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U.S. Securities and Exchange Commission

100 F Street, N.E., Washington, D.C. 20549

Speaker Panel:
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Sebastian Gomez Abero, Deputy Director
Jaime Lizárraga, SEC Commissioner
Jenny J. Choi, Special Counsel
Kristen Grippi, Senior Managing Director, Evercore
Hillary Holmes, Partner, Gibson, Dunn & Crutcher
Tim Hwang, Chairman, DEO and Co-Founder, FiscalNote

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Victor Gutwein, Managing Partner, M25

Victor Hwang, Founder and CEO, Right to Start

William M. Beatty, Securities Administrator of the Washington State Securities Division, National Association of State Securities

C O N T E N T S

P R O C E E D I N G S

INTRODUCTION

(Technical interference interrupted the first 3-plus minutes of the meeting. Transcription begins part way through Commissioner Lizárraga's remarks.)

COMMISSIONER LIZÁRRAGA: I am particularly interested in hearing about the successes and the challenges of becoming a public company and the factors that can help smaller company succeed as public companies. I've said many times before, but it can be very difficult for the smallest businesses, particularly those from under-represented communities that are still outside of an entrepreneurial system, to navigate our securities laws, our very complex securities law system and laws that are often written in very inaccessible jargon.

So I challenge forum participants today to try to think outside of the box in seeing how it's possible to encourage broad-based growth in our public markets from all types of small businesses and in a way that doesn't Sacrifice our investor protection packet.

You've also heard before, all of us have heard before, the gap that we've seen in capital raise, in private versus public markets. It really is a stark gap. In just a space of one year, between July 2021 and

June 2022, almost a 4 1/2 trillion was raised for private offerings. By comparison, in the public markets for IPOs, only around 126 billion was raised during the same period. And it's an important set of numbers because over half, around 58 percent, of Americans report having invested in our public markets.

So because of that, we need to ensure that our public markets are as robust as possible. To me, the financial security of working families who invest in our markets -- whether it's for saving for children's' education, buying a home, for their retirement -- that critically depends on our work.

And for these families that channel their hard-earned savings into our capital markets, we want to ensure that they have access to a wide range of companies, all the while having the confidence that their investments will come with all of the disclosures and all of the legal protections that are the hallmark of our public markets

Thank you again for allowing me to participate here and I very much look forward to hearing today's discussion.

MS. RIEGEL: Thank you, Commissioner Lizárraga. Appreciate your perspective and insight as we dive into our panel discussion. And a few moments I will turn it over to my colleague, Jenny Choi, from Small business advocacy team, who will be moderating today's discussion. But first, I have a few housekeeping matters

Just as we've done on prior days, we'd like you to take a moment to learn a little bit about you. Below me on the platform you'll see a few polling questions and I'd love for you to weigh in on those and we'll bring in the results later in the session.

Second, if you're new to our platform I'd like to point out the chat box, which should show up just to the left of the video screen. Please feel free to drop in questions or comments for the panelists. We have reserved time at the end to get to those.

Finally, we've received a number of recommendations so far. If you have any additional policy recommendations to submit, please drop those in the chat as well. At the end of today's session we'll open up the voting in the same window below where the polling questions are now, to prioritize those recommendations.

In addition to those small public company recommendations that will be available on this page, if you want to vote to prioritize any recommendations from day one, two, or three, at the end of today's session you can click on the agenda tab to your left and select any of the prior days sessions to access the voting.

For those watching on sec.gov, if you click on the register button and register for the event, you will be able to access the platform and vote on these sets of recommendations, as well as join us in the chat today. While today is our last day of voting, it will stay open until 7:00 p.m. Eastern time, so take a look and get your votes and if you haven't had an opportunity to do so yet.

And with all those details covered, it is my pleasure to welcome Jenny Choi to the screen. Jenny?

SPEAKER PANEL DISCUSSION

MS. CHOI: Well, thank you, Jenny and Commissioner Lizárraga. I'm Jenny Choi and as Jenny Riegel mentioned, I'll be moderating today's panel. I first would like to thank everyone for joining us on the final day of the SEC's Small Business Forum.

And to give everyone a quick recap, in the past three days we have covered early stage private companies, entrepreneurial ecosystems, and smaller funds, all of which are critical to small businesses. And today we're going to discuss about accessing public markets as companies go and stay public, with a particular focus on small public companies.

It is my pleasure to be joined by Tim Hwang, Chairman, CEO and Co-Founder of FiscalNote; Kristie Grippi, Senior Managing Director, Evercore; and Hillary Holmes, Partner and Co-Chair of Capital Markets Group at Gibson, Dunn.

And before we jump into today's discussion, I will let our panelists introduce themselves. So Tim would you like to go first, followed by Kristie and Hillary?

MR. HWANG: Great. Well, well I appreciate the time here and I appreciate the opportunity to speak on this panel. You know as mentioned, my name is Tim Hwang. I am the founder and CEO of a company called FiscalNote. We are effectively the Bloomberg terminal for law, helping many, many companies around the world understand laws and regulations and really helping them to use AI kind of tools built to understand how laws may potentially impact their businesses.

Our business, we were founded in 2013, launched into 2014. Venture-backed, raised about $230 billion -- or $230 million for sale in the venture capital markets from folks like Mark Cuban, Jerry Angst, Steve Case, NEA, and others as we kind of built our business. And then very recently went public via de-SPAC transaction in August of last year. And so great to be on this panel here.

MS. GRIPPI: Thanks everybody. I'm Kristie Grippi. I'm the head of Equity Capital Markets at Evercore. I am a relatively new joiner to Evercore, just about two years ago. The previous 21 years I spent at Goldman Sachs where I covered both financial services as well as industrials and ran the syndicate desk

So I'm happy to be here today to talk a little bit about the experience of how a banker tries to identify what would be a good public company and then ultimately, how that company goes from being privately-held to publicly-held, how we source the investors, and what are some of the key criteria those investors are looking for in that IPO event.

MS. CHOI: Alright. Hillary?

MS. HOLMES: Hi, everyone. I'm Hillary Holmes. I'm a partner at the law firm Gibson, Dunn & Crutcher. I co-chair our Capital Markets Practice Group firm-wide and for over 20 years I've worked with companies of all sizes, including small companies, go public and be public. And I'll provide counseling to help them navigate the complex regulations that Commissioner Lizárraga mentioned earlier, both as they IPO and as they are a public company.

MS. CHOI: Well, great. Thank you all for that introduction. So now I want to kick us off with a question as to why companies would go public. So let me start with Tim. Tim, your company started as a private company, grew through VC financing, and recently went public. Can you just tell us a little bit about why your company decided to go public?

MR. HWANG: Yeah. It's a great question. So, you know, we had been private for a very long time, for several years. And, you know, throughout that process we have sort of built up a shareholder base, you know, institutional investors and VCs and some retail investors and the like that we had kind of brought in, you know, over the last couple years.

And so we began our public kind of journey actually back in 2021, about two years ago. As a management team, we sort of sat down and said, "What do we want to do with this business?" You know, "How do we want to grow it in the future." And it started from that fundamental question of what is our business strategy and then what do we want to do from there?

It was never about going public for going public's sake. It was about identifying what our business strategy was and then trying to identify the best pathway there.

So a couple things, right? We wanted to raise some additional capital to keep growing the business and we wanted to kind of access the ability to use our stock for continued M&A transactions. So we've been a very inquisitive company in the past and we wanted to essentially use a publicly-traded stock field to induce further acquisitions in the future. So we sat down in early-2021, you know late-2020, and we started looking at some options.

