll  
19 go with it.

20 Today we'll be discussing online investment  
21 capital raising. And I want to welcome our panelists.  
22 We have George Cook of Honeycomb Credit. We have  
23 Youngro Lee of NextSeed and Ken Nguyen of Republic. And  
24 thank you for recognizing the importance of discussing  
25 perspective on how COVID-19 is impacting investment

1 capital raising. As more and more businesses and  
2 investors are considering new strategies to bridge their  
3 networks, we thought this timely topic was a great way  
4 to kick off these virtual coffees. We'll start with a  
5 few questions for our panelists on the evolution of  
6 crowdfunding, the impact of COVID-19 on the marketplace  
7 and the future of crowdfunding.

8           Before we open it up to you to share -- let me  
9 see -- there we go. Sorry. Technology is working with  
10 me from home. Before we open it up to you to share  
11 questions, so this slide has ways that you can interact  
12 with us and engage with us. And we hope that you will.  
13 So there are two different ways. You can either tweet  
14 questions to #SECSmallBiz -- and that's B-i-z for anyone  
15 on the phone -- or email to smallbusiness@sec.gov.

16           There is other -- two other announcements that  
17 I need to make before we can kick off our discussion.  
18 One is the great government lawyer disclaimer that the  
19 views that I or any other member of the staff express  
20 today are our own and do not necessarily reflect the  
21 views of our Commission or any other staff on the  
22 Commission.

23           The second is the recording that you likely  
24 heard when you joined our meeting, which is this video  
25 is being recorded and will be archived for future

1 reference. With those disclaimers behind us, I would  
2 like to turn it over to our moderator, Martha Miller,  
3 the director of the Office of the Advocate for Small  
4 Business Capital Formation. Sorry. I'm trying to talk  
5 and stop sharing my screen. Thank you. Apologies.

6 Turn it over to Martha Miller, the director of  
7 the Office of the Advocate for Small Business Capital  
8 Formation, as well as our panelists. We have, again,  
9 George Cook, CEO and cofounder of Honeycomb Credit;  
10 Youngro Lee, CEO and cofounder of NextSeed; and Ken  
11 Nguyen, CEO and cofounder of Republic. We know that  
12 there is so many challenges that small businesses are  
13 facing. And I'm sure many of them we'll discuss here  
14 today.

15 To kick off the discussion, I'll ask the  
16 panelists to provide a short introduction of themselves  
17 and their connection to online capital raising. In a  
18 sense, rays of sunshine are helpful to the -- to us --  
19 to all of us these days, as we are spending more time  
20 indoors. I would love to have each of you share  
21 something that is bringing you joy during this surreal  
22 time, such as the daily cup of coffee in the comfort of  
23 your couch or more time with loved ones.

24 George, would you like to start?

25 MR. COOK: Sure. Thank you. So greetings

1 from Pittsburgh, Pennsylvania. I'm George Cook. I'm  
2 the cofounder and CEO of Honeycomb Credit. Honeycomb is  
3 a loan crowdfunding platform that lets locally-owned  
4 small businesses borrow from their own customers and  
5 fans and community members. We are -- we have been in  
6 operation for about two years.

7           And my background is actually in community  
8 banking. So I -- I have seen kind of first-hand that we  
9 are losing a lot of community banks, and that's  
10 translated into a lot less capital flowing from  
11 traditional lenders to small businesses. So my  
12 cofounder, who is a small business owner, and myself  
13 kind of put our heads together and decided to leverage  
14 regulation crowdfunding to open up a new channel for  
15 community capital to flow back to small businesses.

16           In terms of kind of how it -- I'm keeping  
17 myself sane through these trying times. One of the fun  
18 things that my wife and I are doing, we have a great  
19 little Westie dog. And he is -- we have a competition  
20 to see whose office he will hang out in during the day.  
21 So we lure him in with different treats and toys. I won  
22 today, but my wife is winning the war. So just one of  
23 the little things we do to try and create some normalcy  
24 in this time.

25           MS. RIEGEL: That's excellent.

1                   Youngro, would you like to go next?

2                   MR. LEE: Hi. Thanks for having me and -- and  
3 everyone on this panel. I think it's really important  
4 to have these conversations, especially in these  
5 uncertain times. I'm the cofounder and CEO of NextSeed.  
6 We are an investment platform as well utilizing  
7 regulation crowdfunding but also other private  
8 exemptions to basically help private companies raise  
9 capital online.

10                   And we have also been primarily focused on --  
11 we call it community-oriented assets. And that's really  
12 small businesses and -- and commercial real estate  
13 properties that have a specific bent towards community.  
14 So obviously it's difficult times. I guess the silver  
15 lining is I'm -- I'm finally taking advantage of my  
16 Netflix and Amazon Prime and -- and seeing shows that I  
17 never -- but the hack is there is now -- everything is  
18 like -- everybody is competing. So they are trying to  
19 give free subscriptions. So I just saw HBO is making  
20 some shows free so I don't have to pay for it.

21                   MS. RIEGEL: Can definitely understand that  
22 feeling.

23                   Ken, would you like to introduce yourself?

24                   MR. NGUYEN: Good morning, everyone. Thank  
25 you, Jenny, for having me and thank you, everyone, for

1 taking the time to -- to tune in. I'm Ken Nguyen, CEO  
2 of the funding portal, Republic, at Republic, dot, c-o,  
3 .co. We launched in 2016, and we're among one of the  
4 most active funding portals, having deployed about \$40  
5 million into over 100 startups under regulation  
6 crowdfunding.

7 Our focus has traditionally been on tech  
8 start-ups and supporting underserved founders. But we  
9 have increasingly opened up our platform to  
10 brick-and-mortar businesses. We have raised for  
11 restaurants, for coffee shops, barber shops and the  
12 like. You know, our team is about 40 team members,  
13 based mainly in New York with an office in SF and team  
14 members in LA and Florida as well.

15 We serve, though, not business just on the two  
16 coasts but also in the Midwest, in the South. And we  
17 have founders launching on the platform based in Alaska.  
18 It is such an unprecedented time. And I think it's a --  
19 a crisis that we all are in together. And I think what  
20 has been so encouraging for me and so fun and amusing as  
21 well is kind of like seeing the things that people  
22 around me do that they didn't do before.

23 Like my niece is, like, you know, collecting  
24 food to give it to her high school classmates who  
25 actually, you know, go through the Food Stamp program at

1 school and now can't really access food. And my mom is,  
2 like, sewing masks. I don't know how effective it is,  
3 but I promise her I'm going to wear one while she  
4 produces a few. So these kind of things just add on a,  
5 you know, humane level but in a positive light among all  
6 of the really terrible news that we are following these  
7 days.

8 MS. RIEGEL: I -- I completely agree. There  
9 is so many heartwarming things that are going on right  
10 now. And thank you for highlighting a few of those that  
11 are happening in your life that -- it's inspiring to see  
12 how people are taking on this challenge. And I'm going  
13 to turn it over to Martha Miller. You have heard enough  
14 from me. She is amazing.

15 So Martha --

16 MS. MILLER: Well, I'll open up with a thing  
17 that's bringing me joy right now, which is the coffee.  
18 Can you hear me okay? Can you hear me?

19 MS. RIEGEL: No. You're having a little bit  
20 of -- can you try it again?

21 MS. MILLER: I'm here. Let me know. If  
22 you'll give me the thumbs up, Jenny, if you can hear me  
23 okay -- it's -- technology is not being a friend today  
24 for everybody, it appears. Can you hear me all right?

