

U.S. SECURITIES AND EXCHANGE COMMISSION

SMALL BUSINESS FORUM

Monday, March 9th, 2026

1:00 p.m.

U.S. Securities and Exchange Commission
100 F Street, N.E., Washington, D.C.

1 APPEARANCES:
2
3 Paul Atkins, SEC Commissioner, Chairman
4 Hester Peirce, SEC Commissioner
5 Mark Uyeda, SEC Commissioner
6
7 SEC Staff
8 Luna Bloom
9 TJ Collins
10 Pablo Echeverri
11 Jacob Krawitz
12 Amy Reischauer
13 Jenny Riegel
14 Julie Zelman Davis
15
16 Panelists
17 Joshua Colburn, Faegre Drinker
18 Sean Duffy, Co-Founder and CEO, Omada Health
19 Mark Friedman, EVP, Dental Innovation Alliance; Co-
20 Founder, RTP Angel Fund
21 Sarah Hibbard, Snell & Willmer
22 Reid Hooper, Cooley
23 Dwayne Hyzak, CEO and Member of the Board, Main Street
24 Capital
25

1 APPEARANCES (Cont.):

2

3 Panelists (Cont.)

4 Alyssa Jaffee, Partner, 7wire Ventures

5 Sue Mecham, PhD, Co-Founder and CEO, NALA Membranes

6 Shane Moise, Founding Director, UC San Diego Horizon

7 Holli Heiles Pandol, Senior Counsel and Head of Policy,

8 Carta

9 Nolan Townsend, CEO, Lexeo Therapeutics

10 Jordan Walker, Co-Founder, Backtrack

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

2 MS. REISCHAUER: We can get started if I can
3 get a thumbs up that we're ready to go live everywhere
4 else, but we'll let the last couple of folks take
5 their seats.

6 And I would just like to say good afternoon
7 and welcome to the 2026 Small Business Forum. We are
8 thrilled to welcome you here today. For those of you
9 here at headquarters in D.C., welcome, and for those
10 of you joining us online.

11 But before we dive in to some of these
12 topics that are kind of driving the issues in small
13 business capital-raising, I want to note on my behalf
14 and on behalf of the commissioners and SEC staff here
15 that the views expressed today are our own -- in my
16 case in my capacity as Deputy Director of the Office
17 of the Advocate for Small Business Capital
18 Formation -- and they don't necessarily reflect the
19 views of the Commission, the commissioners, or any of
20 our colleagues on the staff.

21 So with that covered, it is my pleasure to
22 kick things off by inviting Chairman Atkins to the
23 stage to share some thoughts, and then he'll be
24 followed by Commissioner Peirce and then Commissioner
25 Uyeda.

1 Chairman Atkins?

2 (Applause.)

3 CHAIRMAN ATKINS: Well, thank you very much,
4 Amy, and good afternoon, ladies and gentlemen, and
5 welcome to the SEC's 45th Annual Small Business Forum.

6 So warm greetings as well to those of you who are
7 joining us by live stream and, of course, my sincere
8 thanks to the Office of the Advocate for Small
9 Business Capital Formation for organizing today's
10 program and for its steadfast advocacy on behalf of
11 American entrepreneurs.

12 Let me also add the customary disclaimer
13 which Amy just said. So I'll just put it very briefly
14 that my -- these thoughts are my own as chairman, and
15 not necessarily those of the SEC as an institution or
16 of the other commissioners.

17 So for four-and-a-half decades this
18 gathering has grown to become one of our most
19 anticipated events, perhaps because it's rooted in the
20 premise that those who write the rules have an
21 obligation to hear from those who operate under them.

22 So to all of you and all the entrepreneurs here
23 today, thank you for deepening our understanding with
24 your experience and for enhancing our rulemaking with
25 your recommendations.

1 Although today marks my first forum as
2 chairman, I attended several of these fora as
3 commissioner in the aughts when we convened across the
4 country. And there is something bracing about meeting
5 small businesses in their own communities. As we look
6 ahead I would welcome the opportunity to bring this
7 program back on the road. After all, as capital
8 formation rarely originates in Washington, so we
9 should look beyond the city limits on how best to
10 facilitate it. For now, though, we have a terrific
11 program ahead of us, organized around three different
12 panels that I think reflect real friction points in
13 our current regulatory framework, so let me say a
14 brief word about each of them.

15 Our first panel will focus on how we can
16 better support early-stage entrepreneurs in accessing
17 capital. For context, the Commission last reviewed
18 the exempt offering framework in 2020, when it adopted
19 rule changes intended to open those pathways to small
20 business. That framework continues to function well
21 for relatively larger offerings, yet 84 percent of
22 early-stage businesses struggled to secure capital
23 last year. Access to affordable capital clearly
24 remains a challenge for entrepreneurs, and I've
25 instructed the Commission staff to explore solutions

1 to these barriers that these businesses face so that
2 our rules work as much for the established as for the
3 aspiring.

4 Our second panel will then turn to the role
5 that smaller funds play in supporting growth-stage
6 companies. Two pieces of proposed legislation in
7 Congress, the House's INVEST Act and the Senate's
8 Empowering Main Street in America Act, include several
9 policies that are relevant to this space. I
10 especially look forward to hearing our panelists'
11 views on provisions that affect small fund managers
12 and growth-stage companies.

13 This panel will also examine trends of
14 increased concentration in the venture capital
15 industry. For example, in the first 7 months of 2025
16 roughly 40 percent of all venture capital dollars
17 flowed to just 10 companies, while the share of deals
18 below \$5 million fell to a decade-low of 49 percent.
19 On the fundraising side, 30 firms accounted for
20 approximately 75 percent of the total venture dollars
21 raised in 2024. Early-stage investors are often the
22 first to identify breakthrough innovation and to
23 broaden the pipeline of emerging companies. So
24 smaller, nimble investment firms must continue to have
25 the opportunity to thrive across both industries and

1 regions.

2 And then finally, our third panel will
3 reflect on how to make IPOs great again, especially
4 for small cap companies. One of my highest priorities
5 with respect to the SEC's disclosure rules is to scale
6 the requirements with a company's size and maturity.
7 Balancing disclosure obligations with a company's
8 ability to bear the burdens of compliance is
9 particularly important, where Congress has directed
10 the SEC to promulgate a disclosure rule whose costs
11 may have disproportionate impact on some companies.

12 For newly-public companies the SEC should
13 consider building upon the so-called IPO on-ramp that
14 Congress established in the JOBS Act. For example,
15 allowing companies to remain on the on-ramp for a
16 minimum number of years rather than forcing them off
17 as soon as the first year after an initial offering
18 could provide companies with greater certainty and
19 incentivize more IPOs, especially among smaller
20 companies.

21 Raising capital through an IPO should not be
22 the privilege reserved only for a few unicorns. More
23 and more public investments are concentrated in a
24 handful of companies that are generally in the same
25 one or two industries. Our regulatory framework

1 should provide companies in all stages of their growth
2 and from all industries with opportunity for an IPO,
3 particularly one that represents a capital-raising
4 mechanism for the company instead of a liquidity event
5 for insiders.

6 As we pursue each of these priorities, let
7 me close by once again thanking the organizers of
8 today's program and each of you for participating in
9 it.

10 I would also be remiss not to note that
11 today marks the 250th anniversary of the publication
12 of Adam Smith's book, "Wealth of Nations": a fitting
13 occasion, I think, to convene a forum dedicated to the
14 proposition that free individuals unencumbered by
15 unnecessary regulation can build and innovate in ways
16 that no sovereign hand could prescribe. For 45 years
17 this forum has facilitated the kind of honest
18 discussion on which positive policy outcomes depend.
19 For 45 years it has reminded us that durable rules are
20 forged not through imposition, but through dialog, and
21 that they must be not only well intentioned, but well
22 informed.

23 So I look forward to a constructive
24 conversation and to the work ahead of us. So thank
25 you all very much again for your participation.

1 (Applause.)

2 COMMISSIONER PEIRCE: Good afternoon, and I
3 think that reference to "The Wealth of Nations" is a
4 good one because Adam Smith was someone who really
5 delved into the details. If you read that book, he
6 really delved into the details to draw his
7 conclusions. And I think that's a good sort of
8 example of what you all are going to do today is
9 really talk about the details to help inform us and
10 help us get to the right place so that, indeed, the
11 markets can drive change and not government
12 regulation. We want government regulation to provide
13 the framework within which that -- the markets can
14 decide where they want to go.

15 So this is the 45th annual Small Business
16 Forum, and I'm delighted to be part of that today.
17 It's a wonderful opportunity to hear from a wide range
18 of folks with a shared passion for entrepreneurial --
19 for the entrepreneurial spirit of America.

20 Essential to our nation's prosperity is the
21 willingness of founders and investors who fund them to
22 take on the risk of building and growing companies.
23 As SEC Commissioner Barbara Thomas explained 45 years
24 ago, we at the Securities and Exchange Commission must
25 help foster the kind of environment which will

1 encourage people to accept rather than avoid the
2 opportunity to take a risk in search of a reward. I
3 look forward to hearing your thoughts on how the SEC
4 can foster that kind of environment.

5 Today's panels, as you've heard, cover capital
6 formation challenges across all stages of the
7 corporation -- of the corporate cycle. We'll hear
8 about problems that are a universal experience, and
9 we'll also hear about problems that are particular to
10 a particular stage of development.

11 Fittingly, the first panel starts at the
12 start, funding founders. Founders' paths to raising
13 money for their promising ideas are riddled with
14 regulatory landmines, a source of deep dismay and
15 consternation for well-intentioned founders. The
16 first thing they may encounter is the much-discussed
17 concept of accredited investor. But simply knowing
18 what makes an investor accredited does not solve a
19 founder's problems. Rather, it's just the beginning
20 of a long list of questions without neat answers: Can
21 you sell only to accredited investors? That depends.

22 What do you need to do to make sure that your
23 investors are accredited? That also depends. What
24 information do you need to give to your investors?
25 That also depends.

1 Founders can find some help in wading
2 through these and other questions on the SEC's
3 website, and I urge you to check that out. The Office
4 of Small Business Capital Formation has done a great
5 job of pulling together some resources which I will
6 link in my statement here.

7 Today's discussions could help to shape
8 substantive steps by the SEC to make life easier for
9 founders. Among the topics you might want to consider
10 are a micro offering exemption that would simplify
11 early-stage fundraising under such an approach. As
12 long as an issuer stays below a set offering amount,
13 it would be able to sell shares of its company to
14 investors without any strings attached other than, of
15 course, avoiding fraud. A regulatory structure for
16 finders, an idea that is now under consideration by
17 our Small Business Capital Formation Advisory
18 Committee, also might help founders find funders.

19 And then, for the second panel, we'll be
20 turning to the next step in a company's development,
21 the growth stage. Business development companies,
22 venture capital funds, and small private funds provide
23 much-needed capital to growth-stage companies, which
24 are engines of innovation. Broadening access to these
25 smaller funds could increase the capital available for

1 investment in growth-stage companies. Ideas for
2 increasing capital for growth-stage companies include
3 an idea embodied in the INVEST Act, which passed the
4 House and would amend section 3(c)1 of the Investment
5 Company Act of 1940 to enable a qualifying venture
6 capital fund to have 500 investors and 50 million, up
7 from 200 investors and 10 million -- or 250 investors
8 and 10 million. Additional changes could include
9 increasing the limit for issuers that are not
10 qualifying capital venture funds and expanding the
11 definition of "qualified purchaser" under the
12 Investment Company Act. I look forward to hearing
13 your thoughts on these and other ideas for helping
14 growth-stage companies.

15 Today's final panel, as you've heard, will
16 discuss the IPO process and key considerations for
17 smaller public companies. Last year at this forum we
18 heard from the CFO of a smaller reporting company who
19 explained how, with limited personnel in house, the
20 quarterly reporting process can be a continuous year-
21 round activity. Moving away from mandatory quarterly
22 reporting could allow smaller companies to more
23 effectively allocate their time and resources, both of
24 which are limited.

25 More generally, the Commission's ongoing

1 initiative to streamline regulation S-K could benefit
2 small public companies. An important part of that
3 initiative is listening to feedback from issuers that
4 are already public or are considering going public.
5 We have already heard from companies across the
6 spectrum that executive compensation disclosures have
7 ballooned over the years and have made it very
8 difficult for issuers, particularly because investors
9 show complete disinterest in much of the information
10 that our rules require yet that information is very
11 difficult to compile and report. Similarly, because
12 some disclosure obligations are based on dollar
13 thresholds that have not been updated in years,
14 disclosure burdens have increased over time.

15 So some topics for you all to think about:
16 What disclosure obligations are the most onerous; and
17 how could the SEC lower the burden on small public
18 companies while still protecting investors?

19 The Small Business Forum convenes people who
20 care deeply about creating a healthy environment for
21 entrepreneurship. I want to thank all of you for
22 coming today, and I want to thank for the -- thank the
23 offices and teams here at the SEC who have worked so
24 hard to make this event possible. I'm looking very,
25 very much forward to hearing your ideas for how we can

1 improve the landscape for small businesses. Thank
2 you.

3 (Applause.)

4 COMMISSIONER UYEDA: Well, good afternoon
5 and welcome to this year's Small Business Forum. Each
6 year the forum provides an opportunity to identify
7 areas and topics where the SEC's rulebook can be
8 better adapted for small businesses.

9 According to some sources, small businesses
10 employ nearly half of the American workforce and
11 represent 43.5 percent of America's GDP. They are the
12 cornerstone of the American economy, and the
13 Commission's rules should reflect this importance.

14 Since the change in administration in
15 January 2025, the Commission's regulatory priorities
16 have been refocused on capital raising policy
17 recommendations, particularly for small businesses.
18 How can we reduce the costs and burdens for small
19 businesses seeking capital without compromising
20 investor protection?

21 One issue underpins many small business
22 capital-raising topics: eliminating the duplicative
23 qualification processes between federal and state
24 authorities. In 1997 the Commission and state
25 securities regulators acknowledged the need for

1 efforts by federal and state regulatory authorities to
2 craft a more efficient division of labor with respect
3 to securities offerings. Nearly three decades later,
4 this exercise remains incomplete.

5 This is even more important for small
6 businesses who may be seeking only to raise a modest
7 amount of capital such as through a rule 504 or
8 regulation A tier 1 offering, and might have to
9 qualify in all 50 states plus the District of Columbia
10 in order to use general solicitation. The costs and
11 time delays make such efforts simply untenable.

12 The National Securities Markets Improvement
13 Act preempts state blue sky regulation for securities
14 listed on a national securities exchange, and also for
15 offerings under rule 506(b) under the Securities Act.

16 The overarching aim of NSMIA was to promote
17 efficiency and capital formation in the financial
18 markets.

19 With regard to duplicative state regulation,
20 NSMIA focused on whether the potential lack of
21 uniformity in state law impacted the cost of capital,
22 innovation, and technological developments in the
23 capital markets, including any impacts on small
24 businesses. Under NSMIA regulatory predictability was
25 a key concern for all offerings, not merely those

1 subject to preemption. And Congress tasked the
2 Commission with studying the extent to which
3 uniformity of state regulatory requirements for
4 securities that are not covered by the NSMIA
5 preemption provisions, which was completed in 1997.
6 But this effort should not have been a one-and-done.
7 The interplay between federal and state securities
8 laws should be a matter of continuing study by the
9 Commission. It is both impractical, costly, and
10 unrealistic to expect an issuer to register a small
11 securities offering in dozens of states. This is
12 especially true given the lack of uniformity among
13 states. However, states can play an important role in
14 preventing fraud for offerings conducted in their
15 jurisdiction.

16 Regulators should consider moving beyond a
17 binary approach to preemption. For example, when an
18 offering is qualified in the state of a company's
19 principal place of business, should that offering
20 still be reviewed by multiple other states? Why
21 should not a simple notice filing in other states be
22 sufficient? Such a framework could promote more
23 effective oversight among state regulators, reduce the
24 time it takes to comply -- to fully comply with
25 offering regulations, and still maintain effective

1 investor protection.

2 I look forward to reviewing the forum's
3 policy recommendations and a readout of today's
4 sessions. There are a number of other very, very
5 important topics which I know Chairman Atkins and
6 Commissioner Peirce have already touched on. So I
7 thank the team and our Office of the Advocate for
8 Small Business Capital Formation, as well as our
9 operations group, for helping plan today's event. I
10 hope all of you enjoy the forum and the speakers
11 assembled today. Thank you very much.

12 (Applause.)

13 MS. REISCHAUER: Thank you, Chairman Atkins,
14 Commissioner Peirce, and Commissioner Uyeda, for your
15 time here today and for identifying some of those
16 important topics that we can consider during our
17 discussions today.

18 Turning to those discussions, I have a few
19 housekeeping items. We have a great slate of
20 panelists today -- I'm very excited -- founders,
21 investors, industry specialists, small public company
22 executives, lawyers. We are very appreciative that
23 they could join us here today to kind of share their
24 stories and share their voices from around the
25 country. But we're also looking forward to hearing

1 from you, the public, folks who are actually on the
2 ground navigating the small business landscape. So,
3 you know, a key element of the forum is the
4 opportunity that it provides to you to participate in
5 shaping policy recommendations that come to the
6 Commission and to Congress, ways that you can advise
7 how to improve capital formation for small businesses
8 and their investors.

9 Many of you have already submitted policy
10 recommendations, and for that I thank you. I know a
11 lot of work and a lot of thought went into those. We
12 greatly appreciate that. You can review the
13 recommendations that we've received to date. They are
14 in our recommendations portal. You can access that
15 via a QR code that you can find in a couple of places.

16 If you grab the agenda handout, it's on the back.
17 There's also a poster with the QR codes out in the
18 auditorium -- or outside the auditorium here in what
19 we call Veterans Hall. If you're watching online,
20 there's a link to the recommendations portal just
21 below this video window on the event page, so you can
22 check it out down there.

23 We recognize that companies and their
24 investors face different issues, and different
25 questions have different needs at different phases of

1 their life cycle. So we have structured the
2 panelists -- or the panels, as we've already heard a
3 little bit, and we've grouped the recommendations into
4 those three lifecycle categories. So we have an
5 early-stage section, a growth-stage section, and then
6 the small cap public markets section.

7 You can learn what recommendation topics
8 will be found within -- or kind of considered falling
9 within each lifecycle stage. There's a table on the
10 event page if you're watching me on Sec.gov, or if
11 you're here in the audience, again, there's some
12 signage out in the Veterans Hall where you can kind of
13 track where you might find what topics come up. We
14 will also flash information about that on the screens
15 here periodically throughout the day so you'll get the
16 QR code and the -- kind of what topics are which.

17 Also on the -- another way that you can
18 participate in today's discussions is that after each
19 panel we will have a kind of a 10-minute-ish session
20 for folks to step up to the mics you see here in the
21 auditorium and share your thoughts on any of the
22 recommendations. We would ask that the sort of mini
23 sessions after each focus panel -- if you want to
24 comment, for example, on the early stage, you can pop
25 up for the 10 minutes after the early stage panel and

1 then share your thoughts on recommendations that are
2 relevant to that life cycle. There will be another
3 opportunity to discuss growth stage, and then later
4 you will get an opportunity to discuss the kind of
5 public company/small cap recommendations. We do ask
6 that you limit your remarks to about a minute so that
7 we can give as many people the opportunity to speak as
8 we can.

9 And then, at the very end of the day, after
10 we finish the small cap panel and that focused session
11 on recommendations, we will then have a full kind of
12 open mic session in case you didn't get to weigh in on
13 something earlier in the day. So once again you can
14 bring your thoughts and share them with the audience
15 here.

16 Then, when we do wrap up the event, we will
17 open up the voting. We ask that you hold your votes
18 until the end of the event just in case things change
19 throughout the day. We want to make sure you're
20 weighing in on the latest and greatest. You'll be
21 able to vote for up to five of the recommendations
22 that you feel are most important or most impactful
23 within each lifecycle phase, and then we will send the
24 top five -- after counting all the votes we will send
25 the top five in each life cycle those will be

1 reflected in the report that we deliver to Congress on
2 today's Small Business Forum.

3 And then, if you have recommendations that
4 you wanted to submit but you maybe didn't get a chance
5 to do it, I'll do you a solid. You still have a
6 little bit of time. You can email them to us at
7 smallbusiness@sec.gov. You can do that until about
8 3:35. It sounds very specific, but that's going to be
9 the tail end of our networking break. So if you can
10 get us -- get them to us before then, we will update
11 that recommendations portal and share those with
12 everyone to consider.

13 So a lot of logistics to get out of the way,
14 but I want to make sure you are all prepared to weigh
15 in in as many ways as you can. So with that I will
16 invite our first panel to come take their seats. And
17 while they do that, I have a little pop quiz for the
18 audience.

19 Maybe just, like, a quick show of hands. I
20 promise there is no homework. How many folks in the
21 audience are founders or entrepreneurs?

22 Okay, I see some hands popping up there.
23 Great.

24 How about investors? Do we have investors
25 in the audience?

1 Okay, a few more hands.

2 Who here has raised or invested capital for
3 a small business in the last 12 months?

4 Okay, okay. Hopefully you will hear some
5 stories today.

6 And then finally, do we have anyone here who
7 either works for or works with small cap companies,
8 companies going through registered offerings?

9 Okay. All right. Well, it looks like we
10 have a good mix. I'm very much looking forward to the
11 discussions.

12 And with that I will introduce -- well, I'll
13 introduce the moderator for our first panel, and let
14 her take it over. Today's first panel on funding for
15 founders and empowering early-stage entrepreneurs will
16 be moderated by my colleague, Julie Zelman Davis, also
17 of the Office of the Advocate for Small Business
18 Capital Formation.

19 The floor is yours.

20 FUNDING FOR FOUNDERS: EMPOWERING EARLY-STAGE
21 ENTREPRENEURS

22 MS. DAVIS: All right, thank you. Can
23 everyone hear me? Okay, all right.

24 Well, I'm super excited. The forum is one
25 of my favorite events every year. I've been in this

1 office since it was stood up in 2019, and this is
2 always a highlight.

3 And so -- and just a little bit of my
4 background. Prior to coming to the SEC in an old
5 life, I practiced in big law in Boston and worked with
6 early-stage companies, mainly with private funding
7 rounds and venture funds and some fund formation. So
8 I love bringing all of that to my favorite event here.

9 And with that I'd love to just go down the line and
10 have our panelists introduce themselves and tell a
11 little bit, like, who you are and a little bit about
12 what you do, just so folks understand what
13 perspectives you're bringing.

14 MS. MECHAM: Great, thank you. I'm happy to
15 be here today. I hope you can hear me okay. My name
16 is Sue Mecham. I'm the CEO and co-founder at NALA
17 Membranes. NALA Membranes is an early-stage company
18 that's bringing some solutions to solve water scarcity
19 issues around the world. So it's a big, big challenge
20 that we've taken on. And, you know, I founded NALA
21 because I wanted to do something important with my PhD
22 in polymer chemistry, and so we founded NALA to
23 develop new membranes to reduce the cost and
24 complexity of water treatment and wastewater
25 treatment. So I'll be talking more about that today.

1 Thank you.

2 MR. FRIEDMAN: Thanks, Sue. I'm Mark
3 Friedman. It's a real honor to be here today. In
4 case you haven't noticed, this is geographically set
5 up. This is the West Coast over here. This is the
6 East Coast on this side.

7 (Laughter.)

8 MR. FRIEDMAN: So I've worn many different
9 hats through my career, starting off as an
10 entrepreneur for most of it. And somehow I morphed
11 into being an investor, an angel investor, which,
12 really, I was talked into becoming because I wanted to
13 be able to give back to some early-stage companies
14 that had difficulty raising funds. So I started off
15 as an angel investor, formed a group called RTP
16 Capital in North Carolina, the Research Triangle Park
17 area of North Carolina. Recently, I've become a
18 professional investor with a group called Dental
19 Innovation Alliance, which is a VC fund that we formed
20 that works with early-stage companies in the dental
21 technology space. And finally, I'm a board member and
22 part of the executive committee of the Angel Capital
23 Association, which is the not-for-profit professional
24 association of early-stage investors.