So if you can imagine sort of three doors, you know, that are open to us, right? So door number one is take private equity, you know, kind of keep building the business in the private markets. You know, go call up a large kind of private equity firm or growth stage firm. We actually had a term sheet on the table from a handful of private equity firms to look at that option.

Door number two actually was kind of going public via a traditional IPO. So basically kind of going through the entire process of, you know, educating the public and kind of building our book and building our investor base. And then obviously identifying kind of a date to go public and then doing that.

And then the door number three was to go through a SPAC process and SPAC transaction.

So behind door number one was basically staying private. And there's a lot of pros and cons to that right? So the pros of course are, you know, frankly lower kind of administrative requirements and more, you know, kind of compliance requirements and the like. But it would basically mean that our shareholders would have to stay private for even longer and it's sort of an illiquid stock that we wouldn't be able to get the incremental benefit of M&A transactions in the future.

And frankly speaking, you know, we had sort of a general hypothesis that the markets were fairly overheated, you know, through 2021-2022. And so we felt like there was sort of uncertainty in terms of exit events in the future. And the opportunity to control our own destiny, I think was very important.

One thing I would mention there is, you know, this is the founder-lead company and so management still owns a very, very large portion of the business. And as a result of that, we just weren't in a position right now to effectively give up control to some private equity firm that would work in the current process of our business

So then you're left with doors two and three. And so we actually went back-and-forth, back-and-forth on whether or not we should go out through a traditional IPO or through de-SPAC. And ultimately what ended up happening with our SPAC that we ended up going public with, was that our SPAC was fully backstops.

And so what that effectively means is that if we were to go through the SPAC pathway on door number three, our sponsor effectively had promised in advance that they would buy any shares of -- any redeemed shares that were in the market, they would put those back in trust. It effectively means that we know a year in advance before listing the business how much capital we were going to raise, at what price and what timing, and we'd have the benefit of going public.

And so as many people know, the option to have a fully backstopped, fully underwritten, fully capitalized public offering with high rate of certainty is very, very rare. And so what that effectively meant was that we could ride through any market turbulence, you know, and really go to the markets with a fully capitalized balance sheet. And ultimately, that's what we ended up doing.

And so just one thing I'll note before kind of passing the baton here, is that behind our number two, you know, there's sort of an uncertain timetable around kind of going public via traditional IPO, particularly given that, you know, we'll be going out for the first time, versus putting in place processes and whatnot internally

And so as a result, the uncertain timetable meant that we would taking a substantial amount of market risk. And so I think that from that perspective, we ended up basically saying that we'd like to have the certainty of capital and certainty of going public. And for all those reasons I listed out in terms of the M&A opportunities and the capitalization, we ended up, you know, kind of deciding this pathway and going down door number three.

MS. CHOI: Well, great. Well, thank you for sharing that, Tim. And Hillary, you -- let me just turn it over to you. You work with both private and public companies and I'm sure some of the considerations that Tim just raised are also very familiar to you

So when you're advising companies that are considering an IPO, what are some of the benefits and challenges that you would raise with your clients?

MS. HOLMES: Thanks, Jenny. Yes, everything Tim was saying are things I've heard before and the door one, two, and three as a common analogy. And it's in a very exciting conversation to have, Tim. I'm sure it was in invigorating to pick a door and go through it.

When I'm talking to private companies about the IPO process and going public, the buckets of challenges and benefits are kind of mirror images of each other.

On the challenges side at the IPO -- at the IPO phase for itself, is just the cost that's associated with it, especially if you're in a volatile market like Tim was referring to and Kristie is familiar with and sort of stopping and starting and picking back up and everything that just lengthens out the cost in terms of time and financial cost.

Also, the time commitment itself and the amount of work that's put into the IPO isn't always appreciated by every private company that decides to engage in one. I mean a CEO and CFO will spend, you know, 30 to 50 percent of their time on public company matters that aren't core to the operations of the actual business but are, you know, critical to having a successful IPO process being a public company, especially in the first year when your really establishing your brand.

Another challenge, but also an opportunity, is making information about the business and the organization public. I've seen management teams have varying levels of degree of comfort with this, both from the idea of having to give up that control and provide that level of transparency, but also having comfort with, you know, even the accuracy of their statements.

And sort of that they have to pull back a bit on some of the bullish statements they might make in a private setting that, you know, you just don't in a proper public setting, particularly when you're selling securities.

You know, financial and operational results, risks related to the business, litigation, but also personal things like compensation and governance practices tend to be pretty sensitive. And all of this is in the context of the big challenge of understanding, you know, it's a very complex set of regulations and requirements that a private company must follow in order to go public and then in order to remain a compliant public company

I mean, our securities laws and even the stock exchange rules are just a patchwork quilt of various rules that were adopted in reaction to various events over the last hundred years and it's really hard to navigate. Hopefully, they have excellent legal counsel guiding them through it. But it's a lot to take on and sometimes it can be it can be overwhelming, depending on, you know, the management team's sort of personality and level of commitment.

And then the biggest challenge at the IPO stage is that frustration that the capital markets aren't cooperating with you. I mean, that's the one thing you can control is, you know, it's both the federal government in terms of the SEC review, and then but even more so, it's the capital markets piece, you know? Is the market ready at your time

You know, we saw a lot of volatility and challenge in 2021 and 2022 with IPOs. But I think that's sort of leads nicely into the benefits, which is if you do the work and you are prepared and ready to pull the trigger when the markets are ready for you, there can be a lot of upside.

Obviously, it's primary IPO. It's cash in the door that can be used to maybe right set the balance sheet, invest in something important in the business, make an acquisition, something else that you really need without having to take. You know, a big private equity infusion like Tim was referring to where you may have to give up more control.

And then as a public company, you can use that -- have the access to the capital markets, hopefully, to higher valuation and raise additional capital both, you know, straight equity in the public markets but also, you know, like now, in more, you know, convertible securities or preferred securities or pipes. But doing it as a public company, you know, presumably gives you a broader investor base and a higher valuation.

And then of course as a public company, you tend to be able to attract better talent. You can have stronger governance, both because you're required to and because you might be just incentivized to, and use equity to compensate your employees and motivate them.

So it's a lot of pros and cons. But the one thing I will always tell companies, private companies I talk to who are thinking about an IPO, is you should not IPO simply to IPO. It is not the goal line that you're trying to cross. It is simply the start of a new chapter and you have to be committed to that chapter and appreciate all the work that goes into it.

MS. CHOI: Wow, thank you for that great overview, Hillary, you know both benefits and challenges of going public.

So Kristie, you've worked with a lot of companies seeking to go public as your source structure and market IPOs. Can you just walk us through why some investors choose to invest in IPOs and what are some key factors they consider before investing?

MS. GRIPPI: Sure. And I'm just going to pick up on something Hillary left with. The reason that I love my job is because I have a front row seat to one of the most important events in a company's lifetime; the birth of the company. But as Hillary just said, it's just the first point in the company's life cycle. It's not the end line or the end goal of it. And I think that's important to keep in mind when you address the question of "Why would an investor choose to invest in an IPO?

And I really think there are three buckets to these fall into. There's the technical, the fundamental, and then the trend. So in order, the technical. The IPO price should be the lowest price the company ever sees. And that generally means that that's a really good place for an investor to generate a lot of alpha, good return

An IPO as a new company so it has to be priced at a discount to allow for some of the risk. Therefore, from a purely technical standpoint, if you went back over time and you looked at the classes of IPOs each year and follow the cohorts and you said, "What do the cohorts normally return?" On average you would see returns in really robust years of 25 to 30 percent if you bought every new public company that year.