25 MS. RIEGEL: Try -- try it again.

1 MS. DAVIS: Martha, it's Julie. I hear you  
2 fine.

3 MS. RIEGEL: Oh, okay. Maybe it's just me.  
4 Apology --

5 PANEL Q&A

6 MS. MILLER: Okay. Well then I -- rolling on  
7 through. Ringing majorly is the coffee machine. We  
8 bought a Nespresso machine on eBay about a year ago, and  
9 I have become a home barista. So I have been making  
10 lattes at home using locally-roasted coffee that we have  
11 been trying to buy and a number of the different local  
12 roasters are delivering, trying to stay in business and  
13 keep their product out. And so we have loved supporting  
14 them.

15 And I took a latte-making class from a local  
16 coffee shop that's woman-owned here in town that  
17 actually raised funding using -- through crowdfunding  
18 platform. And so comes -- it all comes full circle. So  
19 appreciate everybody joining us for this virtual coffee  
20 today and for making time to talk about this important  
21 topic, which is how do you go about raising capital over  
22 the internet right now, which is a very timely -- figure  
23 out how to do just about everything over the internet --  
24 to meetings, to ordering food to funding your business.  
25 So I'm looking forward to talking to our expert panelist

1 that we have convened today. We're about four years  
2 into equity crowdfunding -- the Jobs Act. Would love to  
3 hear each panelist give a very brief kind of what have  
4 you seen in the online capital-raising industry. How  
5 has it evolved up to date and what are -- kind of what  
6 have you seen is the key observation? Would love to  
7 start -- we could maybe go in the order -- question.

8 George, do you want to kick us off?

9 MR. COOK: Sure. Absolutely. Yeah, so I  
10 think what we have been seeing -- and maybe I'll start.  
11 I take a little bit of offense to the term "equity  
12 crowdfunding." We prefer to call it investment  
13 crowdfunding. And that -- I know I'm splitting hairs a  
14 little bit.

15 But I think, actually, in my mind, that --  
16 that's been one of the really big learnings that we've  
17 seen over the past four years that I think, as lawmakers  
18 were preparing the rules and the SEC and FINRA were  
19 interpreting them, there was a lot of -- a lot of  
20 thoughts around equity crowdfunding. And can you hear  
21 me all right? I think I might be having some bandwidth  
22 issues.

23 MR. LEE: We can hear you fine.

24 MR. COOK: Okay. Excellent. Thank you. So  
25 as we've seen new applications kind of riding the rails

1 of regulation crowdfunding, I think, you know, we are  
2 focusing on debt. We're finding that it's a really  
3 powerful source of capital for small businesses. We  
4 love what NextSeed and others are doing with  
5 revenue-shared crowdfunding.

6 And so in my mind, I think the past four years  
7 have been sort of the laboratory. It's been this idea  
8 of really kind of feeling our way through what those  
9 regulations mean, proving that we can have the  
10 operational and compliance and marketing expertise to  
11 make these business models work. And now I think the --  
12 the industry is evolving and we're -- we're moving into  
13 a phase of learning how to scale these and making this  
14 investment crowdfunding concept a household concept  
15 similar to -- to gift crowdfunding or award  
16 crowdfunding.

17 MS. MILLER: Awesome. Youngro, you want to go  
18 next?

19 MR. LEE: Yeah. It's certainly been a -- I  
20 don't know what other way to describe it other than  
21 saying amazing in good and bad ways. This journey that  
22 we've been on as an industry -- I mean, Ken and I go way  
23 back. And I think back in 2015 was when I first talked  
24 to him. And then, since then, we -- when -- when the  
25 rules got finalized in 2016, it's -- it's just been a

1 pain; right? The -- and that's normal for any --  
2 anything new in this world, especially something as --  
3 as regulated as -- as the investment industry. But I  
4 will say it's been an incredible effort from all  
5 parties, businesses, investors, intermediaries like  
6 ourselves, SEC obviously as a regulator.

7           And the frustrating part is I felt like 2020  
8 was finally the year that there is going to be a  
9 breakthrough. Specifically, as some people watching us  
10 might be aware, SEC has been very active. In fact,  
11 Martha's office was -- was new, I think, the last year  
12 or so and really trying to gain momentum.

13           We had SEC Advisory Committee on capital  
14 formation, which I'm also serving on. As an industry,  
15 we were coalescing around certain principles. I'm also  
16 part of a group called Association of Online Investment  
17 Platforms. And so long story short, there was momentum;  
18 right? Rules were getting better. More people, most  
19 importantly, were knowing what investment crowdfunding  
20 was, whether it's equity, debt, all of the above.

21           And, frankly, even for our business after  
22 years of, you know, just pounding the pavement -- like  
23 literally 2020 first quarter was the best quarter ever.  
24 And we expected 2020 to be a very, very significant  
25 here. Obviously, you know, it's hard to believe that

1 was a few weeks ago. And then the world just is  
2 complete different. And I think I don't need to say  
3 from anybody listening -- but the world is very, very  
4 different, and I don't think it's going to be a quick  
5 change either. So this is a new normal.

6           And the fundamental context of everything is  
7 that -- because, frankly, the economy is just not going  
8 to be as strong. And it's going to be a -- a recovery.  
9 And so I think the key question that I'd love to explore  
10 in this hour is what can this industry do to, No. 1,  
11 alleviate the pain? And "alleviate" might be a nice way  
12 to say to literally do anything possible to stop the  
13 pain or reduce the pain.

14           And then second, the -- the other assumption  
15 I'm making is, look, this is not the end of the world.  
16 We are going to get through this. We are going to win.  
17 We are going to get back to normal, whether it's a year  
18 from now or five years from now. Who knows? But we are  
19 definitely going to be back. And so how can we use this  
20 time to innovate and think and change and everything  
21 above so that we are ready as soon as the world is back  
22 to -- is ready to get back to business.

23           MS. MILLER: Got it. Thank you, Youngro.

24           Ken, last but not least on this --

25           MR. NGUYEN: Yes.

1 MS. MILLER: -- question.

2 MR. NGUYEN: I -- I too share many of the  
3 sentiments that Youngro and George had mentioned. I  
4 would like to dive in a little bit deeper on the  
5 timeline. And just to give kind of like a -- a -- you  
6 know, firm-to-ground experience looking back. I think  
7 when we launched as an industry in 2016, a lot of people  
8 thought that equity crowdfunding or crowd investing  
9 would get mass adoption overnight. But everything takes  
10 time.

11 And so 2016 and 2017 was, like, R&D for the  
12 industry and for Republic. We put in a lot of effort on  
13 making accounting and legal cheaper and more affordable  
14 and easier for business owners. We obviously also  
15 needed to build, like, tools for people who run a  
16 campaign to activate and engage the customers. So the  
17 business validation, the product validation, all of  
18 that, took a bit of time.

19 It hasn't been easy, but it has gotten easier  
20 every day. And one of the things that we had tried to  
21 work against is the stigma of equity crowdfunding being  
22 the solution of last resort. And that has gone away  
23 over time. People do realize that crowdfunding is not  
24 just about capital, it's about, you know, a powerful  
25 marketing and engagement tool as well. And so in the

1 past nine months, we have launched more campaigns on  
2 Republic and raised more than we did in the first three  
3 years combined.