25 MR. MOISE: Greetings. My name is Shane

1 Moise, and I am from UC San Diego, where I run
2 Horizon. It's our campus-wide accelerator and our
3 kind of flagship accelerator there in San Diego. I
4 work with around 1,700 different companies and
5 researcher scientific founders. And so our view is
6 agnostic. We're working with battery technologies,
7 therapeutics, drugs, you name it. And so our effort
8 is to try to make and enable those products getting
9 out to market as fast and as effectively as possible.

10 MS. HIBBARD: Hi, everyone. My name is
11 Sarah Hibbard. I'm also from San Diego. I'm an
12 attorney at Snell and Willmer, where I represent
13 primarily startups, anything -- on anything formation
14 through exit. So I spend the majority of my days
15 helping founders navigate the exact issues that we're
16 here to talk about today.

17 MS. DAVIS: Fantastic. Well, I'm very
18 excited to hear all of the West Coast and East Coast
19 perspectives that we have here with North Carolina and
20 San Diego. But let's dive in.

21 I'd love to hear -- you know, I loved -- our
22 commissioners teed this up perfectly about hearing
23 about the challenges and successes that folks are
24 facing. And Sue, I'd love to start with you because
25 when we spoke before you mentioned that NALA, from the

1 very beginning, you know, you had more market demand
2 than you've been able to meet. And yet, you know --
3 and this is similar for many deep tech companies --
4 you know, at every stage, from proof of concept to
5 manufacturing, you know, there have been issues.
6 You've had challenges getting funding. So I'd love
7 for you to talk a little bit about that and just tell
8 us some of the things that you've encountered.

9 MS. MECHAM: Yeah, I'm happy to. So, you
10 know, like, now that we are -- we're deep-tech or
11 hard-tech startup, you know, we've -- when we started,
12 when we founded NALA in 2018, we had a patent and we
13 had a great idea and we had a problem to solve. So
14 what the world -- what the industry told us in water
15 treatment, they said chlorine-tolerant membranes are
16 the holy grail. And what that means to those who
17 don't know is the membranes that they've been using
18 today are, you know, not stable to bleach. They're
19 hard to clean, they're easy to fail. And so these are
20 much more durable, robust membranes. And that's what
21 they need to reduce the cost and complexity of water
22 treatment.

23 So it's a big thing that we're trying to do,
24 but we started with nothing. We just had an idea.
25 And nobody's going to invest in an idea when there's

1 no route to the solution at that stage. So we ended
2 up with government grants, you know, government grants
3 for technology and the, you know, the SBIR programs
4 through many of the government agencies support this
5 type of early-stage research that isn't, you know, a
6 product yet, but it could be something that's just
7 groundbreaking for the world. And so that's really
8 where we started.

9 So government grants is really where we had
10 to go to find money to start NALA, and so we were
11 successful at being awarded grants through the
12 National Science Foundation and through the Department
13 of Energy. And, in fact, you know, over the years
14 we've managed to raise about \$2 million in those non-
15 dilutive government grants. But those grants, that's
16 been over, like, a six-year period. So that's not
17 enough to fund, you know, the development and scaling
18 of a brand-new technology. And so, you know, we had
19 to go out and raise investment, and we had to do it at
20 a very early stage, which is very challenging for
21 companies that have a very long path to market.

22 And so, you know, our government funding on
23 our first SBIR grant, it ended and we still,
24 obviously, don't -- that only -- we'd only been around
25 for a year, so we hadn't developed the technology to

1 that stage yet. And there was a gap between the
2 ability to be able to get more government funding.
3 And so in order to keep going and developing this
4 product, we had to raise equity investment, and we
5 were able to do that through local angel funds in the
6 Raleigh-Durham area. And in fact, Mark was one of my
7 very first angel investors. And so, you know, they
8 have -- that was -- that angel opportunity to work
9 with angel investors to get some of that very basic
10 capital just to really build the technology from the
11 ground up was really important.

12 And we had to move on then to more, you
13 know, smaller VCs. And, you know, getting access to
14 that capital has been a struggle all the way along,
15 even though we've made steady progress towards the
16 market and towards commercialization. And today we're
17 raising money again. We are -- we're actually
18 building our manufacturing plant. We've de-risked the
19 manufacturing. We've shown we can produce these at --
20 you know, we will be able to produce these at scale
21 once we get the equipment that we need. And that's
22 where, you know, we're struggling again to raise that
23 investment because investors, they don't like to put
24 money into capital equipment. They would rather
25 invest in software or AI or something.

1 But to make a real, hard product, you have
2 to have a real machine. And those are the things that
3 we need the investors to be able to support. And
4 that's the -- that's our challenge. At every stage
5 there's a challenge, and that's the challenge today is
6 finding the right investors to invest in the capital
7 that's required to produce this product that's going
8 to change the way we treat water in this world and
9 solve this problem for us.

10 MS. DAVIS: Well, thank you for telling us a
11 little more about that.

12 And Shane, I'd love for you to take it from
13 here because you've dealt with companies like Sue's
14 and others. Well, what did you say, 1,700?

15 MR. MOISE: Yeah.

16 MS. DAVIS: Yeah.

17 MR. MOISE: Yeah, we're tracking 1,700. But
18 I think that the pathway that you've pursued and had
19 success in with non-dilutive funding is essential,
20 especially for some of our deep-tech companies. I
21 know that there is a -- you can call it a rumor or
22 kind of a mythology around, oh, it's so much easier to
23 scale things now with AI. But even creating products,
24 if you can do it with some model -- gen three or
25 whatever it be -- that there is still going to be

1 costs with that. If you run out of Google credits or
2 Amazon Web Service's credits, there is going to be a
3 cost to develop and actually deploy these things to
4 market and in a meaningful way that's going to be
5 customer-driven.

6 So I -- you know, I cannot stress enough the
7 value of SBIR and STTR funding in helping to advance
8 scientifically-backed technologies to market. It is
9 one of the most influential and kind of key milestone
10 kind of indicators for a lot of the investors in our
11 ecosystem.

12 And I have heard -- and, you know, some
13 other folks here could likely chime in, though -- that
14 there is only a certain amount of non-dilutive funding
15 that feels right. And so I think, you know, the
16 challenge that you also identified is access to
17 earlier-stage angels and family offices. And then
18 those maybe lower-tier or smaller-tier VCs is also
19 key.

20 I'm curious, for (sic) your experience and
21 what you've two -- you two have also seen as, you
22 know, how geographically proximal are those investors?

23 You know, we are out in San Diego where -- you know,
24 this much closer to Silicon Valley, and there is
25 always this kind of push and pull of, well, we want

1 founders to build where they're at. So if it's in
2 North Carolina or in San Diego, not to get pulled
3 where the money is. And so how to navigate that, I
4 think, is very challenging for founders that -- do we
5 need to have two offices, one in Silicon Valley right
6 next to the money and by our, you know, tier-one
7 investors?

8 And so those are a lot of the conversations
9 that we have. And balancing those decisions -- how
10 are you building out a team, strategically placing and
11 developing relationships with investors who are
12 potentially invested geographically as well as in a
13 portfolio of interests?

14 MS. DAVIS: Sarah, what about you? What are
15 you seeing from your clients in this space?

16 MS. HIBBARD: Yeah, I think it's a lot of
17 what we've already heard, but also the compliance
18 aspect and the corporate governance aspect. So
19 obviously, it's -- it is difficult to get the funding
20 when you're in the position that Sue has just
21 described, right? But then, once you get that funding
22 and now you're up to raise your next round, it becomes
23 a question of, did you comply with all the securities
24 laws? Did you comply with all the blue state filings?
25 Did you do everything that you were supposed to? And

1 when you're trying to build a business on such a small
2 budget already, that question kind of gets left to the
3 wayside until you get to a point where it becomes
4 important.

5 And we see this not just on the security
6 side and the compliance side, but also on the
7 corporate governance side in making sure that, you
8 know, these smaller investments have been properly
9 documented, and that we can kind of tie out and trace
10 back that cap table. So these are all things that, as
11 you're building the business, you're either -- you're
12 aware of and you just don't have the time or the funds
13 to focus on, or maybe even you're not aware of and now
14 I'm in here telling you that you've forgotten to do
15 all these things.

16 And it is manageable once we get to that
17 spot and these things are called out, but I think it
18 is very difficult to get there when you're in the
19 building stage.

20 MS. DAVIS: Well, I'm going to use that as
21 an excuse to put in a shameless plug for the resources
22 that the SEC has put out on our website. And there
23 were hard copies of a number of them at the front.
24 When you come in and out you can grab them. But
25 they're there for free. They are not a substitute for

1 a lawyer by any means, but they can help you at least
2 get the lay of the land on some definitions. We've
3 got a glossary that, you know, maybe talks about what
4 is a cap table, and what is non-dilutive funding, and
5 all these -- you know, and you'll hear a lot of terms
6 in the early days, some of which you'll know and some
7 of which you probably won't. So just putting in a
8 plug for that. Again, not a -- it is -- they are --
9 none of them are a substitute for a lawyer, but
10 hopefully they at least -- maybe you can educate
11 yourselves before you walk in the door and maybe
12 reduce that initial bill.

13 So, Mark, I'd like to move to you next
14 because I feel like these challenges -- and Sue
15 already kind of teed it up by saying that, you know,
16 angel investment was key for her. But I'd love for
17 you to talk about kind of your role as an angel in the
18 Research Triangle area, which, for those who don't
19 know where that is, it's Raleigh-Durham -- is Chapel
20 Hill the third? Okay, part of the Triangle. So maybe
21 talk a little bit about angel investing in that area
22 and then more broadly. But then I'd also love you to
23 move us into the next conversation, which is about
24 accredited investor definition.

25 MR. FRIEDMAN: Sure.

1 MS. DAVIS: Because I know that's a key one.

2 MR. FRIEDMAN: Sure, glad to. I'd like to
3 address a couple of the things that were said.

4 You know, the whole issue of having to redo
5 cap tables and things like that takes me back to when
6 I was in business school. We had a CEO from a grocery
7 store in North Carolina, a small town in North
8 Carolina, that was about to go public. They had
9 really expanded. And he was giving us a talk and he
10 said, "We had our accountants come in and they said,
11 'You had all these shares from local people, you sold
12 stock to all these local people, you registered with
13 the SEC, didn't you?'"

14 And he looks at them and he says, "Why would
15 I have to tell the Southeast Conference about this?"

16 (Laughter.)

17 MR. FRIEDMAN: That's a true story. It's
18 sat with me for many years.

19 And, you know, Shane brought up the issue of
20 regional association. You know, another story, I
21 remember many years ago I ran a conference. It was
22 called Financial Strategies for Successful
23 Entrepreneurs. And we had a very well-known venture
24 capitalist who was from the -- from Silicon Valley.
25 And one of the attendees stood up and said, "I've

1 started a business in North Dakota." And nothing
2 against North Dakota, but he said, "We're seeing all
3 of this success. Is this a place of business that you
4 would consider investing?" And this is, you know,
5 many years ago, so it's changed a little bit.

6 And the venture capitalist said, "No, we
7 wouldn't even look at you."

8 And the CEO said, "Well, why?"

9 And he said, "We want scalable businesses,
10 and we just don't believe you have enough people to
11 make a business in that area that's going to be
12 scalable enough for us. And you said you're not
13 willing to relocate any of your operations." So there
14 are issues with that.

15 And when you get to the angel part of
16 things, you know, I could speak for RTP Angel Fund,
17 but I also deal with a lot of different angel groups
18 and a lot of venture capitalists. One of the primary
19 differences, I think, between angel investors and
20 venture capitalists are angel investors are typically
21 more geographically located because a lot of the
22 people that become angel investors want to give back
23 to their community. You know, they're all looking for
24 great investments, but they also really want to be
25 able to help those early-stage companies.

1 You know, we're very fortunate in the
2 Research Triangle Park area. We've got the three
3 research universities: Duke, NC State, and UNC. And
4 we put out a lot of different businesses that are
5 really interesting. So when we're sitting there, we
6 have an overflow of opportunities. You know, we bring
7 in to the group for consideration maybe 20 percent of
8 the companies we get applications from, and that's
9 probably a high number, and invest in a far smaller
10 number. And almost all of them are from the local
11 area.

12 So our rules, which are just our own rules,
13 are we have three different areas we look at. One is
14 the Research Triangle Park area. Two is the greater
15 North Carolina area, and I run a monthly call called
16 the Triangle Angel Syndicate Zoom, which is just all
17 groups throughout North Carolina that get on. And our
18 area is an extremely collaborative area, which you
19 don't see in a lot of different parts of the country.

20 A lot of places they're competing for deals, so
21 they're not really talking to other people about what
22 the deal is. In our area it's extremely
23 collaborative, so we try to get all the different
24 deals that people are looking at.

25 Then you get on the venture side, and

1 venture is geographically unbound most of the time.
2 You do find some venture funds that have a geographic
3 focus, but for the most part it's unbound, and they'll
4 be able to travel to see other companies. But one of
5 the things we run into in our area is we get -- a lot
6 of companies get a term sheet from California, which
7 are almost always significantly higher valuation than
8 the east of the Mississippi term sheets. And we have
9 to have conversations with CEOs fairly often saying,
10 yeah, you could accept this term sheet, but they're
11 going to want you to move to California. And have you
12 looked at the differences in cost of living and things
13 like that? And for some it's great because they want
14 the opportunities that can be provided out in the Bay
15 area or out in San Diego or whatever, but others don't
16 really get that.

17 So it's the old story of communication. You
18 have to make sure people understand what it is they're
19 looking at.

20 MS. DAVIS: I'd love to take what you
21 mentioned and ask about valuation, because I know this
22 is an area where folks have a wide variety of
23 approaches. So I don't know if you all have thoughts
24 on, you know, when making that initial valuation.

25 Shane, I know we've talked about this, but

1 just, you know, kind of how to approach that.

2 MR. MOISE: So maybe just a reminder of
3 reframing. So because I'm with a university, we are a
4 step removed, you know, so we're not a part of the
5 companies, but our job is to ensure sound structure,
6 advice, mentors -- in some cases, you know, the first
7 or second CEO after maybe a scientific founder.

8 And so, you know, when it comes to
9 valuation, we do get these questions a fair amount.
10 You know, someone says, well, I'm going to go out and
11 raise 30 million. Oh, okay, well, tell me more about
12 that. Well, I had a meeting with Sam Altman and he
13 said go for it. Okay, well, I can see where that
14 amount comes from. But I think that, you know,
15 there -- with valuation there is not a set formula,
16 you know, and it's going to be variable and dependent
17 on the technology, the experience of the team, and,
18 really, the length of time it's going to take to get
19 something to market.

20 I have found in the last, I'd say, probably
21 a year-and-a-half or so we've seen a lot more
22 engagement with and experimentation with milestone-
23 driven. So we're going to raise 4 million, but it
24 will be one million in Q2 and three and then, when we
25 hit those, we'll open up. And so it's not the

1 traditional sense of, well, you know, raise a full
2 round and then we'll hit all our milestones in this
3 amount of time. You know, investors are saying, well,
4 let's leverage, you know, a small portion of what that
5 round is to make something more meaningful happen.

6 And so it's been an interesting kind of
7 experience on the founder side, and I think, depending
8 on who you talk to and what day it is, you'll get a
9 different number. So

10 MS. HIBBARD: Yeah, I was just going to
11 comment on that. And I think Julie has heard me give
12 this talk before.

13 But one thing too for all of the founders
14 out there that are listening to this and you're new to
15 raising capital is don't forget that that pre-money
16 valuation number is negotiable. I mean, it is
17 something to think about. And, you know, going out
18 the gate with a very high number might not be the
19 greatest move, but also, you know, just accepting what
20 an investor puts in front of you isn't necessarily the
21 right move either. So it is something that -- there's
22 a number of components that go into it, but it is also
23 a point that's negotiated in term sheets.

24 MS. DAVIS: Thank you, I appreciate that.
25 And I took us a little off track because I wanted to

1 talk about the accredited investor definition. So I
2 don't know if anyone has something they want to say on
3 that front.

4 I know, you know, one of the things you've
5 already touched on, geographically it's always, you
6 know, an interesting discussion because, you know, in
7 a lower-cost-of-living area, like Mark was saying,
8 your pool of folks who meet that -- those numerical
9 thresholds of 200,000 for individuals or 300,000 if
10 you're married, the pool may be smaller in certain --
11 or definitely is smaller in rural areas than, say,
12 your higher-cost-of-living like New York or Boston.
13 So curious, you know, kind of if you all have thoughts
14 on that.

15 And I know we've received a lot of
16 recommendations on accredited investors. So be
17 thinking about this since you're going to vote later.

18 MR. FRIEDMAN: Yeah, I could give you a
19 number of thoughts on it, and it's something that's
20 very front of mind.

21 You know, one of the issues is that there
22 were -- there was talk about indexing the accredited
23 investor levels a couple of years ago, and there's
24 still banter about that periodically. The credit
25 investor rules were set very many years ago, and it

1 was a fixed level, it was an arbitrary level at that
2 point. And it really has never been indexed. But the
3 world was different when they were first set. So
4 there's a lot more venture capital out there today.
5 Angel groups didn't exist. Things like the Angel
6 Capital Association that gives protection and
7 knowledge to people didn't exist.

8 So today most early-stage investments that
9 are done from private investors, not VCs, are done via
10 angel groups, and they pool their resources. They do
11 very thorough diligence. That didn't exist in 1982,
12 when the laws first -- when the regulations first came
13 out. So it's a totally different world. And I think
14 having rules that are just based on net worth are
15 really not fair to a broad group of people. There
16 should be a test for people.

17 So if you think of the 25-year-old whiz kid
18 that gets out of school, has gone to business school,
19 and understands investing and understands, more
20 importantly, the domain that they might be investing
21 in, and their best friend is creating a business and
22 they're going out to raise capital but this person
23 doesn't reach \$1 million of net worth yet, they can't
24 invest in that business even though they may
25 completely understand what that business is and what

1 the risks are involved. So you've got to have a
2 secondary type of decision as to who should be
3 accredited and who should be able to be investing.

4 And the evolution of the accredited investor
5 rules, or the genesis of them, was fraud protection.
6 And back 40 years ago when they came out, there was a
7 need for that. There still is obviously a need for
8 that, but you have to be able to balance the fraud
9 protection versus having people that should be able to
10 make an investment and are being blocked because of
11 arbitrary rules that are out there. So I think, you
12 know, the moves that are in the INVEST Act and other
13 things that the SEC and FINRA and everybody else has
14 been looking at are really beneficial to making it a
15 more level playing field.

16 MS. DAVIS: I see other heads nodding here.
17 Anyone want to chime in?

18 MR. MOISE: Can I? Yeah, I'd like to.

19 So -- and part of our engagement with you
20 all has been to promote the information and the
21 resources that are available. But then it's also
22 about connecting with our investor ecosystem. And so
23 one of the -- our partners, Lucas Venture Group said,
24 you know, very similar things. We want to -- you
25 know, if there's a test or some other way that we can

1 increase access for people to engage as investors, I'd
2 say, you know, there are many potential mechanisms for
3 that to happen. But then the other group are also
4 the -- our faculty and scientists. So you talked
5 about, you know, a whiz kid, but there's also subject
6 matter experts, people who are advancing and
7 developing these technologies with their peers that
8 are often, you know, without a mechanism to invest as
9 well.

10 So I think just saying yes, it would be
11 wonderful to see that advocacy continue, and that is
12 something, you know, in terms of feedback from our
13 ecosystem that's really important.

14 MS. HIBBARD: Yeah, I was just going to add
15 too that I think when you're looking at this in terms
16 of geography, too, I think it makes sense to expand
17 that definition and to still protect investors but
18 also kind of put more people into that early-stage
19 investor pool, into that early-stage friends and
20 family round because one of the piece -- one piece of
21 advice that we give to founders is to go out there and
22 network with investors before you need to ask for the
23 money.

24 And so, if you can -- if you're, you know,
25 in a city or in a geographical area that doesn't have

1 a lot of those opportunities to even meet those
2 investors let alone those investors aren't there, your
3 best bet in raising that early-stage funding and being
4 able to put the company on the map for something that
5 these VCs would be looking at, where you meet their
6 income requirements or their thesis or where you meet
7 the level that they're looking for, if we can increase
8 that geographical area and allow other investors to
9 come in and get you to that point I think that it
10 would also be beneficial to early-stage founders.

11 MS. DAVIS: No, I really appreciate that.
12 And I'm curious because, you know, it sounds like
13 there are areas where folks don't have access to as
14 many accredited investors, and we hear this a lot,
15 actually. I'm curious what advice you give to
16 companies that come in and say, I don't have a
17 preexisting network of accredited investors.

18 You know, and as a lawyer my thoughts go to,
19 well, there are other pathways. You could do
20 regulation crowdfunding or you could do intrastate.
21 And I'm curious how you all view those and how the
22 folks that you're working with view those or other
23 options.

24 MR. FRIEDMAN: It's interesting.
25 Crowdfunding has changed the playing field quite a

1 bit, and there are a lot of misperceptions about
2 crowdfunding. I could tell you very honestly a lot of
3 people look at companies that have gotten crowdfunding
4 and think negatively about it. There's just this
5 perception that you had to go to crowdfunding because
6 you couldn't raise funds from traditional sources,
7 which I don't believe is true, but it exists. And
8 perception is so important with any of these things.

9 So, you know, Shane mentioned ecosystem. I
10 think that's the biggest key to any of this, is the
11 entire ecosystem. Because the things that benefit the
12 early-stage companies, benefit the investors, benefit
13 the economic development people in a region -- and
14 vice versa. And if you don't have this ecosystem
15 working together and looking at the same type of end
16 game, you're going to fail because if one of those
17 links fails the whole chain breaks. And I think this
18 whole notion of accredited investors is part of that.

19 You know, if you think -- it's not just who
20 could be an accredited investor, it's other things
21 like who can attend a pitch presentation. You know,
22 I've had entrepreneurs that I've tried to coach in
23 pitches, tell them to go watch other people pitch.
24 And they say, well, I've been blocked from doing that
25 because I'm not an accredited investor and I can't go

1 in. I mean, those are just rules that need to be
2 looked at, and the INVEST Act is part of that.

3 And, you know, for those of you that don't
4 know, the INVEST Act is a series of different pieces
5 of legislation that passed through the House. It's
6 waiting for Senate approval. But I hear that there's
7 a couple of things going on in Congress right now that
8 might be slowing things down. So

9 (Laughter.)

10 MS. DAVIS: Anyone else have thoughts on --
11 they want to share on crowdfunding or other options?

12 MS. HIBBARD: Yeah

13 MS. DAVIS: -- from non-accredited
14 investors?

15 MS. HIBBARD: Yeah, I was just going to say
16 I think there is a divergence that Mark has identified
17 across the board of what people think about
18 crowdfunding. And so I think my advice to founders
19 when they come and ask, like, you know, what can I do,
20 where else can I raise money is just be thoughtful
21 about your approach to it.

22 So one thing that we talked about on our
23 prep call, really, was -- I think, Mark, you brought
24 this up -- that a lot of these crowdfunding
25 organizations will now do an SPV, and that is a great

1 way to do crowdfunding, rather than, you know, raising
2 \$1 million and now having 1,500 people on your cap
3 table. I think, from my perspective, that's -- you
4 know, the SPV is great.

5 So I think it's just being thoughtful about
6 the way in which you're doing it, and then also being
7 able to justify why you chose that route when you're
8 speaking with investors and they're asking about it.