And some lesser years, you're seeing sort of more of a 5 to 10 percent return. But by a large these returns are positive and they're strongly positive and they are market-beating returns. So if I'm applying this from a purely technical standpoint -- and there are actually certain indices that now follow this trend, as an investor you'd want to buy an IPO because it's good return of an alpha in it for you.

From a fundamental standpoint, however, many companies that are coming public are of the smaller variety and have a lot more growth runway in front of them. So if I were to parse the market, you'd find 2/3 of the market is comprised of healthcare and technology focused offerings.

And many of those companies have incredibly strong growth characteristics to them, such that if you're a portfolio manager looking to add a little bit more topline growth to your portfolio, looking towards the IPO market and looking to the 2/3 of companies that are from those two sectors that I just mentioned, is a good way to add growth to the portfolio.

Generally, IPO investors are looking for growth more than they're looking for earnings or stability. Now in 2023, where they have been fewer IPOs, those companies that are willing to risk coming out in a more volatile market have had a little bit more focus on being cash flow positive or actually having real strong earnings and a strong balance sheet.

But if I were to reverse course two years ago, you would see that the bias is in favor of growth without necessarily profitability. So to Hillary's point, the market moves back-and-forth. By and large, IPO investors are more growth-biased than they are profit-biased and that's just something to remember.

The last reason why an investor would seek out a newly public company and I mentioned this earlier for the trend. So many times IPOs are there early, tip of the spear so to speak and trend-spotting. And I'm going to talk for a second about ESG.

ESG has become a force to be reckoned with in the investment world and many newly public companies are playing off some element of ESG in some capacity. Whether it be on the environmental side for water or replacement products that are more environmentally sustainable; whether it's on the social governance aspect -- we can have some smart city machinery that's been put into place.

An investor who's looking at a thematic that they see a trend that's out in the world is more likely to say, "Let me invest in that trend through this new company that's out there so a) I can gather up technical, I'm coming in early, and I can have a good return. But from a fundamental standpoint, I've already identified this theme. There isn't really anything else out in the public realm that is as directly dedicated to that theme, except for this new company that may be coming public.

And you see a lot of that in the last two years of IPOs. Whether they were de-SPAC'd companies going public or whether they were straight IPOs, the trend and the thematics that have been out in the public -- I mentioned ESG, but you could just as easily point to electrification of vehicles. You could point to it from an information services realm like Tim's company, or you could point to it in certain types of payments processing.

All of these thematic trends now have a way to be played, so to speak, by investing in an IPO from one of the companies that has been birthed in the last three to five years.

MS. CHOI: Well, great. Well, thank you for sharing that. And I think you touched upon this a little bit as you were saying about, you know growth bias versus revenue bias depending on the trends and where the market's at. But would you be able to kind of elaborate, you know, what some factors or signs that investors look for when determining, you know, if the company is actually ready for an IPO or not?

MS. GRIPPI: Sure. Generally, we've seen most large investors in 2023 looking for certain thresholds of revenue or of profitability. And those revenue thresholds are going to be different based on the industry. So as an example, revenues of $50 to 100 million are more than sufficient in areas like biotechnology or technology. But they wouldn't quite cut it, for example, in areas like traditional energy or industrials.

So there are certain thresholds that are known knowns in fact. For -- the advice I would give to some of the listeners are if you're running a public company and you know what sector you fit into taking a look at the Russell 2000 and looking at the metrics for those companies that are listed in terms of revenue, of EBITDA, and even of earnings for some of them and seeing how you match up. That's a good barometer to say, "Well, other companies look like me that are public, so therefore I can be as well."

But by and large, the investing public is going to look for certain size thresholds and they're going to look for certain growth thresholds too. You just heard me say a few minutes ago the traditional IPO investor is looking for growth above profitability, so topline growth that's certainly measured in the double digits. And at some sectors that's going to be in the strong double digits -- 50 to 100 percent in areas like technology -- is something that an investor is looking for.

Now, these are large institutional investors to name a few names; a Fidelity a T.Rowe Price, a Capital Group. There are investors that are particularly focused on smart cap names. These are investors like on the growth side, William Blair. Or if I put someone like a Wahsatch or a Brown.

On more the value-orientated side you can look at Hotchkiss. You can look at Inside Peak. You can look at Hood River. Those investors will have a little bit lower threshold for what they're looking at it in terms of a size barometer and also a lower threshold, especially for the value-orientated ones, for what they're looking at for growth

But all things equal, size barometers and growth parameters are important. The investors are also going to look at how the company has been set up from a financial capacity. Is the right financial reporting team in place? How much experience does the CEO, CFO, and their team underneath them have in running up have a company, or is this the first time CEO/CFO.

Once the company is public, the investor is going to evaluate whether or not he or she's going to continue to hold, based on the public company's ability to meet and then beat the quarterly estimates that that company put out during the IPO roadshow.

It is a prerequisite for IPO investors to have at least two years of a forecast for the next year out. So for 2023, sitting where we are right now, we'd be looking at 2023 by quarter and 2024 at an annual figure. But having those projections in place and then being able to diligence those projections. And meeting with the CEO and CFO is also one of the prerequisites to (video interference.)

MS. CHOI: Actually following up on that -- and you again touched a little bit about it as you were mentioning about threshold and size. But from your perspective, Kristie, is there anything that smaller companies should particularly focus on leading up to an IPO?

MS. GRIPPI: Again, showing that you have the right financial and reporting team in place so that your forecasting is solid. Because the worst possible situation for a newly public company is to not meet and beat, but actually miss and -- miss and declining the projections thereafter.

So you need to have a lot of trust and faith that the financial reporting team that you have in place is able to one, forecast appropriately and two, has the reach within the organization to get the data that the team uses to make the forecast accurate.

The next item I would say that a public company needs to have ready to go right out of the gate is a good investor relations strategy., So an IPO allows you to meet with a lot of U.S. and internationally-based investors during a roadshow. And roadshows up until the last six months have mostly been virtual.

So think of it as a five day affair where you're doing Zoom calls from 8 a.m. until 6 p.m., and you're touching investors in these virtual rooms all over the world. We have now moved back to some in-person events in some major cities. But I think that in a way, Covid has democratized the IPO process because it allows us to meet many investors irrespective of what time zone they're in, without the friction of travel.

But for those investors, you're allowed to choose them in an IPO because you will build your book of demand. Each of the investors will put how much they'd like of the security into the book of demand and the bankers will work with the company to allocate them out.

But once we start trading, the shares can go to whomever is willing to purchase them on an exchange.

And therefore, having have an a good investor relations strategy of how do you keep the investors that you want, how do you go after the ones that you wanted but didn't get, and how do you try to avoid those investors that you didn't like on the roadshow? That's really important.

So if I could leave you with a final thought, figuring out who within the organization is going to manage that investor relations, whether it will fall to the CEO and CFO to do or whether there's an individual that will be tasked with a job, is really critical.

MS. CHOI: Well, great. Thank you. And I'll move back to Hillary. From a legal advisor's perspective, Hillary, what are some of the important elements that successful public companies have as they prepare to go public?

MS. HOLMES: Yeah. The main theme is to appreciate that preparing to go public is a comprehensive process. It really impacts all aspects of the business and the organization and it requires patience and hard work and dedication at all levels

So sometimes I see private companies that are quite eager to go public, sort of think that it's just one project they can assign to a dedicated group within the organization. And that's a fine way to sort of quarterback it, but it requires a lot of attention from the CEO, the CFO, you know, if there's a founder -- that kind of thing. And then all the different functions within the organization that would be involved, from IR to financial reporting to legal, some of which a private company -- especially a small one -- isn't going to have yet

And I try to break it down into a little acronym, FACTS, because it's just a fact that this is the way the IPO is. It doesn't know when it's exempt from these requirements. It just takes a lot of work no matter what your company looks like, but especially for smaller companies.