4           So I think as a whole, our industry has proven  
5 two things, that the crowd is a powerful source of  
6 capital that may replace institutional capital over time  
7 and, separately, even if a business has access to VCs  
8 and to bank loans and to institutional capital, raising  
9 from your customer and from the -- the community has  
10 tremendous marketing value and ought to be viewed as a  
11 complementary way of fundraising, not a -- you know, an  
12 alternative, a mutually exclusive type of thing and so  
13 very much looking forward to how the industry will  
14 evolve and grow this year and in the years to come  
15 despite the current crisis, which I agree completely  
16 with Youngro and I have no doubt that we are going to  
17 dive in later on the conversation today that it is  
18 temporary. And it may even be a positive thing for the  
19 growth of this industry.

20           MS. MILLER: Well, you've teed up the next  
21 question perfectly, Ken, which is the reason that I  
22 think so many people wanted to dial in today and why we  
23 wanted to convene everyone, which is the fact that the  
24 nature of what small businesses are facing and their  
25 need for capital has, for many, gone from growth capital

1 to survival mode over the past few weeks in response to  
2 COVID-19, changing every element of how their business  
3 is operating and funding portals are frequently on the  
4 front lines.

5 I know that many of you have heard from a  
6 number of the companies that have raised capital on your  
7 portals as well as those who are interested and that  
8 reaching out to talk about how could they use  
9 crowdfunding to help weather the current challenges.  
10 Would love to hear a little bit from each of you about  
11 the impact of recent events on the marketplace and what  
12 you are hearing both from companies as well as from  
13 their investor.

14 So this time, why don't we start with Youngro?  
15 You were in the middle of the group last time. Youngro,  
16 do you want to kick off that conversation with what you  
17 are hearing from people right now in response to COVID-  
18 19.

19 MR. LEE: You -- you phrased it -- Martha, you  
20 phrased it greatly when -- when the world is  
21 transitioning from growth capital to survival capital.  
22 And I would say there is actually two scenarios that we  
23 are talking about here. There are businesses that truly  
24 -- like literally need capital yesterday for them to  
25 maintain their livelihood, full stop. And this does

1 impact the Main Street businesses that are, frankly,  
2 cashflow-oriented much more so than maybe some of the  
3 traditional growth industries like tech companies.

4           And they, you know, hopefully have at least  
5 some runway to navigate this and -- and do have, you  
6 know, institutional capital or venture capital or  
7 whoever it is that are willing to give them bridge loans  
8 and whatnot. The reality is, for the vast, vast  
9 majority of small businesses, traditional Main Street  
10 small businesses, they don't; right? And the only hope  
11 for them as an industry and -- and obviously everybody  
12 -- differ.

13           But generally speaking, government  
14 intervention and support really is the only way that  
15 they can get through this. Obviously, the SBA has been  
16 really active, and Congress, I think, has been, you  
17 know, honestly good in responding to this crisis. But  
18 as we're finding out even today, the PPP loans, payment  
19 protection loans and grants, banks -- it was supposed to  
20 be open today. It's not; right? Every bank is trying  
21 to figure out what the rules are and so on. The SBI  
22 EIDL loans which theoretically could help a lot of  
23 businesses, it is not also that easy.

24           It's a -- there is complex forms, rules,  
25 processes. If you're a brand-new business or if you are

1 -- if you are a relatively new business, you're --  
2 you're just not going to qualify, or you're just not  
3 going to be able to get that much capital. And so  
4 that's kind of the first situation, is I honestly don't  
5 know. But I would have to say that unless there is more  
6 immediate solutions from the government, there will be a  
7 significant amount of business failures across the  
8 industry.

9           The second category really is not necessarily  
10 that kind of, like, dire situation. But, you know, this  
11 is the -- frankly, the well-run businesses and even the  
12 larger restaurant groups or whatnot that do have a  
13 bigger cushion. But when -- when I say "relatively  
14 well-protected," it's -- we're really talking about, you  
15 know, maybe three to six months, right, versus the,  
16 you know, two to three weeks' cashflow that most  
17 businesses have.

18           So the three to six -- to be candid, that  
19 second group of businesses, I think, are the ones that  
20 if the regulation crowdfunding or other kind of private  
21 market offerings were a little more flexible, they could  
22 definitely use the help right now, right? So that  
23 they can maybe use the next couple months to shore up  
24 their balance sheets, to get more cushion, to  
25 strategically plan ahead for the longer term. Because

1 that -- given the way the world is right now, right?  
2 The banks literally have cut off every other activity  
3 other than, you know, just trying to manage this SBA,  
4 SBA situation with the PPP and EIDLs via -- and we  
5 can hear from businesses all the time.

6           Like whatever other -- whether it was a  
7 purchase, financing or acquisition financing or  
8 equipment financing or all the financing, basically  
9 every other financing, solutions that were available in  
10 banks or in effect either sold out or shut down,  
11 the private investor banks in the traditional world,  
12 which is a venture capital, private equity and  
13 high-net-worth individuals who are used to these -- and  
14 investments.

15           You can ask all of them. Nobody is like, "Oh,  
16 my God. This is a great time. Let me just keep putting  
17 money in the market"; right? The stock market has  
18 obviously been pummeled. So there is a general sense of  
19 fear in the investment community. So what does that  
20 mean? Is the people that are willing to support them  
21 are probably the people that know them most in their  
22 communities, their friends and family that are willing  
23 to actually provide capital, potentially have favorable  
24 terms. They know we're in this together. But there are  
25 limitations in the way rules are right now. So, if

1 nothing else, I hope this can highlight if we make  
2 certain improvements how situations like this -- the  
3 private markets can be efficient and, frankly, is a  
4 solution that can address this situation compared to,  
5 let's say, 10 years ago during the financial recession.

6 MS. MILLER: Got it. And I'd love to -- we'll  
7 dive into some of those different ideas that you guys  
8 have in a little bit. Ken, you want to jump in with  
9 your thoughts on -- on how things have changed with  
10 interest in crowdfunding and the utility of crowdfunding  
11 in response to the current crisis?

12 MR. NGUYEN: Yes. This pandemic obviously has  
13 hit businesses hard across all sizes, all industries,  
14 geographies. You know, so far, we have received in-  
15 bound interest from a wide range of businesses, tech  
16 startups to local restaurants. The challenge here is  
17 that crowdfunding or crowd investing is a very effective  
18 mean. But it takes time. And it takes a little bit of  
19 money, legal, accounting, due diligence. It takes, you  
20 know, on our end, probably about 3- to \$5,000 for a  
21 company to -- to go through that and in a couple weeks  
22 at the least to launch a campaign. That's a lot of time  
23 and a lot of money for a coffee shop that now doesn't  
24 have any business. So on our end while there is a lot  
25 of interest, people are still trying.

1           And we are trying to see how we can adapt the  
2 current model still within the same regulatory framework  
3 to make it easier to help businesses and tech companies  
4 are some of the things that we are toying with, is that  
5 perhaps donation crowdfunding -- since it's not, you  
6 know, regulated under same framework, can be quicker.  
7 We -- evaluating whether we just do Reg D for some  
8 businesses, and that would make it a little bit quicker  
9 and less -- take less time to launch.

10           And we, of course, are also exploring things  
11 like, you know, federal, local government partnerships  
12 so that we can help deploy capital more effectively.  
13 But given, I think, the state of regulation crowdfunding  
14 vary, specific framework around the things that you've  
15 got to do on, you know, audit and disclosure but which,  
16 you know, it is what it is. But, nonetheless, there are  
17 ways that I think platforms like us can be pragmatic in  
18 coming up with solution in hopes that we can move things  
19 forward a little bit quicker.