9 MR. MOISE: So two other kind of maybe not
10 trends, but one a model and then one a trend. Do you
11 see San Diego -- our office pursued a grant with the
12 Economic Development Administration. We called the
13 program the Venture Catalyst Program. And this was an
14 effort to include pitch competition, preparation,
15 coaching, mentorship, but then also a kind of a full
16 menu of capital options.

17 So very often it's go raise money from VC or
18 angel kind of funds, but that there are also small
19 business loans, there are banking partnerships. And
20 so there are lots of different types of capital that
21 we found that we were kind of -- there is this
22 traditional narrative of go raise money, but we wanted
23 to counter that intentionally by providing a more
24 comprehensive set of resources and information to
25 founders because not every company needs VC. And so,

1 you know, different types of capital can be more
2 appropriate for different types of companies.

3 But then the trend piece -- and this is
4 something that I think we've talked a little bit
5 about -- is getting out of the geographic kind of
6 bounds. And so, you know, not just how are companies
7 connecting potentially with the small business
8 development corporations in your neighborhood and how
9 are your companies coming to the West Coast, but
10 there's a cancer diagnostic company that I'm working
11 with called Osel, and they found a grant opportunity
12 on the west coast of Italy. And so it's sort of like,
13 okay, well, we can do EU clinical trial testing with
14 this grant in another country that helps us hit our
15 milestones for regulatory pathways here in the United
16 States.

17 So, you know, I don't want to say, yeah,
18 ship innovation abroad because capital and access is
19 here, but that we're finding that founders, of course,
20 are finding really creative ways to hit the milestones
21 that they need with capital that is friendly.

22 MR. FRIEDMAN: Yeah, you brought up -- and
23 Shane brought up before -- the geographic issues. You
24 know, Shane is in San Diego. We're in Research
25 Triangle. These are areas that are very, very big in

1 early-stage companies. There's a lot of parts of this
2 country where entrepreneurs are starting businesses
3 but don't have access to that. The SEC could play a
4 great role in that.

5 I remember meeting with the SEC the first
6 time a couple of years ago, and, you know, I had spent
7 most of my career hoping the SEC never heard of me.

8 (Laughter.)

9 MR. FRIEDMAN: But then I heard all these
10 things that the SEC actually can do, and there really
11 are a ton of resources that are out there that are
12 available. So we just need to let the entrepreneurs
13 know what these are and what they mean because a lot
14 of times they're young and they started a business,
15 but they don't really understand all the nuances of
16 things.

17 MS. DAVIS: Well, I appreciate that free
18 advertising.

19 Well, I'd love to -- and one of our
20 commissioners mentioned the finders issue, and I know
21 we've gotten a lot of recommendations on this front as
22 well. So this is -- you know, if -- they're so-called
23 finders, it's not actually a defined term, but it's
24 someone who is not registered as a broker-dealer who
25 is working to and offering to connect companies with

1 potential investors.

2 So I'd be curious if -- you know, to what
3 extent you all are experiencing that in your line of
4 work. And if you are experiencing it, maybe a couple
5 examples of just in ways that you see it, and then how
6 do you advise companies who, you know, are wanting to
7 stay in compliance with broker-dealer rules, et
8 cetera, how you advise them on these fronts.

9 MS. HIBBARD: So I think I rarely see it,
10 but I think when I do it's a little bit hard for
11 our -- to help start-ups navigate that situation
12 because sometimes it's not -- it just doesn't feel
13 right. Like, what the finder is offering and in
14 exchange for what they want just doesn't -- it just
15 kind of doesn't sit right with kind of where the
16 founder is going and where they want to take the
17 company. And to me, I think it's something that they
18 should all be very careful about using and about
19 navigating how they're going to raise funding through
20 that path.

21 I so far haven't seen one that's been --
22 well, I won't say that. There are a few out there
23 that I think are doing well and are doing the right
24 things, but I also think there are some bad actors
25 within that group of people.

1 MR. FRIEDMAN: Yeah, I agree. I think
2 there's a lot of confusion out there. And I'm not an
3 expert on this. I've looked into it, I've tried to
4 figure out what can you do and what can't you do. Can
5 you pay somebody based on how much they might raise
6 for a company? Are you not allowed to do that? Do
7 you have to be an RIA? There's this whole jumble of
8 different things that you have to figure out, and it's
9 very difficult.

10 So from an entrepreneur's standpoint, it's
11 almost impossible. So they have these different
12 services that will send out emails for you, just
13 blanket emails, which I think are generally pretty
14 ineffective. And I actually work with a company that
15 was doing that, and I started getting emails that were
16 almost identical to the emails they were sending out
17 at RTP Angel Fund. And I could tell almost
18 immediately which email service they were working with
19 to get those out, because they all sounded the same.
20 So some of them are really good, some of them are
21 worthwhile, I don't mean to disparage an entire
22 industry. But from an entrepreneur's point of view, I
23 think they have to be really careful to understand
24 what they can and can't do.

25 And on a fundraising side, you know, on the

1 fund side particularly, you've got 506(b) versus 5068
2 solicitation rules. They're all very complex and very
3 easy to fall on the wrong side of what you should be
4 doing.

5 MS. MECHAM: Yeah, I can say as a founder,
6 my phone is blowing up. I get calls, I get texts, I
7 get emails. This is from people who -- yeah, they're
8 like, oh, we can help you. Here's -- I mean, they're
9 just throwing things at me. And it's -- you know,
10 it's -- clearly, there's a lot of scammy stuff going
11 on out there and so it makes me just want to -- oh,
12 I'm not going to deal with any of those. Like, if I
13 get a really good recommendation from an advisor that
14 I trust, that might be somewhere I would go. But
15 otherwise, I stay far, far away from those types of
16 opportunities.

17 MR. MOISE: I tell you, there is -- and this
18 might be a bit of a gray area, because I work on the
19 accelerator side of things. And because I'm at a
20 university I have the benefits of an institution
21 behind me and all kinds of different funding. But
22 that -- for someone who is making a business model out
23 of their accelerator that -- there are questions or
24 proposals usually. Oh, well, let me teach you some
25 things. Let me teach you a business model, and let me

1 help you with your pitch deck, and then I'll take
2 three percent of your company.

3 (Laughter.)

4 MR. MOISE: And it's like, well, okay, so
5 someone is asking for percentages of your company
6 based on some educational material that they might
7 have, you know, pulled from YouTube or from the SEC's
8 website, and so we typically advise against that. You
9 know, we're not an accelerator, a university program
10 that takes equity. Again, we're in a position that
11 we're able to do that. But if -- you know, there are
12 a number of accelerators and incubators out there
13 offering a service for percentages, and we have a kind
14 of a -- not a great perception of it because,
15 typically, the results on the back end of that are,
16 well, I didn't get introduced to anyone or, you know,
17 how do I pay for my new intern or this new dev person
18 with coaching that I got?

19 And so the -- I think the tangible benefit
20 is often not clear enough for us to endorse or to
21 advocate a model for finding services even as a part
22 of some maybe more educationally-tracked programs.

23 MR. FRIEDMAN: You know, Julie, I've already
24 given credit to the SEC, so I'll give credit to
25 attorneys too.

1 You know, one of the things that we always
2 advise early-stage companies -- and I've done this for
3 years -- is make sure you have an attorney that you're
4 working with that knows this type of activity: early-
5 stage capital raising. Because the most expensive
6 attorney you can get is the free attorney who happens
7 to be a family member that's a divorce attorney and
8 says, I can take care of your paperwork for you. They
9 may be able to handle your divorce someday, but they
10 really don't know what they're actually doing with all
11 the nuances that go on with this, and the advice as to
12 who should be able to do things, and making sure that
13 you don't have people that shouldn't be on the cap
14 table, and all of those things.

15 So -- and some early-stage lawyers will work
16 for future equity. So it's really, really important,
17 if you're an early-stage company, to get good legal
18 advice as you go along.

19 MS. DAVIS: No, I appreciate that.

20 I want to make sure that we have time for
21 Q&A, so I'm going to ask one last thing which is --
22 and just to kind of wrap our discussion on geography,
23 because I feel like there is such a great situation
24 here -- and we did not plan it this way, it just
25 worked out very conveniently to have two San Diego and

1 two Research Triangle folks.

2 But Sue, I'd love for you to just talk about
3 your company that's stayed in North Carolina. Have
4 you, like -- and I -- there's a lot of data out there
5 on -- you know, I think Chairman Atkins alluded to
6 concentration of venture within a few -- you know, 10
7 companies. We also have data that shows, you know, 56
8 percent of venture capital goes to 5 metro areas. So
9 that -- but there are still hubs like RTP and San
10 Diego and others where there is a good -- a vibrant
11 ecosystem.

12 But I'm curious, you know, kind of -- and
13 trends have been changing a lot since COVID, I'd say,
14 the data that we see of, you know, folks get more
15 comfortable on Zoom, but there's still some things
16 that need to be in your area. So I just would love to
17 hear kind of where you all are seeing, you know, where
18 is geography still very important. And, you know,
19 where is it that, you know, like Shane is saying, some
20 folks will say you need two offices or -- and in what
21 areas is it less so where you're, you know, you don't
22 feel any pressure anymore, or maybe you never did.

23 MS. MECHAM: So I am -- yeah, I'm in North
24 Carolina. We based -- we founded NALA in North
25 Carolina. But actually, I was thinking about founding

1 a company before I moved to North Carolina. I came
2 from a small town in Virginia -- Blacksburg,
3 Virginia -- where Virginia Tech is. And that's
4 actually where our technology came out of, Virginia
5 Tech. And we'd been thinking about starting a
6 company.

7 But I moved down to North Carolina, I moved
8 down to the Triangle area to take a job at UNC Chapel
9 Hill. And while I was working there I explored the
10 ecosystem for entrepreneurial support, and it was so,
11 so great in the Triangle. Like, I was able to meet
12 angel groups. I was able to meet -- you know, there's
13 a -- you know, operations down there that are -- you
14 know, they advise entrepreneurs and they can introduce
15 you to things. They have networking events. They
16 have, you know, classes to help you learn about the
17 types of things that you need to know to found a
18 company and the people that you need to meet.

19 And I think that's -- you know, it's -- all
20 that ecosystem is really important, not just the
21 investors, but the ecosystem that the investors live
22 in and around. And that whole system is really
23 important because that gives you the opportunity to
24 network. And, you know, COVID taught us, you know,
25 Zoom is great and you can do things, you can do a lot

1 of things virtually. Networking via video is not
2 easy, and, you know, we did some of it during COVID.
3 It was challenging. But, you know, that really
4 doesn't work that well, and it's really that -- you
5 know, I think that's what's still possibly lacking in
6 areas like RTP is the, you know, the ecosystem of
7 those larger investors, those investors that are used
8 to investing lots of money in great big ideas that can
9 change the world, that -- those investors aren't
10 everywhere, and you have to network with those
11 investors.

12 I mean, I go to -- I go out to Silicon
13 Valley all the time. I have a son that lives there.
14 Any chance I get to go to San Jose, I'm gone, I'm
15 going. So, you know, I get out there as much as I
16 can, but I still am not at those -- you know, I'm not
17 at those events. I'm not gladhanding with those
18 people that have those big checks. And that's really
19 maybe what's been such a challenge on the investment
20 side, because I have the kind of company that requires
21 that type of investment to really get us all the way
22 across the line.

23 You know, this drip, drip, drip, the way
24 we've done it, is much more challenging than some of
25 these companies that can go out and raise \$30 million,

1 right off the start, right? You know, we've raised
2 about 12 over about 8 years and, you know, we've
3 pushed it and pushed it, and we're going to make it.
4 We're going to do it. But it's going to -- you know,
5 it's been a much more challenging road than it could
6 have been in a different ecosystem.

7 MS. DAVIS: So I hate to cut this short, but
8 I want to make sure that we get in any audience
9 questions for our panel. And I think, as Amy
10 described it, we're going to do maybe 10 minutes of
11 Q&A for our panelists, so based on things they've said
12 or questions you want to ask them, and then we'll move
13 into more of the recommendations in this area, so on
14 topics -- well, you can look at what's been
15 recommended and start talking about it.

16 So Pablo in -- from our office is here to
17 help facilitate some of the Q&A, and you all feel free
18 to go on up to the mics.

19 AUDIENCE PARTICIPANT: Hi. You guys have
20 talked a whole lot about funding. My name is -- can
21 you hear me okay?

22 AUDIENCE PARTICIPANT: No.

23 AUDIENCE PARTICIPANT: Hello, hello? Hello,
24 hello? Hello? Oh, there we go. All right.

25 You guys have talked a lot about funding. I

1 myself am very similar to you, Sue. My name is Sonia
2 Gonzalez, and I'm the founder of Cedes Manufacturing
3 Group in West Virginia. I'm launching a patented dual
4 chamber pouch technology at the end of this month
5 applicable to infant formula, fitness, nutrition, and
6 pharmaceutical markets globally funded by my own
7 retirement savings because no accessible funding
8 pathways are designed for small, regulated
9 manufacturers like me. I have researched -- I have a
10 research partner with Los Alamos National Laboratory,
11 and still can't access R&D tax credits. My technology
12 ensures infants receive safe, clean water through
13 formula. This product will save infant lives.

14 Ninety-nine percent of U.S. manufacturers
15 are small businesses employing four-point-eight
16 million Americans, yet every incentive is built for
17 the one percent that are large. I'm not asking for
18 new programs extended; what I'm asking for is extend
19 what already exists: R&D credits, bonus
20 depreciations, investor incentives to small regulated
21 manufacturers building what this country says it
22 needs. Incentivize it like you mean it.

23 And so right now you guys have talked a lot
24 about trying to get funding, but investors don't want
25 to invest in us because we're capital-heavy and so

1 there's no incentive for an investor to invest in us.
2 If they did have some sort of incentive, then it's
3 possible that we would be able to get these kinds of
4 funding. Right now I have to fund myself because
5 there's just too big of a risk for me.

6 MR. MOISE: That -- I mean, that hits
7 personally. My partner is a lactation consultant, and
8 so understanding and seeing the value of early
9 nutrition for our most vulnerable

10 AUDIENCE PARTICIPANT: That's right.

11 MR. MOISE: -- our children and infants, is
12 tremendous. So I just want to applaud the effort that
13 you're putting in to develop

14 AUDIENCE PARTICIPANT: Thank you.

15 MR. MOISE: -- and get this to market.

16 I don't have a good incentive solution.
17 However, you know, the things that we've talked about
18 with regard to geography -- and I think you said
19 you're in Virginia

20 AUDIENCE PARTICIPANT: West Virginia.

21 MR. MOISE: West Virginia. That -- looking
22 at centers of excellence.

23 So at UCSD there's the Human Milk Institute
24 and a whole group that's looking at oligosaccharides
25 that come out of that, and how do you derive and then

1 create longer-chain or longer-tail therapeutics based
2 on what we find. Centers for microbiome research, and
3 how can you leverage those centers of influence; and
4 then, geographically, their networks into the funding
5 that you're seeking and that you need.

6 And I know too you talked about just the
7 incentives and the structure aren't there. And it
8 comes down to that -- I think -- and I don't know if
9 you'd call it like a truism or what, but it's about
10 who you know. And so

11 AUDIENCE PARTICIPANT: Yeah, well, I mean,
12 there's these policies that can just be extended to
13 organizations or manufacturers, small manufacturers,
14 because all these incentives are for large
15 manufacturers. So I'm not asking for new policy, I'm
16 just asking for current policy to get extended to us
17 because we have no incentives at all.

18 I'm creating R&D, just like Sue is. She's
19 got no incentives, none. And so, I mean, why not?
20 Why can't we have these incentives? They're already
21 in place. The bonus depreciation -- if she buys
22 equipment, if I buy equipment we have to depreciate
23 over five, seven years. Why can't we have the full
24 depreciation? I mean, we're a small business. A big
25 business can have it. Why can't we have it?

1 I mean, these are all things that are
2 already in place, and especially the investor
3 incentives. Those are the ones that are going to be
4 the biggest to us. Why not incentivize the investors?

5 Then they'll invest in us. Right now they have no
6 reason to invest in us. They get nothing out of it
7 except total risk.

8 MS. MECHAM: Yeah, I'm right there with you.

9 I completely agree, yeah. I mean, we -- you know, we
10 have to -- what we've invented and is part of our,
11 you know, IP is really a manufacturing platform to
12 reduce the cost of making membranes and to make it
13 less environmentally impactful. I mean, we're doing
14 big things here. And these are -- you know, we're
15 going to be an American-made membrane company that's
16 going to change the way the world treats water. But
17 are we getting the support that big companies will
18 get? I mean, those incentives that are there to
19 support manufacturing growth, those are maybe going to
20 the semiconductor manufacturers, you know, maybe
21 they're going to Samsung or, you know, even non-
22 American companies, right? But they're not coming to
23 these small businesses.

24 So yeah, we're -- and the inventor -- you
25 know, investor group that I speak to most of the time,

1 they don't want to invest in capital equipment. They
2 don't see that as a good investment. The banks won't
3 loan us money to do it because we don't have the
4 collateral for it. So there's really no assistance
5 for small companies to do this.

6 MR. FRIEDMAN: Yeah. First I'd say
7 congratulations to what you're doing.

8 AUDIENCE PARTICIPANT: Thank you.

9 MR. FRIEDMAN: And raising funds is never
10 fun, easy, or something you really want to do. You
11 want to build a business. And

12 AUDIENCE PARTICIPANT: You don't want to
13 give part of it away at the very beginning of it,
14 either, so

15 MR. FRIEDMAN: Yeah.

16 AUDIENCE PARTICIPANT: -- I mean

17 MR. FRIEDMAN: -- these obstacles are even
18 harder when you're in a business that doesn't get the
19 software funding or the AI funding or all the other
20 big dollars that go out there. So good luck with what
21 you're doing. It's hard. But, you know, as Sue
22 found, there are ways to do it and stick to it.

23 The other thing I would say is that you're
24 hitting on an issue that I don't know who it is that
25 can fix, but it's very broad, and that there's a lot

1 of different entities that are involved with what you
2 were talking about. You've got the IRS for tax
3 credits, you've got FINRA, you've got SEC, you've got
4 state regulations, and all those different things. So
5 it's great being here at this SEC meeting today and
6 talking about things that the SEC may be able to have
7 input in, but we've got to be able to get all --
8 you've got to be able to get all of that under one
9 basket so people know where to turn, in my opinion.

10 AUDIENCE PARTICIPANT: Well, I appreciate
11 you guys. Thank you.

12 AUDIENCE PARTICIPANT: Hi, everyone. Can
13 you hear me okay? My name is Ousmane, founder CEO of
14 WODI, a neobank platform. You talked about two very
15 important points. You talked about, for lack of a
16 better term, predatory VCs, companies or accelerators
17 that will just teach you two or three things and in
18 exchange they will ask for chunk of your company.
19 That's a permanent gift, right?

20 Now, as I'm doing my research, I've noticed
21 that -- a lot of rules that protect investors, a lot
22 of things that an investor can rely on when the deals
23 goes bad. As far as a CEO and a founder is concerned,
24 could you maybe help me learn about rules and
25 regulations that would also protect founders?

1 I want to take the example of the car
2 business, used car business. There is something
3 called fair market value of a car. You can't sell or
4 buy a car too far away from the fair market value.
5 But today any investor can come and see a company
6 that's worth \$10 million and offer to buy shares at \$2
7 million, maybe because the founder is in need. So
8 what kind of rules and regulations do you think that
9 founders can rely on to avoid that kind of predatory
10 investment?

11 MR. FRIEDMAN: Yeah, I'll give the non-
12 lawyer view of it. There are absolutely predatory
13 investors that are out there, just like there are in
14 any field. And one of the things I always talk to
15 entrepreneurs about as they're raising money is that
16 the first money that comes in may not be your best
17 money to take. You need to be able to do some
18 diligence on who those investors are.

19 You know, when we formed our dental venture
20 fund, the tag line we started using was "Venture
21 Capital Reimagined," because we had all come up
22 through the industry. We weren't investors through --
23 you know, from when we got out of college. And we
24 knew there were all kinds of things that could take
25 place as you're raising money that are really

1 distasteful.

2 So the vast majority of investors, venture
3 capitalists, private equity angels, are really good
4 people, and they're looking for investments that they
5 want to be partners with these companies. But just
6 like any industry, you're going to have the bad
7 apples. And that's why the SEC makes regulations,
8 that's why all the others make regulations.

9 On the company side, I think it's just as
10 important for you to do your diligence on the
11 investors as it is for the investors to do the
12 diligence on the companies. You know, one of the
13 other things I always recommend to an entrepreneur is
14 talk to the other CEOs that are in an investment
15 portfolio so you'll get an unbiased view from
16 entrepreneurs that are portfolio companies about what
17 that investor is like. And that's one way to protect
18 yourself.

19 AUDIENCE PARTICIPANT: Okay, thanks.

20 MR. MOISE: So I agree with, you know, there
21 is a certain time and a market. I think we talked
22 about Adam Smith and the -- so essentially, the way
23 that people are raising money, I just -- the same
24 thing as you -- has created this market for people to
25 say, well, let me exchange -- I've seen one example

1 that was as high as 30 percent of a company that
2 hadn't raised any money yet.

3 And so this feedback, the conversations
4 here, made me think about -- and I've probably got to
5 give this a Google after the meeting, but -- looking
6 at what it might be if there was an investor diligence
7 checklist. So what are the criteria? You know, if
8 it's a Google search for who's in small claims court,
9 you know, there are, you know, some things that we can
10 do to be more, I'd say, systematic in what we're able
11 to provide, you know, from a non-legal standpoint,
12 here are some of the criteria that we think should be
13 considered when you're looking to do business with an
14 investor.

15 So that was a great question and really good
16 feedback.

17 MR. FRIEDMAN: Yeah, I think one of the
18 other things that goes along with that, you know,
19 everybody struggles with non-disclosure agreements
20 because entrepreneurs always want a non-disclosure
21 agreement and investors never want to provide one.
22 And there's a variety of reasons on both sides.
23 That's part of that know who your partner is going to
24 be. Get comfortable with that partner because you
25 want to have a long-term partnership. So there's all

1 kinds of really important things that go along with
2 that whole -- in many ways, it's like dating. So just
3 make sure you're getting with the right partner.

4 MS. RIEGEL: I want to jump in really quick.
5 So we are happy to -- I know there are two questions
6 on this side, and we're happy to take those, but we
7 should also be talking about recommendations at this
8 time as well. So want to continue the conversation,
9 but want to make sure that we get important -- talk
10 about those policy recommendations.

11 Again, it's on the agenda. If you click on
12 the QR code you can see the recommendations for each
13 of the sessions. So take a look. If anyone wants to
14 talk about one of these, several of them, feel free to
15 come up to the mic at this time. You want to have --
16 the woman in the front row.

17 AUDIENCE PARTICIPANT: Sorry about that. I
18 would like to go ahead and thank the lady ahead,
19 because my questions was a little bit about
20 requirements and the challenges looking for funding.
21 I'm -- my company are in deep tech. We're
22 infrastructure as a service, so anything that's 3D
23 interactive, from video games to digital twins to
24 architecture.

25 So my biggest question is that -- what

1 recommendations do you have with the changes that have
2 occurred over the last 10 to 12 years from
3 regulations, restrictions to, you know, removing the
4 challenges for those of us that are stuck in between
5 incubator and go-to-market phase? Because just like
6 regulations, investors have kind of changed their
7 requirements as well.

8 MR. MOISE: I think this was in your all's
9 report that, you know -- so one trend from last year
10 was that capital has moved a lot later-stage. So I
11 think we very -- I get emails, like a dozen or so a
12 week, if not every two or three days, of investors.
13 We want to know what you've got. We want to know the
14 earliest. Pre-incorporation is fine. But then those
15 checks don't come until, you know, the company has
16 already got a product rolling out.

