PARTICIPANTS:

Jay Clayton, SEC Chairman

Allison Lee, SEC Commissioner

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Stephen Graham, Co-Chair, Fenwick & West LLP's Life Sciences Practice

Sara Hanks, CEO and Co-Founder, CrowdCheck, Inc.

Youngro Lee, CEO and Co-Founder, NextSeed

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PARTICIPANTS (CONT.):

Brian Levey, Chief Business Affairs and Legal Officer, Upwork, Inc.

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Karen Mills, President, MMP Group, Inc.

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Jason Seats, Chief Investment Officer, Techstars

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Jeffrey M. Solomon  Chairman and Chief Executive Officer, Cowen, Inc.

Hank Torbert, President, AltaMax, LLC

Gregory Yadley, Partner, Shumaker, Loop & Kendrick, LLP
MS. GARRETT: Good afternoon. This is Carla Garrett, the Chair of the SEC Small Business Capital Formation and Advisory Committee.

I would like to welcome members of the committee, Chairman Clayton, and Commissioners Peirce and Lee to this ad hoc meeting. I hereby call the meeting to order.

I also want to welcome members of the public who are tuned into the today's meeting and thank you for recognizing the importance of addressing access to capital issues faced by small businesses in the current Covid-19 environment.

Jeff at Cowen, the Vice Chair of the committee, and I felt that it was important to have a committee meeting as soon as possible to recognize the extreme situation facing small businesses nationwide.

During this meeting, members of the committee will share observations from their areas of their marketplace and discuss how the committee and the Commission can help small businesses address their short-term capital needs.

Before we get started, I would like to state some ground rules for the call, to maximize the efficiency of this virtual environment. All members'
microphones are currently muted. We ask that you mute and unmute your microphone when you speak to reduce background noise. You may do so by clicking the microphone icon at the bottom of the video screen. And when you do speak, please first state your name so that everyone, including the court reporter and members of the public listening to it on sec.gov can know who is speaking.

If any members have any tech issues during the meeting, please email Malika or Julie, and they will help you get in touch with tech support.

Martha?

MS. LEGG MILLER: Thank you very much, Carla. And thank you again, to everybody, for being available on such short notice. With everything going on, it is very timely that this group is meeting. We've had a number of members of our team that are live and on the phone, including Julie Davis and Jessica McKinney, who worked very hard behind the scenes to make this meeting happen.

And as with each meeting, I have the pleasure of reminding everyone that the views that are expressed today are our own and do not necessarily reflect the views of the Commission, any Commissioner, or the collective views of the staff on the Commission. And
with that, we can move into the more exciting content for today, and substantive discussion. Thanks, Carla.

MS. GARRETT: Thank you, Martha. Oh, Julie, do we have a quorum for the meeting today?

MS. DAVIS: Yes, we do.

MS. GARRETT: Thank you. I'd like to note that the NASAA has appointed a new representative to the committee, following Mike Pieciak's completing his term as President of NASAA. We wish him well. We are pleased to welcome to the committee NASAA's new designee, Melanie Lubin, the Maryland State Securities Commissioner.

I believe that we have Chairman Clayton participating via audio. Chairman Clayton, would you like to say some words to start us off?

CHAIRMAN CLAYTON: Thank you, Carla, and thanks to all the committee members for convening this very timely meeting, that we hope to gain a lot from your perspective and expertise.

We're facing an unprecedented national challenge, a health and safety crisis that requires us, all of us, for our own sake, for the sake of our families and friends, and for the sake of everyone else in our society, to significantly change our daily behavior.
Many of us are making difficult personal sacrifices, and I would be remiss not to note that there have been many heroes in our collective fight against the coronavirus, including our first responders, healthcare professionals, and those who support them, and those who come to work every day and make sure our shelves are stocked and the goods get there on time. I think we all recognize that and we continue to do so.

Small businesses are part of this, and they've been significantly impacted by our collective fight and the sacrifices that we all need to make. I think what is most, most helpful today in our area of expertise and involvement is to talk about the financial challenges that small businesses are facing and how our capital markets and our rule sets can be used to assist them and facilitate capital formation for them in this time.

Over the past several weeks, I've shared more detailed personal views on the functioning of our capital markets. And I'll refer you to those views online.

In short, to most effectively respond to Covid-19, parts of our economy have been asked to function at full throttle. Other parts have been asked to function quite differently. For example, teleworking. And other parts have been asked to just
stand down. And this, for individuals and small businesses, involves hardship and uncertainty. Many people are going to need assistance, need rent, payroll, and many other cash needs.

What we've done so far at the SEC is to try and respond to this. For example, in the area of small business, last week we provided relief to companies with respect to filing obligations under Regulation A and Regulation Crowdfunding.

We've provided targeted relief in other areas to try and assist companies in coming to market, raising capital, and communicating with their investors. Being able to freely communicate with their investors so that we can all understand the position they're in.

With those thoughts in mind, and other actions we might take, I welcome your perspective and I thank you for your assistance to us. Carla, back to you.

MS. GARRETT: Thank you, Jay. Commissioner Peirce, would you like to make any remarks?

COMMISSIONER PEIRCE: Sure. Thanks, Carla, and thanks to the committee for having this meeting today. Covid-19 has upended everything in our lives, the last month. The temporary shut-down of the economy I think is particularly difficult for many small businesses, which are being forced to shut their doors,
let employees go, and perhaps even completely cease
operations.

   Cooperation, creativity and flexibility can
help us get through the current crisis and to transition
back to normal activity. I'm pleased that we're
beginning that process today by hearing directly from
the committee on their ideas of how the Commission can
help small businesses address their short-term capital
needs to maintain long-term viability.

   Bold action will be necessary, so in
brainstorming solutions, we ought not to tether
ourselves to our existing regularly frameworks. For
example, I have previously advocated for a micro-
offering exemption for entrepreneurs to raise small
amounts of capital from the people that know them best.
Could a micro-offering exemption assist hundreds of
thousands of restaurants and other local businesses
that, while beloved by their communities, are not
currently allowed to operate? Would getting such an
exemption up and running on a pilot basis make sense at
a time like this?

   Last month, the Commission proposed a number
of amendments designed to harmonize, simplify and
improve the framework for private offerings. In light
of the current environment, do those proposals go far
enough to make exemptions such as Reg A and Reg Crowdfunding attractive to small businesses? Could we make temporary adjustments to these regulations to make them more useful in meeting pressing needs that cannot wait for the full rulemaking process to happen?

Allowing businesses and investors to engage in capital-raising over the internet is just another way of practicing social distancing. So Crowdfunding may have a bigger set of potential users now than it did a couple months ago.

We should think not only in terms of preserving existing businesses, but about fostering entrepreneurial tendencies during a time when other opportunities are dwindling. As the ranks of unemployed swell and the prospects for working outside the home shrink, people may turn their time and talents toward building small businesses.

I just heard, for example, about an Uber driver who is now making his income by producing hand-crafted masks.

In the midst of so much uncertainty, this committee's work has only become more relevant. I'm eager to hear your observations, and for the members of the public who are listening or watching online, to the extent your ideas -- that you have ideas that you would
like to share, I can't say my door is open, but I will
urge you to reach out to me by email or phone and to my
fellow Commissioners, and of course to Martha Miller's
office as well. Thank you so much.

MS. GARRETT: Thank you, Commissioner Peirce.

Is Commissioner Lee on the phone?