20           Investors' interest has been overwhelming on  
21 how much people want to support. And they both want to  
22 donate as well as investing. But those who want to  
23 invest in local businesses, you know they are not even  
24 looking to get 100X or even a 10X return. They just  
25 want to do something that's more than just donating.

1 But at the end of the day, I mean, we have gotten  
2 feedback that, like, hey, if I lose all of -- if people  
3 don't return the money, it's totally fine. So it's like  
4 navigating investor expectation in a very generous way  
5 that investors are looking at it and also are navigating  
6 that regulatory framework and make things work more  
7 efficiently. That's exactly what the team and I have  
8 been focusing on in the past two weeks.

9 MS. MILLER: Thanks, Ken. Great perspective  
10 there.

11 George, I'd love to hear what you are seeing  
12 with Honeycomb right now.

13 MR. COOK: Yeah, absolutely. So, you know, I  
14 think, as everyone is aware, small businesses are  
15 getting hit really hard. And so the first thing we  
16 looked to was looking at our alumni businesses,  
17 businesses that have already used our platform to raise  
18 money. And this was a -- sort of a really interesting  
19 data point.

20 So we -- we reached out to all of the  
21 investors on our platform, asking them if they are  
22 willing to add a force majeure clause that would allow  
23 payment relief to businesses that had borrowed on the  
24 Honeycomb platform. And we had a level of engagement.  
25 We had two-thirds of our investors vote within 72 hours.

1 And 98 percent of them voted in favor of -- of allowing  
2 payment relief for small businesses, which I think, in  
3 many ways, proves that community capital can be a really  
4 powerful piece of the puzzle and can be very forgiving  
5 and very small business-friendly.

6 We had all of -- well, the overwhelming  
7 majority of our alumni businesses tell us that we --  
8 despite the fact that each of them had dozens of  
9 investors, they told us that the Honeycomb investors  
10 actually acted faster and more generously than their  
11 other lending relationships. So even though they only  
12 had one point of contact at the bank, dealing with 25 or  
13 50 local investors was actually easier for them, which I  
14 thought -- I thought that was a pretty powerful  
15 testimony.

16 In terms of kind of new businesses that have  
17 been coming to us, I will say our inbound activity is up  
18 over 10X over the past few weeks. But there is a lot of  
19 anxiety. Businesses are trying to figure out what all  
20 of the programs are that are out there, the local  
21 programs, the state programs, the federal programs.  
22 And, frankly, many businesses are pumping the brakes on  
23 using crowdfunding as part of their COVID-19 capital  
24 plan because they are worried that it's going to  
25 disqualify them from other government programs. And to

1 me, that's a shame because, as we talked about,  
2 crowdfunding takes some time, which means businesses  
3 need to start now if this is going to be a meaningful  
4 piece of the puzzle for them.

5           You know, a couple of the particular issues  
6 that -- that we are running into, one is the -- the 21-  
7 day requirement that regulation crowdfunding mandates  
8 that a campaign stay up for a while. We have started to  
9 do some relief loan campaigns. And we are finding that  
10 they are funding very quickly. And that 21 days is --  
11 is a bit of an issue.

12           And another kind of interesting thing is to --  
13 to file the form ID with a -- for -- for a small  
14 business, they need to get a notary public, which means  
15 a lot of folks need to go out into the world and find a  
16 notary that is open, which has been kind of a surprising  
17 but a real barrier for a lot of people to access  
18 capital.

19           MS. MILLER: And George, just to jump in  
20 there, we did provide relief on that point. And so  
21 there is some specific relief on that if you go to the  
22 SEC's COVID-19 page on the notary relief. So we have  
23 curbed that --

24           MR. COOK: Fantastic. Okay.

25           MS. MILLER: -- and acted quickly on that leg.

1 MR. COOK: Very good. That's great to know.

2 MS. MILLER: I had to jump in on that.

3 MR. COOK: Yeah, and I appreciate it. That's  
4 fantastic. And the other interesting point that we run  
5 into is state-level filings. Several states are still  
6 mandating physical copies be printed out. And we've  
7 literally had deals hang up because they cannot access a  
8 printer and go to a post office and mail a physical  
9 document that already lives in the EDGAR database. So  
10 it kind of -- a little bit frustrating that we're seeing  
11 some of that.

12 And then the final thing I want to talk about  
13 is -- is sort of the investment activity level. In  
14 order for regulation crowdfunding to be a piece of the  
15 puzzle, to help solve this crisis, obviously there needs  
16 to be investment capital available as well. I will say  
17 that the worst couple weeks, kind of two weeks ago as we  
18 -- as we saw things really -- the market really  
19 collapsing and a lot of worry, we saw investment  
20 activity fall pretty sharply. But since then, it has  
21 rebounded.

22 And we're actually seeing a higher level of  
23 investment activity than normal. And kind of coupled  
24 with that, given, I think, people are a little bit  
25 concerned about their own personal finances, we are

1 seeing larger numbers of investment, but the investment  
2 size is actually -- just a little bit. So, you know, a  
3 couple of interesting data points in there. But  
4 overall, you know, I think businesses are -- are looking  
5 at crowdfunding as a piece of the puzzle to solve this  
6 crazy environment that they are going through right now.  
7 But there are -- there are some roadblocks that -- that  
8 are causing folks to -- to kind of think twice about it.

9 MS. MILLER: Well, those are some I think that  
10 we have flagged and I've heard from a couple -- from  
11 each of you, there has been a common theme of some of  
12 the -- some of the elements that are, you know, costs.  
13 I think that was flagged as one element. But that's  
14 somewhat of a -- of the given variable. But I want to  
15 dive in a little bit on the timing piece because I think  
16 that, right now, what we've heard and, yesterday, we had  
17 the Small Business Capital Formation Advisory Committee  
18 meeting. And one of the things that was discussed is  
19 how few days of cash is -- are on hand for most of these  
20 businesses.

21 And the fact that it's in the 20s of days,  
22 like 25, 27 days, depending on which resource you're  
23 looking at that companies have on hand, and that clock  
24 is already ticking right now. Would love to talk a  
25 little bit about the timing piece and to tease that out

1 a little bit more. But before we jump into talking  
2 about that, I do want to remind the participants and the  
3 attendees who are listening in that you are welcome to  
4 send in questions by tweeting with #SECSmallBiz, with a  
5 Z, or emailing smallbusiness@sec.gov. Our team is  
6 watching that, and we will be asking our speaker some of  
7 those questions in just a little bit. But that's just a  
8 reminder for those who joined us a little bit late and  
9 missed Jenny's wonderful introduction.

10 But talk a little bit about where are there  
11 friction points that are making it there right now given  
12 the critical need for capital. Companies may be saying,  
13 look, there is -- "I don't have time to go through  
14 this," or, "I don't -- this doesn't propose a viable  
15 solution to the issue that I'm facing right now with  
16 COVID-19."

17 George, why don't we start with you since you  
18 were just teasing that out? And we would love to get  
19 feedback from the others.

20 MR. COOK: Yeah, so the No. 1 feedback we are  
21 getting vis-a-vis -- that we are getting from small  
22 businesses is that they don't want to become ineligible  
23 for the SBA loan programs or the PPP by applying for  
24 crowdfunding loans. Even though the crowdfunding talk  
25 -- you will get it -- you know, start ticking that clock

1 today. They are very nervous. They are waiting to hear  
2 back from their banks on these other federal programs  
3 before they decide whether or not crowdfunding is going  
4 to be a piece of the puzzle for them. So that -- that's  
5 been a big issue for us.