17 So I've found that more of our companies are
18 forgoing the early capital raise and looking to
19 leverage pilots with -- if -- some companies can
20 afford an unpaid or a cut rate or discount pilot to
21 get the milestones and the data that they need because
22 the feedback, typically, from our scientific founders,
23 when they go on and meet with investors, is we need
24 more, more data, more patient data, more customers.
25 You know, a letter of intent or even a contract aren't

1 enough. And I think that where the money ends up
2 going is an indicator of that same trend.

3 So that's not a solution, but I think just
4 an acknowledgment

5 AUDIENCE PARTICIPANT: I've seen those move,
6 though

7 MR. MOISE: Yes.

8 AUDIENCE PARTICIPANT: Because we do have
9 prior history. We're one of the first companies to be
10 able to break that barrier of accessibility for
11 remote. We were doing remote development before
12 COVID. So we ended up doing a pivot. We have our
13 MOUs, we have our old client base. It's just those
14 challenges -- well, you know, get to this point, we
15 get to that point, well, let's start making, you know,
16 250 ARR's, you know, those goals keep changing. And
17 I'm only one engineer, so it makes it tight.

18 MS. MECHAM: I wanted to jump in on that,
19 too, because I have seen those goal posts move very,
20 very recently. You know, I've been talking to
21 investors for years, and I'm -- you know, the trick is
22 you talk -- you've got to make relationships with
23 these people, right? So you talk to them, and you
24 might talk to them for years before they'll finally
25 invest. And you have a good understanding of what are

1 those milestones, what do they want to see from me?
2 They wanted to see customer traction. That was super
3 important.

4 So I gave them, hey, these people, these
5 customers are interested, and they're like, no, no,
6 no, we need to see some revenue. Oh, okay. So I came
7 back to them this past year. All right, I've got
8 \$500,000 in revenue this year. You know, I've made
9 that traction. We're ready to go for this round of
10 investment. And they're like, oh, you know, maybe a
11 little more traction. I mean, literally. And, you
12 know, you can't count on it when the goal posts are
13 moving. It is a real problem.

14 MR. FRIEDMAN: Yeah

15 AUDIENCE PARTICIPANT: And that's that --
16 being deep tech, you know, taking that -- what would
17 take, you know, three to five, seven years -- well, if
18 you can get it out in six months or in -- we can't go
19 to market in that time. Well, what if we give you --
20 you can give us 500 people -- yeah.

21 MR. FRIEDMAN: Yeah. One thing I would say
22 is that investing is a team sport in many ways. And
23 once you get one person, one fund, one group that's
24 interested, very often you'll find others. And, you
25 know, I can't tell you how many times I've heard from

1 entrepreneurs. I talk to all these investors and they
2 all want to have to write a bigger check, or they were
3 looking for too much. A lot of times you're getting
4 responses that aren't really representative from the
5 investors because they want to be nice to people and
6 they don't want to say no, we just don't believe in
7 what you're doing. Some investors won't, other
8 investors will.

9 So it's just -- get out there, plug along,
10 talk to people who might be interested because you're
11 in a tough phase. It's easier when you're in the
12 growth phase, easier when you're in the earliest stage
13 and you're also capital intensive. So good luck. I
14 hope you find what that solution is.

15 MR. ECHEVERRI: Thank you, everyone. We
16 have time for one more question before we have to move
17 on to the next panel.

18 AUDIENCE PARTICIPANT: All right, thank you.
19 Hi, you all. Tish Scarborough, and I'm from North
20 Carolina, so woohoo, okay? But I live here in D.C. I
21 am a founder. I'm ex-Microsoft ex-Cisco Systems, but
22 I built an AI-forward app called Affirmed. It's a
23 workplace intelligence platform where individuals can
24 essentially voice forward so you can tell it about
25 your workday and it gives you actionable insights.

1 And it helps you navigate the workplace, whether
2 you're dealing with friction or wins, and it really
3 helps you amplify it. And the second phase is
4 building out the ecosystem to help lawyers,
5 therapists, and coaches because when you build your
6 career it's more about you than it is the role, and so
7 it's infrastructure for you.

8 But for founders that are building in the
9 trust and workforce-centered world, I found it a bit
10 challenging that investors aren't necessarily
11 interested in that sort of market. So that's like my
12 own personal barrier. I would love to hear from you
13 all. What sort of recommendations do you all have to
14 help navigate that? And what sort of ecosystem can be
15 built out for people that are building in that space?

16 It's a space that I think is forthcoming,
17 considering that there's a lot of things changing
18 from, like, an employee perspective, contractor
19 perspective, and people are really trying to figure
20 out how do we maintain ourselves in the changing
21 dynamics of the workforce. Thank you.

22 MR. FRIEDMAN: I could tell you the
23 investing world has changed significantly because of
24 AI. As an investor, you have to be able to -- and
25 this is regardless of whether you're angel, venture,

1 whatever you might be -- you have to be able to look
2 past the technology and look to the entrepreneur in
3 many ways, and make sure that entrepreneur understands
4 what is that problem and why is it not going to be
5 somebody else that has more money than I do, uses AI
6 to generate a product that's going to swamp you.

7 So that moat that you could develop by
8 convincing people, whether it's customers, investors,
9 whoever it might be, that you understand the market
10 better than anybody, you're going to be able to react
11 to the market better than anybody, and you're going to
12 be able to position your products better than anybody
13 and understand the problem that needs to be solved,
14 that's where you're going to have an advantage because
15 AI changes things. It's so easy for other people to
16 develop things once somebody has an idea. You've got
17 to show that vast and deep understanding of what
18 you're doing.

19 MS. HIBBARD: I think -- I just wanted to
20 mention one thing I think, too. There are other -- so
21 we've been talking a lot about VCs just kind of in
22 general, right? And I think there are other ways to
23 raise capital that are similar to VC financing, and
24 even still VC financing but finding the niche, finding
25 that impact investor who is interested in the type of

1 product that you're putting out. I think that's also
2 a way to go about it, is finding -- you know, I don't
3 think you're going to go to maybe the top 10 VCs in
4 the country right now with your product, but if you
5 find a smaller niche, a smaller ecosystem that
6 supports that type of work, I think you would then
7 maybe even find an investor in that realm too.

8 MS. REISCHAUER: Thank you. I hate to cut
9 off the conversation because the questions have been
10 great, but I will invite our esteemed panelists to
11 take a break, grab some water, make their way off the
12 stage. Thank you for being here today. Thank you for
13 the stories, the voices, the insights. Really, really
14 great.

15 (Applause.)

16 MS. REISCHAUER: At the same time I will ask
17 our second panel's panelists to come grab their seats.

18 John will help direct traffic and get those names
19 swapped out for us.

20 Again, sorry to cut short the questions and
21 the comments. It's been great to hear from the
22 audience. It's been great to hear the stories, the
23 founders, the challenges, and how it's aligning very
24 much with what our panelists have shared with us
25 today. So that's been really, really helpful, and

1 ecosystem. We'll also discuss the practical realities
2 founders and investors -- from fundraising dynamics to
3 secondaries to navigating exit opportunities.

4 Without further delay, I'll have my
5 panelists introduce themselves.

6 Alyssa, why don't you start it off? Do you
7 see the button? There you go.

8 MS. JAFFEE: There we go. Hi, everybody.
9 Alyssa Jaffee. I'm a general partner with the venture
10 capital fund called 7wire Ventures. We invest in
11 health care technology companies that help people to
12 become better stewards of their health and really
13 think about technologies and services meeting people
14 where they are. I am operator turned investor, so
15 I've been on both sides of the aisle, but for the last
16 decade have been building and scaling inventor,
17 particularly, in health care technology. Glad to be
18 here.

19 MR. HYZAK: I'm Dwayne Hyzak. I'm the CEO
20 of two public companies. One is Main Street Capital
21 Corporation, the other is MSC Income Fund. Both of
22 these funds are actively focused on investing in
23 smaller companies across the U.S. We do that in a
24 couple of different ways, but the key for us is to be
25 partnering with mature businesses across the U.S.

1 economy and helping them deal with whatever their
2 capital and financing needs are. I've been doing this
3 for over 20 years, as -- first as an active investor,
4 and then, you know, for the last 7 years as CEO of
5 Main Street Capital Corporation.

6 MS. PANDOL: Good afternoon. I'm Holly
7 Heiles Pandol, and I'm the head of policy at Carta.
8 Carta is a private market infrastructure company. We
9 provide support for about 50,000 start-ups and 9,000
10 fund and fund vehicles, really supporting every aspect
11 of private capital management, equity management,
12 valuation, and fund administration. So we really see
13 that end-to-end ecosystem. We leverage this footprint
14 on the policy side to try to serve as a connective
15 tissue between policy-makers and the private capital
16 ecosystem, not only bringing insights back what's
17 going on with the regulators and legislators in D.C.,
18 but also how can we bring that information back to
19 policy-makers as well.

20 Prior to joining Carta five years ago I had
21 the pleasure of serving as the head of legislative and
22 intergovernmental affairs here at the SEC under former
23 chairman Jay Clayton, and worked with Julie and Amy
24 and Jenny, so it's great to be back. And I helped
25 shape capital markets policy on the Hill before that,

1 both at the House Financial Services Committee and for
2 the now chairman, Representative French Hill.

3 MR. WALKER: Hey everyone, I'm Jordan
4 Walker, co-founder of Backtrack AI. And first things
5 first, thank you, everybody, for taking time out of
6 your afternoon to be here. We really, really
7 appreciate it. But Backtrack is an AI note-taking
8 tool for live events, so trade shows, conferences, and
9 everything in between. As far as my entrepreneurial
10 journey goes, I've done many, many things since
11 college, from starting a web design agency with my
12 roommate, telling my parents I was going to drop out
13 after a \$500 check, and that I was -- officially had
14 made it as an entrepreneur. And I've served on boards
15 and volunteer in my community, you know, every now and
16 then.

17 So thank you, everyone, for being here. We're
18 going to have a good panel.

19 MR. KRAWITZ: Thanks, everyone, exciting
20 panel. So let's just kick it off.

21 We've heard earlier today about challenges
22 entrepreneurs have securing funding that their
23 companies need and the role that angel investors and
24 other early-stage investors play in helping them grow.

25 Alyssa, Dwayne, you're both fund managers. Can you

1 share a bit about your funds and the type of companies
2 you seek to invest in?

3 Alyssa, why don't we kick it off with you?

4 MS. JAFFEE: Sure, so -- and thank you to
5 the earlier panel. I think they made a lot of very
6 astute points, particularly around the fact that this
7 is often a marriage, so you really have to think about
8 who you're picking because I sit on boards for 7, 10-
9 plus years with some of these companies.

10 We invest, again, as I mentioned, all in
11 health care companies. And these are really health
12 care technology companies at the forefront to think
13 about how we can transform for consumers, for
14 everybody here in this room, the role that we play in
15 our own health care. We do this in partnership with
16 many of the incumbents not in spite of them, but very
17 much believe in sort of the end role of the consumer.

18 We tend to, in terms of nomenclature, come
19 in around the series A, so still earlier stage, but
20 they usually have raised some prior capital, some
21 angel funding, friends and family, some seed
22 financing. And then we do have a growth fund that can
23 continue to support companies as we grow and scale up.

24 And so ultimately, for us, it's really about, you
25 know, there are certain types of companies that are a

1 good profile for venture-backed businesses. I think
2 the earlier panel made a good point that not all
3 financing should come from this type of entity because
4 there are expectations that are set when we look to
5 make an investment and we look for the type of growth
6 across these technology companies.

7 MR. HYZAK: So in my case, as I said
8 earlier, we have two public companies. We also have
9 two private funds that we manage at Main Street, and
10 we do a couple of different things across our
11 strategies. One that I won't spend much time talking
12 about today is that we are a lender to other private
13 equity firms and their portfolio companies. There's a
14 lot of people that do that, so I won't spend much time
15 talking about that strategy. But our primary
16 strategy, and what makes us more different than other
17 funds, in my opinion, is that we focus on investing
18 alongside individual owner-operators.

19 So we are typically the only institutional
20 investor. We're investing alongside the primary
21 owner, typically the founder. He is typically -- he
22 or she has owned the business for decades, not years,
23 and they get to the point where they're dealing with
24 thoughts about retirement and succession planning, and
25 they're not sure how to execute that strategy. So

1 we'll come in as an institutional investor, come in
2 with a very flexible solution. We can own as little
3 or as much equity as they want us to, and then we'll
4 provide debt capital to help them get liquidity for
5 their initial transaction needs, but then also longer
6 term be a value-added investor both from a strategy
7 standpoint, but also from an additional capital
8 standpoint.

9 Because we're public, you know, through our
10 two publicly-traded funds, both of which operate as
11 business development companies, or BDCs, through that
12 structure we have permanent capital as the investment
13 firm, so we take a long term-to-permanent approach.
14 We today are invested in 90-plus different companies
15 across our lower middle market strategy. Some of
16 those companies we've been invested in for longer than
17 20 years. So it's an intentional strategy we have
18 that's afforded to us because of our public company
19 and the permanent capital structure we have that we
20 then take and we try to work with the owner-operators
21 and their management teams of our portfolio companies
22 to maximize their opportunities, whatever that
23 opportunity is.

24 Every company is very, very different.
25 Alyssa just said it, you want to make sure you're

1 picking the right partner. In our case, part of what
2 we do is give, you know, vast experiences across a
3 wide range of companies. We are industry agnostic.
4 We invest across a wide range of industries and
5 companies, and then we take our permanent capital
6 structure and try to provide what we think is the best
7 fit for the needs and desires of the owner-operator
8 and their management team and the companies that we
9 invest in.

10 MR. KRAWITZ: Thanks. And as, like, the
11 resident 40 Act lawyer, I feel like I need to jump in
12 here and just explain that business development
13 companies, they're an investment vehicle that was
14 created by Congress to help fund small and mid-sized
15 businesses. And they raise capital, they use it to
16 provide loans or equity financing often to
17 underserved, you know, investors that are not
18 necessarily covered by traditional banks. And in
19 return, BDCs distribute most of their income back to
20 their investors. So it's an interesting vehicle, and
21 one that we in investment management, we spent a lot
22 of time working with.

23 So I was glad to have you on the panel to
24 talk about this. We don't always hear from BDCs, so
25 it makes me excited as a 40 Act nerd.

1 All right, well, Jordan, as a founder, why
2 don't you tell us about your company's funding
3 journey? And based on your experience, what advice do
4 you give to VC funding when you mentor others,
5 especially in a smaller area like Jacksonville?

6 MR. WALKER: Yeah, absolutely. So in my
7 company's history we've raised from the earliest
8 stages all the way up through series A, and those are
9 certainly different conversations that you have when
10 you're speaking with all these different types of
11 investors, I'm sure as everybody on this panel knows.

12 As far as some of the advice that I would
13 give to other folks when thinking about trying to
14 raise funding and -- you know, I think some of the
15 questions even mentioned earlier -- I think you have
16 to put out way more volume than you would expect when
17 it comes to fundraising, right? I've talked to a lot
18 of people and they go, yeah, you know, I've had a few
19 investor conversations, I'm getting discouraged. And
20 my advice back is, like, you need to have, you know,
21 10X the volume of that, right? You need to be having
22 hundreds of investor conversations. You need to be
23 putting out as many shots on goal as possible.

24 And then likewise, what I would also say is
25 find ways, creative ways, to kind of cut through the

1 noise, right? Like, these investors are getting
2 pitches all day long. And so one of the strategies
3 that I deployed that worked really well for us is,
4 well, let me just talk to people like they're a human,
5 right? Like, let's talk about sports, let's talk
6 about football, let's talk about basketball. Let's
7 talk about the things that just humans kind of connect
8 with because, again, they're getting so many pitches
9 per day. I realized, as somebody from Jacksonville
10 with zero connections, zero ins into this world, I
11 need to figure out how do I relate to this person, how
12 do I get them to become my friend in order to have
13 these conversations and make this a productive
14 fundraising conversation?

15 So yeah, lots of volume, lots of
16 conversations about kind of personal topics at first.
17 And then those transition into, hey, well, let's take
18 a look at the business and see what you have going on.
19 And I would say definitely in the early stages, when
20 we had nothing going for us and literally nobody knew
21 who we were, that worked really well for us.

22 MR. KRAWITZ: Great, thanks. All right.

23 Well, Holli, Carta works with the funds of a
24 variety of stages. What challenges do smaller VC
25 funds and emerging managers face compared to larger

1 ones? And why is supporting smaller VC funds
2 important?

3 MS. PANDOL: So I'm going to take that in
4 reverse. When you think about the importance of our
5 emerging fund managers, you know, private capital is
6 what really drives innovation, job creation, economic
7 growth in this country. If you look at, you know, the
8 rest of the world, the reason that America has been so
9 successful is because of our capital market system,
10 but in particular this ability to provide patient
11 risk-forward capital that helps democratize ingenuity.

12 And one of the questions that we most often
13 get from policy-makers is, how do we recreate these,
14 you know, hubs like Silicon Valley? You know, how do
15 we do that in our backyard? And our response is we
16 firmly believe, like, it's the investor. You get the
17 investor, the companies come to the investor, the
18 companies attract employees, and you create this
19 flywheel that helps ecosystems develop.

20 Emerging managers are at the tip of the
21 spear. They are more likely to invest locally.
22 They're more likely to invest early on, and they're
23 more likely to invest in a diverse pool of founders.
24 And not only that, if you look at Carta's data, we
25 actually show they drive better returns than some of

1 their larger counterparts.

2 But as you referenced in your question, they
3 are under stress. Private capital is flowing, but
4 it's not flowing broadly. I believe, you know,
5 Chairman Atkins referenced some stats where, you know,
6 40 percent of the capital is going to something like
7 10 companies. We're seeing, like, 75 percent of
8 venture capital go to 30 VC funds; 70 percent is
9 concentrated in 3 areas. So I think, you know, just
10 access to capital is becoming probably one of the
11 biggest issues that we're seeing, in addition to
12 having fewer resources to deal with, you know, the
13 shifting regulatory environment, the policy
14 environment, both, you know, from the federal and
15 what's going on in the states, so.

16 MR. KRAWITZ: Thanks. Alyssa, I suspect you
17 want to weigh in here, particularly someone who is not
18 from the coast. I'd like to hear what you think.

19 MS. JAFFEE: Yeah, you know, Holli makes
20 some great points around just the importance of
21 building innovation centers outside of Silicon Valley.

22 And it's interesting because when I get
23 asked this question -- I live in the Midwest. My
24 company -- the customers of my companies do not live
25 in Silicon Valley, right? They live -- they are

1 headquartered in the Midwest. They are
2 headquartered -- you know, Blue Cross Blue Shield of
3 Florida is in Jacksonville, one of the largest, most
4 innovative health plans out there. There are so many
5 interesting and impactful large entities that start-
6 ups are trying to access. And so when you bring
7 capital to the non-Silicon Valley areas, you also help
8 to facilitate those connections which can be so
9 impactful as well.

10 You know, I think for us it's really -- so
11 50 percent of our capital -- so our limited partners,
12 the folks that give us money so that we can invest --
13 50 percent comes from traditional financial sources,
14 and 50 percent actually comes from these incumbents.
15 It comes from the customers of our companies. These
16 are health systems like Rush in Chicago or Memorial
17 Hermann in Texas or Sanford in the Dakotas. It comes
18 from insurance companies, health plans like Blue Cross
19 Blue Shield or Cigna, from pharmaceutical companies,
20 employers -- again, really to create more of a
21 cohesion around how we drive value.

22 And so as we think about, you know, being a
23 non-mega-fund, right -- I get this question every day
24 of how do we compete, how do we compare -- you know,
25 it's really about -- in venture it's not just picking

1 great companies, but it's making and building great
2 companies. Because especially, you know, as you go up
3 the value chain, it's a long game. You know, we talk
4 about being on these boards for a long time. The path
5 just to get to the series A, but from the series A to
6 exit is even -- is a very long path as well. And so
7 creating these types of partnership opportunities is
8 where we find value creation happens. And that's why,
9 you know, funds like ours have a lot of success.

10 MR. KRAWITZ: Thanks. Now, Dwayne, we've
11 been talking about start-ups a lot, but late-stage
12 companies also continue to be steady workhorses for
13 the economy. Can you just talk about some of the
14 benefits of managing a BDC and the benefits to
15 portfolio companies that receive BDC investments?

16 MR. HYZAK: Sure. As Jay said, the -- you
17 know, smaller companies in the U.S. drive the vast
18 majority of both jobs that exist and job growth, and
19 that's something that we see across our portfolio. I
20 think I said it earlier, we've been investing in this
21 space for over 20 years, and one of the reasons that,
22 you know, we found it attractive 20 years ago and
23 continue to find it attractive today is that, one, the
24 universe of investable companies is very, very large.
25 There's a very diverse group of companies across

1 every industry, every geography you can imagine that
2 fits the, you know, the profile of companies that we
3 invest in. Just to, you know, kind of give that
4 again, it's companies that are typically between 3 and
5 \$20 million of EBITDA or cash flow, so these are not
6 start-ups. They're mature companies, you know, they
7 have significant employment and they've been around
8 typically for decades, not years.

9 So when you look at our, you know, goal at
10 Main Street and the purpose or the benefit we provide
11 to the companies we invest in, most of those companies
12 are owned by an individual. They're not owned by a
13 fund. And that individual is going to reach the point
14 in their life when they start looking at retirement.
15 If they retire and they haven't planned well for that
16 retirement, you know, their company will likely not
17 perform the same way it has for the decades prior to
18 that event. And their employees and the jobs that are
19 associated with that company, you know, will not have
20 a good outcome.

21 So our entire focus at Main Street is to
22 provide a very unique solution to help those owner-
23 operators plan well for retirement and succession
24 planning. If they do that, they're talking to us when
25 they're 50 or 55 instead of 75. But also, we come in

1 and work with them as opposed to buying them out, work
2 with them in a way that they get partial liquidity,
3 but they and their management team maintain control.

4 So the vast majority of what we're doing on
5 our side is we're providing a combination of debt and
6 equity, but it's minority equity. The ownership of
7 the companies that we invest in is still owned by that
8 individual owner-operator and their management team.
9 We think that that's the most appropriate way for
10 those businesses to be run. They know the business,
11 their customers, their employees, their vendors much
12 better than we could ever know them from Houston. So
13 we think that ownership and the incentives that go
14 along with ownership should be held by the people that
15 operate that business on a day-to-day basis.

16 So our goal is to, you know, first help that
17 owner-operator deal with their retirement and
18 succession planning issues, but then, longer term,
19 after we've made our investment, find ways to provide
20 value and create value for that team going forward.
21 We can do that in a number of different ways. We are,
22 you know, very active. We've got over 90 companies
23 that we're invested in across every industry, every
24 geography you can imagine. So we see a lot, we hear a
25 lot, and we learn a lot across those activities. So

1 we can take that expertise and share that with our
2 portfolio companies.

3 And then. as our companies have, you know,
4 needs in the future, whether it's, you know, needs for
5 something that happened that's a good thing or an
6 opportunity or if something doesn't go as planned and
7 they need capital to, you know, to deal with those
8 challenges, we're uniquely positioned to not only
9 provide that initial capital, but continue to be their
10 ongoing capital provider on both a debt and equity
11 basis to fulfill whatever needs they have.

12 Because no matter what you think is going to
13 happen as you go out and you look at raising capital
14 from an investor, whether it's early stage or if it's
15 mature companies like we have, it's unlikely that
16 things are going to go exactly as you planned. Things
17 are going to either go a lot better or they're not
18 going to go as well. So having a flexible capital
19 provider like Main Street and one that has a permanent
20 investment holding period provides a lot of
21 flexibility and, we think, a lot of value to the
22 companies that we invest in.