COMMISSIONER LEE: Yes, I am. Thank you. I
don't really want to have any remarks to make, other
than to just thank the staff for moving quickly to help
put this together, and very much thank the committee for
taking the time in the middle of the crisis to meet. And
I'm very -- looking forward to hearing from everyone, so
thank you.

MS. GARRETT: Thank you very much. Okay,
committee members. We'd like to give each of you up to
three minutes to share your experiences on the following
topics: We set up this agenda so that everybody would
have a chance to speak. And we'll see if we have time,
you know, left over at the end to talk about some --
kind of the big picture ideas. But we do want to make
sure that everybody has a chance to speak.

The three topics that had mentioned were:
number one, the primary operational challenges that your
business and small businesses that you work with are
facing. And please note that this topic number one is
not limited to capital formation.

Number two, challenges that you are seeing small businesses face accessing capital from investors.

And number three, trends, expectations or predictions that you may have in changes in raising capital or investing as a result of the current situation.

There's no need for every member to speak on every topic, or at all. In addition, if one member has raised an issue that is similar to an issue that you are seeing, in order to save time, you can state you would reiterate what the other member has said.

In order to help with the logistics, the order of speakers was provided to you before the call. There is one change, as we will have Karen Mills speak earlier, since she is only available to attend the meeting for the first 30 minutes of the call. And Karen is the former administrator of the Small Business Administration and is a committee member.

I will start off, as Chair. I, my background is a corporate attorney, and I advise small businesses, and I am also the owner of a small family business, Garrett Book Company. That has been in operation for over 50 years.

I'm going to talk briefly about the
operational challenges that my small business has faced. The Garrett Book Company sells children's books to school libraries. As a result of the nationwide shutdown of schools, our company sales have obviously been reduced. We have employees that have worked for us for 20, 30, 40 years, and we do not want to lay off any of our employees during this period of time. Therefore, we are applying for the federal assistance programs under the CARES Act. We've already submitted an application for the Economic Injury Disaster Loan Program, and we have completed our application for the Paycheck Protection Program, which will be submitted tomorrow.

Both -- as everybody knows, both of these programs are designed to enable employers to retain employees and cover overhead costs during this crisis. And that will be the goal for my company, is that we will not need to make any cuts or lay off any people during this period of time.

Now, as an attorney that advises small businesses, what I've heard from many small businesses is that they're having questions about how to apply for these federal programs. That seems to be the most prevalent question that I'm getting from my small business clients. And one issue in particular that has
come up is whether venture-backed and private equity-backed companies are eligible for the programs. And I'm interested in hearing from other committee members about this issue.

With respect to number two, accessing capital, in -- for me, personally, I've seen some M&A deals that have been put on hold due to the crisis. And we'll see if they are back up after the crisis gets better.

And with respect to number three, predictions, I am interested in hearing from other members, their predictions on the future and what we might expect.

One thing I would like to note is that in addition to the federal assistance programs, there are many large companies, foundations, state and local agencies and nonprofits that are offering various forms of assistance and grants to small businesses during this crisis. That is all I have to say. Jeff Solomon, the Vice Chair of our committee, will speak next. Jeff, are you there?

MR. SOLOMON: Yes. And when I sit down here, that will be helpful. I was -- for the first five seconds. It's good to be together with everybody. I think, you know, any time we have an opportunity to reach out to the people, that maybe we took for granted seeing you in person. And I think a lot of us have been
doing a lot of Zoom calls and WebEx calls. And it's been effective, but you know, you do take the time -- I do cherish the time of actually being in person. I look forward to when we get this group together again. It's a good group of people that I enjoy spending time with. 

So real quick, I think from our standpoint, operationally we were early in recognizing some of the challenges. Unfortunately for us, we did have a conference at the beginning of the month of January -- I'm sorry -- the beginning of the month of March, in which we had 2,300 attendees. And then by March 6th, which was that Friday, we found out that we had two Biogen executives that were at that conference in Boston, who went to our conference in Boston at the beginning of the week, test positive, or that we thought they were going to test positive.

So, we had to swing into action pretty quickly to make some decisions around whether or not we were going to have people work from home. We had 150 counter employees at that conference, including myself. So -- and we made a decision that weekend to actually shelter in place, as now we call it.

So I've been working from home for like a month at this point. The good news is, as hard as it's been, we now have 90 -- north of 98 percent of our
people are working from home. And it's really
fortunately that we had business continuity plans that
we've been able to adjust and continue to conduct our
business. Particularly our trading business, which is
an equity trading business, which has been pretty robust
during this timeframe. And it's amazing that we're
actually able to do it from home.

I have to -- you know, a lot of us do business
continuity planning, and we're mandated from a
regulatory standpoint by FINRA and the SEC to have
robust business continuity plans in place. It's that
kind of leadership from the regulatory authorities that
have helped our industry to by and large function during
this very difficult time. And I've talked to a number
of my compatriots. If this had happened during the
financial crisis, none of us would be able to be working
remotely. So we made great strides. And at least -- so
when the Fed came in and did what it did in terms of
providing liquidity and when the fiscal stimulus
happened, we were all capable of actually being able to
execute.

On that front with capital formation, you
know, our clients, our smaller clients are definitely
struggling as they figure out their business models.
The biotech industry, which is a big industry for us,
continues to function. There's something eerily odd about, you know, dealing with a business that never seems to have certainty around revenues.

So, ironically, that industry is probably more equipped to handle low revenues than just about every other industry. We did a deal last night for a tools and diagnostics company. We've got a bunch of biotech companies, that as long as the markets are functioning they're planning to continue to raise capital.

Outside of that, it gets pretty thin, and certainly I would agree with Carla that the M&A pipeline, it -- M&A deals are close to closing, and we're just waiting for regulatory approvals or between signing and closing those -- it'll probably get done, because material adverse change outs are not being implemented or invoked yet. But you know, if you're about to launch a process to sell a small business, you're probably going to wait. I will say though that a lot of family-owned businesses that we talked to are probably less price-sensitive than they were a month ago. And if there's a window of opportunity here where capital can take a breather and start to look at new opportunities, I think there's going to be a lot of sellers and they're probably going to be at prices that are way more attractive than what people have seen.
And like Carla, I'm curious to hear, you know, some of the things that you think we all could be doing. I know I've spoken to a number of people on this call and we've spent some time with the staff, and I've spent some time with a few of the Commissioners talking about some of the things that would make it easier for us to continue to do the things that we do at Cowen and for our clients. And so, I'll cede the rest of my time to everybody else.

MS. GARRETT: Okay. Thank you very much, Jeff. Karen Mills, would you like to speak next?

MS. MILLS: Thank you very much, and thank you to all the Commissioners, and to you, then, the Chairman, and to everyone to getting together on short notice. This is really an unprecedented crisis for small business owners. I have been thinking a lot about January 2019. When I was in my job, the first quarter, we lost 1.8 million small business jobs. But already we've seen unemployment records at record highs, and most of that is probably for small business owners. So I just want to take a minute and frame what I think is going on out there and how the land of small business feels and looks right now. There are 30 million small businesses. This is almost half of the American workforce. So about half the people who work in this
country own or work for a small business. 24 million of those small businesses are sole proprietorships. We work really hard to get them covered in the recent bill. And in fact they are able to collect benefits and take advantage of the small business provisions in that bill, so that's a good thing.