6 I think, additionally -- I mean, that's the  
7 overwhelming No. 1. The other concerns are, you know,  
8 once they do start, the 21 days is a concern for a lot  
9 of businesses, especially if they don't have a lot of  
10 cash on hand. And, you know, I think there is just so  
11 much uncertainty about what all programs are still yet  
12 to come, that businesses are -- if they have that luxury  
13 are just kind of waiting to see what is going to be  
14 available to them.

15 MS. MILLER: Got it. And just for clarity for  
16 those who are listening and are hearing 21 days, what  
17 are we talking about here? That 21-day period is a  
18 period that provides investors a time to review the  
19 documents and to make the decisions about those  
20 investments. As long as we talked a little bit further  
21 about timing to also hear from you guys on how often do  
22 you see investors actually rescinding during that 21-day  
23 period.

24 And talk a little bit about the functionality  
25 of that and your experiences. Ken, why don't we switch

1 over to -- you can jump in on that question.

2 MR. NGUYEN: On -- you know, on average, we  
3 have not seen the rescission rate to have gone up in any  
4 material way through March. And I think it's -- it  
5 really depends on the campaign. And let's say a  
6 campaign is raising 100,000 and in investments investing  
7 25,000 and, last minute, for some reason, backs out,  
8 that's a substantial percentage. But that's very rare.

9 I would say the average campaigns see less  
10 than 10 percent of investor, you know, basically  
11 reversing the investment decision. I want to touch on a  
12 challenge that founders are facing during this time in  
13 addition to that 21-day period. One of the concern here  
14 is very much the cost because if you run a Reg D  
15 campaign, you are not required to convert your  
16 financials into GAAP compliance and then do the filings.

17 So even though that cost, you know, \$5,000, is  
18 not a lot for a mature company, for a small business, it  
19 is a lot of capital. On our end, we are looking at, you  
20 know, a solution or a program whereby a certain eligible  
21 campaign is coming to Republic that we may just send  
22 that cost if they can't really afford that right now.  
23 But on the investment activity side, you know, March was  
24 -- was about 6 percent less in investment activities  
25 compared to January or February, which were very -- two

1 strong months. So I'm quite optimistic on where the  
2 industry will go from here. I think it's -- will do  
3 well.

4 MS. MILLER: Great insight, Ken. Youngro?  
5 Youngro, I think we got you muted still.

6 MR. LEE: Yeah, I'll be -- just to be a bit  
7 technical, it really -- everything, of course, depends  
8 on the individual case. So, again, a -- a tech company  
9 or, let's say, a healthcare company is probably very  
10 popular right now if it's addressing this crisis or, you  
11 know, clearly has a potential to be beneficial in this  
12 new normal.

13 So that's where the strategic application of  
14 the crowdfunding rules could be very helpful if it  
15 wasn't a little more easier to use. The other case, the  
16 dire situation, again, it is the Main Street small  
17 businesses. Regulation crowdfunding for many of them,  
18 especially minority-owned and entrepreneurs -- like, for  
19 example, our platform has 75 percent of the issuers with  
20 ownership within that group.

21 I mean, literally, there -- there -- it's life  
22 or death right now. So from that perspective, the 21  
23 days is just a legal required length of the campaign.  
24 But as Ken mentioned, no matter what, it would probably  
25 take at least a few weeks to even get to that point of

1 launching the campaign. So you're really talking about  
2 a, you know, month and a half in the best-case scenario  
3 from a business who decides to do a campaign to actually  
4 get the capitals. That's just not going to be helpful  
5 in this environment.

6           There is certainly a lot of costs associated  
7 with it that are very important in this environment as  
8 well as disclosure requirements that, frankly, is not  
9 applicable in a business situation, for example, if  
10 somebody wants debt capital because a lot of disclosure  
11 was really governed -- the ownership structure, which is  
12 less relevant in a cash-flow situation.

13           So all that aside, that's -- I mean, investor  
14 protection is critical. So we can't just say, okay,  
15 forget the investor style. Let's just do whatever;  
16 right? And we all -- everybody in the industry  
17 understands that. So I think the only thing that I can  
18 possibly think of is you can't just change the system  
19 overnight. The -- but is it possible to create an  
20 emergency relief, exactly what Congress is doing,  
21 exactly what SBA is doing, limited used, limited time  
22 over this period.

23           Let's say a micro-offering exemption that  
24 Commissioner Peirce mentioned, something, whether it's  
25 \$250,000 or 500, whatever it is, because that number is

1 certainly bigger than the 5,000, 10,000, you know,  
2 grants that businesses can get these days. It's  
3 probably at least 100- to \$300,000 issue is my guess for  
4 the average business to be able to get through this  
5 period.

6           And if there was a way to just allow that  
7 specific use case over a limited period of time, I think  
8 that is -- that would be amazing -- right? -- to provide  
9 another source of capital for these businesses that  
10 really, really need them right now.

11           MS. MILLER: Wonderful perspective, Youngro,  
12 and I appreciate that. And I think those are very helpful,  
13 to hear from each of you how you're seeing this break  
14 down. I would love to switch because I know we've got a  
15 number of people that have joined in; the attendees  
16 that have been sending in questions to our team. I would  
17 love to open it up to get some questions of our  
18 panelists that have come from those who have joined us  
19 virtually. Jenny and Julie, if one of you wants to ask or  
20 Jessica want to ask the first question?

21           MS. MCKINNEY: Yeah. This is Jessica from the  
22 Office of the Advocate for Small Business Capital  
23 Formation. We heard from -- we've heard from quite a  
24 few people. So thank you all for tweeting in  
25 #SECSmallBiz, B-i-z, and at smallbusiness@sec.gov. We

1 heard from Chris at the National Coalition for Community  
2 Capital. He wrote in to share an encouraging positive  
3 viewpoint. He says, "We think that COVID will provide a  
4 breakthrough as communities recognize the value of small  
5 businesses." And we also heard from Corey who asked,  
6 "Given the economic climate, what are current options  
7 for startup technology businesses like mine to access  
8 investment capital through sorts of -- these sorts of  
9 medium?"

10 MS. MILLER: Great question.

11 MS. MCKINNEY: Does somebody want to -- it's  
12 kind of open-ended --

13 MS. MILLER: Yeah, so --

14 MS. MCKINNEY: -- but does somebody want to  
15 grab it?

16 MS. MILLER: Yeah, I mean, I think that that  
17 really goes to the question of what's -- what's the  
18 quick elevator pitch? If one of you gets in the  
19 elevator with somebody who says, "Oh, you want a  
20 crowdfunding portal," what does that take from me to  
21 actually raise money on it? What's the very quick thing  
22 that you tell somebody to get started?

23 You don't want the answer from the regulators  
24 because it's going to be for both. You want it from the  
25 business folks that are regularly talking to people

1 about it. Youngro, do you want to kick us off with  
2 your --

3 MR. LEE: Yeah, I mean, I think -- I'd love to  
4 hear what Ken has to say because he has probably the  
5 most expertise with more tech startups. But just as a  
6 general matter, I think, look, this is a really  
7 difficult time for everyone, literally, so I don't think  
8 you can ignore that. You have to have everything ready.  
9 And your pitch in this environment cannot be, if you're  
10 -- if you're a growth startup, "I need help." It really  
11 can't. It needs to be, "I got this."