23 MR. KRAWITZ: Thanks. All right, Jordan, as
24 our resident founder, why don't you tell us about
25 your -- some of your experiences pitching smaller

1 funds?

2 MR. WALKER: Yeah. You know, there's
3 certainly a difference between pitching pre-seed-stage
4 funds and larger funds. I can tell you those are way
5 too different conversations. For us at the pre-seed
6 stage, a lot of it was focused on us as the founders,
7 right? So it's, hey, look, are these group of guys
8 competent? Can they put together a business plan? Do
9 they know their numbers? Do they have some sort of
10 story here? Do they have some sort of metric that
11 they can point to that indicates, hey, look, there's
12 going to be success here?

13 And I guess back to the previous question
14 you asked, you know, when I offer advice to other
15 folks, what does that advice sort of look like? And
16 what I would say is at the earliest of stages, I think
17 as long as you have something that points towards,
18 hey, look, this is going to be a successful business,
19 I think VCs can grab on to that, at least in my
20 experience.

21 So whether that's -- in our case we built up
22 a waitlist of 15,000 people and said, hey, look,
23 there's 15,000 people that have some -- that showed
24 they want this, we can now use that as a proof point
25 to go raise on. Well, I've talked to other folks who

1 said, hey, look, maybe for us it's revenue. In this
2 situation maybe it's a case study, or whatever the
3 thing may be. But having some sort of metric that
4 shows, hey, look, you can bet on us because we have
5 industry know-how, we have the technical experience to
6 make this happen.

7 And then likewise, we can -- or can -- have
8 kind of in tandem this, you know, metric, this
9 waitlist, this -- these case studies, these customers,
10 these revenue numbers, whatever that is. It makes for
11 a really, really good formula for somebody to be kind
12 of successful in that way.

13 MR. KRAWITZ: Great, thanks. So Holli, as
14 our policy expert, I'm going to tap your knowledge a
15 little bit. There are a couple of House and Senate
16 bills going around, the INVEST Act, the Empowering
17 Main Street Act. Can you just talk a little bit about
18 these proposed policy changes and how they may impact
19 capital?

20 MS. PANDOL: Yeah. So one of the great
21 areas in Washington that I think is being overshadowed
22 with everything going on in the news and whatnot is
23 probably the most consequential capital formation
24 package since the JOBS Act in 2012. And importantly,
25 it's bipartisan. All of these provisions that are

1 moving forward is bipartisan.

2 I am ashamed to admit I've been working on
3 some of these policies for more than a decade now when
4 I started with Congressman Hill back in 2015,
5 particularly the accredited investor provision that
6 Mark referenced in the previous panel, but I'm
7 probably more bullish now than ever that, you know,
8 with this bipartisan support -- in fact, the, you
9 know, capital access provisions got near unanimous
10 support in the House -- that we could actually see
11 these move through the Senate and get over the finish
12 line.

13 But there's a couple in particular kind of
14 continuing on this theme of emerging managers which I
15 think will be most impactful. One is something called
16 the DEAL Act, and this will expand the ability for
17 venture capital funds to participate in fund-to-fund
18 investments or making investments in other venture
19 capital funds, and also to increase the ability for
20 secondary investments. This is important for a couple
21 of reasons.

22 One, for the fund-to-fund investments, you
23 can have an established fund -- say in California,
24 Silicon Valley -- now invest in another emerging
25 manager in, you know, Nebraska or Arkansas, where I'm

1 from, and help not only anchor that investment, help
2 that fund build credibility and potentially track
3 other investments -- or attract other investors, but
4 you're also helping distribute more capital across the
5 country.

6 The other piece, with respect to
7 secondaries, you know, as we are seeing exits take
8 longer and longer this is actually an area where, you
9 know, the funds that are more -- that have more
10 resources that can afford that, you know, heightened
11 regulatory regime that comes with being registered
12 with the SEC, they're able to offer liquidity through
13 secondaries. Funds that are ERAs are more limited to
14 do so. Expanding this ability will not only help, you
15 know, unlock some of that capital which will allow
16 those earlier investors to recycle it back into the
17 ecosystem, it also helps the employees of that company
18 or -- yeah, the employees of that company, you know,
19 access liquidity and make the value of their equity
20 meaningful, which can provide, you know, strategic --
21 or strategic advantages for maintaining talent.

22 Another provision, which I know Commissioner
23 Peirce mentioned in her opening remarks is the
24 expansion for the size and investor limits for the
25 qualifying venture capital fund. Now, Congress

1 created this subset of funds a couple of years ago
2 with the goal of helping smaller funds raise money
3 from a larger pool of investors and with a smaller
4 check size. So again, those, like, lower cost of
5 living areas, this could be particularly impactful.

6 But the limits that were established at that
7 time, we really haven't seen that utility play out,
8 particularly when you look at the average seed, you
9 know, round is now around \$3 million. If your fund is
10 capped at 10, now \$12 million, and VC's make, you
11 know, anywhere from 22 to 35 investments, you can't
12 really build a competitive fund with that. So this
13 provision would increase the number of investors to
14 500, and increase that fund AUM size to 50 million,
15 helping those emerging managers raise capital from a
16 broader pool of investors.

17 And then again, the accredited investor
18 changes that were talked about in the previous panel,
19 this will allow, you know, those local ecosystems,
20 more LPs to participate and help, you know, broaden
21 that base to allow funds and companies to raise from
22 more individuals.

23 MR. KRAWITZ: Great, thanks. When we were
24 preparing for the panel, Alyssa, you and I talked
25 about secondaries and how you've had to deal with

1 secondaries. And I think you've mentioned, you know,
2 your thoughts on one of these bills. I would just
3 love to hear what you have to think about that.

4 MS. JAFFEE: Yeah. No, Holli did such a
5 nice job kind of outlining what's to come and, you
6 know, some of this work. Maybe I'll make it real.
7 This audience, I think, is -- consists of investors,
8 entrepreneurs, and, I think generally, folks who want
9 to see our economy grow. And one of the biggest ways
10 to do that is just the movement of capital.

11 And so, as we look at the markets and how --
12 the markets have changed so dramatically as we think
13 about the size of private companies. The unicorns,
14 the decacorns, you know, those used to have -- they
15 IPO'd well before where they are now. And today
16 they're sitting in privates. And not even just, you
17 know, as those companies get so large, but along --
18 again, along the value chain we start to think about
19 there's now new channels to unlock more dollars.

20 And so, you know, we talk about the DEAL Act
21 and what that means for secondaries. Well,
22 secondaries is incredibly impactful whether you're an
23 employee and you've been there for a long time and you
24 want to get some liquidity; whether you're an emerging
25 manager and maybe you don't need that company, you

1 don't need to stay along for the ride until they're a
2 decacorn, right? There's -- you can get massive
3 returns and sell that position to somebody else who is
4 willing to stay for a long time. You can take that
5 capital, you can reinvest it into other companies.

6 And so, as we just think about the ability
7 in the secondaries market, even limited partners --
8 you know, we talk about a lot of those individuals who
9 are now investing in funds. We have amazing
10 individuals. Our CEOs who we backed are invested in
11 our funds. Well, they also deserve and require
12 liquidity. And sometimes venture capital funds,
13 because of how long the private markets are holding
14 companies, you know, they are kind of full freight,
15 15-year cycles. And, you know, Dwayne talked about
16 some of those folks as they prepare for retirement.
17 That's a long time to wait to get some liquidity back.

18 So I think what we really want -- I think
19 everyone wants in this room -- is just creativity,
20 right? Creativity and fluidity in sort of how capital
21 flows, and then not as much restriction on who is able
22 to invest and how many people can invest. Because I
23 think the math that Holli outlined was right, you
24 know, funding rounds are getting bigger. You have to
25 have the capital to do it.

1 And then, if you're only going to restrict
2 to a certain number of people in your funds, by nature
3 VCs then have to say, well, then I have to prioritize
4 the biggest checks. And so that -- really, it should
5 be the opposite. It should be how can we democratize
6 access to such a high-value asset class with really
7 phenomenal returns, and do it for more people who I
8 think are looking to invest and have diversification
9 in this country.

10 MR. KRAWITZ: That's a good segue to our
11 final topic: exit. Dwayne and Alyssa, from an
12 investor standpoint, how do you think about exit
13 opportunities for your portfolio investments?

14 MR. HYZAK: Sure, I'll take that one first.
15 I think, like any investor, one of the reasons you're
16 in business is to have, you know, good outcomes, good
17 results, and a good exit. In our case, I said it a
18 couple of times, you know, being a publicly-traded
19 firm with permanent capital, it gives us a lot of
20 flexibility.

21 So when you look at, you know, the companies
22 that we invest in and the individuals we partner with,
23 as opposed to, you know, being our timeline as the
24 investor, it's their timeline. So, you know, for an
25 exit to be attractive, it has to fit what they want to

1 achieve both in terms of the outcome, you know, the
2 financial result or the valuation, but also is it the
3 right time. So having a permanent capital investor
4 like Main Street, you know, we believe, gives our
5 companies and, more importantly, the individuals that
6 own and operate them a lot of flexibility.

7 And given the long-term and permanent
8 approach that we take, if we and our partners have
9 done a good job on succession planning, we can be the
10 exit. So we have a number of situations where we have
11 been, you know, working with the management team --
12 first the original owner-operator and their, you know,
13 their team to get liquidity. Then, over a 10, 15-year
14 time period, if we've done a good job of hiring or
15 promoting internally individuals that can become, you
16 know, the CEO and the other members of senior
17 management, once we feel like we've achieved our goals
18 of achieving a really good, you know, succession
19 planning and management team build-out, then we,
20 through the company or through Main Street, can
21 provide that liquidity.

22 So again, it's something that being a
23 publicly-traded firm with permanent capital gives us
24 extreme flexibility, and not only flexibility that
25 benefits us as the investor, but more importantly or

1 equally importantly, it benefits the company, you
2 know, the employees and the other stakeholders of that
3 company because they again continue to maintain
4 control, not just control of day-to-day activities,
5 but control of the strategic outcome and the long-term
6 outcome for that company.

7 So it's something that we, you know, we
8 utilize consistently and we think is a key
9 differentiator for us and the companies that we have
10 the benefit or the opportunity to partner with.

11 MS. JAFFEE: And, you know, I think it's
12 really interesting to hear, you know, both of our
13 perspectives. But the thread that connects us is that
14 there is a lot of creativity. And as we think about
15 the exit path, we do still back businesses really in
16 the hopes that they're going to have outsized exits.
17 Again, this is a high-risk asset class, so we do aim
18 for outsized returns. And that is the point.

19 You know, I give a lot of credit to the
20 hard-working folks at the SEC who I think are doing a
21 lot of really interesting things to also try to pave
22 the way for smoother paths to exit. The IPO markets
23 have been more volatile. And so as we think about
24 companies who are taking different paths, that's still
25 something that is absolutely top of mind for them.

1 But they have to think more realistically as well
2 about other alternatives because sometimes -- like for
3 example, health care is a massive opportunity. We
4 just crossed over 18 percent of GDP. And if the
5 externalities of the public markets love the category,
6 it's great. If not, it can be hard.

7 And so we think a lot about M&A. Maybe
8 you'll get acquired by a larger company. Maybe two
9 companies will come together and make an even bigger
10 business, and that business then can go public. Maybe
11 there's more in the secondaries as we think about
12 exiting in a different way. So the nice thing that's
13 happening now is it used to be the path to go public
14 and the path to do M&A were super different in terms
15 of how you had to build a business. And today those
16 paths have really merged. Both require growth, but
17 both require profitability.

18 So companies are now actually taking
19 advantage of saying we're going to focus on building a
20 great business, and we're going to focus on creating
21 optionality for ourselves. And then we're going to
22 look, when the time is right, what is best for us and
23 for our employees, for our investors in order to have
24 the best outcome.

25 MR. KRAWITZ: Thanks. I just want to follow

1 up on one point about IPOs. It's an area of concern
2 from the commissioners, many in Congress. And just
3 curious if anyone on the panel has thoughts about why
4 companies may not be choosing that pathway as often as
5 they used to.

6 MR. WALKER: Yeah, I can comment on it real
7 quick. I mean, I think from our perspective, it seems
8 to be that private markets may have better industry
9 insight as to what the technology is or what the
10 company is actually worth as compared to maybe public
11 markets, right? I think we see some insane
12 acquisitions and valuations these days kind of in the
13 private sector versus maybe public markets. Yeah,
14 there's some outrageous IPOs and things like that, but
15 I think people better understand and recognize, hey,
16 look, people in the private markets better value my
17 company and better understand what I'm trying to do
18 here.

19 And again, as Dwayne and Alyssa said, you're
20 trying to get the best outcome possible for everybody
21 involved, and so why wouldn't you go that route?

22 MR. HYZAK: I would say maybe from my
23 perspective, I mentioned we have two public companies.
24 The most recent we took public just over a year ago.
25 So for I think any company or investor, you're trying

1 to weigh, you know, the benefits and the costs.
2 Obviously, being a public company does come with, you
3 know, costs. Some of those costs are just purely
4 monetary costs, the cost of having accountants and
5 attorneys and SEC filings every quarter, you know, all
6 the things that go along with being a public company.
7 The other costs are the public visibility. You know,
8 you're on the clock every single quarter to post your
9 results. And if you have a bad quarter, it can be
10 pretty detrimental. So that's a cost of being public.

11 So I think that, you know, each company,
12 each investor group has to weigh those costs. And if
13 you're going to go public, you have to have a view
14 that, you know, that those costs are going to be well
15 worth the investment relative to the benefit that you
16 expect to have going forward. So I think it's just a
17 simple, you know, cost benefit analysis. And anything
18 that, you know, the SEC and the public company world
19 can -- make those costs more efficient, more
20 effective, you know, the more success we'll have at
21 having more public companies long term.

22 MS. PANDOL: Yeah, I agree with everything
23 that's been said. And there's not one factor, I
24 think, that, you know, goes into it. There's
25 obviously a lot more private capital that exists in

1 the market than, say, 20 years ago, so the companies
2 that were forced to go public because they needed, you
3 know, access to greater pools of capital.

4 You mentioned there's astronomical private
5 company valuations now, and huge, huge mega-funds and
6 rounds being closed. So that, you know, now exists in
7 the private markets. But I agree. I think that, you
8 know, you can -- you may not want to pay for
9 regulation, but that's something you can plan for and
10 price out and cost. But it is that, you know, public
11 markets reward predictable, repeatable results. If
12 you're still building and there's some uncertainty,
13 they're going to be hostile if you don't hit your
14 mark. So I think that's the bigger issue.

15 But one other thing, just as -- because
16 we've had this conversation, obviously, going through
17 this process with the INVEST Act, because, again, we
18 want to see more companies go public, we want healthy
19 private markets, we want healthy, vibrant public
20 markets. But it is a lot more gray. It's not as
21 black and white as it was, you know, 20, 30 years ago
22 as well. So I think we tend to kind of talk in these,
23 like -- the way markets were are these, like, old
24 constructs instead of kind of appreciating how the
25 markets have evolved, particularly with the

1 proliferation of secondaries in the private markets.

2 And so thinking about, you know, whether
3 that's reimagining the public market disclosure
4 regime, as I know that the Commission is focused on
5 now, but also thinking through kind of that -- I'm
6 going to say intermediate or kind of quasi-public,
7 where you have more of those secondary transactions,
8 you know, what that kind of reporting piece looks like
9 as well. So it's more of a continuum, not just a
10 public-private dichotomy.

11 MR. KRAWITZ: All right. Well, thanks.
12 That was a really interesting discussion. I
13 appreciate you all coming out here to help us out.

14 At this point we'll open up the panel to any
15 audience questions. So feel free

16 MR. COLLINS: Yeah, as Jay said, we welcome
17 everyone to come up and ask some questions to the
18 panel.

19 AUDIENCE PARTICIPANT: Can you hear me? I
20 think it's been great. Thank you so much. I am Malia
21 Hackett. I am here with my co-founder, Vivian Mayes,
22 from a company that we have founded.

23 We took a lot of advice from the first panel
24 and just didn't wait for full funding. We used
25 friends and family, and we put a lot of wins on the

1 board with paid pilots, and now we have some brand
2 names so it's really great. But I'm not going to ask
3 the questions from that point of view. I'm asking
4 from an investor, because I've also invested into VCs
5 and into companies. My question is, as an investor,
6 what rights do I have in terms of price discovery?

7 I love Carta. I've been using it forever.
8 I see all my losses and my wins on it. And there was
9 one company where they offered liquidity and it was 20
10 percent of the investment. And I actually elected it
11 because it's 10 years, and so I elected to take it.
12 And it was within 15 percent of where it actually
13 trades on, you know, different secondary platforms.
14 Another company offered to buy back shares, but
15 literally it was priced -- FMV was priced at \$1.16 in
16 December when they called to offer back -- to buy back
17 shares. They were now on Carta at \$0.55. So in three
18 months, how did that happen?

19 And as an investor, of course, we said no.
20 But, like, what are my rights as an investor to see
21 why it went from \$1.16 to \$0.55?

22 MS. PANDOL: So I don't have the answer to
23 that particular question. What I will say and what --
24 you know, this has obviously been a criticism of the
25 private markets, that there's opaque -- they're

1 opaque, there's not as much information out there.
2 But I do think, you know, with technology and, again,
3 you know, your information is going to only be as good
4 as your inputs, but as more people are getting access
5 to these opportunities, you know, we're using
6 information and disclosures as -- you know, this is
7 actually a wedge for companies if you're having that
8 better investor reporting that's going out there.

9 And I know, you know, valuations have been
10 all over the place over the past couple of years, and
11 this is something that, you know, I think we're seeing
12 in the -- particularly the exit environment now as
13 being a -- factoring into that. So I don't have a
14 great answer as to

15 AUDIENCE PARTICIPANT: It's really not
16 Carta. Your job

17 MS. PANDOL: Yeah, yeah.

18 AUDIENCE PARTICIPANT: -- is just to report.

19 MS. PANDOL: We just report

20 AUDIENCE PARTICIPANT: -- It's report the
21 information.

22 MS. PANDOL: -- the information, yeah.
23 We're not the

24 AUDIENCE PARTICIPANT: I don't expect you to
25 own that. I'm just asking, like, the panel

1 MS. PANDOL: Yeah, it may be helpful

2 AUDIENCE PARTICIPANT: -- and the regulatory
3 body, like, what are my rights to ask, like, how did
4 that happen? Like, how do you do that?

5 MS. JAFFEE: Sure. I'm not the regulatory
6 body, so

7 AUDIENCE PARTICIPANT: No, I know. I know.

8 MS. JAFFEE: But I will give you -- you
9 know, I think, first of all, it's amazing that you're
10 both an entrepreneur and an investor.

11 AUDIENCE PARTICIPANT: Thank you very much.

12 MS. JAFFEE: I think you're one of the most
13 valuable people on the cap table for companies. I
14 hope you know that. I hope you see that. For anyone
15 in the room who has built a company, you become such a
16 thought partner to management.

17 And, you know, one of the things to remember
18 is when you are investing in the beginning, that's
19 usually the most power that you hold in terms of what
20 you're asking for. And so asking for things like
21 information rights, you know, it depends on your check
22 size, it depends on who you're coming in alongside.
23 But there are things that you can get, you know, at
24 the time of investment that's in the documents based
25 on the number of shares that you hold so that you are

1 educated along the way about what's happening.

2 And the flip side, I don't know about your
3 specific case, maybe you invested in preferred shares,
4 then there was a financing and they went down to
5 common, and that's where the pricing change happened.

6 But I also -- you know, I'm a big proponent of -- our
7 thesis in health care is what we call the informed
8 connected health consumer. So how do we give
9 ourselves access to information, connect into the
10 system to improve health outcomes? But this
11 translates across everything. How do you become
12 empowered, right, to do the best that you can do?

13 And we're so -- it's such a transformative
14 time because of what's happening with AI tools that
15 you can use Claude or ChatGPT or Gemini, and you can
16 say, What are the questions that I should be asking,
17 right? There's a quarterly call for investors. I
18 just got these statements, you know, here are some
19 things that I'm wondering about, and try to educate
20 yourself because it does get very complex. And many
21 of us here are not lawyers, and so how do you take
22 that information so when you come to the table to have
23 a discussion with the person you have a relationship
24 with, you know, they're giving you the answers that
25 you're looking for?

1 MR. WALKER: I was just going to add to
2 Alyssa's point on that. You know, using ChatGPT as an
3 example, you could build a custom GPT, feed it those
4 documents, and then have it procure the information
5 for you. You know, when we're going through our
6 handbooks, our investor documents, or whatever, I
7 built us a custom GPT that does exactly that. Rather
8 than me trying to sift through -- and I'm not a
9 lawyer, right -- rather than me trying to sift through
10 80 different documents and all these different pages,
11 it's, hey, feed it to the custom GPT and then have it,
12 you know, give me the information that I'm looking
13 for. So yeah, just to piggyback off what you said.

14 MR. KRAWITZ: I'll just put in a quick plug.
15 Last week the Division of Investment Management held
16 a roundtable on private asset realization and
17 valuation. You can find that on our website.
18 Definitely worth taking a look at. We -- it's a two-
19 hour panel, brought in a lot of experts on the
20 valuation issue in particular.

21 AUDIENCE PARTICIPANT: Hello. Perfect. Hi.
22 I just wanted to say thank you to the SEC for doing
23 this. This is so valuable, and to the panel.

24 I have a specific question for Alyssa. My
25 name is Christina Russell. I'm with UCSD. I'm a

1 federal grant writer, and often times I am more
2 focused on early stage, but I do work with growth
3 stage. I have a question about what would you advise
4 an ESO like ours to ready companies for the growth
5 stage? What specifically do you look for?

6 MS. JAFFEE: Yes. Well, thank you for being
7 here. I love people like you because you are

8 AUDIENCE PARTICIPANT: I love you.

9 MS. JAFFEE: -- the ones who give companies
10 non-dilutive financing to drive innovation to build a
11 company that then I come and invest in.

12 So part of it, I would say first, is
13 awareness. There's so much capital that's actually
14 available that is, again, non-dilutive. I assume
15 that -- but maybe you have a fund, or your structure
16 is -- sometimes they come in pairs that

17 AUDIENCE PARTICIPANT: Yes.

18 MS. JAFFEE: -- you know, universities will
19 say, hey, we're going to give you this grant, but
20 we're also going to invest alongside, which is
21 incredible. It's an incredible way to start a
22 business. It creates a great reputation for the
23 university, and it builds kind of a ground floor for
24 entrepreneurs. And so I think a lot of people aren't
25 aware.

1 So if the question is, you know, let's start
2 there, of how do they know that capital like that
3 exists. And then, once they've come to you -- you
4 know, we often -- we sit -- I live in Chicago. You
5 know, we sit on the

6 AUDIENCE PARTICIPANT: Love Chicago.

7 MS. JAFFEE: -- University of Chicago --
8 yeah, great, great city. Sixty-five degrees today ,so
9 just everyone knows.

10 (Laughter.)

11 MS. JAFFEE: And so, you know, University of
12 Chicago, Northwestern, there's some incredible
13 universities where we actually give sort of
14 philanthropic time, where we will judge pitch
15 competitions or give advice.

16 The biggest probably gap that I see is some
17 of those companies have unbelievable ideas or
18 technologies, but don't always think about the
19 application for, you know, how that is a company,
20 right? And often in venture we say, like, is this a
21 product? Is this a company, right? Is this a
22 technology, is this a company?

23 AUDIENCE PARTICIPANT: Yeah.

24 MS. JAFFEE: And so empowering them with
25 that language, finding people like me to do pitch

1 practice just to get comfortable with the vocabulary
2 that, you know, people like me are going to ask and
3 the types of questions -- again, using AI to practice
4 too, I mean, this is -- like, a whole new world has
5 opened. But that tends to bridge the gap. But some
6 of the best companies in the world were started
7 because of people like you, so I'm a big fan.