Of the six million who have employees, about four million are main street small businesses. May or may not be able to access some of the things we'll talk about in this committee, but certainly need help. And the reason they need help is that on average those businesses have 27 days of cash buffer. And that means as you turn off the revenue spigot for so many of them who are shut down, that they are at this time running out of cash.

So what we are trying to do is think about programs that will get cash into their hands to allow them to stay the course and pay their employees. And as you described, Carla, these are like family members. These are people who you want to have in your business. And have them be able to be there at the end of this, so the small business can, you know, pick up where it left off, and our economy can keep going.

The two parts of the bills that have been passed that are most likely to be accessed by these
small business owners are the SBA Disaster Loans, the Economic Injury Disaster Loans. $7 billion of those loans were approved in about two weeks ago in the very first bill, and the SBA is getting those up and running. And once -- you know, they're going to be overwhelmed. We used those bills, those loans very effectively in the BP oil spill. But of course, that was only one region of the country. Now the whole country is affected.

The second part of the program is, of course, the $349 billion in the small business provisions in the recently-passed CARES Act. And those provisions have a great many positive things for Main Street small businesses. They have provisions that some of those loans can be turned into grants if you use them for permitted activity which is to pay your people. Which is of course what we want. And to pay your rent, to pay your mortgages and to pay other permitted expenses like interest on loans and utility bills.

So the problem with that, those funds, is that we have not yet gotten them flowing and deployed. And as everyone knows, tomorrow is the day that they will open, but I am talking to banks and hearing from banks that they are having a lot of trouble figuring out the answers to some of the questions that you raised
earlier, Carla. What are the affiliate roles? Who
actually is eligible? The bill has tried very hard to
take out some of the impediments to the usual 7A lending
process, but if still people say banks are saying it's
too complicated, and the rules about how the 100 percent
guarantee will work are not -- it's not comfortable yet
for the banks that they are going to be not held
accountable if they try to get this out very quickly.

Now, time is of the essence. So another thing
that we're working very hard on is to get some of the
Fintechs, the new technology companies like PayPal and
Square and Stripe and Cabbage and QuickBooks from
Intuit, have all come to the table and say they want to
provide some piping and access. PayPal has 10 million
small businesses that they interact with that they know
are actually real, identifiable small businesses and
therefore, you know, won't be fraudulently funded. But
they are not banks. So we need to figure out how to
connect them up. So I would say at this very moment one
of the primary concerns I think is to get cash into the
hands of these small business owners.

We can think about micro activity, but that
might be more applicable for middle-sized businesses,
middle-sized small businesses in supply chains. So just
one last thing, for supply chain businesses, a really
important activity that's going on is to ask people to pay their bills. Large companies tend to hoard cash in a time like this. And what we want to make sure is that they pay their bills quickly. And of course they hoard their cash because markets are going to look at their cash balances and say, you know, will you be able to survive this crisis? But if they step forward and pay their small businesses quickly -- and I would ask also the government to pay their bills to small businesses quickly. Any bill that the government has for a small business contractor, pay it today. Don't wait 15 days or 30 days or 60 days.

We proved in a quick-pay program that was later analyzed by some economists, Rajan Anandan, that paying quickly or in when immediately the invoice is issued, puts that cash in the hands of small business owners and gives them liquidity that they need. This is really a critical time. Because if we don't help some of these small businesses survive, it will be very hard to restart the economy. And at that point I think we should look at other kinds of funding for startups, which we can leave the conversation on to a different day. But then we're going to be talking about helping new small businesses raise money in more innovative ways.
So hopefully we'll get a lot to survive, and we'll be able to come out of this if we all pull together. Thanks for the time.

MS. GARRETT: Thank you very much, Karen. We appreciate those thoughts. Greg Yadley, you are next on our list to speak.

MR. YADLEY: Thank you, Carla. Thank you, Chairman Clayton, Commission Peirce, and the other Commissioners. Of course, Martha and Julie, for all you're doing at this critical time in the Office of the Small Business Advocate. I'm a lawyer at Shumaker, Loop and Kendrick. We have offices in Florida, the Carolinas and Ohio. Primarily a middle market firm, representing smaller public companies, private businesses, family-owned concerns.

And it's been amazing that the impact on all of our clients is similar. There's a fundamental focus on worker safety, how to operate virtually. How to stretch cash. So, I would say that almost everybody in our firm has become an employee, employee benefits, and banking over the last two weeks as a result of the legislation and finance concerns about how to deal with people.

The questions that have been asked, I'll just focus on the second one and the third one. The first
was challenges that I'm seeing accessing capital from investors. There's definitely been delays in people making decisions. If deals are as Jeff said not close to the finish line, they are getting postponed. People want more visibility, report committing, the timeline for when that will be seems to have stretched at least until May. So I think this is going to be a very quiet month. Liquidity is an issue for most companies, so they're hunkering down. There is much more focus on the short-term imperatives.

A number of deals where we've even had a signed term sheet people have put pencils down or asked to renegotiate. There's, as you would expect, I think others are seeing skepticism regarding many traditional sectors that have been quite active. Hospitality, real estate, retail, deals are slowing. The focus, at least in terms of future planning as opposed to doing anything right now are on investments that address technology improvements that can be made in areas such as healthcare and communications, startups, high tech without or with minimal supply chain risk. Those are things that investors that we work with are talking about.

The third question had to do with trends, expectations, predictions on capital raising as a result
of the current situation. People are clearly being conservative. No matter how frequently people say, I'm not really looking at the stock market, they are -- every day they're checking, and the climb in net worth has caused people to be more conservative.

So I think that even after the crisis subsides, valuations are going to remain low. I think uptake is going to be slower. And M&A is going to decrease, at least for a couple of quarters. The private equity firms that we work with are telling their portfolio companies first that they're there to help them. They've been very active as a paternal as possible.

The common message seems to be to weather this uncertainty you have to save cash and extend your ability to have a cash runway, decrease the burn rate. Growth is secondary now. Valuations are secondary. You really need to survive. Many people are saying that without a sense of panic, but just a clear, practical message that we'll get through this. But that's the first and second and third goal.

Another thing we're spending a lot of time on, our contractual obligations, and what does Force Majeure mean in our language and what decides Force Majeure? May we rely on it in terms of either to not perform
ourselves, or how do we react to the refusal of vendors
or service providers to perform?

Some of these things are going to have lasting
repercussions because they're not going to get resolved,
and litigation may not be the best approach. And even if
it is, that's going to take time. So I would say it's
not a great time for investments.

And so people are looking to the government
programs that have been mentioned in order to pay rent,
pay employees, and capital spending has decreased to the
minimum. This will -- certainly among many of our
manufacturing clients, for example, with plants being
shut down or facilities being closed, maintenance is
about all that's happening. Thank you, Carla.

MS. GARRETT: All right. Thank you, Greg, for
bringing that perspective and those insights. Youngro
Lee, you're next.

MR. LEE: Hi. Thank you all. My name is
Youngro Lee. I'm the founder and CEO of NextSeed. We
are a FINSAC platform that are leveraging the
Crowdfunding rules that the SEC had released over the
past few years. And specifically, we have been focusing
on our entire duration on small businesses, brick-and-
mortar Main Street businesses, and to just be direct and
candid, this is very bad. I know that's a very clear
understatement. But given our role working with sort of Main Street businesses -- so to be clear, we don't do -- we don't do technology companies. This is literally restaurants, bars, gyms, you know, you name it.