So the "F" is financials, and that has two parts. One is if you were smart about it, it will require a good financial investment for going public. And the cost of going public can be, you know, 4 to 5 million even, outside of the underwriting commission -- legal, auditors, IPO readiness, SOX controls, and so forth. Some of that would spill answer the first year sometimes.

Then there's the cost of being public that you need to budget for, plan for responsibly, get the infrastructure set up. That can be -- that can be a couple million a year, depending on the size of the company. And then the second part of financials is the financial statements so this could be a key timing issue.

Every year I sit down at multiple IPO org meetings and the company will say, "We -- just an example, this year we're in 2023, you know in the first few months of the year, several IPO org meetings. And the company would declare, "We are going to make our fist submission of the registration statement with the SEC with our '22 -- as soon as the 22 audit is complete. You know, we're wrapping up '21 and why are you know just almost done with '22.

And then low and behold, 22 is not ready by the stale day, the last day that you can use those financials, and then you're waiting for those and waiting for Q1 financials and the entire IPO timeline shifts.

This is particularly complicated with some smaller companies who may have done acquisitions in order to get large enough to go public. The acquisition financial statement requirements are written in sort of an odd way that actually just favors smaller companies and makes it more likely they would have to file financial statements, I guess on the rationale it would be more material.

But in any event, auditing companies or assets that are deemed businesses that the private company has acquired can take a significant amount of time. And then getting -- even if you have financials, because maybe private equity sponsored or you did 144A bonds, you know, getting us up to PCOB standards or adding in acquisitions can add to the timeline as well.

So financial statements are a key gating item in terms of timing, way more so than just even drafting the registration statement and telling the story and working with the bankers on your story that's going to demonstrate the metrics that Kristie was talking about so you get your investors.

And then the "A" in FACTS is accountability. So appreciating that you're entering a very complex, new regulatory regime and setting up strong management, strong governance, a good culture of compliance at the top, finding your public company directors, as another example that can be a lead time item

But all these things, if you just appreciate that they take time and you have to do them right and it pays dividends in the long term and you get started earlier, is very valuable. And those are the companies that are most successful in their IPO.

And the other things they'll think about are like the "C" is controls. So appreciating the new liability regime the company will be operating under, getting your Sarbanes-Oxley controls in place, investing in IT and personnel as appropriate, hiring the right advisors and so forth.

And then the "T" is timing, which is two parts. One is the state of the market and the state of the business and we've already touched on that quite a bit, both me and Kristie.

And in that regard I'll say, the smart thing to do for a successful IPO process is to hire honest bankers. I mean, hire the -- you know, the smart, honest bankers that will not be afraid to tell you, "Your business is not ready for the public markets," or, "The equity markets I just challenged right now. Don't spend a bunch of money preparing financials or paying lawyers right at this time because it's going to be a" -- "You know, we think it'll be another six months before it's even time to consider, whether to consider going public." You know, having that honest advisor that a partnership with your bankers and your lawyers is really valuable to the process.

And the second part of timing is just appreciating that it can't happen overnight. I mean, I think Tim said they start talking about going public probably two years or so before they did, and that would be very typical. I've seen up to three years. And you know, the pens go up and down as the market changes or the business involves

And the other part of that is not trying to rush the actual IP registration statement process, the process that involves the SEC. Taking the time to prepare a really high-quality, fully compliant first submission of the registration statement, we find as a general matter, saves time in the overall process that involves the SEC. So that's one process maybe you can have a little more control over, given all the other things you might not have as much control over.

And then the last part, the "S" in FACTS, is the story, so that's coming up with your clear marketing message, your outlook, your model, your projections like Kristie was talking about, and making sure they hit on all the key marketing points.

And you may have to write a story that frames how you talk about your business and how you talk about the outlook for the business in kind of a new way. Like maybe the bankers tell you that what investors are going to care about is something you have not really emphasized in the past, but is something that will attract the investors and as a strength you just haven't highlighted so far. So that will be the strike that you highlight as a public company, but maybe you didn't as a private company.

So that's a really exciting part of the -- or the process that we enjoy. So just making sure you appreciate that full picture of all those -- all those work streams and getting started on them early. That's what -- that's what really contributes to the successful IPO process, especially when you're a smaller company.

MS. CHOI: Well, great. Thank you for sharing that, Hillary. Kristie, did you have something to add?

MS. GRIPPI: Yeah. Just as Hillary was saying on that last point, it's a very good one. I try to impress upon companies, there are many great companies but not all of them make great stocks. And you have to understand in an IPO, you need to sell your company as a stock. And there are going to be a specific metrics that people are looking at.

So it's as Hillary just said, telling a story in a different way than you've been accustomed to it. Because a portfolio manager has to, to fulfill his or her for fiduciary responsibilities, look for stocks that are going to make great earns in the public market, not necessarily always pick great companies that may take a little while to pan out from a financial standpoint if the story is not told correctly to everyone else that's a participant in the public market and is marking to market that stock every day.

MS. CHOI: Great. Thank you, Kristie. And before I turn it over to Tim again, actually I'd like to make a quick plug for our team's resources including the glossary and building blocks, where you can learn more about different pathways to go public and some of the terms that we may have been using during this discussion. And I know these terms are somewhat very technical, but our hope is it that, you know, these resources can help cut through some of these jargons and simplify complex legal issues.

So going back to you, Tim, you mentioned, you know, your company went public through a merger with a SPAC -- and you see what I mean when I say technical term -- which stands for a Special Purpose Acquisition Company. And as you mentioned it's, you know, different from a traditional IPO process. But can you just elaborate further on some of the steps that you and your company took to prepare going public and what that preparation process was like?

MR. HWANG: Yeah. So I think luckily for our company, we had been thinking about going public for quite a while. I would say, you know, going back to as far as 2019. And, you know, we had built the scale of the business -- you know, some of the early remarks here -- you know north of $100 million in sales and recurring revenue. And, you know, as part of the process had started to build out a pretty robust finance and accounting, you know, financial planning and analysis, and legal compliance teams internally.

The other thing is that, you know, being a venture-backed company and in particular, you know, we had worked with a number of financial institutions that were, you know, not only to, you know, from Silicon Valley but also from Wall Street -- you know, firms like Apollo and others -- that we're still sitting somewhere in our capital structure.

We effectively had requirements that, you know, kind of required us to report actually, I'd argue, more stringently than the public markets. Frankly, you know, almost on a monthly basis. So, you know, what that effectively means is that you've got to, you know, kind of build out well in advance, you know, things like your accounting functions and have a lot of fidelity towards that.

So you have to have a lot of fidelity around your financial planning capabilities so you can forecast things like, in particular, you know, cash requirements of the business and how you're kind of building the organization overall. And then there's obviously the governance component as well. So we, you know, starting from maybe 2000-even-18, you know, a couple years before we went public and built out a fully independent board. And so it brought on some, I would say, kind of blue chip independent board members for each of our committees.

So for example, Anna Sedgley, who is the former chief operating officer and president of Dow Jones, who leads our audit committee. Mike Callahan, who is the general counsel at Yahoo and LinkedIn, who leads our governance and nominating committee. General Stan McChrystal, who also lives one of our leadership committees and the like. And then again, Brandon Sweeney was our chief revenue officer at VMware, who leads our compensation committee.

So this is a fully independent board that effectively had, I would say, a tremendous amount of public company experience. And that obviously was very helpful as we were kind of building out the organization and the governance components, you know, in going public.

The process for going public, I would say, via a de-SPAC versus an IPO, isn't -- I mean, there's some additional steps that happen, I would say, in a de-SPAC process. But by and large, you know, the kind of broad strokes of going public are relatively the same in terms of educating the public markets, sitting down with institutional investors.