8 AUDIENCE PARTICIPANT: Perfect. Thank you.

9 MS. JAFFEE: Thank you.

10 MR. COLLINS: Awesome. We're still taking
11 questions. But just a reminder, if you want to talk
12 about any policy recommendations for growth stage and
13 funds, we'd love to hear them now.

14 AUDIENCE PARTICIPANT: Hi. Me again,
15 Ousmane Conde, founder and CEO of WODI, a global
16 neobanking platform. What's your take on corporate
17 VC?

18 You know, we are facing a stage where
19 funds -- there is a lot of money going to corporations
20 because of automated workforce. And are there any
21 regulations or any recommendations that we can -- or
22 you know that you could provide to the SEC to
23 incentivize these corporations to invest more in
24 companies?

25 Take an example in my company. We didn't

1 raise funds from traditional VCs, but we have amazing
2 corporate VCs behind us. And we would like to see
3 that happening more because corporate VCs are really
4 coming in as partners. And most of the time these are
5 non-dilutive investments. So it's a win-win for
6 everybody. So maybe you have some recommendations or
7 suggestions along those lines.

8 MS. JAFFEE: Well, I'll let you chime in on
9 policy.

10 I would say your story is one that I hear a
11 lot, and we are big proponents of this type of capital
12 because it is typically different capital than
13 traditional sources. So it's not subtractive, it's
14 really additive. And, you know, the earlier panel
15 talking about manufacturing -- and there are also
16 corporates who invest there. We invest with many
17 corporates who have a keen interest in health care,
18 and they often are the customers of the company. So
19 it's really -- it creates aligned incentive to say
20 we're not just going to give you capital, but we're
21 going to partner with you commercially to help you
22 grow, and then your business is going to be even more
23 successful so you can raise more capital. It creates
24 a great cycle.

25 I would -- I think a lot of it is just

1 information asymmetry that -- it often stems from
2 corporates having a really innovative person who
3 spearheads -- some of the very big ones have more
4 traditional fund structures at this point, but for the
5 most part it's somebody coming in and saying this is
6 something we need to do, and they invest off balance
7 sheet. And I would love to see more of an
8 acceleration in tailwinds for them to create fund
9 structures where that -- you know, if that person
10 leaves or retires or things change, that it just -- it
11 goes beyond them and it really becomes
12 institutionalized because it's such an impressive
13 source of capital for many entrepreneurs.

14 MR. WALKER: Yeah, I can comment on that
15 too, real quick. So Salesforce Ventures, for example,
16 is on our cap table. And to your point, Alyssa, you
17 know, having them commercially aligned with us is a
18 really, really great thing to have, just very honestly
19 speaking, right?

20 But what I would say there is, typically,
21 everything Alyssa just said is kind of how we kind of
22 came into being with them and what we see, which is
23 usually there's one to three people that were, like,
24 really, really excited about it, and then the rest
25 kind of just functions like a traditional corporate

1 sort of business. So I'd say spend a lot of time
2 getting really comfortable with those folks and
3 telling them, like, hey, here's why we're the next
4 really big opportunity, and then making sure the other
5 folks kind of around them understand that as well.
6 Because in my experience, those other folks aren't
7 traditional VC people, they're more just, hey, I'm a
8 person who has a job at Salesforce and, like, I'm
9 assigned to this team but I don't really kind of
10 understand it.

11 So making sure they're very, very aligned
12 with what you have going on and understand, like, the
13 language of fundraising, of what venture actually
14 looks like, what a start-up actually looks like, and
15 what that means going forward. So food for thought
16 there, as well.

17 AUDIENCE PARTICIPANT: Hi, I'm Giri
18 Srinivasan. I am the CEO and co-founder of a company
19 called Infraclear. I wanted to make a suggestion sort
20 of based on the previous panel and this panel.

21 One was I think we all know that, for
22 founders, you sort of navigate your way through
23 various securities rules as you're starting out, and
24 you learn -- sort of learn from a good lawyer, and
25 sometimes you learn too late or you go -- spend a lot

1 of time going and fixing mistakes early on. IRS has
2 Free File. I was wondering whether there's something
3 that you could -- the SEC could create, along with the
4 IRS, to be able to go and help navigate the series of
5 forms that you would need to be in compliance, whether
6 that's an 83B or whether that's thinking about QSBS,
7 whatever else it may be. Having some form like that
8 or a series of steps, I think, would help a lot of
9 founders who don't have those budgets early on to be
10 able to go hire expensive counsel. We've raised about
11 \$7 million in seed funding over time. I used to be an
12 investment banker, so we sort of knew a bunch of these
13 things going on early on. So -- but I think that
14 would be helpful.

15 The second thing is on -- a couple of
16 questions have come up about evaluating funds, and I
17 wonder whether while public companies -- oh, sorry,
18 public -- mutual funds have a ton of disclosure
19 requirements. Venture capital funds and private funds
20 don't have the same disclosure requirements around
21 performance. And so, while that would sort of throw
22 the cat among the pigeons, I think being able to have
23 a consistent format for just what that fund has done
24 overall over time, tracking beneficial ownership all
25 the way up to the LPs, you sort of worry if you're

1 going to end up being a government contractor as to
2 whether you might end up -- there is foreign influence
3 control issues you need to worry about also.

4 So I think there's a number of things that
5 founders find out through accident or anecdote that if
6 the SEC mandated certain disclosure rules for funds
7 consistently, it would help everyone stay in
8 compliance.

9 MR. KRAWITZ: Thank you. I'll let Jenny
10 give a quick plug for the Small Business Advocate's
11 Office website

12 (Laughter.)

13 MR. KRAWITZ: -- because I think a lot of
14 the information you're looking for is there.

15 MS. RIEGEL: Always happy to give a plug to
16 our resources. We have resources on, as Julie
17 mentioned in the first panel, on kind of the early-
18 stage resources, talking about what is an accredited
19 investor, what is the SEC -- going to Mark's point on
20 the Southeastern Conference -- and so all sorts of
21 resources.

22 So just starting out, but also in the fun
23 space we have two different fun building blocks that I
24 would highly recommend you check out, and it talks
25 about kind of the regulatory structure on looking at

1 the Investment Company Act, the Investment Advisers
2 Act, and then the capital raise under the Securities
3 Act, as well as kind of other considerations when
4 you're looking at a fund.

5 Also, the glossary. I mean, it breaks down
6 everything kind of from your basic capital raising
7 jargon to, like, what you need to be thinking about
8 when you're talking to an angel or a VC, as well as
9 kind of when you start looking at potentially going
10 public and what is the public markets. And that we'll
11 get to in our third panel. But yes, love the
12 resources plug.

13 There's also a lot -- we've talked a lot
14 about data in the panels. There's a ton of data in
15 our office's annual report. I encourage you to go
16 look at it. It really does kind of help reiterate
17 many of these same themes that we've heard today. So
18 really, this has been such an excellent discussion.

19 Thank you so much. I'll turn it over to
20 Shane.

21 AUDIENCE PARTICIPANT: Hi. Shane Moise from
22 UC San Diego. So I actually have two questions. It's
23 a bit of policy, as well.

24 For when you're soliciting for funds, do
25 you -- or have you found -- let's see what -- my notes

1 here -- that the rules around solicitation, have they
2 been enabling, or are they burdensome, or has that
3 been an issue? And is there a policy or some new way
4 of doing that that might make that easier?

5 And then, of course, there's a part two,
6 that if you're looking at different scales or how much
7 you're looking to distribute or invest, could the
8 requirements for reporting be different for the
9 different stages at which you're investing, and would
10 that make a difference?

11 MS. PANDOL: So I can take the first part
12 around the solicitation piece.

13 You know, in the JOBS Act, Congress did
14 create a new provision that would allow you to
15 fundraise to broadly solicit to advertise your
16 fundraise, but you had to take "reasonable steps" to
17 verify whether or not it was an accredited investor.
18 And just, you know, based on a lot of the data that
19 we've seen, there hasn't been, I think, as much pick-
20 up in that space as, you know, we had expected to see.

21 And I think some of that -- you know, a lot of it was
22 around, you know, the potential, you know, loss of
23 exemption, or if you didn't, like, follow the steps,
24 you know, just right that, you know, it wasn't
25 necessarily, like, worth the risk.

1 I do think -- you know, I know the
2 Commission last year put out some additional guidance
3 to try to provide more clarity around that. I know
4 there was rulemaking and -- back in 2020 to help, you
5 know, kind of ease some of that burden. But I do
6 think that is, you know, one of the things, candidly,
7 that we've seen a lot of is it is, you know, not just
8 like a geographic, like, concentration, but it is
9 being part of that club.

10 And I think, you know, I think there was a
11 study a couple of years ago that it was, like, if you
12 move to Silicon Valley, you're, you know, almost 200
13 percent more likely to get VC funding. So it is like
14 being in those networks. So I completely agree, we
15 should think about how to be able to solicit more
16 broadly.

17 AUDIENCE PARTICIPANT: Thank you.

18 MS. JAFFEE: Yeah, there's probably more
19 that can be done both on the education side and on the
20 policy side. Funds that are forming today are
21 probably doing a better job, purpose-built to
22 understand. And, you know, for us, we were not
23 purpose-built that way. We came -- we were prior to
24 some of the changes. And so this is -- while
25 entrepreneurship is ask for forgiveness not

1 permission, this is the opposite.

2 (Laughter.)

3 MS. JAFFEE: So I think, though, as so much
4 of our world moves digitally and it's -- again, you
5 know, a huge plug for the SEC. Obviously, all of you
6 are here and took time out of your day to come in
7 person, but just, you know, broadcasting this, making
8 this available, the amount of people that will have
9 access to this discussion versus previously not being
10 able to is so impactful.

11 The lines continue to be blurred. So as a
12 fund manager, you know, we're always looking for ways
13 to be educated because we do spend a lot of, you know,
14 our brand -- and again, not -- one of the biggest
15 things not being on the coast is having a brand that
16 can scale nationally or even internationally,
17 depending on your focus areas. And a lot of that
18 comes with, you know, potentially what could be
19 perceived as solicitation.

20 I think the second question -- I'm not sure
21 if that was for inventor concentrations or

22 AUDIENCE PARTICIPANT: Yeah. Yes, inventor.

23 MS. JAFFEE: Yeah. You know, we -- you
24 know, it -- I guess we haven't found that to be as
25 much of a hardship on some of the limitations we've

1 had. You know, we had a very large company that we
2 sold for -- we started and sold for \$18 billion called
3 Livongo, it's focused in chronic condition management.
4 It started in the diabetes space.

5 Because of fund concentration limits, you
6 know, we had pro rata, we had two board seats, and we
7 weren't able to, you know, continue to fill it. There
8 are other ways to solve. We ended up raising a growth
9 and opportunity fund that -- that vehicle-specific
10 purpose is to continue to support. But, you know, in
11 that case it would have been helpful to have, you
12 know, less of a restriction, so for some of the break-
13 out winners. But at the same time, you know, I
14 recognize why there's always a balance because, while
15 you want to maintain some concentration, you also need
16 diversification because, you know, we can't always
17 predict the future, as much as we try.

18 AUDIENCE PARTICIPANT: Thank you.

19 MS. REISCHAUER: Thanks. I think we're
20 coming up on time, but thank you to the panel. That
21 was great, great conversation, and always appreciate
22 the shout-outs so that we can share our resources and
23 data. It's what we can do to help the -- build the
24 ecosystem on our end.

25 So we are now -- we can start moving our way

1 to a well-earned break, but please continue the
2 conversation out in the hall. I love to hear it
3 going. And I will remind everybody that the cut-off
4 for submitting recommendations is the end of this
5 networking break, so I've got 3:25 now. Let's
6 reconvene at 3:40. Take about 15 minutes. And again,
7 get any of those last-minute recommendations in. You
8 can email them to smallbusiness@sec.gov, and we'll see
9 you in a little bit. Thank you.

10 (Applause.)

11 MS. REISCHAUER: All right. Well, I have
12 3:45. So I gave people a few extra minutes. Maybe if
13 they hear me talking out in the hall, they'll find
14 their seats again. But I am going to try and get us
15 moving along. Welcome back. I am pleased to segue us
16 to our third and final panel on -- where we'll share
17 some public company perspectives and some
18 considerations for IPOs and small cap companies. Our
19 moderator this afternoon will be my colleague, Luna
20 Bloom from the SEC's Division of Corporation Finance.
21 Luna, I will let you take over.

22 PUBLIC COMPANY PERSPECTIVES: CONSIDERATIONS FOR IPOs
23 AND SMALL CAPS

24 MS. BLOOM: Great. Thanks so much, Amy.
25 Great to be here this afternoon. It's been a very

1 lively discussion so far, and I'm really excited to
2 moderate this last panel talking about public company
3 perspectives, so both considerations for when it's
4 time to IPO and then some, you know, interesting
5 feedback and insights into what it's like to be a
6 public company.

7 We'll dive right in because we've got a lot
8 to talk about, so I'll pass it over to our panelists
9 to introduce themselves briefly before we get into the
10 meat of things.

11 MR. DUFFY: Perfect. Hi, everybody. So I
12 am Sean Duffy. I am the co-founder and CEO of Omada
13 Health. I am not your Transportation Secretary. So
14 often confused. So yeah, Omada, we are a virtual care
15 company. We provide between-visit care for people
16 with obesity, pre-diabetes, diabetes, and
17 hypertension, really the care areas where we felt that
18 yesterday's care model, you know, handcuffed in
19 visits, was the wrong care model, and so had the
20 realization while in medical school that we needed
21 something different. And fast forward, we listed the
22 company on the NASDAQ last June, and honored to be
23 here.

24 MR. HOOPER: Thank you, and Reid Hooper from
25 Cooley, LLP here in Washington, D.C. My practice

1 primarily exists of representing public companies in
2 their ongoing SEC reporting and corporate governance
3 issues. I actually began my career here at the SEC
4 about 14 years ago, and I spent many days and meetings
5 in this room, in particular, including -- I actually
6 got I took LLM courses at Georgetown in this room, so
7 a lot of good memories. So it's great to be back, and
8 thank you for having me.

9 MR. TOWNSEND: Hi, good afternoon. I'm
10 Nolan Townsend, CEO of Lexeo Therapeutics. Lexeo is a
11 clinical-stage biotechnology company focused in gene
12 therapy for genetic cardiac disease and Alzheimer's
13 disease. I was the first employee and co-founder of
14 Lexeo. It's a company that's been in existence for
15 about six years, and we took the company public at the
16 end of 2023. So I look forward to discussing that
17 journey.

18 MR. COLBURN: Good afternoon. Josh Colburn
19 with Faegre Drinker Biddle and Reath out of the
20 Minneapolis office in our corporate group. I also
21 represent a lot of public companies. I tend to get
22 the smaller reporting companies, but all the way from
23 two billion on down to the smaller -- smallest public
24 companies you've probably heard of, and a lot of
25 companies that have either slim or no in-house

1 counsel, so we end up taking all the soup to nuts:
2 SEC reporting, compliance work, capital markets, and
3 running that through as if we're in house.

4 MS. REISCHAUER: Great. Thanks, everyone.
5 I think from what you can hear, we've got an excellent
6 mix here of, you know, public company CEOs and their
7 outside counsel representation. So I think it's going
8 to be a great discussion.

9 With that, Sean, why don't you kick us off?
10 As a co-founder and CEO of a company that went public
11 just last year, can you let us know -- kick off the
12 conversation by telling us a little bit about your
13 company or a little more about your company? What
14 considerations led your team to take the company
15 public, and what was your IPO experience like?

16 MR. DUFFY: Sure. Well, let me just start
17 with our mission at Omada Health, which is to bend the
18 curve. And so in the early days of Omada, when I
19 founded it, I was in med school. And I always told
20 the team that, look, our company will be successful if
21 we notice that tomorrow's epidemiologists see a bend
22 in the curve, and some of that can be attributed to
23 Omada.

24 And so, you know, the goal again is to help
25 the 156 million Americans who are suffering from

1 chronic disease that are living in a care model where
2 they often experience is -- the patient is with their
3 doctor and they say you have diabetes, why don't you
4 take these meds, lose weight, check your sugars, eat
5 differently, come back in six months, which, of
6 course, doesn't always happen. So that's been the
7 mission from day one, and we've built, really, a
8 between-visit care experience, full stack, that, you
9 know, works within the constructs of the U.S. health
10 care system.

11 And it's been a -- bridging to the topic at
12 hand here, it's been a remarkable journey, and it's
13 one where I'm privileged to -- having gone from the
14 back of zero experience, you know, 27 years old,
15 didn't know what a VC was, taking our first angel
16 check to taking the company public, and so it's been
17 very fascinating to see every aspect of the capital
18 stack. And again, we listed last June, which was a
19 neat milestone from the business -- for the business.

20 And, you know, a couple of reflections, you
21 know, germane to your question on kind of the process
22 and the timing. I'm often asked, well, how did you
23 know it was the right time to go public? And the way
24 I've started to view it is there's the gut side and
25 then there's the quant side. And the gut side, the

1 best analogy, I think, for those of you, you know,
2 with kids, you may resonate, is what is the right time
3 to have a kid? And there's never going to be a
4 perfect time. It's -- you know, you can think all day
5 long about the external factors and, you know, the
6 location. We might move in -- who knows? You can
7 overthink that ad nauseam. And I see some smiles in
8 the audience. So that's where my wife and I were,
9 too.

10 But then, at the end of the day, where are
11 the fundamentals, and do those feel right? And
12 that's -- do you have a durable relationship? Like,
13 is the family set up right to ensure that this, you
14 know, new child that you may bring to, you know, the
15 world can thrive? And those are the most important.

16 And with a company, it's do you feel that
17 the organization has matured such that it can be
18 durable and, you know, has the chance to build equity
19 value on the public markets based on the
20 characteristics that they need: reliability,
21 operational maturity, you know, performance, et
22 cetera. And I think until you feel that first box is
23 checked, you shouldn't think about it. And so that's
24 the gut side.

25 And there's the quant side. I mean, we were

1 blessed at time of IPO with back-to-back 38 percent
2 years of revenue growth, you know, durable trends on
3 top line, you know, margin improvement, durable trends
4 on bottom line. We just had our earnings call
5 reporting on Q4 of last year, and last year -- last
6 Thursday, and so we're just north of, you know, a
7 quarter of a billion in revenues, growing 53 percent.

8 And so we had a lot of tailwinds, especially, you
9 know, within the GLP-1 space. I'm like, you know
10 what? The enterprise is ready. Yes, it's -- you
11 know, there's volatility in the markets, but the --
12 you know, it felt like the qual and quant was right.

13 And then last -- and then I promise I'll
14 stop talking -- on the process. Interestingly, it's
15 both more difficult, but it's so much clearer than the
16 private rounds. I mean, you know, the way you raise a
17 series C has a ton of variance as an entrepreneur.
18 The path to going public, you know, has a lot of
19 consistency. And so I remember, you know, doing these
20 banker meetings, and they're building out the road
21 map, and the game plan, and the -- like, you just do
22 that for free until we choose to work for you? Like,
23 you're giving us, like, all the details on the house?

24 It was -- such that the organization was ready, I was
25 actually pleasantly surprised with how clear the

1 process was.

2 MS. BLOOM: That's super helpful. And
3 Nolan, I'd love to turn it to you to share your
4 company's IPO story. Can you similarly talk about
5 your company? Why did you choose to go public when
6 you did, and what was that process like?

7 MR. TOWNSEND: Yeah, so I'd say in somewhat
8 a similar story, although the dynamics in the
9 biotechnology sector are different, there's a very
10 long runway from typically company formation to when a
11 biotechnology company generates its first dollar of
12 revenue. This occurs after an FDA approval. But as
13 many will have heard from different sources, it takes
14 about \$1 billion of capital to get from the start of a
15 drug program to an approved drug. So typically, you
16 know, that's an 8 to 10-year journey and \$1 billion of
17 capital.

18 We, you know, we are that story. We've
19 raised, you know, about \$800 million of capital and
20 yet we're still probably a year-and-a-half away from
21 our, you know, our first drug approval, so our first
22 dollar of revenue. So that, in a way, I think,
23 underlies the interest of a lot of companies to pursue
24 the public, you know, public market path in biotech.
25 You know, if you think about a private round, it takes

1 four to six months to pull a private round together.
2 So you're already on an 8 to 10-year journey. Imagine
3 you had these four to six-month interludes in between
4 each stage of your pipeline to raise that next round
5 of capital, whereas in the public markets you can
6 raise a round of capital in, you know, in four days.

7 So that's -- the ability to form capital
8 around the pipeline and do it in a rapid and flexible
9 manner in the public markets is why a lot of
10 biotechnology companies consider that pathway. For
11 us, the time to go public is when we saw sufficiently
12 mature pipelines such that we didn't have to evolve
13 the company story any further. It's much more
14 difficult to evolve the strategy and the story in the
15 public markets than it would be to do that kind of
16 work in the private markets.

17 I think you also want, you know, in the
18 biotech sector, at least, get to a certain stage of
19 maturity where you believe the probability of success
20 of getting to an approval is very high, so therefore
21 you're not looking at a, you know, a major drug
22 pipeline failure in the public setting; you'd rather
23 make the kind of changes you need to make in your
24 pipeline in the private setting.

25 So I think it's a stage of pipeline

1 maturity, but an interest in capital formation that
2 can occur rapidly is sort of what sits behind our
3 journey to the public markets, and certainly would be
4 the case for a lot of other companies that are on a
5 similar path.

6 MS. BLOOM: Great. Thanks so much.

7 Reid, I'd love to turn it to you. As a
8 counsel to public companies and investors, let's take
9 a step back and kind of look at what's happening in
10 the IPO market generally. Are there any trends that
11 you can share?

12 And, you know, from there, if you think
13 there are any trends to share, are there potential
14 changes that the Commission should be considering to
15 encourage more companies to go public?

16 MR. HOOPER: Yeah. So I think, you know, if
17 this panel and this forum was held maybe 10 days ago,
18 before some of the recent geopolitical conditions that
19 occurred, maybe the answer would have been a little
20 different. But I guess, at the same time, there is a
21 lot of optimism right now in the IPO market.

22 You know, we had some macroeconomic
23 challenges over the past few years that slowed things
24 down a bit with respect to high inflation, high
25 interest rates. We saw data, though, towards the end

1 of the second half of 2025 that really was encouraging
2 that I think provided a lot of optimism for the 2026
3 outlook. And so I think, you know, a lot of that
4 is -- hasn't changed. You know, we did see some of
5 the VC-backed larger-scale IPOs get delayed a bit in
6 2025, but I think we've seen kind of those move
7 forward now. And I think there's, you know, just a
8 general optimistic outlook for the next year, despite
9 the recent events that we've seen on a geopolitical
10 level.

11 With respect to what the SEC could do for,
12 you know, encouraging -- to make IPOs great again, as
13 Chairman Atkins consistently speaks about, you know, I
14 think, from a smaller-company perspective, it's a
15 different lifestyle to be a public company than from
16 the larger-scale companies. There are increased
17 costs, there's disclosure regime that is somewhat
18 consistent -- almost substantially similar to some of
19 the larger-scale public companies out there. And so I
20 think, you know, there's -- I like to say there's
21 probably three ideas or buckets that I generally put
22 it in, and one is, you know, reducing friction within
23 the rules while at the same time not reducing
24 transparency.

25 And so I think what I mean by that is, you

1 know, for a lot of these smaller public companies, in
2 particular in the life sciences space, you know, when
3 you are starting that IPO on-ramp, it -- the
4 communication with your customers, with -- you know,
5 with analysts and with other third parties needs to
6 stay consistent, I think, because a lot of their story
7 around their valuation is very important for them as
8 they go through the IPO process. You know, I think
9 Nolan and Sean can attest to that and discuss it if
10 they wish.