We had a front role, a front seat to this whole thing happening since, let's say, in early March. We are based in Houston, but we were having business across the country, including New York and California. Most people don't understand the actual devastation that's happening right now in small businesses.

Virtually every single business that we work with on our platform, which we do consider to be the best in their industry -- we accept less than 2 percent of all applications coming in to even list in our platform -- every single have either shut down their business, laid off all their employees, and are literally trying to survive. The reality is if small businesses fail, the entire economy fails. I don't think people realize that when they just look at the mainstream media or just kind of trying to look at it statistically in models. This is the vacuum of the economy that is literally extinguishing or being extinguished in front of our eyes. The only way this is going to be fixed -- and "fixed" is probably not the right word. So the damage control is massive government
intervention. And thankfully the government has been very proactive, especially compared to you know, prior situations like this in our industry.

However, that's just not enough. So specifically on the stimulus and the SBA package, the centralized way of these loans are being organized and distributed, for all the reasons that you guys can imagine, is not efficient, especially for small businesses.

For example, if you're a new business, if you're a business without that much history in the last couple of years, one you're not going to get that much PPE loan.

The EIDL loans are centralized. As you know, there's also various different kinds of limitations and restrictions, you know, processes and bureaucracy. The SBA is hiring, you know, inexperienced individuals, necessarily -- not in a bad -- but they have to do this, to get this out. So the, you know, understanding the specific businesses, at that rate. What that's going to result -- and this is what we've seen in real life -- there are two situations, basically. If a small business has not been successfully, or frankly, theirs is not a good business, they are going to go out of -- they're going to fail. There's just no denying that.
My estimate is, unless things change dramatically, you know, something like 25 percent to 50 percent business failure. I don't think that's exaggeration. It's from actually seeing what's happening.

The businesses that are actually good businesses, because of the government mandates, they're done too, right? So there's actually two things that are happening. One is business owners that are trying to keep at least some jobs alive for their employees. They are just running at cost or minimum losses to maintain food deliveries and such as that. There are also the smart -- depending on your perspective, but there are some businesses owners, they don't want to get additional SBA EIDA loans, all right? Like, even if they can get it, they don't want to take out more debt in this crisis. Those will shut the business down. And when the government, when the economy recovers, they will probably open up again and then restart their process.

But the reality is, given the lack of ability to distribute cash immediately to businesses, there is going to be not a perfect solution from the SBA or otherwise. That leads to the final point. The private market is really the only way this can be solved,
because the local people, the individuals who know who
these businesses are know exactly what the -- or at
least a better sense of what businesses are good
businesses versus maybe they're just not going to be
able to make it.

There are so many different ways, obviously,
this can be approached, but it's also unreasonable to
assume that business can react very rapidly. One
suggestion I had, if it is possible to get emergency
relief or emergency orders or No Action Letters,
specifically for let's say -- would you say the
compliance regulations, the need to get an audit or
review for financials for a capital raise over a hundred
-- right now the limit is $107,000. If we just cap
that, for example, at $250,000 or $300,000, that alone
would make it so much easier for businesses to tap the
private markets on the Regulation Crowdfunding, which is
the only mechanism that can get this out to private
businesses, to non-accredited investors, really the
community members. If we have that mechanism, I think
it would be possible for at least some of these
businesses to tap the private markets for their capital
needs in ways that is impossible to get through
centrally-processed SBA loans or otherwise.

There is a lot of different areas of this, and
we can talk about this forever, but I just want to make that, that point. One way that we're helping as a firm is, because we can't rely on the securities laws to securities offerings, we have a fund called LIFE -- Local Impact Food and Entrepreneurship. But we basically partner with a nonprofit to get donations from community members. Non-taxable basis. Using that fund we've been placing orders to local restaurants to make food deliveries to local healthcare professionals and public safety workers. And that raised about $10,000 in less than seven days. We hope to run that through the course of the program.

But to summarize, I think the SEC actually has tremendous possibilities here, if we can make some sort of emergency action to liberalize Regulation Crowdfunding limits to enable the private markets to actually work in this environment for at least some businesses. Because we cannot -- there is no way that everybody is going to be able to be helped. Thank you.

MS. GARRETT: Thank you, Youngro. I appreciate that. Bert Fox, you're up next. Thank you.

MR. FOX: Thank you, and again, thanks to the Commissioners and the staff for setting this up. I am a partner in the accounting firm Grant Thornton. I think I'll add to the comments about the damage of the Covid
virus on the economy. My firm was on track to probably
our best year ever. In the last months, I think we were
the first major accounting firm to get it to fully
working from home. You know, we've kind of thrown out
all of our internal -- and we pivoted to just simply
preservation of the firm, capital, and all of our trying
to you know, save all of our employees and everything
else. I think we're already starting to see a number of
our clients extend payment terms, looking for fee
reductions and a number of other things. You know, even
though we're still continuing to stay busy, we're
already starting to see a lot of ripple effects, both
large and small clients throughout the economy.

And so, I -- you know, clearly this is a large
economic shock. You know, in terms of you know, what
we're -- we're seeing, in terms of capital raising, I'll
echo what everybody else is seeing. Deals are being put
off. There's a lot of things being sniffed around. But
you know, the lack of ability to forecast, the lack of
ability to really come to a price and price certainty is
clearly there. I talked to a lot of bankers recently.
I think most of our clients have been tapping lines of
credit to go ahead and have cash in the bank, because I
think they're being advised by their bankers right now
that credit may dry up in the future. And so I think
that to me tells you that if you already don't have lines of credit it may be harder to get in the future, which makes me worried about, you know, the smaller businesses that don't already have that sort of stuff.

As it relates to -- and it goes back to one of the points I wanted to make to the Commissioners. You've got a lot of times when companies are scrambling, they don't always dot the I's and cross the T's. And so one of the things that you may want to think about is some sort of way for companies to have a safe harbor to go back and do that sort of stuff, you know, post hoc, if you will, or to go back and sort of do that sort of stuff after the fact, where they can you know, after the crisis has abated, to go back and you know, take care of some of the paperwork and stuff. And don't let some of the paperwork get in the way of getting much needed funds right now.

And then, in terms of predictions, I think we're all hoping for some sort of V-shaped recovery. But as you start looking at the damage being done, you start looking at the unemployment reports and all that sort of stuff, I think we're starting to not -- you know, start basing our forecast not on a V-shaped recovery but a much more flattening coming out of this than the -- I think what we may be, were hoping for even a couple
weeks ago. So Carla, I'll go ahead and let some of the
others speak, because I know we're taking a lot longer
than our three minutes per speaker, so.

MS. GARRETT: Thank you, Bert. I actually
think we're doing pretty well. I am going to have one
change-up in the schedule. We're going to have Steve
Graham, who's next, and then we're going to have Brian
Levey go, because he needs to leave at 1:00. So Steve,
would you like to go next?

MR. GRAHAM: Sure. Thank you, Carla. Thanks,
everybody else. I'm a partner in the technology and
life sciences law firm of Fenwick & West. And much of
what I would have to say has been said by Greg and --
and others. But currently we're in strange and
difficult times. But when you look at my world, which
is the world of biotechnology companies primarily, that
are focused on developing products and engaged --
engaging in clinical trials, they are not relying on
revenue. A couple with service providers that are used
to sitting at a laptop and sitting on cell phones, and
things have not ground to a halt. I think there's some
-- there are some M&A transactions that have been placed
on pause. And that pause is likely is to be a long
pause. But you know, business -- business is going
forward.
Deals are -- you know, again, they're currently -- currently being upended, and there are complexities and lots of questions with respect to -- with respect to the loan programs that are being put in place. But again, for the most part, I see -- I do see business, business happening.

