



August 2, 2022

SeedInvest

SEC Small Business Capital Formation Advisory
Committee Presentation

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Ryan Feit
CEO &
Co-Founder



- ✓ Involved in the passage of the JOBS Act in 2012 and have worked closely with regulators/legislators ever since
- ✓ Founded SeedInvest in 2012 which is a leading equity crowdfunding platform in the U.S.
- ✓ Board member of Crowdcube, the largest equity crowdfunding platform in the U.K. and Europe
- ✓ Member of FINRA Fintech Committee since its founding in 2017

A leading online fundraising platform

\$465M+

**Invested through
SeedInvest**

700k+

Total investors

\$2B+

**Raised by
SeedInvest portfolio**

275+

**Successful
fundraises**

Current State of Online Fundraising

- Millions of Americans have been able to invest in startups and small businesses for the very first time, providing thousands of entrepreneurs with a newfound way to access capital
- This new, online source of capital has been especially important during times like now, when traditional sources of capital (venture capital, etc.) freeze up
- Regulation Crowdfunding (“Reg CF”) has become much more useful since recent improvements to the JOBS Act kicked in, and Regulation A+ (“Reg A+”) continues to be adopted more and high-growth, established issuers
- Companies like NowRX have proven startups can scale purely through online fundraising:
 - \$27 million Series C raised from 9,800+ investors in May 2022 (Reg A+)
 - \$20 million Series B from 9,000+ investors in 2020 (Reg A+)
 - \$7 million Series A in 2018 (Reg A+)
 - Seed round in 2017/2018 (Reg CF & Reg D)

Current State of Online Fundraising (Cont'd)

- Overall, on the primary side, there seems to be a relatively healthy balance between expanding access to capital and ensuring adequate investor protections (however, various platforms have different standards)
- But there are still two major, outstanding hurdles to making online fundraising and investing a viable asset classes for the masses:
 - Diversification
 - Liquidity - investing and exiting are two very different things
- Many startup and small business investors get “burned out” quickly after making a few investments since they typically need to wait for years to realize any return (this ultimately leads to less capital available for startups and small businesses)
- The good news is that we now have some actual case studies of meaningful retail investor exits (which provides data to address many of the JOBS Act concerns from ten years ago)

Examples of Recent Investor Exits on SeedInvest

Heliogen

(formerly
Edisun
Microgrids)

Innovator in on-
demand renewable
energy in the form of
heat, power, or
hydrogen fuel

- Raised \$1.6 million on SeedInvest in 2017 – an allocation of their Seed round – at a \$20 million pre-money valuation
- Structured as a “Side-by-Side” Reg CF and Reg D Raise
- Nearly 1,000 platform investors participated in the raise
- Company went public in late 2021 at a \$2 billion valuation, becoming the first retail investor unicorn exit in the U.S. (that we are aware of)
- Platform investors became direct shareholders of the public company with the opportunity to sell their shares and realize a significant return of up to 28x cash on cash



- Company partnered with SeedInvest as they scaled, initially raising \$150,000 in 2014 and then returning to raise \$1.1 million six months later (both Reg D)
- Two years later raised \$20 million more on SeedInvest through Reg A+ with more than 5,000 investors participating in what was then the largest equity crowdfunding round of all time
- Filed for an IPO and went public on the NASDAQ in early 2022
- SeedInvest platform investors became direct shareholders of the public company with the opportunity to sell their shares at a potential implied IRR of 55% or 39% (first and second Reg D raises respectively) or 33% (Reg A+ raise)



Trust Stamp

Creates transformational technology that accelerates secure societal and financial inclusion through zero-knowledge-proof identity authentication

- Trust Stamp raised \$6.5 million on SeedInvest in 2020
- More than 2,700 accredited and unaccredited investors participated in the Reg A+ offering
- Trust Stamp went public on the NASDAQ in February 2021
- As a result of the listing SeedInvest platform investors became direct shareholders of the public company
- Proceeds generated from sale of the stock at the end of 2021 would result in an implied IRR of approximately 90%



Shelf.io

A Cloud-Based
knowledge hub
platform that enables
teams to capture,
organize and find their
content

- Shelf.io raised \$475,000 on SeedInvest in a 2016 Reg D offering
- Company annual recurring revenue grew by 4X from 2020 to 2021 with strong customer retention
- Shelf.io raised a \$52 million Series B round in August of 2021 led by Tiger Global and Insight Partners
- As a part of that transaction, SeedInvest investors were able to participate in a tender offer that resulted in an approximately 95% IRR or 22x cash on cash



Changing the way pet health care is managed by helping vets and groomers connect with their clients through a native app and reminder system

- PetDesk raised approximately \$865,000 through SeedInvest in a Reg D offering in 2016
- The company continued to raise funds through traditional venture capital including a \$12 million Series B raise in 2018 while growing revenue and delivering results
- PetDesk was acquired in 2021 in a private transaction
- SeedInvest shareholders realized total transaction proceeds that translated into an approximate 75% IRR or a 15x cash on cash on return



Secondary Market Challenges and Potential Suggestions

Challenges with Secondary Market Liquidity

- Existing U.S. trading venues are not built for early-stage companies because they lack the necessary liquidity and research coverage
- Startup and small business investment documents typically include prohibitive clauses such as a right of first refusal, which makes secondary trading challenging and far less efficient
- Reg A+ preempts state security laws for primaries but not for secondaries so buyers and sellers must find exemptions on a state-by-state basis unless they comply with the manual exemption in certain states
 - At the same time Reg A+ issuers must already comply with extensive ongoing, public disclosure requirements
- The share transfer infrastructure and mechanics for small company public listings is archaic and typically results in significant delays for investors to access and subsequently sell their shares (can result in destroyed shareholder value should the stock price initially decrease in value)

Suggested Potential Improvements

- Preemption of state securities law registration for secondary transactions for Reg A+ Tier 2 issuers that are current in their ongoing reporting (or further amendment of current requirements by NASAA and adoption by all states)
- Provide additional clarity for brokers and clearing firms that Reg A+ reporting satisfies 15c2-11 and shares are free to trade immediately (some compliance departments remain skittish which makes it difficult for investors to easily deposit their shares)
- Provide regulatory guidance around permissible ways for issuers and broker-dealers to leverage digital assets and distributed ledger technology more broadly to make secondary trading more efficient
- Amend Investment Company Act to enable retail investors to invest in diversified venture capital funds through Reg A+ (diversification indirectly mitigates liquidity risk and would also improve the quality of offerings available to retail investors)

Questions and Discussion

seedinvest