I think the way that we approached it was to view the de-SPAC as a technical transaction and then to kind of -- in all sorts of -- kind of the way we went public was to still have a roadshow, still talk to institutional investors, still built demand for the stock, and trying -- you know, kind of tell our narrative as much as possible.

Obviously, you know, the first part of our process was deciding whether or not we were going to go through an IPO or a SPAC process. That analysis probably took well in advance of maybe a half a year to a year, just kind of analyzing the market and making determinations around what we felt like was going to be the right approach.

Beyond that, I think we were actually dual-tracking and IPO and a de-SPAC at the same time for many, many months, which had two separate banking teams that were kind of working on each group and having them sort of compete with each other to kind of come up with the best analysis.

And then when we decided to through a de-SPAC process, you know, we essentially had gone through this process of meeting with a handful of SPACs and listening to their pitches and thinking about whether or not we'd want to work with these partners or not. And then thinking through the technicals of, you know, whether something was back-stopped or not.

Once we decided to choose a partner, it was really just a function of, you know, kind of signing the definitive agreements and, you know, working on closing an incremental set of financing. In our case it was an incremental credit facility that we signed to kind of take the company public and the like.

And then from there, you know, once we signed the definitive agreements it was really just, you know, working with the SEC and working with our kind of internal and external auditors to effectively make sure that the company was fully compliant, had all of our filings in order, and obviously was ready to go public.

And so all of the issues that were previously talked about in terms of, you know, working through staleness dates and working through the SEC's internal timetables, were obviously, essentially a moving target. And we definitely had to push it out a couple of times but I think that's, you know, fairly, I think, pretty normal as companies kind of go to the process.

But, you know, I think that's all important in terms of making sure that we were, you know, ready and fully compliant here.

So, you know, kind of in a nutshell, you know, I think we were thinking about going public well in advance of, you know, 4-plus years from the board selection through our accounting, finance, legal, compliance, you know, basically kind of set all the pieces up to make sure that we're ready to go.

MS. CHOI: Well, great. It certainly sounds like there were multiple steps for you to get to an IPO. And now that you've gone through that process, Tim, what advice do you have for other company executives, particularly those of smaller companies, as they think about going public some day?

MR. HWANG: Yeah. I think -- look, I think -- just to be totally frank, I think the companies really need to sit down and say, "Do you want to be public or not?" And, you know, I think the commissioner mentioned at the beginning of the call that, you know, something in the order off, you know, several hundred billion was raised in the private markets -- several trillion actually.

And so I think, you know, I think that

management teams really need to make a deliberate choice about whether or not they want to be public and the pluses and minuses associated with that. I think that, you know, it is a very big commitment on the management team, particularly by the CEO and CFO, general counsel.

It is -- there's a lot of work that goes into going and staying public that's not, frankly, associated with all the things that, you know, great company do, right? Which is, you know, building great products and services for their customers, delivering for those customers, you know, day after day, and then building a great organization

So I think that what we're trying to do at this point is really continue to deliver on that front but really be cognizant that from a CEO/CFO perspective the amount of time and effort it takes to sort of sit down and work through, you know, meeting with institutional investors, you know, going to investor conferences, doing concert management presentations, is a very, very big time shift from, you know, what you'd be doing as a private company.

And, you know, in addition to obviously running a great business -- you know, great fundamentals, great revenue and cost and the like -- we essentially also have to think about, you know, inflows and outflows in our stock, you know, because it impacts things like employee compensation, you know. Or it impacts our ability to do M&A or think about sort of incremental capital raises, you know, later on down the line.

And so those things are obviously different and I think that, you know, just being accustomed to that shift in terms of how you spend your time is probably the most important thing to stay aware of.

MS. CHOI: Great, thank you. And Hillary and Kristie, do you have any additional advice you would like to share?

MS. HOLMES: It sounds like you should call Tim and have him guide you through it and do it the right way. But Tim's point actually does tie to the piece of advice I would give, which is to start acting like a public company as much as possible. You know, that gives you the best optionality to execute on going public when the markets are there and when you're ready, if it's now or if it's for years from now

Obviously, you don't want to pull resources that need to be focused on the core business away from the core business, because you're never going public as a successful -- or you're never having a successful IPO unless you have a successful business, presumably, so focus on that first. But, you know, dedicating some resources to preparing financials, developing controls, maintaining good records, investing in strong management and good governance from the start. You know, that's just going to give you a real solid, strong foundation, and a running start when you decide that it's the right time to access the public markets.

MS. GRIPPI: I have two things to add. I'll pick up on Hillary's thread. While newly public companies have an ability to close their quarters and report them a little later than historically long-term public companies do, I would caution against utilizing all of that extra room, so to speak. Because from some of the analysis we have done, it continues to be what I'll call a standard reporter. So someone who reports in the period of two weeks after a quarter has closed, all the way through six or seven weeks after a quarter is closed.

Just because you're a newly-public company and you have some safe harbor to report, later is not necessarily good, since our work says there's actually more focus on the late-reporting companies. And a miss on a late-reporting company can actually have a more detrimental impact than a miss in a reporting company that does it in more of a normal zone.

So going hand in glove with what Hillary was saying, making sure that you have the right staff in place so that you can properly forecast the business but then also close the quarters in a timely fashion and then report those quarters in a timely fashion.

And this is something you can practice while private. How long would it take for the finance team to close a quarter and be in a position where they could actually deliver that, in what looks like a public company standard earnings format, to the CEO and the board of directors. And if you can do that within six weeks of the quarter actually ending, that is a standard public company timeline to report earnings in so that should be what every company thinking about going public aims for.

The second is a little bit of some advice that I would give that's a little bit away from the nuts and bolts of running the company and running the reporting functions within companies. Think about which investors or which research analysts you believe are the smartest in your particular sector and start to court them in a small way.

So maybe it's first just following their research and whatever they put out and print. Sometimes it might be actually contacting that research analyst and having a sit-down with that analyst to help that analyst start to understand your business in a non-pitch kind of way, because this is well in advance of your company going public

You'd be surprised how much you can learn from a very smart analyst that has covered for example, the home building sector for a long time. And that insight could help you craft your story, again, to make a great company into a great stock by the way you write up the business description in the strengths and strategies section of the prospectus.

MS. CHOI: Well, great. Thank you all for sharing your thoughts. And before I turn to our next topic, I want to encourage our audience to submit questions for the panelists and we would love to address them during the Q & A session.

So now that we talked about the process of going public, let's turn to issues that companies face once they become public. And while it's easy to group all public companies together, what we've heard is that, you know, small public companies actually have very different experiences sometimes compared to the larger companies.

So let me turn to you, Hillary. So on that note, as you advise public companies of various sizes, what are some of the day-to-day issues that small cap companies tend to face?

MS. HOLMES: Yes. Well, small-cap companies face all of the same issues that public companies face with respect to being public and complying with a very complex set of regulations, a dynamic set of regulations I'll say, that seem to be changing constantly. But it's just more that -- it's more acute, because the small-cap companies -- and this is just a generalization. It's not obviously true of every single one -- tend to be a leaner organization.

And as an example, maybe they have a limited legal function. Like they have one general counsel, as opposed to, you know, a team of in-house counsel and lawyers who can be dedicated to monitoring changes and regulations and ensuring compliance. And that sometimes leads to doing sort of minimum required, even if they have a strong culture of compliance. But they have to prioritize and so -- and they lean more on outside advisors, which is absolutely fine.

I mean, the smaller companies are the ones -- the smaller public companies are the ones I tend to talk to you multiple times a week and have standing weekly calls with to make sure they're getting everything they need, as opposed to larger companies that might have a legal department of, you know, 20 or 200 lawyers and have been public, you know, longer.