You know, I'm not going to take any more time. I think a lot of good ideas have been placed on the table that I would support. I think that, that this is going to give us an opportunity to really -- I think really -- I mean, this is a chance to really be creative with respect to what we can do with things like Crowdfunding and the micro-offering solutions, and that sort of thing. And so I'm looking forward to working with everybody to try to get something done. And done quickly. Thank you.

MS. GARRETT: Thank you, Steve. I appreciate that. Brian?

MS. LEVEY: Hi, this is Brian Levey, Chief Legal Officer of Upwork, which is a publicly-traded company that enables remote knowledge work, for companies of all sizes. Especially, small businesses or SMBs, both in the U.S. and abroad. I will say these are my personal views, not those of the company. And what we're seeing is just, you know, small businesses, no
surprise, are in survival mode right now. There was a Goldman Sachs survey last week that I think said 51 percent of small businesses say that they will not survive the first 90 days of this crisis.

So I think in light of that, how can regulators make it as frictionless for small businesses to raise, you know, essentially subsistence capital right now and throughout the crisis, and beyond? You know, what is the new normal?

As was mentioned earlier, I think in the CARES Act there is currently a restriction on startups that are affiliated with VCs and private equity firms that have collectively more than 500 employees. That is one area where I think they should remove that restriction, so whatever regulators can do to help remove that or waive that would be helpful.

I think another key right now is just educating SMBs about the SBA loans that I think become available for the first time tomorrow. And a lot of these small businesses are deciding, do I apply for a loan or do I apply for unemployment insurance? Those are just really important decisions that small businesses I think are thinking about right now.

The way I look at things, we're currently in a relief phase of things. It really is just stimulus,
stimulus, stimulus. And there are likely to be one or
two more relief phases of this cash stimulus. And then
I think it'll move hopefully to the recovery phase. And
I'm not sure that it's going to be an automatic
recovery. It's likely to be in my mind some waves
taking place, where everyone may return to a little bit
more normal. But then there could be a period of time in
the fall when things come back. So I think regulators
need to keep in mind this could be a new normal. And
what is changing, you know, sort of a personal behavior
as well as corporate behavior in light of it.

Commissioner Peirce mentioned, you know,
attitudes and you know, towards remote communications.
Thinking about that, I think that's really important
right now. There's -- how do we increase people's
comfort, you know, and does online reputation and
signals become much more important now and in the future
than what had heretofore been human relationship and
trust base? Also it's likely that the recovery plans
and government efforts are going to be focused a lot
more on providing broadband capacity to hopefully more
depressed and less economically-advantaged areas of the
country. So again, more digital focus when thinking
about the securities laws and regulations, perhaps.

And then just, as Jeff mentioned, for
investors right now, how do they look for companies that are going to have resilient, you know, plans and business continuity plans? Because those are going to be as important as ever. And how do new investors focus on businesses with, you know, a renewed focus on flexibility and cost management. So those are just some of my quick thoughts. Thank you so much.

MS. GARRETT: Brian, thank you very much. Sara Hanks?

MS. HANKS: Thanks. Yeah. I wanted to start by saying thank you to the staff, the SEC Small Business Policy staff especially, and Martha's team. Thanks for getting the relief out for reporting for Reg A and Reg CF. And thanks for the guidance. I mean, people, when we have questions, they call us back. And we really appreciate it. And another thing I think we should all be thankful for, is one of the things that Youngro mentioned, which is the way that the Fintechs in general are trying to step in and help however they can, by reducing fees, by providing alternative funds, methods of fundraising or whatever. So we're all pulling together.

Not surprisingly, when you think about concrete measures that we can take, I'm heading along the same lines as Youngro. I was thinking that one
really useful thing that the Commission could do is to remove the need for GAAP financials for the sub-107k offerings under Regulation CF. I think that -- I mean, I would go as far as Youngro and say put it up to something like $500,000. For some companies right now, historical financial statements, whether they're reviewed or audited or just formatted, are absolutely useless. They provide no useful information whatsoever. History has passed. You know, maybe you were raising loads of money, maybe you were producing loads of revenues before. It's absolutely irrelevant at this point. So companies could be allowed to disclose what their debt position is. Who do they owe money to? And then not have to put together financial statements, for a temporary period.

As I say, limit it to offerings, say, under $500,000. And if there is something that you can do -- and I know that the way that the regulation works with the statute may be problematic. But letting companies take money as soon as they hit their targets, as opposed to having to wait 21 days before disbursement might be very useful. I mean, as we know, many of the small companies, and I'm thinking particularly of restaurants here, have enough cash on hand for 16 days, and we're pretty much there now. So if there is a way to do that,
that would be brilliant.

As far as predictions go, I'm where Youngro is. I don't think people realize how bad this is. This is going to be -- yeah, this is terrible. We will get through it, but it's going to take longer than anyone thinks. Sorry.

MS. GARRETT: Thank you, Sara. Sapna?

MS. MEHTA: Hey, everyone. I appreciate the willingness to have this meeting and to hear from us and the perspectives that we have. I don't -- for purposes of recording this call. But you know, we have seen a lot of our portfolio companies just devastated by this. And obviously, anyone in retail, hospitality, co-working, a variety of companies, a lot of our fundraising rounds have fallen apart, and now the companies are, you know, in desperation mode. Not all of our companies. There are, you know, other companies, I think Stephen mentioned biotech, health. There's AI, and certain SAS companies that it's not affecting as much. But the ones that it has affected, I mean, we've seen a lot of our companies have to lay off or furlough over half, you know, to all their employees.

And now, it'll be interesting to see the way that will interact with the PPE loans; if they'll need to hire back some of these employees in order to, to get
the loans. You know, we've just seen some questions. We've got -- and I'd rather that our portfolio companies be based on their questions, you know, which programs preempt the use of another program or credit. You know? And we've got -- we've seen, you know, Ron Klain, who works at Revolution. He's gotten advice and he's advised that it's best for companies to apply as soon as possible for the PPE loans, given that we don't know how long the funds will be spoken for, dispersed. And just, you know, before there's the next stage of the stimulus package, even if you're not sure that you would qualify for it, you know, under the affiliate rules, best to apply for it.

And there were some questions whether it's best to use the SBA form, their template, or go directly to the company's own bank. There might be a little bit more flexibility there with the banks interpreting "affiliate" and the affiliate rules and all of that. So we are, you know, we've gotten some advice that it might be more efficient to go directly to the bank. But I'm not sure if that is accurate.

There's also -- you know, and I am curious as to where the affiliate definition -- what has happened. I know there are lots of groups that have written letters and dozens of members of the Senate and House
who have submitted letters. I'm just curious if any of
the Chairs have any updates on where that sits.

And then the last thing, you know, this is --
a lot of our companies have asked us what our view is
of, you know, letting their employees have a piece of
equity of the company in lieu of taking a salary. And
it's just a messy area with deferred comp issues.

You know, I keep telling them they need to
speak to their counsel and see how other equity plans
are set up. But maybe if there's some flexibility, you
know. I know it's not totally within this range. A lot
of is IRS and between ordinary income, capital gains and
when taxes are due on that, et cetera. But they're just
trying to think creatively of how to keep their
employees when their revenue streams have dried up.