11 But I think a lot of that, when you go
12 through the IPO and you file your registration
13 statement, there's certain quiet period restrictions
14 that I think pose an issue for many public companies
15 to potentially, you know, delay an IPO if there's
16 certain communications that are considered potential
17 gun-jumping issues. And so I think, from a smaller
18 company perspective to perhaps loosening some of the
19 IPO communication rules or providing some safe harbors
20 around them so they can consistently discuss and have
21 conversations with third parties around, you know,
22 what they envision their story to be post-IPO is
23 important because a lot of these smaller companies,
24 you know, they lack the research coverage, they lack
25 the analyst coverage. And so to be able to kind of

1 build that up and then up to the IPO and then through
2 it, I think, would be important.

3 The second one Chairman Atkins touched upon
4 is scaling the disclosure requirements with the size
5 and maturity of a public company. That's, you know,
6 obviously, a big focus of what the current SEC and
7 Chairman Atkins's agenda is. And, you know, I think
8 we've seen a lot of that with regulation S-K reform
9 project that is underway. And I think, you know, it's
10 critical to -- for a lot of these smaller public
11 companies to be able to look and say, look, I'm not,
12 you know, the largest tech companies out there, I
13 don't necessarily need to provide the same disclosure
14 for these various areas that they do.

15 So I think scaling that down, and I know
16 we've talked about the option to -- for quarterly
17 reporting to potentially move to semiannual reporting.

18 I know in the life sciences space in particular, the
19 quarterly earnings process is not as quite material as
20 it is for the other larger-scale companies. And so
21 the ability to perhaps, you know, maybe provide
22 quarterly business updates for these type of companies
23 and just provide semiannual financial statements is
24 something to think about, as well.

25 And then finally, just reducing the cost.

1 The cost of a public company is obviously very high,
2 and it's increasingly high for the smaller public
3 companies. And so the ability for, you know, these
4 companies to potentially not have to comply with, for
5 instance, the Sarbanes-Oxley auditor attestation
6 requirement, 404(b), and pushing that back to -- or
7 increasing the threshold for when these companies
8 would be able to comply with that, or not have the
9 ability at all to comply with that, would be highly
10 beneficial, I think, for a lot of these smaller
11 companies because we see actually in our space a lot
12 of our public companies that are teetering on the
13 accelerated filer status to smaller reporting company
14 status and potentially, you know, how volatile their
15 stock is. One year they may be an accelerated filer.
16 One year they may drop down to a smaller reporting
17 company.

18 But at the same time, it's difficult to
19 scale back if you're already in the 404(b) land, you
20 know, that whole process. And so what they do is
21 they -- you know, a lot of our clients will just
22 continue to pay the extra costs and just be ready in
23 case they go back up to that. And so I think kind of
24 streamlining that so they don't have to essentially,
25 you know, have those costs would be highly, highly

1 beneficial.

2 MS. BLOOM: Great. Thanks, Reid. And I
3 think folks probably heard underlying my question to
4 you about what could the Commission do to encourage
5 more companies to go public suggests a viewpoint that
6 we should be encouraging more companies to go public,
7 right? And that, I think, has some notable benefits
8 that we're discussing today both to companies and to
9 investors.

10 So Josh, I'll turn it to you since you also
11 advise companies and investors on the public markets.

12 What would you say are some of the benefits and
13 challenges that you might highlight for clients,
14 especially smaller companies that are going public or
15 considering going public?

16 And I'll likewise pitch to you the question
17 of are there regulatory changes the SEC should
18 consider or improvements to ramps onto the public
19 markets?

20 MR. COLBURN: Yeah, and I'm going to
21 piggyback with Reid just briefly.

22 On 404(b), it seems like a year is a long
23 time to get that in place. And often times you can
24 see it coming, but it's always a chase at the end to
25 get everything in place. And so finding a way,

1 whether it's the seesaw mechanism or it's just the
2 fact that they need more time, the transition could be
3 something that would get a good look, and there's
4 probably a lot of things they could tweak. Many of
5 them would have different impacts, but from a policy
6 standpoint I think that's one that's a very good idea.

7 But really, around the benefits, when
8 someone is thinking about IPO or just going public,
9 which isn't always via IPO, the first thing I ask is,
10 how brave are you? Because you're going from what is
11 basically a semester-end exam to not just quarterly,
12 you're really getting tested every day, right? Your
13 price is up. Smaller reporting companies, your volume
14 is potentially lower. And so you're going to see more
15 volatility in your stock and you're not going to know
16 why.

17 And if you can get over that hump and you're
18 ready, everything else can fall into place, right?
19 Because a little bit of it is learning to ride the
20 wind because there is -- you can't influence your
21 stock price just by saying one thing or another. And
22 sometimes you'll get a reaction from a press release
23 that you thought, this is great news or this is not
24 that great news, and you'll get the opposite reaction,
25 right? And so that's the first piece, is to

1 understand that they're taking a little bit of the
2 hand off the wheel when they do it.

3 That said, preparation is everything. Are
4 you ready to IPO is also the -- in that first set of
5 questions, right? What is your governance like? Have
6 you looked at having an independent board of
7 directors? Making all those changes and going through
8 an IPO process and following through with it is just a
9 guarantee that you're going to have some hiccups. And
10 they're all things that people can get over, but for
11 the smoothest possible transition to being public you
12 need to think about it two or three years out. And
13 it's not that you have to have a plan that's a three-
14 year plan and execute on it specifically. It's
15 possible to move into it, but you need to know that
16 it's on the horizon and that you're going to start
17 being a public company before you are a public
18 company, or it's going to be hard.

19 And then on just some of the changes, I
20 would say the process is very rigid. We all know the
21 steps. And good counsel, good advisors will educate
22 you on the steps early so that you know what's coming.

23 There's always going to be some kind of surprise.
24 But I think that the education, and finding your
25 advisors early, and finding advisors you can trust and

1 that you can ask questions without feeling stupid, you
2 can ask questions without feeling like you're learning
3 the hard way, that's a big part of it.

4 And so going through that process once you
5 see the IPO on the horizon and understanding these
6 people are going to be on my team, I need to be able
7 to go through the crises as well as the fundraising
8 with them, is going to go a long way. Because once
9 you're public, if you have a great company and the
10 stock is down, activists, plaintiffs, lawyers, there's
11 a lot of good reasons that you would need to be ready
12 with a team, and it's not just because your stock
13 price is now available to everybody.

14 MS. BLOOM: That's great. Thanks, Josh.

15 And I'll say, you know, the question of how
16 brave are you, I feel like that goes back to your
17 analogy, Sean, of, you know, are you ready to be a
18 parent? How brave are you?

19 Sean and Nolan, you know, just sort of to
20 close out our discussion about this concept of, you
21 know, choosing whether or not to IPO and entering the
22 public market, do either of you have suggestions on
23 improving the IPO process that you'd like to share?

24 MR. TOWNSEND: Yeah, sure. So I think the
25 journey leading into the public offering is one of the

1 most vulnerable times in a company's journey. You
2 know, the idea that if you try to -- if you attempt an
3 IPO and you are unsuccessful, it implies this company
4 probably shouldn't be in the public setting, and
5 therefore you have lost one venue for an investor
6 exit. So if you go out for an IPO, you really need to
7 make sure it's successful. And that's what I mean
8 it's the most vulnerable period.

9 So you have to, you know, match up several
10 different things. You have to match up the pipeline
11 maturity, your company maturity, as we were
12 discussing. You have to match up, you know, market
13 conditions. So is the broader capital markets
14 favorable, and is it favorable for the sector of
15 company that you work in?

16 But there's -- another factor is that you
17 have to ensure you don't have stale financials. And
18 so that, you know, compared to the other two is
19 something that should probably not influence as much
20 the decision of when to go public. And so the
21 question of, can the concept of stale financials or
22 the periods in which you can consider going public,
23 given the quarterly financial calendar, be somehow
24 adjusted? Because what you want is to go out at the
25 right time for your company relative to the markets.

1 And I would argue for some sectors -- and I think
2 biotechnology is a good example -- you know,
3 financials that are one month stale is probably not
4 going to change an investor thesis about the company,
5 yet it could dramatically change the prospect of the
6 IPO if you need to push the IPO to a different window.

7 So I think that that's, you know, an example
8 of some of the -- a little bit of inflexibility in the
9 process that could drive, you know, behavior of
10 companies and therefore push them into windows that
11 are less ideal for IPOs.

12 MR. DUFFY: Yeah, I think that's -- you
13 know, I think that's a good suggestion. I can
14 remember even in our process, some of the, like, stops
15 and starts relative to timing windows based on
16 financial staleness. And so, you know, I mean, if
17 investors' are eyes wide open that they're going to
18 invest on, you know, financials that are, you know,
19 last quarter's versus the current and they know that
20 updates are coming soon, it seems like a reasonable
21 idea, so I think that that's smart.

22 The -- I will -- I do want to start with,
23 you know, in the spirit of always, you know, count
24 your blessings, what was very helpful, which is the
25 emerging growth companies designation. I mean, per

1 your point, it's a vulnerable window because if you
2 are a private company and you try to raise a private
3 financing and that private financing fails, it
4 happened privately. You can probably regroup, you can
5 probably take a couple of months and retry the private
6 financing. A public financing is, by definition,
7 public. And so a public financing failure would be a
8 public failure. And so it is a vulnerable place for
9 companies.

10 And without the ability to do the TTWs and
11 testing the waters meetings, which you have, of
12 course, as an emerging growth company, you couldn't
13 appropriately de-risk an IPO. It would be much harder
14 to do it. And it would feel far more scary because
15 you have the chance to -- and it works for both
16 parties, investors and shareholders and companies
17 alike, because you have a chance to educate.
18 Investors like to invest in lines, not dots, and so
19 you have a chance to educate with TTW on what the
20 business does, the financial performance, ideally come
21 back again and say, hey, remember that thing we said
22 we were going to do? We did it. So investors like
23 that.

24 Equally, you will get comments in those
25 meetings like, well, this is a great business, I

1 really hope it comes to market. You're like, well,
2 great. If enough people are saying I hope it comes to
3 market, that, you know, in many ways de-risks the, you
4 know, the trigger moment. So that is a -- you know,
5 it reduces the cortisol level on, you know, on, you
6 know, listing days. So I think that that's, you know,
7 that's a -- that was a, you know, kind of a real
8 blessing.

9 I will say it's funny. I was sitting, you
10 know, out there and did the -- did a QR scan of the
11 ideas listed. And I was, like, these are all really
12 great. Like, do you even need me on this panel?

13 (Laughter.)

14 MR. DUFFY: So, you know, credit to the SEC
15 and whoever put those together, because I think
16 there's some quality thinking in there.

17 MS. BLOOM: Yeah, thank you. And our Small
18 Business Advocates Office certainly does a great job
19 pulling this together.

20 You know, and just for folks who may not be
21 aware of the test the waters rule that Sean is
22 referring to, it was an accommodation that the JOBS
23 Act added for emerging growth companies and then the
24 Commission expanded around 2019 that allows for, you
25 know, testing the waters prior to your effectiveness,

1 which we've heard has been very useful.

2 I'll also just mention, you know, Josh, you
3 talked about, you know, are you ready to go public,
4 and we talked about it being the most vulnerable
5 period in a public company. And what I hear a lot is
6 some of that vulnerability is also, you know, if you
7 have good advisors, they're really kicking the tires
8 on your governance and kicking the tires on your
9 ability to kind of maintain quarterly financial
10 reporting. And I think that that can be a big stress
11 factor on companies choosing to go public is are they
12 really ready to have their tires kicked in that way?

13 Now, I'll use that as a transition to talk
14 about what's the experience like to be a public
15 company. So you've gone through your vulnerability,
16 you've kicked the tires, you've managed to have a
17 successful -- you know, a public offering. As you --
18 and Nolan, I'll push this to you first -- as you
19 transition from going, you know, from a private to a
20 public company, what can you say about your company's
21 experience during the first almost year-and-a-half of
22 being public?

23 And I'll keep pushing it back to the
24 recommendations piece of the discussion, which is, you
25 know, are there any changes that you'd recommend to

1 the process, again, to make it more attractive?

2 MR. TOWNSEND: Yeah, the biggest difference,
3 I would say, it feels like you're in a fishbowl.
4 Everything you're doing is visible. You have to make
5 public disclosures about material events, about, you
6 know, hiring new members on your, you know, C-suite
7 management team. None of those disclosure
8 requirements exist in the private setting. You're
9 really just dealing with the, you know, the venture
10 investors or other types of investors that you have in
11 the cap table at that moment. So it's a very
12 different picture to think about the public view of
13 the company, whether it's pipeline updates, financial
14 updates, management team updates, strategy updates,
15 you know, and so on.

16 In terms of the recommendations, you know, I
17 think the idea that it's a requirement to have
18 quarterly filings is certainly something that could
19 be, you know, revisited. We'll take our sector as an
20 example, and I mentioned this earlier. You know,
21 revenues and profits are not something that really
22 matters in the biotechnology sector until you have
23 your first approved product, meaning your first dollar
24 of revenue. Before that, investors are primarily just
25 focused on how much cash do you have and how much cash

1 are you burning, so it's -- you know, there are two
2 numbers that really matter to biotechnology investors
3 until the first approved product. So the idea that
4 there's, you know, four filings with a great degree of
5 work that goes into them just to disclose the two
6 numbers that investors care about is something I think
7 that could be, you know, revisited.

8 And I think of the whole thing as being very
9 market-driven. So if you reduce the number of
10 required filings and the market does not believe you
11 are providing them with sufficient information, well,
12 guess what? They won't buy your stock, you won't have
13 any liquidity. You'll, I think, realize very quickly
14 that you need to, on your own, put the appropriate
15 degree of information out into the public domain to
16 attract interest into the stock so that you have the
17 right liquidity so that ultimately it can appreciate.

18 So I think it's very -- you know, will be
19 very much market-driven if that's the direction that
20 it heads, because the market will tell you you need to
21 provide us with more information than what you're
22 providing us. And that's probably the way to think
23 about the public markets in general, is that the
24 market drives a lot of the thinking around what to
25 disclose, how to disclose, when to disclose it, how

1 much detail to give, you know, and all of that.

2 MS. BLOOM: Yeah. So it sounds like a
3 little bit -- maybe allow for a little more private
4 ordering, at least with respect to cadence and maybe
5 even some of the substance of what's required.

6 MR. TOWNSEND: Yes, correct.

7 MS. BLOOM: Sean, I'll push it to you now.
8 And this is -- you're still in your first year as a
9 public company. You mentioned having your, you know,
10 recent earnings call for your first year results.
11 What have your experiences been like so far?

12 And are there any changes that -- you know,
13 based on pain points that you've identified so far?

14 MR. DUFFY: You know, it's funny. I would
15 say in large part it's been positive. I mean, it's
16 neat. I mean, I think Omada is ready. Equally, I
17 watch the ways that even just this kind of brave
18 reality of the scrutiny of the public markets bears
19 out operationally. And I look at them and I think
20 we're a healthier business because of it.

21 And so, you know, the years leading up to
22 IPO required really putting more gears into the
23 machine, and putting oil on those gears, and just
24 making it feel finer tuned in a way that I think
25 ultimately serves our customers and our members in a

1 more productive way. So there's this interesting side
2 effect, so -- but it's not all -- you know, so it's in
3 large part positive, it's not all -- you know, it's
4 not all rosy. Of course, you have this volatile stock
5 price and sometimes your stock goes up and down and
6 you're, like, what? We didn't do anything
7 differently, you know, based on sector rotation or
8 swings. I mean, that's just kind of a truth. That's
9 what you sign up for, and you have to brace your team
10 for that truth and it's something that you just have
11 to psychologically manage.

12 You know, in terms of suggestions, you know,
13 I think the -- I like, you know, what you shared. I
14 won't repeat it.

15 You know, I will share -- just to kind of
16 bring you in the walls of Omada, I mean, near term
17 we're, of course, planning for building out the teams,
18 investing in everything that's needed to, you know, be
19 able to support Omada in a 404(b) environment. And,
20 you know, the trigger that's always the toughest, in
21 my view, is on kind of float because your float is,
22 you know, dictated by market cap. And that could
23 change very, very quickly in a way that's completely
24 out of your control. So even if there's like a 2
25 percent, 3 percent, 5 percent, 10 percent probability

1 that you hit that, like, well, shoot, you can't be
2 surprised by it. So it's almost the same as not even
3 having the trigger because you have to plan for it,
4 and you have to put forward kind of the resources and
5 capital to build out what's needed, you know, and the
6 team to do it.

7 And so that is one when you're living in our
8 seat. You're like, well, interesting. I cannot be
9 surprised. We need to, of course, be in compliance
10 with all the regulations. And even if there's an odd
11 probability that it flips, the companies are going to
12 do it. And so, I mean, it seems like that's feedback
13 that you've heard before. And clearly, based on the
14 listing in the QR codes, you have. So I would echo
15 that.

16 And I will share, like, the North Star that
17 I'd offer for anyone thinking about how to ease the
18 path to companies entering into the public markets is
19 less efficiency and more cost. And sometimes those
20 are connected, but not always. And the ones that --
21 the moments we are vulnerable, that give you the most
22 pause, they were the cost-oriented ones. And, you
23 know, obviously, this isn't something the SEC can wave
24 a magic wand and adjust, but I remember looking at the
25 D&O insurance quotes and, like, almost falling out of

1 my chair. It's like, wow, these are -- that's
2 millions of dollars that could go to serving our
3 customers and serving our members and product
4 innovation, millions of dollars.

5 And, you know -- and yes, you plan for it
6 and you manage it. But, you know, anything that I
7 think with a -- you know, any idea, when filtered
8 through, does it have the chance to materially reduce
9 the cost? Of course, without the transparency
10 compromise, that's kind of a clear mandate. I think
11 those are the winning ideas to pull more entrepreneurs
12 into the public markets.

13 MS. BLOOM: Did you want to go ahead, Reid?

14 MR. HOOPER: No.

15 MS. BLOOM: Okay. So Josh, I'll turn it to
16 you. You know, again, from the outside counsel
17 perspective -- and I'll give you the question in terms
18 of benefits and challenges, but this time benefits and
19 challenges to staying public and, you know, any
20 recommendations that you might think of.

21 MR. COLBURN: Yeah, I'd say it's probably --
22 not probably -- it is easier to be public today than
23 it was 20 years ago. Technology has definitely
24 equaled the playing field. It's easier for anybody to
25 look up disclosure to see what others have done, to

1 see what hasn't worked, has worked. I think that one
2 right there just has made a big difference in how I
3 practice and in how my clients are getting advised.

4 But on top of that, there's also been
5 adjustments, right? The new definition of smaller
6 reporting company has a big advantage, especially for
7 biotech. The pre-revenue, you're not over \$100
8 million in revenue, you've got a long ways to go
9 before you're over the market cap. Those things have
10 made it easier.

11 On the other side, it's harder to stay
12 public if you're on that cusp, right? The stock
13 exchanges have lost their tolerance for multiple
14 reverse splits. They've lost their tolerance for low
15 stock price, low shareholder equity, and so it's
16 harder to stay on the national exchanges. So the OTC
17 is there, and there are companies landing on it every
18 day, and that's where I think the blue sky
19 recommendations we heard from Commissioner Uyeda
20 was -- hit very hard for several clients because when
21 you're on the OTC that is a lot of work for them that
22 they would love to deploy in another way, right?

23 And it is -- if there were a unified system,
24 or even something more than 38 states and a manual, I
25 think, would make a big difference for a lot of

1 companies that are -- that have proven at that stage
2 that they can move back up and they can be very
3 successful. But many of them right now are in that
4 fight.

5 But really, just being public, staying
6 public, I think, is easier now because also we have a
7 lot of CNDIs. There's so much more from
8 interpretation. We've got third-party bloggers, we've
9 got secondary. There's more material out there than
10 ever before. The key thing is, if you use AI to do
11 it, you're probably going to get the old rule half the
12 time. So we have to be really -- I've had clients
13 say, I -- literally, I put this into ChatGPT, or I
14 Googled this, and here is what I got. I say, that
15 deadline -- that's the deadline that used to be for
16 13-Ds. Let me tell you what it is now.

17 And so the technology is something that we
18 need to learn to use. We need to learn to filter out
19 the old stuff, but there are more and more tools every
20 day available to our clients that they can look at
21 those things and have a really good idea and try to
22 maybe shortcut some of that and get the best advice
23 possible quicker.

24 MS. BLOOM: And let me just ask, Josh, you
25 know, are there any issues that you find tend to arise

1 more with the small cap companies as compared to
2 larger public companies? And if so, what are those?

3 MR. COLBURN: Well, it's usually going to be
4 a resource constraint, right? It's not just the
5 money, it's the people, right? The difference between
6 having one person who's completely dedicated to IR and
7 having an -- maybe outsourced IR function or your CFO
8 spending 20 percent of their time on investor
9 relations are night and day, right?

10 And so, as you scale through that, having
11 more than three accounting personnel, having anybody
12 in-house who's a lawyer who can help lift the burden,
13 all of those things are advantages that a lot of
14 smaller reporting companies just don't have. Many of
15 them are running on a flat structure. Especially
16 biotech, you're working with dozens of people, not
17 hundreds or thousands. And so things like pay ratio,
18 pay versus performance, they don't necessarily hit for
19 them as hard as they would for a larger company. So I
20 think the scale disclosure works. Maybe we can talk
21 about where the scale hits. But yeah, it's changing
22 in good ways.

23 I mean, the one thing I will say just to
24 butter the bread of our host today, it has become
25 easier to work with the SEC over the last decade. We

1 get a more helpful vibe from the SEC. It's hard to
2 put a finger on it, but it's more of a -- yeah,
3 here -- it's not just you have a problem. It is you
4 may have a problem, right? And I think the tone
5 change has been a very comforting thing for our
6 clients.

7 MS. BLOOM: Well, it's great to hear that
8 that's the case because I think, you know, the staff
9 level -- there's a concerted effort to try and be, you
10 know, helpful. And, you know, whether that's
11 answering questions or, you know, informally through
12 interpretive channels or, you know, formally or
13 through the review process. So it's great to hear
14 that that's been received.

15 Reid, I'll pass it to you now. You know,
16 again, the challenges of staying public, any thoughts
17 on that? Any recommendations for us to think about?

18 MR. HOOPER: Just a few.

19 (Laughter.)

20 MR. HOOPER: But yeah. No, so we've talked
21 about increasing efficiency, increasing -- reducing
22 costs. And I think for the smaller public companies
23 that are -- you know, have been public or at least
24 recently have gone public, access to capital,
25 particularly in the biotech industry, is extremely

1 important. The ability to go out into the market, you
2 know, as soon as possible because, you know, for some
3 of these companies, or most of them, they might be
4 doing one to two capital raises a year, especially
5 early on when they're trying to build out their
6 pipeline, increase their resources.

7 And so the ability to use form S-3, so the
8 shelf registration process, I think, is one area
9 where, you know, I encourage the SEC to take a closer
10 look at and explore how it can be modernized,
11 reformed, and, you know, potentially to expand the
12 number of issuers that can use form S-3 for primary
13 offerings, especially within, you know, the first 12
14 months of being a public company, potentially, you
15 know, moving it back to 90 days after IPO and, you
16 know, exploring the ability to get on the shorter form
17 registration statement quicker.

18 And then, you know, in that regard, as a
19 smaller public company, if you are -- have a market
20 cap that is below \$75 million, you fall under the baby
21 shelf rules, which is -- can be, you know, highly
22 punitive to some of these companies when they are
23 looking to go into the markets, especially if they
24 have an at-the-market offering currently in place. It
25 reduces the size of the ability to go into the markets

1 and sell to one-third of their public float. And so I
2 encourage the SEC to explore eliminating that
3 requirement or, you know, drastically reducing to the
4 smallest of smallest public companies if desired.