But it applies to even smaller companies who have been public a long time. Like they just have to manage that GNA and the small cap nature of them makes the capital raising more challenge, which then sort of contributes to the perpetual sort of being smaller element of it.

And so that goes to my next point, which is -- another challenge is the limited -- or issue, is the limited trading and maybe a smaller public float. And that means that they may get more creative with capital raising. So they might not be able to just access regular way equity capital markets whenever they feel like it.

Instead, they're thinking about more creative ways to access capital if they're trying to, you know, whether -- outside the debt markets of course. So looking at things like preferreds and pipes and converts and things like that that may be targeted at certain sophisticated investors or certain investors seeking something special that this company offers, like Kristie was alluding to.

But sort of thinking outside the box with respect to capital raising. That than -- that then implicates a whole new set of regulations and a new sort of minefield to navigate and -- but hopefully they have outside advisors to help them work through that.

The other day-to-day issue with smaller cap companies is just the materiality threshold is lower. And that matters for, you know, everything from disclosure issues to risk management to kind of liability management and scrutiny. So they're just operating within a different paradigm than a very, very large company where, you know, as we say the phrase is "Nothing is material," which isn't true but you know what I mean.

So smaller companies just have, you know more limited resources but ironically, a bit more pressure from the regulatory side.

MS. CHOI: Got it. Well, thank you for sharing that, Hillary. Tim, I saw that FiscalNote filed its first 10-K recently and any thoughts you'd like to share on that or other issues that you had to tackle in your first year as a public company?

MR. HWANG: You know, I think luckily, because of the preparation I talked about earlier, our filings are generally like sort of non-events. I mean, there's obviously a lot of work that goes on behind the scenes to make sure that those filings get done, but I would say that more than anything else it's mostly just been a time -- a time thing more than anything else.

And so I'm a -- I'm sort of a purist when it comes to company building. You know as a founder and as a CEO, I think companies are collections of people that come together to solve a business problem for customers and can do that repeatedly over and over and over again. You know, we don't have to -- there's all this talk about, you know, finances, accounting and compliance, and you know, investors and capital markets and stuff, but ultimately these are businesses that have great products and services that service customers every day. That is what a business is. And all the stuff that we just talked about are basically in service of that business.

So my general opinion is that management teams, and CEOs in particular, need to say hyper-focused on delivering for their customers day-in and day-out. I mean, that's -- that is what an entire business is. But the reality though is that as a first year as a public company we have to do things that take us off track from that

So, you know, we have to sit down, you know, with research analysts and walk them through our business model. We have to sit down with institutional investors and talk to them, you know -- talk about, you know, either the pros and cons of our business and the like. You know, we have to sort of constantly monitor the stock price, you know, whatever the case may be. We have to work with regulators as we're kind of, you know, making his filings and, you know, putting out disclosures and the like.

All those things are certainly important but to me they're frankly secondary to building a great company. And the fundamentals of a great company are, you know, having a great product that continues to innovate for the future and finding the best customers you can service over and over and over again. And then, of course, building a great organizational culture that you want to attract, you know, great talented folks into.

So more than anything else I think, you know, my calendar is very busy. And sometimes, you know, when I take an abstract sort of look at, you know, what I'm spending time on, you know, I'm hopeful that, you know, as we kind of transition into becoming a more long-term public company, that more and more of our time can actually be spent increasingly on of course building a long-term durable enduring business that really solves problems for customers. And I think that it's just making sure that we sort of stay focused on that at the end of the day.

MS. CHOI: Got it. Well, thank you for sharing that, Tim. Kristie, you talked earlier about attracting institutional investors and I believe Hillary mentioned this just now. But some of the related issues that we often hear from the small cap space is (video interference.) So in your opinion, what should small-cap company speak thinking about, you know, to address these challenges in the public market?

MS. GRIPPI: So just to level-set, I think every company that comes public expects that they are going to be awash in oceans of liquidity and everyone will trade just like IBM or Google or -- we can call it Meta. That is just simply not the case. And so to put it into perspective, the average S&P 500 company turns over between 1 and 1 1/2 percent of its float. That's the number of shares that are able to track every day. The average mid-cap company turns over about 1 percent of his flight on a daily basis. And the average small-cap companies -- so companies less than $1 billion in market cap -- turn over between .6 and .8 percent.

So we need to make sure that we've properly calibrated what good liquidity versus less or illiquid stocks actually look like. Now every company is usually in search of, you know, more or better research analysts. Some companies have lots of research analysts but they think the research analysts don't know what they're talking about. And some companies have just a few research analysts who really do know what they're talking about but it's not great when there's just two people asking questions on an earnings call.

So as I referenced earlier, having private companies get to know what sell-side analysts actually cover their sector and which ones, after reading the research that's published, they think had the best grasp on the overall sector. So don't key in on any one stock that the analyst is either really bullish are really bearish in. But think about the way the analyst and covers the entire sector and start to cultivate a relationship with that analyst.

It's helpful in the private context, as I said, because it can help you, the private company CEO, craft your story a little bit better when you're writing it. But it is also helpful when you actually go public and now you have a little bit better feel for what type of analyst you'd want to cover the company. And maybe there is a -- maybe there's a banking firm that goes along with it.

When take yourself public, there will be a syndicate of banks and each of those banks typically has an analyst that writes on the company. But if you've gone public with a small syndicate or in the case of a de-SPAC'd company, haven't gone public with the syndicate at all -- it's actually just by merger with a SPAC -- the group of covering analysts could be quite small.

So if you know who you want to add, a good thing to have in mind is that for every sell-side analyst that's added to your coverage roster, that adds between five and seven percent more liquidity to your stock. And the reason for that is simple. These analysts get paid on the ideas that they write about and those ideas are -- have to be actioned by virtue of a buy or a sell in stock. So that creates more liquidity in the shares

So having a roster of analysts that you start public life with, with the aim to add between 1 to 2 analysts per year until you've gotten to at least 10 analysts, is a good idea. Then you know who those analysts are and you can kind of go out and set up a plan for how you want to roll them into coverage. For the analysts that are really smart in your space but may be harder to get, remember that this is a long-term journey. So the IPO is just the first part. It's just the beginning, mile one of your marathon.

Having Conversations with those sell-side analysts that don't cover your company but offering to do events like non-deal roadshows with them. Present at one of their conferences. Sneak on a webinar where it's a topic, a general topic. So you're not necessarily talking about your own company or your own stock, but you're talking about a thematic issue in your company's sector -- is a good way to make sure that the sell-side analysts know who you are and then are thinking of you when they think about picking up coverage.

Switching gears for a second I've talked a lot about sell-side analysts. Well, what about the buy-side investor? How do you court those investors? Knowing who is a dedicated small-cap investor. So I reeled off a couple of them before but a few names. So Wasatch; William Blair; Kornitzer, that runs the Buffalo series of funds; Driehaus; Hood River; Thrivant; Royce and Hotchkiss. The last of those are a little bit more value-orientated than they are growth-orientated. Those firms that are dedicated to investing and small cap securities.

So for them, they will have a different perspective when approaching a small company stock. Rather than saying I need to figure out if it fits within my fund, you're already in -- you're in the money, so to speak, and the sweet spot of what these funds want to invest in. And I would aim for and IR effort that picks up between one to three of these dedicated small cap names per year. That, to me, is the best possible way to not to constantly be dedicated to adding one to two new investors each year and still being able to service the investors that you have to support the stock price.