12 Like I'm -- I'm making something. And if I  
13 just had X dollars, I can get it through the next level.  
14 But in this environment, I think it would be very  
15 difficult to raise capital if they think they are trying  
16 to save you versus, "Hey, this is an opportunity to make  
17 some money." That's the dynamic.

18 MS. MILLER: George, Ken, welcome you to chime  
19 in with your thoughts as well.

20 MR. COOK: Yeah, I think I would echo that. I  
21 think we are finding that there -- the stories that  
22 investors are reacting to right now are very different  
23 than the stories that they were reacting to three, four  
24 weeks ago. I think for -- for some Main Street small  
25 businesses that -- where people understand intuitively

1 that they don't have a lot of cash on hand, that story  
2 of, "I need to get some cash in the door tomorrow to  
3 help keep the lights on," is one that resonates with  
4 folks.

5 But I think for technology companies where --  
6 where I have a lot less experience because we do focus  
7 on Main Street small businesses. I do think this story  
8 needs to remain a growth story and really talking about  
9 how this challenging environment can actually present  
10 opportunities and that there is actually going to be  
11 ways for -- for you to take meaningful steps forward.

12 MS. MILLER: Excellent. Ken?

13 MR. NGUYEN: You know, Martha, my pitch now  
14 would be the same that it was before. It has always  
15 been. Equity crowdfunding, crowd investing, is as much  
16 a capital raising as it is about marketing community  
17 engagement. So as long as you are willing to put in  
18 twice the work, fundraising is not easy anywhere,  
19 whether it's pounding the pavement on Sand Hill Road or  
20 pounding the pavement virtually.

21 You have got to do the work and got to have  
22 true business fundamental. The good thing is that now  
23 people have a lot of free time or attend -- you are able  
24 to get their attention a bit more. So go back to the  
25 drawing board. Make sure that you map out a financial

1 condition and a business plan that is lean and mean and  
2 go back there and get the support of your friends, your  
3 family, your customers and navigate through this  
4 environment I think will teach all of us as founders to  
5 be more efficient business owners. So, you know, it's  
6 just a matter of understanding what it takes and  
7 executing it even more cleanly and more -- with more  
8 focus than before.

9           If you do that, people can raise, I believe, a  
10 meaningful amount of capital. And I think one thing  
11 that a lot of new founders have mistaken, you don't need  
12 a million dollar to build a new business. You know,  
13 Whole Foods, HP, all of these massive companies started  
14 out with 15,000, 20-, \$25,000 to launch their business.  
15 And in most cases, so can you unless you are building a  
16 rocket company or a medical device company. That's an  
17 exception.

18           MS. MILLER: Yeah. I think that's a great  
19 perspective. And I think one thing that I have been  
20 clinging to, you have got to find the positive things to  
21 seize onto right now. And one thing that has at least  
22 mattered a lot to me is thinking about the number of  
23 startups and really important companies that we think of  
24 now as mainstays of our economy that have come out of  
25 really challenging times. Their people recognized there

1 was a challenge. And I won't use any sorts of cliches  
2 of when the going gets tough, the tough get going or  
3 anything like that. But I think right now, you have a  
4 lot of people who are realizing that there is something  
5 that doesn't work, whether that's a product, a  
6 technology tool, or there is a solution needed. And I  
7 think that we are going to see some really interesting  
8 companies come out of this.

9 We are, unfortunately, right now, seeing a lot  
10 of interesting companies and wonderful companies and  
11 teams that are struggling. But I am hopeful that there  
12 is the bright side of that coin that we also see  
13 wonderful things coming out, looking ahead. I want to  
14 turn back over for another question from the audience  
15 from our team.

16 MS. DAVIS: Sure. This is Julie Davis with  
17 the Office of the Small Business Capital Formation, the  
18 Advocate Office. And we got a question in from Jerry  
19 who asked -- says, "It looks like a lot of education is  
20 happening around business owners accessing  
21 crowdfunding." But he is interested in knowing what  
22 types of education are happening to make consumer  
23 participation mainstream.

24 So I thought this one might be one where --  
25 could talk a little bit about the different education

1 for investors that you have on your websites and  
2 elaborate on how those can help to inform investors on  
3 their options here.

4 MS. MILLER: Yeah. And as we dive in on that  
5 question, one thing that I will also point people  
6 towards, if you are looking for information,  
7 investor.gov, which is maintained by our Office of  
8 Investor Education and Advocacy, is a wonderful resource  
9 and has a lot of information as an investor that's  
10 looking to try to navigate the options and understand  
11 different terms for the first time. So highly recommend  
12 looking at that.

13 And then each of the portals also have great  
14 information and videos and tutorials that are out there.  
15 Would love to hear from each of you on things you would  
16 like to highlight. And I'll just let whoever wants to  
17 jump in jump in on that.

18 MR. NGUYEN: You know, I -- if I may, this is  
19 Kendrick from Republic. I want to start out by saying  
20 that private investing is highly risky. So it goes  
21 without saying that, particularly in this climate but  
22 generally applicable, if you are going to invest in  
23 private companies, expect an extremely high risk of  
24 total loss of capital. Now, that said, it is  
25 compelling. It is a compelling asset class. And so in

1 addition to the usual educational materials that we have  
2 always provided on our website, lately, we have been,  
3 you know, setting up webinar and webcast and invite  
4 experienced venture capitalists to join us and share  
5 their perspective on investing, how they conduct due  
6 diligence. In fact, the next webcast will start at 12  
7 p.m. ET today and it's on the Republic events page.

8 But I think the only way for -- for people to  
9 become experienced investors over time is by just  
10 reading up and following and listening to as many  
11 perspectives as possible. And investing in tech is very  
12 different than investing in a revenue share, you know,  
13 local business offering model. So do as much work as  
14 you can. But it is educational and compelling and fun.  
15 It's been fun for me.

16 MR. LEE: Yeah. I'd like to echo that.  
17 Investing is difficult. And it's not just the private  
18 stuff. I mean, as you have seen the -- the public  
19 markets, if you invested in public markets, you are  
20 probably suffering a lot right now as well. So no  
21 matter what, I think -- if you're thinking about  
22 investments, please be careful and please understand  
23 every single possible -- and you really shouldn't be  
24 investing unless you have the willingness to go through  
25 some ups and downs.

1                   How the alternative investments is different  
2 in a traditional market -- so this is, to be clear -- I  
3 mean, we heard of the term "black swan." What's  
4 happening now, it is a unforeseen event in the sense  
5 that, you know, who could possibly reasonably imagine  
6 that the entire government, you know, shuts down our  
7 economy?

8                   So these -- if you are probably, you know, a  
9 little bit older, like last time it occurred in 2007 on  
10 Wall Street when the financial crisis happened -- and  
11 so, like, this is kind of my second time around and in  
12 going through these kind of very serious disruptions.  
13 Especially in times like this, it is a chance to  
14 evaluate your personal financial goals, investment goals  
15 and understand what diversification truly means; right?

16                   It doesn't mean, hey, like, I have X dollars  
17 to invest. Let me figure out the best thing and go all  
18 in. What it really means is how do you balance the  
19 totality of your resources and strategically place it in  
20 things that you think will help you in the long run? So  
21 that's a -- and when you talk to regular financial  
22 advisors, it puts certain percentage in the public  
23 markets, puts certain percentage in real estate, puts  
24 certain percentage in private companies. The key issue  
25 that most people should understand is that until the

1 crowdfunding rules were adopted, until platforms like  
2 the ones you are talking to today -- and there is so  
3 many more amazing ones in all those industries. So for  
4 the average person, you just didn't even have that  
5 option; right? And it's -- investors and major family  
6 offices and people with a lot of money did, but the  
7 average American did not. So that's both an opportunity  
8 and a risk.