So hopefully, you know, some of the programs,
the loan programs available, will help ease that pain.
But it certainly won't ease all of it, so we need to
think a little more creatively as to how we can make it
easier for these companies to keep some of their
employees. And otherwise I would just echo what
everyone else has already articulately said who has gone
before me.

So thank you.

MS. GARRETT: Thank you, Sapna. We appreciate
that. Catherine?

MS. MOTT: Can you hear me now?

MS. GARRETT: Yes, we can. Thanks.

MS. MOTT: Thanks. Many have said -- probably a lot of the things are shared; they're sentiments which are similar to mine. Some -- I have a BlueTree Venture Fund. And the BlueTree Allied Angels. So I speak on behalf of both of those right now. The trend we're expecting is colored by two of our portfolio companies that have been asked to be accelerated into Covid-19 clinical trials.

So hearing the feedback from those companies changed our perspective on how we coach and mentor our portfolio companies. We're asking them to think more long-term rather than short-term. We're telling them to think as they conserve cash, they should be thinking about 18 to 24 months out. And so that, that colors how we're seeing, you know, the cash needs and cash conservation practices.

Where we're spending some time right now as an industry, the National Venture Capital Association and the Angel Capital Association is communicating clearly to the SBA and to our elected officials that the affiliation rule in the CARES Act is limiting many, many companies that are under 500 employees. And you know,
it has been making traction and doing well. We'll need this lifeline of support and can't be excluded from applying for these loans. That's really very critical.

We're talking to our Limited partners and changing how we are -- related funds, how we're planning to allocate the funds. Typically we're looking at 60 to 70 percent of those funds invested in new companies, and then 30 to 40 percent in follow-on capital. We're switching that around. It's 70 percent to be focused on previous portfolio companies, and then the remaining may be for new companies. Companies in our portfolio right now that have -- two things.

I think someone else alluded to this. If we had a company that was about to be acquired and would have been a 6X return for our investors, in the eleventh hour the deal was retracted.

The other thing is, we have companies in our portfolio that are in Series B and Series C rounds. And also the terms of those rounds are being either -- either the terms of the deals are being retracted or they're being renegotiated.

But most importantly, I think that if there's anything we can do here, I'm really intrigued with Commissioner Peirce's ideas of the micro-offerings and the capital raising over the internet. If there's
anything creatively that we can do and be supportive of, I'm all in. And I echo Sara's remarks. I can't thank this, the Commissioners and this committee on how we're really working hard to make sure that capital formation in the middle of America and in underserved areas is being addressed. So, thank you.

MS. GARRETT: Thank you very much, Catherine.

Chairman Clayton, I hear you'd like to make some remarks?

CHAIRMAN CLAYTON: If you don't mind. And I'm sorry to interrupt. I know you have at least a handful more comments. I'll try to be quick. But I want to be responsive, and I have a hard stop. First, thank you to everybody. This is what I think all of us, Allison, Hester and I would have hoped for, and Martha and Julie and their team. This kind of information. I wanted to let you know that I hear you on the affiliate issue and the equity comp IRS issue.

We are in regular contact with our colleagues across the federal government, including Jovita at the SBA, folks at Treasury. What I can commit is, I will echo these issues to them, based on this call.

I hear you on the cap. I hear you on the financial statements. I do want all of our investors to understand that in times like this for many companies
historical financial statements are not as -- not anywhere near as relevant as they had been. What is relevant are cash flows and business operations projections as best as they can be estimated in light of the circumstances. I will come back to that.

I want you to also know that Martha and Julie and their team recognize -- they're very sophisticated. They recognize that we have a credit-based economy and a consumer-oriented economy. This situation has hit both of those incredibly hard. And they also recognize that many of our small businesses, that is their business. It depends a great deal on credit, and they depend a great deal on the consumer.

Lastly, I want to share with you some personal -- these are personal views that I have. That you are here, and I want you to know how we're looking at getting through this -- that "we" me -- hopefully others agree with me. Hopefully you'll comment. Maybe this is not the right form; but it goes to Sara, how bad this is and where we need to help our businesses, our workers and everybody else go to get through this from a health and economic point of view.

People do not invest unless they have visibility to the future. That's why I'm very supportive of the CARES Act. Because right now
visibility is very limited. We have 30 days to stop the spread. Businesses are trying to operate under those conditions. Some can't operate at all. The question that we need to start looking to is what next? And how can we operate under hopefully relaxed but very responsible health and safety guidelines that utilize what we've learned, utilize testing. And hopefully, as we go forward, utilize a therapeutic and then a vaccine.

That kind of framework -- which I'm not a health professional. I have no idea on timing. I'm not an epidemiologist. I don't know how much guidelines can be adjusted.

But I think as an economic regulator, we need to start thinking in those terms and help people communicate in those terms, even if they're uncertain. You know, if you don't start to get certainty around these things, people are not going to invest and they're not going to provide credit.

So that's my personal perspective. I wanted to share it with you. And I thank you for all of the input.

MS. GARRETT: Thank you, Chairman Clayton. We appreciate that. Poorvi, you're up next.

MS. PATODIA: Sure. You guys, for those of you that don't know me, I'm Poovi Patodia. I'm the
founder and CEO of Biena Snacks. We are a healthy snack food brand with a number of snacks that use legume and bean-based ingredients that are high protein. You know, in comparison to many other small businesses in the market today, I think, you know, we are -- my team and I continue to be incredibly thankful that we have a positive -- we've been able to play a positive role in the pandemic over the last month as things have gotten worse and worse. And by a positive role I mean that, you know, being a packaged snack, where 95 plus percent of our revenue comes from brick-and-mortar. We sell to grocery stores. And then another five percent that has historically come from e-commerce. You know, we are a company that has seen a surge in our business, in particular due to increased foot traffic at grocery stores. You know, at brick-and-mortar retail grocery.

You know, having said that, while certain parts of our business are far up, other parts of our business are -- have been decimated by the Covid-19 pandemic. So, in particular, two channels that contribute a significant portion of our revenue are food service and hospitality. So, our snacks are sold, for example, in corporate cafeterias, or large corporations, through Aramark and Sysco, and food service providers such as those. As well as we have a portion of our
revenue that comes in from bulk business. For example, there's a retail in Canada called Bulk Barn, where their entire store is bulk bins. And so that's another type of retailer that's been essentially shut down as a result of the pandemic.

So, you know, as it relates to our team, we have had about 25 percent of our team is comprised of people that are out in the field every day, calling on grocery stores and building relationships at the store level. They'll bring displays and things like that. So all of the -- you know, those team members have been grounded. And you know, we've looked for ways to make productive use of their time. Over the last couple of weeks it's been slow.

So, you know, I think that there are, as it relates to the food industry and companies such as ours, we do expect from a trend standpoint that there's going to be long-lasting negative effects as a result of this. You know, some -- for example, some of the areas that are being impacted, some of the areas that we'll continue to see a negative effect even after the social distancing guidelines go away is in the area of new product launches and resets at grocery stores. So we're seeing, while the Krogers and Walmarts and Whole Foods, you know, who are some of our largest customers, have --
are continuing to operate and they're deemed to be essential, they are all pushing out product launches and resets of new products that are going into grocery stores. So any growth that we had expected in the back half of the year that was going to be coming from new distribution of our products into retail or launching new products, all of that will be basically at risk. And either will not happen on time or will not happen at all, in the 2020 calendar year.