MS. CHOI: Well, great. Thank you all. I'd like to now transition to our final topic that is also very relevant to one of our office's missions, which is to identify unique challenges that women and minority-owned businesses, as well as their investors, face

So Tim, we are very fortunate to have your perspective on this panel today. We all know that while there's been an increase in the push for diversity within the board rooms, the diversity within the C suites at public companies still has a long way to go. So what advice do you have for women and minority professionals seeking to build a career is in the space?

MR. HWANG: Yeah. I don't know if there's anything specifically tangible, you know. But I think that it comes down to two things, right? So on the company side, being very deliberate about diversity within your management teams and your boards, I think, is critically important. You know, I will say that for us at FiscalNote, as an example, close to 10 percent of our short-term incentives for our executives is tied specifically to ESG and diversity initiatives within the business.

So, you know, in many ways you sort of have to put your time and your money where your mouth is and sort of make that a commitment within the organization to really drive the level of diversity. And obviously, you know, at the end of the day these companies are -- as I mentioned before -- just amalgamations of people that are coming together to accomplish something. And I think that it requires leaders within companies to be very deliberate about the values of the organization and what they want to achieve, you know, with these companies overall.

I think the second thing is that, you know, folks just need to sort of put themselves out there. You know, I think companies are looking for a great board directors. They're looking for a great managers. They're looking for great executives all the time. And, you know, putting yourself out there and making sure that you get connected to folks, I think, is something that -- I definitely encourage folks that I mentor, other founders or other investors alike that want to get a lot more engaged to -- you know, to really just, you know, kind or reach out and have that conversation to kind of start off with.

MS. CHOI: Well, great. Thank you for that advice, Tim. And Hillary, you've also had a successful career as a lawyer in the industry where women were and remain under represented in leadership roles. Any do you have for women and minority professionals?

MS. HOLMES: Well, I mean, just my advice. But my advice is just to be yourself or don't pay attention to the fact that you might not look like every other person in the meeting, the board meeting you go to for the IPO. You know, don't -- you know, it's of no moment that you are the only woman there or person of color

Just do an outstanding job. And frankly, the fact that you don't look like everybody else there might make the fact that you did an outstanding job more memorable and so you can use it to your advantage. But I think that -- I just think you should pay attention to any noise related to it. And if you treat people with respect and do good work, it just pays dividends in the long run.

MS. CHOI: Well, great. Well, thank you all for sharing your advice. This has been a fascinating discussion and I would now like to give some time for audience Q&A session. And with that, I'll invite back Jenny Riegel, from our Small Business Advocacy Team, who has been monitoring the chat for audience questions. Jenny?

Q&A DISCUSSION

MS. RIEGEL: Yes, hello. Kristie, Hillary, Tim, and Jenny, this has been a wonderful conversation and I'm jumping back in to help moderate the questions we have received. I know we have only a few minutes left so I'll try and be as quick as possible

I'm going to start with the first question. Gilbert, in the chat, raised certain challenges for OTC and small cap companies, including the heightened restrictions they face because of historic fraud and the small cap, as well as liquidity challenges.

I'll open this up to anyone on the panel. Can you tell us about some of the liquidity challenges you hear about or deal with most frequently, specifically facing small cap companies?

MR. HWANG: Well, so I can kind of get started this is something like swashbuckling through the jungle every day. I think that one of the things that you have to deal with, especially as a smaller market cap company, you know, there are a lot of people who want to buy the stock. I mean, they love the story. They like the management team. They like the fundamentals. The challenge, of course, is even if they want to buy the stock, they can't buy the stock for a lot of different reasons

Let's say you're, you know, a $5 billion AUM hedge fund manager, and you know, you need to put in positions that, you know, $20-$30 million at a time to really move the needle, you know, for your fund. But, you know, maybe the company trades, you know, 2 maybe $3 million of stock a day. I mean, just -- this can be impossible for you to build a position over several weeks, you know, to -- without meaningfully moving the price

And so, you know, I think that there is -- you know, you sort of have to play the long game here and sort of work your way through different groups of investors, both in terms of AUM size and then obviously, by strategy. In our case, for instance, you know, working through value investors and the CARP investors and the growth-leading investors, and working through different size of AUM of different funds. You know, we're definitely -- we just need to be a lot more deliberate about where we spend our time.

But I think that it just comes down to it eventually sort of thinking through, you know, just dollars and cents, just pure volume that's being traded, and then sort of working through that on any given basis.

MS. GRIPPI: And I'll just add into that to piggyback off of Tim. The struggle is very real for a portfolio manager to have to put in place a position that is at least 50 basis points to up to 1 percent against standard position sizes within the fund. Where he or she may see a security that they like that is very illiquid, know the position side that they have to have with a fund to make a difference, and then recognize that they will need to be in the market over a series of 20 to 40 trading days, every day, in the market to buy that stock. And by virtue of them buying 10 percent of what trades every day, they're probably going to move the stock price to their detriment.

So the ways to -- the ways around this, of course, are to think about things like how would that portfolio manager be able to put on that position with less friction, less trading costs, less movement of the stock? And that's where people like me come in. So we start to do offerings of securities, so if the company were to decide to do a primary offering or a secondary offering of shares.

That's why investors like to invest, if they can, through secondary offerings of shares or a secondary offering, which could be primary -- or a listing share or a secondary listing of shares; because it allows them to get an allocation for all or part of the position size that they want to put on

So far every public company representative that's on this call right now that's having that concern, I would suggest you think about whether or not there are ways to increase your liquidity by either offering some more shares and using those proceeds that fund further growth. Or if there is an investor currently in your cap table that may want to exit, can you think about doing a bilateral negotiation between investor A that wants to sell, and investor B that wants to buy.

MS. RIEGEL: Excellent. Thank you so much. I'm going to actually share some poll results from the beginning of today's session. So at the beginning of the event we asked participants two questions. The first was, "What do they believe are the greatest challenges facing smaller public companies seeking to access capital?"

The top three answers were burden of reporting requirements, cost of compliance, and trading volume, which are not surprisingly, all topics we heard discussed on this panel today and definitely echo the feedback our office has received, as well as seen in the data that we visualized in our annual report.

The second question -- which I'm going to turn to our panelists to ask before we reading the results -- is what is a top priority for smaller public companies when it comes to their investors and shareholders? Kristie, can you kick this one off?

MS. GRIPPI: Great question. So companies that I deal with, I would say that a top priority -- the top priority of any CEO is actually first and foremost, how is my company doing? How do my current employee base think the company is doing? Next is, how do my shareholders think that we're doing because they have to vote with their feet every year.

And then, is that reflected properly and the stock price, because you can actually have a situation in which both your employee base, as well as your shareholders, think that the company is doing a very good job. But if the market is not in favor for your sector -- and we could probably pick a couple of sectors over the last two years that have been massively out of favor -- even though the companies themselves have returned record profits, the stock price won't reflect reality of that the job well done on both the employee front as well as the stakeholder front.

So I think from a prioritization standpoint you have to get those first two right and then the third, in terms of share price, will follow.

MS. RIEGEL: Thank you. Hillary is there, or Tim, anything you want to add to that?

MS. HOLMES: Yeah. I think the CEOs and CFOs at the smaller companies I work with struggle with what Kristie was just talking about in terms of -- I mean, number one priority is what Tim said. Run a successful business, execute on the business strategy, do it again and again, do it consistently, don't over-promise, deliver, and again and again, right?

So have to do that first of all and have to have good fundamental, and that goes not just to the operations but to the balance sheet and everything else that you're managing.

But then it's a matter of making sure you're getting credit for it in the public market. And I think that's where the smaller companies have more trouble. It ties into the liquidity piece. It ties into the lack of research coverage we talked about before.