9           So it's really up to individuals to understand  
10 what exactly you are willing to do, what you're  
11 interested in doing. And if you are not comfortable,  
12 don't invest. But if you are comfortable, there are  
13 options for you to consider. And hopefully this period  
14 is a learning curve for all of us from a financial  
15 perspective and investment perspective as well.

16           MR. COOK: Yeah. And maybe to kind of echo  
17 just how risky everything is -- right? -- there is no  
18 living person on the planet that has underwritten a  
19 small business during a pandemic. Like there is no one  
20 that knows exactly how to assess that risk. So, you  
21 know, I think everyone that is considering investing  
22 needs to be really mindful of that.

23           In terms of investor education, I think one of  
24 the things, the key things we've done at Honeycomb is  
25 just creating a really plain-vanilla product. Our --

1 our investment vehicles are fully amortizing three to  
2 five-year loans. It looks and feels a lot like an auto  
3 loan. Businesses know what they are getting themselves  
4 into. Investors can mechanically understand how it  
5 works very easily. And so we have tried to -- to, at  
6 least in the early days here, keep a -- keep the product  
7 very simple so that people can focus on -- they can  
8 compare it more apples-to-apples with other products  
9 they might be familiar with.

10 MS. MILLER: Got it. And I think, just to  
11 look at some other questions that have been coming in,  
12 we have had a couple people that have been asking some  
13 questions about whether or not the SEC is still  
14 reviewing registration statements and things are still  
15 being processed with forms that are filed for  
16 crowdfunding and otherwise. And the answer is yes.  
17 Absolutely.

18 We are still working very hard, and we are,  
19 while all working remotely, we are very much so open for  
20 business and are actively responding and working as  
21 quickly as we can to make sure that everyone has access  
22 to the capital markets that they need right now.  
23 Another question -- we've had a couple people send in  
24 some questions in response, George, to the comment that  
25 you raised about people being concerned about not

1 qualifying for some of the federal relief programs that  
2 may -- either the ones that currently exist under the  
3 CARES Act in the Phase 3 package or future programs. I  
4 think a lot of those relate to uncertainty and  
5 challenges with the affiliation rules that are a part of  
6 the SBA 7(a) loan program and clarity about whether or  
7 not the investors are going to get the investors'  
8 investments and different portfolio companies will get  
9 pulled together for purposes of calculating the number  
10 of employees.

11 We're hoping for some guidance, some clarity,  
12 on that soon. And that's something that we've been  
13 hearing a lot about and are in conversations on behind  
14 the scenes directly on those topics. What I would love  
15 to do since we have just a few minutes, would like to  
16 ask a wrap-up question to you guys to look ahead six  
17 months, a year from now, where each of you hope to see  
18 crowdfunding and what, if anything, you think that we  
19 need to be doing that's responsive.

20 For those who are attending and have not seen  
21 the proposal that we put out on some updated rules on  
22 capital raising, we proposed some changes to the  
23 crowdfunding rules, including increasing how much you  
24 could raise, as well as allowing the use of special  
25 purple -- purpose, not purple, vehicles. That sounds

1 like Scooby Doo, special purpose vehicles that would  
2 allow investors to pull together and a number of other  
3 changes intended to make it a more seamless process for  
4 investing. Would welcome comments. Please pay  
5 attention to that.

6 We are very interested in what everyone has to  
7 say. And so please reach out to us to the extent that  
8 we can answer any questions or you would like to  
9 discuss. But I'll pivot back over. I would love to  
10 hear panelists. What are we looking at? Six months, a  
11 year from now, if you have a crystal ball -- and what do  
12 we at the SEC need to do to make sure that that happens?  
13 George, since you were the last one to answer, I'll let  
14 you start with that one, and then we'll go through Ken  
15 and then Youngro to wrap up.

16 MR. COOK: Yeah. So I think the next six to  
17 12 months are probably largely going to be recovery mode  
18 for us for the whole economy. I am having a difficult  
19 time trying to forecast beyond the crisis right now. I  
20 will say we are very excited about some of the proposed  
21 changes that the SEC has proposed. And we'll certainly  
22 be commenting and in favor of many of those.

23 But I think, you know, one thing to kind of  
24 keep all this in context, we -- the federal government  
25 has now unlocked about \$400 billion to small businesses.

1 That is the GDP of Norway. This is an incomprehensibly  
2 large amount of money. And even whenever you start to  
3 layer in local and state money going to small  
4 businesses, it only comes out to about \$15,000 per small  
5 business. So even this just astronomically large sum of  
6 money that has been unlocked for small businesses is  
7 only going to be a drop in the bucket of what's needed.

8           And in my mind, it -- we're -- we've seen  
9 that, you know, past recessions are -- show us that  
10 banks and private capital markets often lag, and you  
11 could probably even argue kind of forestall economic  
12 recoveries. So I think, in many ways, this is the time  
13 for investment crowdfunding to shine. I think if we,  
14 the portals, do our job correctly, this could be a  
15 really powerful way to deploy capital to small  
16 businesses. They need it now more than ever.

17           I know things are changing day to day. And,  
18 like I said, it's very hard to forecast what tomorrow is  
19 going to look like, much less a year from now. But, you  
20 know, I'm excited to have folks like Youngro and  
21 Kendrick and many others, you know, thinking about this  
22 problem alongside us at Honeycomb. And I hope that this  
23 is a moment for the industry to really step up and help  
24 solve what is going to be one of the biggest economic  
25 recoveries in U.S. history.

1 MS. MILLER: Thanks, George.

2 Ken?

3 MR. NGUYEN: Yes. On my end, I'm optimistic  
4 not only about the long-term future of equity  
5 crowdfunding, crowd investing, but about the near-term  
6 future as well. If you -- the challenge and the promise  
7 of our industries on mainstream adoption and by some  
8 very loose math, I believe that the total users among  
9 all the portals today is below a few million total,  
10 which is less than 1 percent of our population, meaning  
11 most people out there do not know that they don't have  
12 to be a millionaire to invest and support businesses and  
13 companies that they believe in.

14 And so even with this unprecedented -- and I  
15 think it's far larger than the 2008 economic crisis,  
16 although I hope that the recovery will be quicker as  
17 well. But even notwithstanding all of that, the  
18 opportunity now -- you have everyone's attention. What  
19 we can do on the portals and to eventualize and get word  
20 out, I think that's why at Republic we've seen pretty  
21 much the same investment activities.

22 And we do expect to see much more robust  
23 volume in the months to come and obviously we're super  
24 grateful for the effort from the SEC and particularly  
25 your office, you know, the Advocate for Small Business

1 Capital Formation. This is an unprecedented  
2 private-public engagement like the very webcast that we  
3 are on. I think these things are going to go a really  
4 long way, and, needless to say, we are very excited  
5 about the proposed rules.

6 The fact that if you raise the cap to a more  
7 meaningful amount, it will enable larger companies with  
8 larger customer base that can activate and can take  
9 advantage of this, you know, model of this fundraising  
10 model. So net net, I do think that 2020 will be several  
11 times larger in investment volume for the industry as a  
12 whole compared to the prior years. And I think that a  
13 few years out, this space will be a significant  
14 percentage of the venture capital space and, needless to  
15 say, for the entire private sector as well.