5 Also, we've talked about resource
6 constraints at a number of smaller public companies.
7 And, you know, this goes to the use of form S-3. What
8 we've seen, unfortunately, is in some of the public
9 companies that may not have a large in-house counsel
10 or maybe no in-house counsel or just not technically
11 the most sophisticated in the 8-K requirements, for
12 instance, there might be a missed 8-K by an hour or a
13 day. And the ability to not use form S-3 because of a
14 deadline of an 8-K that, you know, potentially may not
15 even be material, it's just being filed because of an
16 8-K trigger is also something that is highly punitive
17 to the smaller companies. And I think not being able
18 to use that for 12 months is something I encourage the
19 SEC to explore drastically reducing or eliminating.

20 But -- so those are some of the ideas that I
21 just wanted to throw out on the shelf.

22 Registration process, I know the INVEST Act
23 in particular has some recommendations on changing the
24 threshold for WKSI status, which I think is also
25 important to consider, and also broadening the --

1 testing the waters. That's pre-IPO, but I think
2 that's also INVEST Act and, you know, I encourage that
3 as well.

4 MS. BLOOM: That's very helpful, and I think
5 it's sort of consistent with what we heard from Nolan
6 in terms of, you know, the -- one of the benefits of
7 being public is the quicker access to capital -- or I
8 think it was Nolan -- and, you know, how can we make
9 that more attractive in order to, you know, not just
10 reduce costs to increase the attractiveness of the
11 public markets, but also, you know, have some carrots
12 there too.

13 MR. HOOPER: Oh, I have one more.

14 (Laughter.)

15 MS. BLOOM: Oh

16 MR. HOOPER: Since you're taking them.

17 MS. BLOOM: Go for it.

18 MR. HOOPER: The expiration of the shelf
19 registration statements. I think moving that to past
20 three years or five years or down the road, I think,
21 would be very helpful.

22 MS. BLOOM: That's great. Thanks so much.

23 So I think we are running a little bit
24 shorter, so for the next section I'm essentially just
25 going to pose the same question to each of you to take

1 in turn, which is, you know, do you have any advice
2 for companies considering an IPO? And if so, what is
3 it?

4 MR. DUFFY: I'm sorry. Yes, time and
5 people. It's like -- a lot of comments have been made
6 to start a couple of years in advance thinking about
7 it. Do that. So that's really important. I mean, we
8 were doing mock earnings calls. You know, we had
9 plenty of time to build with the board. All that was
10 just very valuable. It made it so that, ideally, the
11 IPO was like a -- less of an event. It's, you know,
12 like, operating not that differently when you're
13 public when you're -- versus when you're private, and
14 so that's kind of the one.

15 And then you can do that through people, and
16 this is an area where, as an entrepreneur, you really
17 don't have any excuses but to bring in experience
18 because it's not like you cannot find people who've
19 managed in a public environment because the IPO
20 process and being a public company is a thing. So
21 it's not like you're needle-in-a-haystack talent
22 finding. There are plenty of incredible folks that
23 you can bring in that have been there, done that, you
24 know, led IRR for companies and done dozens and dozens
25 of earning calls, taking companies public before, you

1 know, served in the, you know, the legal world
2 supporting public companies. So that's the real
3 difference-maker to reduce stress.

4 MR. HOOPER: Yeah, I think the traditional
5 IPO readiness is always in play. Just, you know,
6 getting ready in your accounting and financial
7 reporting. The PCAOB audit readiness is one that I
8 know takes a very long time to do and can be, you
9 know, stressful as you're getting ready for that. You
10 know, building out your internal control environment
11 and your corporate governance environment to, you
12 know, not only figure out exactly what that governance
13 environment would look like, but actually putting pen
14 to paper, drafting your policies, getting that well in
15 advance because I think leading up to, you know, the
16 last couple weeks and months, it can be, you know,
17 stressful for a number of reasons, but it's usually
18 timing the market. And the last thing you want to do
19 is go back and say, oh, we didn't really do -- we
20 didn't have our control, we don't have our governance
21 in place. So I think just prepping way in advance on
22 the typical IPO readiness stuff is important.

23 MR. TOWNSEND: You know, I think it's really
24 learning how to tell the story of your company in a
25 way that is attractive and sort of resonates with the

1 public markets. In the private setting, you know,
2 investors will spend a lot of time with the company
3 before they invest. They'll go into data rooms,
4 they'll -- you'll have multiple diligence meetings. A
5 lot of this is because the investment is illiquid, so
6 they, you know, they can't easily get their capital
7 out so they want to make sure they're making the right
8 decision and they know the capital will be "stuck
9 there" for years.

10 In the public setting investors could be in
11 one day and literally out the next. I think of, you
12 know, Wall Street as this train, you know, moving at
13 light speed. You have to get it to, you know, slow
14 down and listen for, you know, five minutes. And then
15 that -- they will either buy or sell your stock based
16 on that, or buy into your IPO. You have to learn how
17 to tell the story to this train, you know, moving at
18 light speed versus the one that's going to come and
19 sit with you and have multiple interactions over the
20 course of months. It's a very different way to talk
21 about the company, the pipeline, the story, and it
22 needs to resonate very -- you know, very quickly and
23 very clearly in that setting.

24 MR. COLBURN: Yeah, and I'd say mine applies
25 to IPOs as much as, really, the annual reporting

1 process. And that's to -- you want to plan. There's
2 a kind of a bell curve on drafting for disclosure that
3 if you hit -- if you don't give it enough time -- and
4 I'm not saying let everybody run the clock, but if you
5 don't give it enough time, you never get to that point
6 at the end where you're taking stuff out and saying,
7 do we really need this?

8 And so you end up just with more, right?
9 That's how we all end up with risk factors that only
10 grow, right, risk factors that only get longer. Why
11 do we have a -- have to do a summary? It's 15 pages.

12 How did we get there? So plan, and draft early and
13 often, and go through a couple iterations of some of
14 those more mundane things -- your business section,
15 your risk factors -- and really think about, do we
16 need this? Is this unique to us? Is this something
17 that an investor is going to be able to use?

18 Some of the most -- complimented disclosure
19 that we have for clients is some of the shortest
20 disclosure. It's very efficient but effective, and
21 focuses on what's about them. And I would say that's
22 a big part of definitely the IPO to get that message,
23 to be able to sell your company and communicate what
24 your plan is.

25 And then the second piece would be follow

1 through. It's another thing to just say, okay, we're
2 done with the deal, great, we're done with IPO, now
3 we're public, let's get going, and you just get into
4 that rhythm of being public and having your four or
5 five meetings, and all of those things. But take the
6 time to test and look back. Does your charter still
7 reflect what you are doing? Have you departed from
8 that? Is it still accurate? That's one of those
9 things that you can get easily three years into being
10 public, and then realize that you've been saying
11 you've been doing something in your charter and not.
12 It's optional, but you said you were going to do it.
13 Why haven't you? Or vice versa. Oh, my, something
14 changed. We should have looked at that.

15 And so plan, iterate, and take that time to
16 pause and -- which is hard for smaller reporting
17 companies because your reporting cycle is constant.
18 So if you can find a way to build that in before
19 you're public, while you're public, it ends up being a
20 better disclosure, ends up being a better experience,
21 less things get caught -- get missed.

22 MS. BLOOM: Great. Thanks so much. I think
23 I will check in with our

24 MS. RIEGEL: Well, happy to open

25 MS. BLOOM: The Q&A?

1 MS. RIEGEL: Yeah, happy to open it up for
2 questions, either questions for the panel or, if you
3 want to discuss recommendations for -- in this IPO and
4 small cap space, if there's any.

5 So the panel talked about the excellent
6 recommendations that have been submitted, and our
7 office cannot take credit for these. These are from
8 everyone, all the participants that submitted
9 recommendations, and we are so grateful. We know it
10 takes a lot of work in preparing these and being so
11 thoughtful in drafting, and we very much appreciate
12 your feedback, your policy ideas. So if there's
13 anyone in the crowd that submitted any of these and
14 wants to talk about theirs, I am happy to give you
15 that space.

16 I was going to say don't be shy.

17 AUDIENCE PARTICIPANT: You know I'm never
18 shy, Jenny.

19 I'm Dan Zinn, I'm the general counsel and
20 chief of staff at OTC markets. So Josh, we should
21 talk after this. And I do want to give credit to our
22 friends at the Commission for posting all of those
23 wonderful recommendations, some of which you all noted
24 and I agree with and may or may not have drafted.

25 (Laughter.)

1 AUDIENCE PARTICIPANT: But things like
2 preemption for OTC-traded companies, things like
3 where, Reid, I think you were headed, which is a lot
4 of secondary offering reforms. So you were talking
5 about shelf offerings. That's something that impacts
6 companies in our markets, as well. Regulation A,
7 regulation A+ at the market offerings would be a
8 wonderful boon for companies that need to access
9 capital on a regular basis.

10 On a broader level -- and Luna, you touched
11 on this a little bit; Josh, you touched on this a
12 little bit -- thinking about the public markets as
13 more than just the exchanges, I think, is a really
14 valuable way for small companies to understand and
15 start to get into the mode of what it is to be public.

16 So whether it's the kind of company that Josh was
17 referencing that might have listed and then come to
18 the OTC market to sort of get their feet under them,
19 really understand what it is to be public, that is a
20 role that we play and it is a resource for small
21 companies.

22 Companies that have done things like reg D
23 offerings or other private offerings over time, let
24 those season and then those become publicly tradable.
25 That is another way to enter the public market. It

1 does not preclude later IPOing or listing or taking
2 advantage of any of these secondary capital raising
3 options. So all of those things are out there.

4 I think, you know, Sean, for a company like
5 yours, you're on a faster track, and listing probably
6 is the right answer. But you made the point even
7 about public float, right, and just managing those
8 kinds of things. There are resources out there.

9 If anybody has questions about how the OTC
10 market works, happy to answer them. If anybody wants
11 to consider other of the policy recommendations that I
12 think are really helpful for those smaller companies,
13 things like margin eligibility -- Josh, which is
14 something you're probably familiar with as well --
15 also go a long way towards creating a larger ecosystem
16 for smaller public companies and allowing that kind of
17 growth.

18 Part question, part just, you know, me
19 advocating. Thank you.

20 MS. RIEGEL: Thank you. Anybody else in the
21 small cap space? If not, I will let the panelists
22 step down and get out from the bright lights.

23 You have a question? Okay, awesome.

24 AUDIENCE PARTICIPANT: Hi, my name is
25 Ousmane, CEO of WODI, a neobanking for the unbanked.

1 First, I'm very happy that we having a
2 meeting like this because my North Pole -- my North
3 Star is to IPO one day. And I think, if you ask me, I
4 would say 10 years from now, I'm not sure. So my
5 question is, when is the best time to prepare for an
6 IPO?

7 I know there is a lot of things that needs
8 to be done before that. You don't want to do it too
9 early. I'm assuming there are hundreds of things that
10 you might be working on, and then you don't IPO, it's
11 a waste of time. So from your perspective, looking
12 back, when do you think -- and I would love for
13 everybody in the panel to answer if possible, but when
14 do you think would have been the best time for you to
15 prepare for the IPO?

16 MR. DUFFY: I mean, I think more than two
17 years is too much. I think the first phase of any
18 company you shouldn't spend a minute thinking about an
19 IPO or any other exit for that matter. You should
20 just think about what you're creating that solves a
21 problem of value to your customers. And, you know,
22 just do that repeatedly, and then make sure the
23 financials hang together. And then you'll be blessed
24 with this world of, well, shoot, interesting. The
25 business is cooking, you know, I really like what I

1 see in the financials, I like what I see in the
2 strategy, I like what I see internally. Like, I could
3 consider it.

4 And then, you know, probably like two years
5 is a good time window. It's kind of like the porridge
6 is the right temperature, in my view.

7 MR. TOWNSEND: I think probably 18 months,
8 roughly the same timeframe. You have to balance
9 because, as you start to invest, you put in
10 infrastructure. That infrastructure cost will exist
11 whether you go public or not. So, you know, the
12 closer you can do it to the time where you actually
13 intend to go public, the better, because obviously
14 that's less cost that is going into an activity that
15 is uncertain whether you'll actually need it.

16 But I think, you know, I think 18 months is
17 probably the right, you know, time for him to start,
18 18 months ahead.

19 MR. COLBURN: Yeah, too early you're going
20 to end up spending resources that you just don't want
21 to spend, right?

22 But I think the key piece of it, though, is
23 should you IPO, right? We didn't talk about it, but
24 the panel before kind of did. Private equity and
25 other buyers, right, your exit events, there's some

1 population that will -- just won't deal with a public
2 company. They don't want to go through the proxy
3 process, they don't want to go through the potential
4 liability and plaintiffs' lawyers that come with that.

5 And so you would be taking them off the table if you
6 IPO, and so you need to have someone who can advise
7 you on what your ideal buyer population looks like and
8 whether that fits, right?

9 And so that's one thing that I don't think
10 gets talked about enough. People get surprised if
11 they come in, they have a successful company, they
12 don't really need the capital markets because they're
13 doing well, they're throwing out cash, and they have a
14 hard time finding a buyer because all the potential
15 buyers aren't really excited about going through a
16 public company process and disclosing what they paid.

17 So you do want to think about that. If you're 10
18 years out you've got time to go through all the plays,
19 and I encourage you to do that.

20 MS. RIEGEL: And I have to give a plug for
21 our resources, as well. We have one talking about IPO
22 track, and it talks about kind of what companies that
23 are thinking about down the road -- thinking about an
24 IPO, what do they need to be considering now to help
25 prepare for them in the long term? It is -- as Julie

1 had mentioned on her panel, it is not a replacement
2 for counsel. It is not -- but it is something to kind
3 of use as a resource to think about before you are
4 looking at an IPO.

5 AUDIENCE PARTICIPANT: All right. Mark
6 Friedman, I was on the early-stage panel. So this is
7 going to go a step further than the last question.

8 So one of the things that I've noted over
9 the last 5 to 10 years is there's a notable difference
10 in pitches that are presented from early-stage
11 companies. There's the obligatory exit slide that has
12 to be there, and we could talk over a drink as to how
13 much fiction is actually included in those. But it
14 used to be that IPOs was an exit route that people
15 would talk about a lot, and you barely see that in a
16 pitch presentation from an early-stage company
17 anymore. It's more merger and acquisition. Strategic
18 will buy it. These are the companies that are going
19 to be buying this company.

20 I'm curious what your thoughts are on that.

21 Is it because people see the IPO market as having
22 been frozen for a number of years, they just think the
23 process is too hard, too difficult to go through, or
24 otherwise?

25 Plus there's a six-month lockup, or the

1 lockup that typically comes, and I'd love to hear your
2 thoughts on how that impacts your thoughts.

3 MR. COLBURN: Yeah, I would just say it goes
4 to what you were saying. It's the prospect -- you're
5 just putting it out there, this wish that you're going
6 to IPO and the fact that you might have a public
7 failure, and you don't want to say it too loud because
8 you're afraid that it's going to discourage them,
9 right? I don't think anybody is out there saying,
10 we're going to wish -- you know, we're going to work
11 our way into an IPO. You need to be ready. And I
12 think people have gotten to the point where, if they
13 haven't performed that analysis, they're just not
14 putting it on the table.

15 MR. TOWNSEND: You know, I think the -- and
16 this was discussed a little bit -- I think the fact
17 that there's liquidity in secondary markets in the
18 private setting has probably reduced some of the
19 pressure for some types of companies to go public
20 because the employees can achieve liquidity on the
21 shares that they own through those secondaries.
22 That's if you're in a sector that does secondaries.
23 They're very uncommon in the biotech sector because
24 the companies need a lot of capital, so the investors
25 are concerned about that capital going, you know, to

1 places other than the company's balance sheet. So
2 IPOs are still very, you know, commonplace in the
3 biotech sector. I think most companies aspire to that
4 for the reasons I stated earlier, that the, you know,
5 capital formation window is much shorter. You can do
6 a round in, you know, four days versus six months.

7 But I think on top of all of that there's a
8 function of how the investors in the cap table would
9 respond to an IPO. So many of them are venture funds
10 and, as the shares become public, they need to exit
11 the position. So that inherently results in some
12 different dynamics with the, you know, trading and
13 liquidity of the shares after you go public. Some
14 investors will hold on and continue to buy, some will
15 need to sell, and some of that can impact the overall
16 valuation of the company in ways that you may not
17 intend.

18 MR. DUFFY: Yeah, I mean, I think that's a
19 really interesting observation. I think maybe, you
20 know, part of your hypothesis could be right in that,
21 you know, it's been -- at least in the last couple of
22 years it's been tough in IPOs, so maybe it's not what
23 entrepreneurs want to put into the, you know, the
24 closing slide on their deck.

25 You know, but perhaps even more broadly, I

1 mean, you can stay private longer. You know, even if
2 you want access to capital, look, I think it's become
3 over the last decade and, you know, two decades, like,
4 just more of a viable option. You know, not judging
5 kind of one path or the other, you know, because I
6 think there's puts and takes on both. But, you know,
7 I think because that option exists, I think an IPO is
8 viewed perhaps less as an exit.

9 And fundamentally, I mean, an IPO, like,
10 yes, it's kind of an exit, but it's not really an
11 exit. I mean, it's best to be thought of as a
12 capital-raising event. You know, yes, some of your
13 cap table investors can, like, get liquidity, but I
14 don't think that's the right, like, mental model
15 anyway.

16 MS. BLOOM: Well, thank you. Now I will let
17 the panelists go, take a seat, get out of the hot
18 lights.

19 Thank you so much for sharing your
20 expertise.

21 (Applause.)

22 MS. BLOOM: But don't just relax too much
23 because now it is the audience's turn.

24 So if you want to weigh in on any
25 recommendations, whether it is that small

1 and emerging, the growth stage, or public company,
2 please come on up and join the mic and share your
3 views.

4 OPEN MIC: AUDIENCE OPPORTUNITY TO DISCUSS POLICY
5 RECOMMENDATIONS

6 AUDIENCE PARTICIPANT: Jenny, you've been
7 asking us to come up and share our views about the
8 policy, so I'm really glad to do that.

9 So my name is Chris Miller. I'm with the
10 National Coalition for Community Capital. And a year
11 ago I was in this room and Zach Fallon, former SEC
12 attorney, was on a panel with a venture capitalist and
13 an angel investor. And Zach noted that there's this
14 missing piece in the market, and that missing piece is
15 a community-based pooled investment fund that would be
16 available for community members to invest in, whether
17 they were accredited or non-accredited investors, that
18 would reinvest that capital into the community and
19 real estate and in business projects in communities.
20 And that is the work that our national organization
21 has been doing for the past several years, working
22 with communities who are interested in doing this.

23 And of course, we are compromising. We are
24 using a workaround of real estate funds or a business
25 development corporation in order to do charitable loan

1 funds, in order to do that in a way that really brings
2 benefit to communities. But we see this as a huge
3 need.

4 And just to frame that, we're currently
5 working with the IEDC. The IEDC is the International
6 Economic Development Council, the largest economic
7 development entity on the planet. And we are working
8 with them to develop materials and to train their
9 folks on how they can go into communities across the
10 country of any size and build a community investment
11 fund. We're working with Main Street America, and
12 there are over 1,700 downtown communities there with
13 the LISC and the CDFI folks, and they're in 1,200
14 counties. And all of those organizations are very
15 interested in funds like this, so we see an urgent
16 need to create those funds.

17 And actually, we heard a lot today about
18 access to capital. We like to talk about building
19 capital to access. Thank you.

20 MS. RIEGEL: Thank you, Chris.

21 Anyone else want to join?

22 (Pause.)

23 AUDIENCE PARTICIPANT: So let me read the
24 actual one. So when you're voting after this, here's
25 what you want to vote yes for: Create a new private

1 fund exemption to foster small or regional funds
2 focused on a community. Sound good? Everybody in
3 here a yes for that?

4 Shy. Okay.

5 MS. RIEGEL: Does anyone have any questions
6 on any of the recommendations? I mean, we did not
7 write these. They are not ours, but I'm happy to --
8 if there are concepts included in the recommendations
9 that we have questions on, I am happy to try and
10 address those or point to resources that are available
11 to help better understand kind of what each of these
12 recommendations are getting at.

13 MS. REISCHAUER: The other thing I'll offer
14 is if you've been trying to get into the recs, take a
15 peek at them. And if you're having any trouble, feel
16 free to grab any of us sitting on this side or out in
17 the hall. We can help you get situated, too.

18 MS. RIEGEL: Well, with that, I will at
19 least give the logistics on how to vote.

20 So you can use the QR code that Amy had
21 explained before. It's on the back of the agenda if
22 you are here in person. It's on our website if you're
23 online. If you have trouble with either one, either
24 follow up with SEC staff and we will help you vote
25 today. If you are online and you are having

1 difficulties, email smallbusiness@sec.gov, and we will
2 help make sure that your vote is counted.

3 So when you go in to vote, you will see a
4 number of recommendations. So there are approximately
5 20 for each panel. You want to select five. It's
6 going to allow you to only select five in each of the
7 three panels. So when you select five, you want to
8 look at kind of what is going to help capital
9 formation policy, and how can I help improve that
10 ecosystem.

11 If you select six, it will not let you
12 submit it. You're going to have to go back and take
13 one off and choose something else. If you pick one
14 and you want to switch it out, you can just unselect
15 it and reselect.

16 If you do -- you can vote in either all
17 three categories, one category, or two categories. If
18 you click on something and you don't want to vote in
19 that category, refresh the page. It will zero
20 everything out and then you can just vote in the
21 categories that you choose to vote in.

22 The key thing here: hit submit at the
23 bottom of the page, because that will allow your vote
24 to actually be submitted to us.

25 The other thing is voting will remain open

1 until 9:00 p.m. Eastern Time tonight.

2 Again, if you have trouble voting, please
3 email us.

4 We want your voice to be heard. We want --
5 this is all -- this event is about you, and about you
6 helping participate in capital formation policy, and
7 having your voice be heard. So please email us if
8 you're having trouble. Stop us here if you're in the
9 halls.

10 With that I'll just kind of say thank you.
11 We had three incredible panels, and there were so many
12 insights, and it's clear there are so many people
13 building and supporting and funding that key small
14 business capital formation, and it's just inspiring to
15 hear the stories and to hear from everyone that was
16 able to join us today both as speakers and as
17 participants today.

18 We had a wonderful discussion that was
19 collaborative and had so many questions and
20 interactions with our panelists, and that was exactly
21 what we were hoping for today.

22 So thank you so much for sharing your time
23 with us and sharing your feedback with us.

24 And yes, for those that are online, thank
25 you for joining in. For those in person, if you want

1 to mingle in Veterans Hall, which is just behind us,
2 we'll be around.

3 Thank you again for joining us, and we look
4 forward to seeing you next year.

5 (Applause.)

6 (Whereupon, at 4:46 p.m., the meeting was
7 adjourned.)

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PROOFREADER'S CERTIFICATE

In The Matter of: SMALL BUSINESS FORUM
File Number: OS-0001
Date: Monday, March 9th, 2026
Location: Washington, D.C.

This is to certify that I, Kyleigh McGinnis, (the undersigned), do hereby swear and affirm that the attached proceedings before the U.S. Securities and Exchange Commission were held according to the record and that this is the original, complete, true and accurate transcript that has been compared to the reporting or recording accomplished at the hearing.

Kyleigh McGinnis 3/16/2026
(Date)

CERTIFICATE OF REPORTER

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I, Kevin E. Carr, reporter, hereby certify that the foregoing transcript is a complete, true, and accurate transcript of the testimony indicated.

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

Date: 3/9/2026

Official Reporter: Kevin E. Carr
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