So you know, we are from a cash standpoint, we are, you know, putting together a scenario in which all of those things just don't happen in the back half of the year. And you know, as it relates to access to capital, I'll just give you an example, you know, of my own business. We had expected to do a fundraiser in the back half of this year, which we're essentially now planning not to do. And so, you know, we're looking at ways to essentially stretch the cash that we do have. Thankfully, you know, we do have a little bit of a runway in front of us, but we're working very quickly to figure out how to be able to extend that cash, similar to what I've been hearing, you know, others talk about as well.

And so, you know, we are looking at all, all different ways of doing that. We are -- you guys might
be interested to know that concurrently we had been pursuing a line of credit. And both from banks as well as alternative boutique lenders that focus on the CPG and the food space. And you know, I do think that their requirements have gotten tighter. And in particular for the alternative boutique lenders, and for -- as it relates to the banks that we're speaking with, we're fortunate that you know, we're being prioritized.

But certainly, the flux of inquiries related to the SBA loans has put all of the banks that we're talking to are suddenly, you know, just have this massive influx of work. And so even those conversations, while they're continuing, it actually has a negative effect on our ability to move with the speed that we wanted to move at on the line of credit, so.

MS. GARRETT: Thank you very much, Poorvi. We appreciate that information. We are running short on time. We have about 19 minutes. I would like for Martha to have a chance to speak at the end. So, the next person up is Jason.

MR. SEATS: I'll talk fast. So I'm with Techstars. We're an early-stage investor. We have over 2,000 portfolio companies, where the vast majority are in the U.S., so we see a lot of impacts in that starter portfolio. I might say number one impact really here,
which has already been mentioned a lot, is just uncertainty.

I think the initial hope of this being a V-shaped recovery comes from the fact that this is -- the origin on this crisis is a health crisis, not a financial or economic crisis. But we're experiencing obviously a second or third order effect here. Our advice to our portfolio is really simple, sort of three prong advice that we've been pushing on hard. First is to manage the health issues. And so we do have, you know, Covid-positive cases and cases of exposure that folks are managing. The second is sort of this shift towards remote work and sort of business continuity of keeping things running when they can be. And then the third, which has already been mentioned a lot here is just to focus on cash and runway.

So we have counseled our portfolio to draw all available credit to plan for, you know, slash your projections on revenue. You know, but I'd say most typical actions we're seeing on the portfolio are a combination of reduction in force, so layoffs, salary cuts and furloughs. And I think someone already mentioned the advice to sort of get folks to a minimum of 18 months of cash if you can or longer than that.

But obviously for startups this is a challenge. Many of
them are likely to fail over the next quarter or two from a lack of capital availability.

We do have a belief that the stimulus package will be beneficial. The primary challenge that we're seeing with it is just the complexity and the uncertainty of who can access it. And so whatever we can do to simplify that would be a help to us. And then lastly, a prediction. You know, ironically, as early stage investors, you know, our forward expectation is that this is going to be a very strong vantage of investing. I think the backdrop sort of pre-crisis is a belief that early stage and private equity is sort of overvalued as an asset, and so you're seeing some reset there. But also just in our history as an investor, the companies that are formed in these times are strong performers. And so we're -- you know, we're hopeful there. We are still seeing venture investors writing checks, but obviously there's pricing impacts and all of the slow-downs that you can expect.

I think the moment that we start to see the curves flatten and we can -- when we can point at dates and say this is the date when we'll see peak cases, I think that brings some certainty back and we'll start to see healthier sort of financial transactions at that point, even though it will be far from out of the woods
on the economic and the health impact at that point.

MS. GARRETT: Thank you, Jason. Hank?

MR. TORBERT: Hi, this is Hank Torbert. I am President of AltaMax, which would be defined as a small business, absolutely. We are a defense contractor whose clients include all of the major defense aerospace companies and defense represents about 80 percent of our total revenues. We have effectively been around since 1966, and we have about 40 employees who are based in New Orleans, which is a hot zone now. So I will tell you that we were fortunate in our case because the CEO and myself realized that this was going to be a problem with Covid-19 back in late February and began to develop a survivability strategy. And secondly the other thing is that we're in a central infrastructure business, so we have to keep running. I apologize if you hear noise in the back, because I'm at the plant, running non-stop.

But what we did is, we focused on a couple of quick things. One, the focus on cash management. Two, we focused on production optimization. And most importantly, we are -- we committed on not having to lay off any of our employees, ever. That has been our goal. So quite frankly, the CARES Act is a great lifeline for businesses like ours to keep things going and keep us operating and make sure that we don't put more people
out there on the street and in the unemployment line.
That was our goal, as owners and operators of a small
business.

In terms of the environment, I will tell you
that it is dire for many small businesses, as you can
imagine. Quite frankly, a lot of the deals that I know
of that were going to occur in M&A as others have said,
they are not going to happen. The financing has dried up
and there's too much uncertainty.

So with that said, you know, moving over to my
other hat of thinking about the market and the SEC and
so on, it is my hope that things can be streamlined more
with this stimulus package. I also hope that the banks
will make things easier and not hold onto funds, so that
companies like ours will make -- will actually get
access to the funds quickly and be able to deploy them
in the market as quickly as they can. And then lastly,
I agree with what Catherine said about the micro-raising
and encouraging investing online to support small
businesses of any type, quite frankly. It's necessary.

I do think that can be a shot in the arm for the
economy. Thank you.

MS. GARRETT: Thank you very much, Hank. We
appreciate those thoughts. Melanie? Melanie, are you
there?
MS. LUBIN: Yes, I'm here. Sorry, I hit the wrong buttons. I'm going to -- what I say, the state securities regulators are working together to provide some relief from our regulatory requirements as far as filing deadlines are concerned. And for those of us that regulate franchises, also some regulatory relief for the franchise owners as well as the ability to continue to sell. Because most of them had -- most of their filings expire right now.

We also have provided some relief for financial professionals, so that they are able to handle some things that are difficult to handle remotely. There's a page up on the NASAA website for the North American Securities Administrators Association that is tracking the relief we've recommended that states adopt as well as which states have adopted that. Those relief mechanisms. And we are listening carefully what's going on and talking amongst the other states about what other kind of relief we might be able to provide to issuers and to our registrants. Thank you.

MS. GARRETT: Thank you very much, Melanie.

Marc? Marc Sharma?

MR. SHARMA: I'm here. Yes. Thank you. I just want to thank everyone for taking the time to share their perspectives and their most valuable insights. If
anyone is interested in continuing this conversation from a different perspective, today at 4:00 p.m. there is a meeting of the Investor Advisory Committee, a virtual meeting like this one. You can access it through the sec.gov website, so for anyone who's interested, please join us. Thank you all.

MS. GARRETT: Thank you very much, Marc, and good luck with your meeting this afternoon. Greg?

MR. DEAN: Carla, thank you very much. At FINRA, we've been doing a lot, working with the SEC to provide some flexibility for the small broker dealers as well as the small broker dealers in the capital formation sector. We very much appreciated everybody's comments here today. It's so vitally important, and we are trying to do our best with that. We are doing a lot of outreach with the industry. We have set up a Covid-19 webpage on the FINRA.org website. In addition, we're holding calls, especially with our small firms. We held one two weeks ago. We had nearly 1,000 participants. And we're holding another one today at 4:30. So if there's any small broker dealers that want to participate on that call at 4:30 today, please go to our website and you can sign up.