16 MS. MILLER: Excellent observations. Ken?  
17 Youngro?

18 MR. LEE: Yeah. Likewise, I think, in the  
19 long run, which I'm going to define as just basically  
20 the next couple years, things will get better. And the  
21 application and the benefit of the crowdfunding rules  
22 could be proven to be, you know, greater than what we  
23 think today and, in fact, I would say the JOBS Act  
24 probably would not have happened but for the financial  
25 crisis in 2008 and '9 when people realized the

1 limitations of our current system. Having said that,  
2 there is a separate issue. Really is -- there needs to  
3 be some massive, massive action from everybody in the  
4 short-term so you can have a long run that makes sense.

5           And so from that perspective, I mean, I was  
6 still -- it would be amazing if there could be some sort  
7 of emergency action or any activities from the SEC to  
8 allow a short-term relief to allow businesses to access  
9 as many different channels as possible. Specifically,  
10 it could be as simple as anything under \$200,000, which  
11 is the cap resembled -- the SBA put on EIDL, which  
12 doesn't require personal guarantee.

13           So any amount under \$200,000 basically either  
14 eliminate or reduce the obligations on the businesses.  
15 Eliminates the investment limitations on investors,  
16 allowed concurrent offerings to different other  
17 exemptions. Whatever it is that we can do in a limited  
18 time, I think the No. 1 -- really, really help benefit  
19 the small businesses, the major businesses that are the  
20 backbone of our economy that are really, really going to  
21 suffer without any massive change.

22           And, secondly, if we do that, I think we'll  
23 learn so much as an industry, as a regulator. So that  
24 -- some elements of that press can be folded into the  
25 upcoming changes that I think can really benefit the

1 country and really the small business economy for the  
2 long-run. But thank you guys for having us. I mean,  
3 this is amazing. Really appreciate, again, this -- this  
4 conversation would not have been possible if -- if  
5 Martha's office wasn't created at all.

6 So we know -- I mean, this is really for the  
7 audience. The SEC, we always think of it as a police.  
8 And obviously they have to serve that function. But  
9 it's not just about that. They are, as -- as you can  
10 see now, they are really trying get feedback and try to  
11 make positive changes as well. So the way the  
12 individuals who are listening might help is, like,  
13 literally send the comment letter. Send responses to  
14 the policy statements which seem hard, but it's actually  
15 pretty easy. You just got to send the email. So I hope  
16 we all just pay more attention to all this because this  
17 -- I do believe private markets is a really effective  
18 way to address a lot of problems we see today.

19 CLOSING REMARKS

20 MS. MILLER: Youngro, thank you. And I  
21 appreciate you expressing gratitude. We are all  
22 grateful and passionate advocates in our office for  
23 small business. I think that each of us have been  
24 talking internally about ways that we can do everything  
25 from support our dog walkers who aren't available to the

1 local restaurant or places that you love. And, I mean,  
2 it's -- this isn't something we just think about during  
3 working hours. This is something that I think about  
4 when I'm sitting at home on the weekends and talking to  
5 friends who are struggling through navigating with their  
6 own businesses and the family on that front. It is time  
7 to wrap up. We're a couple minutes over. I do want to  
8 remind everybody to reach out to us. We have far more  
9 questions today than we could have gotten through, I  
10 think, in two or three hours, which is a wonderful  
11 indication of everybody's interest in this topic.

12           Please do continue. Reach out to us. Shoot  
13 us an email at [smallbusiness@sec.gov](mailto:smallbusiness@sec.gov). You are welcome  
14 to also continue tweeting. But if you'll send us  
15 contact info, we will be happy to try to get back to you  
16 and schedule time to answer your questions. I know that  
17 Jenny is going to put up some contact info for each of  
18 our panelists on the screen right now. But I encourage  
19 you to also reach out.

20           Tell us what you like about today. We want to  
21 hear feedback. This is our first of these virtual  
22 coffee breaks. We put the point where my coffee is now  
23 on empty and I need a refill. But I would love to hear  
24 from you what you'd like from this, what worked well and  
25 what we can do to improve and iterate because, next

1 week, we're hosting another event with iFundWomen.  
2 We're with the National Small Business Association the  
3 week following. All of those details are going to be on  
4 sec.gov/virtualcoffee, which is where we will be  
5 continuing to roll out additional events.

6 Please tell us what we can do to be as  
7 impactful as possible and deliver value for you. Jenny,  
8 I will turn it over to you to wrap us up. Thank you all  
9 for joining and taking time today to be with us. And  
10 thank you, George, Ken and Youngro for sharing your  
11 wonderful insight and for taking the time to really be  
12 leaders on these issues.

13 MS. RIEGEL: Thank you so much.

14 MR. NGUYEN: Thank you, Martha.

15 MS. RIEGEL: I won't take too much of anyone's  
16 time. I did want to just give a few plugs for a few  
17 resources out there for those that may want them. One  
18 is there were a couple of questions that came in on  
19 reporting deadlines. And I just wanted to highlight  
20 there is a COVID-19 page on the SEC's homepage that  
21 refers to different relief that have been given.

22 Martha mentioned the Form ID aspect of that.  
23 And the -- it's no longer required to be notarized.  
24 That relief was provided, and it's all on the COVID-19  
25 page as well as for crowdfunding reports, Reg A reports

1 and normal Exchange Act reporting. There is a 45 delay  
2 that the Commission granted. So all of that relief is  
3 on the homepage. I wanted to highlight that for those  
4 of us that have heard us talk about this proposal and  
5 you're wondering, "What is this? Can I learn more?" We  
6 have a video that walks you through it. So please check  
7 out that video.

8 We also have a video that helps you learn how  
9 to comment. We really need those comments and want your  
10 perspective on what's working and what's not. So,  
11 review those videos. Reach out to us at  
12 [smallbusiness@sec.gov](mailto:smallbusiness@sec.gov) for questions. And thank you,  
13 again, Youngro, Ken, George. We really appreciate your  
14 insight. And thank you for everybody who tuned in  
15 today. Give us feedback. If you like what you heard or  
16 you have ways to improve, definitely happy to hear it.  
17 We will be doing more and hope to see you next Wednesday  
18 for the iFundWomen discussion. Thank you so much.

19 MS. MCKINNEY: Thanks, everyone.

20 (Whereupon, at 12:05 p.m., the meeting was  
21 adjourned.)

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PROOFREADER'S CERTIFICATE

In the Matter of: SEC INVESTMENT CAPITAL RAISING  
VIRTUAL COFFEE BREAK

File No: OS-0403  
Date: Friday, April 3, 2020  
Location: Washington, D.C.

This is to certify that I, Christine Boyce  
(the undersigned), do hereby certify that the foregoing  
transcript is a complete, true and accurate  
transcription of all matters contained on the recorded  
proceedings of the meeting.

\_\_\_\_\_  
Proofreader's Name) (Date)

REPORTER'S CERTIFICATE

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I, Beth Roots, reporter, hereby certify that the foregoing transcript is a complete, true and accurate transcript of the matter indicated, held on \_\_4/3/2020\_\_\_\_\_, at Washington, D.C., in the matter of:

SEC INVESTMENT CAPITAL RAISING VIRTUAL COFFEE BREAK.

I further certify that this proceeding was recorded by me, and that the foregoing transcript has been prepared under my direction.

Date: 4/3/2020

Official Reporter: Beth Roots