Unfortunately, I have a lot of smaller

companies I've worked with who have not been able to add research analysts sort of as easily as it might have seemed earlier. I mean -- or add the buy-side investors. I mean, just they hit a place where it's just like we're just in a cycle of being too small to ever get that traction, and you'll dial into the earnings call and no one will ask a question and it's just -- it's just really painful, even if the business is really performing and they had a banner quarter even, and that is tough.

And that is the point at which a smaller cap company, even one that's been public a long time, will start to think about, "Is the regulatory burden worth the benefit of being public if we have no real public market benefits?"

So that -- avoiding that situation should be the absolute top priority, right after running a successful business.

MR. HWANG: Yeah. I think, just to kind of rounded it out here, I mean, awareness is probably the hardest thing for smaller cap companies. And, you know, ultimately -- again, like I'm a purist in terms of business. But I think it's you've got to run a great company.

You've got to build great products for great customers. And you've got to deliver that over and over and over again.

And, you know, building the awareness of the things that you're doing and how you're delivering for the market and for your customers and for your investors is very challenging. It's very time consuming. And so that's one element.

I think that there's sort of a secondary element as well and it's sort of a little bit more out of your control but is, finding investors that you want to work with over the long term.

And you know, that could include, I guess, one of a couple different ways, right? So folks who are in the stock for a long time and support, you know, the business and are following the stock and aren't just sort of, you know, momentum- oriented.

But secondarily, you know, if the company were to want to raise capital in the future, you know, then you pick up the phone and make a phone call. You know, who are the top five people you can make phone calls to to, you know, kind of re-up and participate in a follow-on offering or something.

And finding really long-term support of investors is obviously something that is a function of both liquidity but also, you know, great fundamentals, and obviously being able to attract those types of investors and get in front of them and building that awareness.

MS. HOLMES: Yeah. Actually, if I can build on that. So some smaller companies I've worked with who do have that problem with liquidity, just small -- not even small float, but just lack of trading, just like limited volume. And then the stock's way under-valued and then they lose their research coverage and so forth.

Some of those I have seen get a boost, a real boost, from the equity offerings like Kristie was talking about, that are anchored by the brand-name investors that are sort of the Good Housekeeping seal of approval in a particular industry or even just an equity in investing generally, like Tim was talking about. And you pair of those two up and that can be another tool that smaller cap companies can use to get the liquidity going again.

MS. RIEGEL: Thank you so much. And it is crazy how much our participants have aligned with your exact answers. Our audience listed first, engaging with investors.

Second, effectively telling the company story, which is something we heard repeatedly throughout our discussion. And three, attracting more institutional investors as the top three priorities.

So -- and then I also know that Annot, in the chat, also stressed the importance of the company telling its story and the role of investor relations professionals in that process. So I wanted to note that as well, kind of bringing it all back home.

And I know we're almost out of time, but I want to see if I can squeeze in one more lightning round question to close us out. And specifically, what is one takeaway that you'd all like the audience to carry with them from today's session?

MS. GRIPPI: Well, I'm going to go first and I'm going to go back to something that I said. I love my job because I can be there at the birth of the public company. That's a humbling place to be, right? But what you have to remember is because something's your baby, you're going to be a little biased around the strengths and weaknesses.

And I would encourage everyone to take a step back, find your most skeptical friend, and pitch them your story if your private right now.

And tell them, "I need you to think of this as if you're putting money into this. Think of this not as a great company, but could this be a great stock?"

And that will tell you everything you need to know about whether or not a skeptical portfolio manager analyst at a buy-side firm thinks they can make money by investing in the securities of your company, rather than supporting an overall --

MS. HOLMES: Okay. Well, I'll just say that from the lawyer's perspective -- I will just throw in a takeaway from that perspective -- is to make sure just if you're considering becoming a public company, as a private company, or you're a smaller cap company even, just making sure you dedicate the right resources to having strong compliance function and just staying on top of all the regulations.

And with the regulations changing so much currently, you know, there's a lot to do there and, you know, resources are limited and your top priority is running a successful business.

So but still, it's not to be underestimated that the areas that I see some smaller companies skimp on, are the areas that contribute the most to liability management and risk management. And in the end, you'll be grateful if you invest in those areas.

MR. HWANG: I guess the last thing for me is just, I guess, preparation and focus.

So I think, you know, it is a multi-year process to go public and you have to be very deliberate about everything that you do. And I think having been through the process, you know, on the management side, it's extremely time consuming.

And so, you know, the one thing that I always kind of, you know, kind of bring myself back to is fundamentals. You just have to deliver on fundamentals, you know.

So you know, sort of very deliberate about going public, but also making sure that in that process you're not forgetting about, you know, building a great company and kind of servicing customers every single day.

MS. RIEGEL: Thank you. Insightful parting remarks and I -- this has been such a wonderful discussion Kristie, Hillary, Tim.

Thank you so much for joining. I really hate to cut off our conversation but we really appreciate you sharing your time, your perspective, and your candid feedback on so many vital issues for the market.

MS. GRIPPI: Thanks for having us.

MS. HOLMES: Pleasure, thank you.

MS. RIEGEL: Thank you. To the rest of our participants on the event platform, the recommendations relating to public companies are on the platform below and this video feed.

In addition, if you haven't had the opportunity to prioritize the recommendations from day one, two, or three, in a few minutes you can click on the agenda tab on your left and select any of the prior days' session to access the voting window for those recommendations.

I hope you all have enjoyed this weeks' discussions as much as I have. Now, I'll turn it over to Sebastian Gomez from our Small Business Advocacy Team to wrap up.

CLOSING REMARKS

MR. GOMEZ: Thank you, Jenny. What a fascinating discussion. And a special thanks to all our panelists this week who took the time to share their insight, expertise, and enthusiasm for small business capital formation.

In a few moments, we will open the polling for you to prioritize recommendation for policy changes. This will determine the recommendations that are sent to Congress and the Commission and the report from the forum.

And while today marks the conclusion of the 42nd Small Business Forum, it is not the end of our collective advocacy for small business and their investors.

As you've heard throughout the week from our panelists and the engaged audience members in the chat, there is much that's still can be done to support our entrepreneurs and the investors providing capital for their ventures to grow.

On Monday, for example, we've heard about the challenges early-stage companies face when seeking capital, and how those challenges are magnified for women and minority entrepreneurs.

Then on Tuesday, we've heard about the ingredients that make for a successful entrepreneurial ecosystem, and why ecosystems play such an essential role in supporting a vibrant start of community.

On Wednesday, we've heard from capital allocators, the investors that support early-stage companies, and how they are working to make capital available regardless of geographic location, gender, or race.

And today we turn our focus to our public markets, exploring what drives companies to go public and what challenges they face once they become public companies.

Our SEC Small Business Advocacy Team loves this annual forum because it brings together so many people who care deeply about the importance of small businesses to innovation and our economy.

My ask for each of you is that you continue your advocacy efforts. Engage with us, sending your comments and proposed rules.

Share your stories with us; your successes, your challenges, your policy suggestions, your ideas to help expand or improve our resources.

If you find our office and resources helpful, please share our information and resources with your communities.

We really appreciate you joining us this week. Thank you very much.

(Whereupon, at 2:25 p.m., the meeting was adjourned.)

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PROOFREADER'S CERTIFICATE

In the Matter of: SMALL BUSINESS FORUM

File No: OS-0001
Date: Thursday, April 27, 2023
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) 5-3-2023

REPORTER'S CERTIFICATE

I, Lisa Sirard, reporter, hereby certify that the foregoing transcript is a complete, true, and accurate transcript of the meeting indicated, held on Thursday, April 27, 2023, in the matter of SMALL BUSINESS FORUM.

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

5-3-2023