In addition, we're working with state regulators and others to track the shelter in place and
finding out -- to help the small broker dealers to ensure that they can work with their investors in making sure their investors have access to their monies as necessary. So we're happy to help. If there's any follow-up that's needed from us, please reach out to me directly. I'm very happy to put you in contact with the proper FINRA officials.

MS. GARRETT: Thank you very much, Greg.

Martha?

MS. LEGG MILLER: Yes, thank you very much. And I just want to again say thank you. While we have talked about prospects that are not nearly as fun as when we are looking at the rosier side of capital raising and supporting small businesses, it's vital to have these conversations to lend visibility and to start working on solutions. That -- we can address those selectively, as well as an agency, that the SEC can implement on. I just want to flag three areas and remark to everybody.

One is just general observations of what's happening. The second is our thoughts, both as an agency as well as as a team in our office. And then third, just to give an update on what we are working on.

So the first is an observation. I think we've heard it reflected. I won't reinvent the wheel. People
have used a lot of phrases around circling the wagon. And we've seen that people have moved from growth capital to survival capital. The idea that you're raising capital to grow and expand is really remote for the vast majority of companies right now. Same with investors who are looking at just preserving the investments that they had made in small businesses, which changes the nature of the capital that's needed.

And we are listening to that. We're tracking trends, which really goes into our response on it. We are looking at our own DERA data on what's happening with capital raising. We're also monitoring trends from other resources and staying on top of that as a team. There is something new every single day from which we are learning.

As an agency, the SEC, I think it's been mentioned a couple of times today, but the agency granted emergency relief last week for Crowdfunding and Reg A issuers, providing an additional 45 days for filings to be completed, due to Covid-19. That's very important. You can check out -- there's a press release on the SEC's webpage as well as an SEC page on everything that the agency is doing related to Covid-19. And I have to applaud the agency leadership for moving quickly across the board, trying to address challenges
and make sure that we have resolution on this and are
being really responsive to critical needs in the market.

In addition to that, the comment period was
extended for a number of different rule-makings,
including the accredited investor proposal, which I know
is of interest to many of the committee members here as
well as a number of other ones. Today, Volcker was also
extended by the agency. So that is another positive
development, recognizing that people are in survival
mode right now, not necessarily in comment-writing mode.
And it is very important that we provide flexibility in
the rule-making process there.

Looking at how our office is responding and
what our team is doing, I just -- I have to applaud our
team. We have an incredible group of dedicated people
that have transitioned to working completely remotely.
The SEC moved as an agency very quickly. And we were
the first federal agency that worked to a remote work
environment. Our team shifted completely in what we were
working on. We had plans this month to do -- in the
past month we were doing a lot of outreach events, which
is part of how we bring in a lot of really meaningful
feedback. From being in Austin Texas at South by
Southwest to engaging in a number of other events and
planning to be in other cities and areas across the
country. And we've shifted focus. We're trying to reach
people and make sure that we're accessible, as well as
shifting the nature of what we are trying to talk about
with people. To make sure that we're responsible in

So two things from our office that I want to
highlight. One is, we're launching some Covid-19
resources online, just helping people navigate to the
resources that they need. That will be something that
you'll see on our webpage in the coming days. That's
something people have been asking for, and so that's
something you'll see on a number of other office
webpages within the SEC. But we're trying to highlight
those specifically targeting small businesses and their
investors. And then the second is, we're switching to a
virtual outreach strategy. So we're going to be hosting
a series of virtual coffee breaks as an office. We're
calling them "virtual coffee breaks". I think everybody
is sitting at home with a mug in front of their
computers. And providing interactive opportunities for
people to engage with us. So this is not going to be
just a series of talking heads where you see us sitting
in an office, like this lovely home office that I have
conjured up here. But it's going to really be an
interactive and engaging opportunity where you can ask
questions and talk to us.

The first one is going to be tomorrow at 11:00 a.m. Eastern Time, on raising capital over the internet. Youngro Lee, who is on the Advisory Committee, is one of the panelists who will be joining us, along with Ken Nguyen, from Republic and George Cook from Honeycomb. So that will be a really interesting conversation. Next week we will be hosting an event with I Fund Women, on Wednesday. And then the week following, we're with the National Small Business Association, talking to their members and getting feedback. And we have more planned and would love additional ideas that you may have.

But I just encourage you to continue reaching out to us. We're having meetings and direct conversations one-on-one daily. We understand and are trying to actively assess what we can be doing and how we can be providing guidance to the rule-making teams on potential regulatory relief, as well as to the Commissioners. And so I just want to thank everybody who's reached out of the midst of dealing with a personal and business crisis to reach out and try to help us with solutions. So I'll turn it back over. That was a long-winded answer but I appreciate the opportunity to flag some of the things that are happening as we look to support small businesses as an
MS. GARRETT: Thank you, Martha. And I look forward to hearing your coffee break system. Quite interesting.

For the members of the committee, we are going to see if we can extend the meeting for a bit. I think a lot of -- there's been a lot of substance discussed over the last hour and a half. And we would like for people to be able to have a little bit more time to have some free comments and also some maybe questions that you have from other members. So, you know, therefore, if somebody does have something that you'd like to discuss further, or if they have a question based on something that they would -- that they have heard, you know, I welcome that opportunity.

MS. PATODIA: I apologize. I do have to leave at 1:30, to do another meeting. But I wanted to thank Martha for her comments, and also just wanted to say that the list, at least the list of the three virtual coffee chats that you just named off sounded really great, and wanted to see if you would be able to send that list out to the group after the call today, because I would love to distribute that out to some other entrepreneurs that I know.

MS. LEGG MILLER: I'm happy to do so. As soon
as that link goes live, Poorvi, we get into everybody's hands in this group. You know we love to send you guys emails, so we'd be happy to send you that.

MS. GARRETT: Okay. If nobody has any questions or comments -- I'll give it one more shot. Okay. Then what, I guess I'd like to -- let's go ahead and, you know, end the meeting. We really appreciate everybody -- I think we had the whole committee on today. And you know, we recognize that this is just a crisis for small businesses at this point. So thank you so much for everybody coming and attending the meeting.

Our next -- our next scheduled meeting is May 8th. It'll be via video. However, I hope that we can all stay in touch as a committee during these times. And on that, I move to adjourn the meeting, and I thank everybody for participating and thank everybody for all their efforts during this time.

MS. LEGG MILLER: Thank you, Carla. And just, as we adjourn, one note. If you do want to reach out and discuss -- I know there were a number of different potential solutions that would entail a regulatory fix, not just market response. If you do want to reach out and discuss any of those, I know that we're short on time because we had so many observations to discuss today collectively. But feel free to reach out directly
to our office, and we're happy to have conversations and to communicate those and to put you in touch with anybody else within the agency that you'd like to discuss those with.

MS. GARRETT: Thank you very much. Thank you.

(Whereupon, at 1:29 p.m., the meeting was adjourned.)

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PROOFREADER'S CERTIFICATE

In the Matter of: SEC SMALL BUSINESS ADVISORY COMMITTEE MEETING

File No: OS-0402
Date: Thursday, April 2, 2020
Location: Washington, D.C.

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

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I, Kevin Carr, reporter, hereby certify that the foregoing transcript is a complete, true and accurate transcript of the matter indicated, held on __4/2/2020________, at Washington, D.C., in the matter of: SEC SMALL BUSINESS ADVISORY COMMITTEE MEETING.

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

Date: 4/2/2020

Official Reporter: Kevin Carr