

36th ANNUAL
SECURITIES AND EXCHANGE COMMISSION
GOVERNMENT-BUSINESS FORUM ON
SMALL BUSINESS CAPITAL FORMATION

RECORD OF PROCEEDINGS

Thursday, November 30, 2017

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The University of Texas at Austin
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1 **PROCEEDINGS**

2 MR. GOMEZ: Good morning, everyone.

3 We're going to go ahead and get started.

4 It is truly a pleasure to welcome you

5 all to the Annual Small Business Forum. My name is

6 Sebastian Gomez. I'm the Chief of the Office of

7 Small Business Policy at the SEC's Division of

8 Corporation Finance.

9 We're delighted that this year we have

10 been able to bring the forum to Texas, specifically

11 Austin, Texas. Taking the Small Business Forum on

12 the road is not an easy task, and it could not have

13 been done without the tireless efforts of my

14 colleagues at the SEC staff and especially our

15 host, the Herb Kelleher Center for

16 Entrepreneurship, Growth and Renewal, at the

17 McCombs School of Business here in Austin, Texas.

18 Before we begin the program today, I

19 wanted to provide the standard SEC disclaimer on

20 behalf of each person from the SEC who will be

21 speaking today. The views that we express today

22 may or may not represent the views of the

23 Commission or our colleagues at the staff.

24 Now, I would like to introduce Dean

25 Hartzell to get us started this morning. Dean is

1 the 12th Dean of the McCombs School of Business.
2 His very impressive resume, along with the bios of
3 the SEC Chairman and the other Commissioners, are
4 all available in the program. So I'm not going to
5 spend too much time introducing you, but I'm going
6 to welcome you to the podium to get us started.

7 MR. HARTZELL: Well, good morning.

8 Thanks, Sebastian. And I really want to say really
9 thanks to everybody.

10 I was told when I got the Dean job
11 that there were three speeches deans had to give,
12 which were please, thank you and I'm sorry. So
13 this is a thank you speech. So thank you for
14 coming. Thank you, Sebastian. Thanks to the SEC
15 for choosing us as your site for the event.

16 It's a pleasure to have you here.
17 It's one of those great circumstances that we feel
18 like fell into our lap at the right time when we
19 had the outreach from the SEC, would you be
20 interested in hosting this with us. And we really
21 thought it lined up well with what we're trying to
22 accomplish at the business school. And Sebastian
23 has a quote about how Austin's got good location.
24 And we couldn't agree more.

25 We've been going through a planning

1 process to think about what really differentiates
2 us as a business school at the university. And we
3 really think it lines up well today. If you think
4 about what we're known for, we have this
5 entrepreneurial, innovative, startup technical
6 culture in Austin in this state of great job
7 growth. And we at the business school and the
8 university want to play into that. So this we
9 think is a great event for us to be hosting today.
10 And I'm so happy to have you here.

11 I want to give a brief shout out to my
12 colleagues. So when this opportunity arose, we
13 talked about what's the right part of the business
14 school to really do this. And we very quickly
15 settled upon the Herb Kelleher Center for
16 Entrepreneurship, Growth and Renewal.
17 So we called Louis
18 and asked him if he'd be interested,
19 and he jumped at the opportunity. His staff has
20 been tremendous. So thank you very much to Sherry,
21 Emmanuel and Paul Finster, who was recruited from the
22 private sector for a part-time job that has turned
23 into a full-time job. So thanks to Paul for coming
24 and doing this as well.

25 So I will get out of the way. But

1 thanks and enjoy the day. I'm looking forward to
2 what I'm going to be able to experience of this.
3 And thanks, Sebastian. I'll bring you back up.

4 MR. GOMEZ: Thank you, Dean, for the
5 warm welcome.

6 Now, we'd like to introduce Bill
7 Hinman, who will, in turn, introduce the SEC
8 Chairman and the Commissioners. Bill is the
9 Director of the Division of Corporation Finance,
10 having joined us at the SEC in May of this year.
11 Prior to that, Bill was a partner at the Silicon
12 Valley office of Simpson Thatcher. Bill is an
13 expert in federal securities laws and has helped
14 countless companies with capital formation. So,
15 Bill, we're very happy to have you here.

16 MR. HINMAN: Thanks very much,
17 Sebastian, and it's a pleasure to be here. And I
18 thank you for the school's giving us this Kelleher
19 Center for our forum today. It's a wonderful
20 facility and allows us to get outside of D.C.
21 Thank you very much, Jay, and your colleagues for
22 all the work you've done and for helping us get
23 this put together. Thank you very much to the
24 staff in the Office of Small Business Policy. The
25 Division of Corporation Finance is where that

1 office resides. We're very happy about that and
2 very proud of their work.
3 It was terrific to be able to actually
4 do something outside of D.C. We are trying to
5 reach out and talk more directly with the folks
6 that we have a regulatory impact on, and so we're
7 looking forward to hearing from you today and
8 learning from you.

9 I understand last week the office of
10 -- the Small Business Administration had a
11 conference at Austin City Hall, and they called it
12 Small Business 101.

13 And I'm kind of viewing this Small
14 Business 404, Finance. And it's more of a seminar
15 where we learn together because we really do view
16 this as an opportunity to learn from you. And you
17 can see the importance of this through the
18 Commission. And we have all three of our sitting
19 Commissioners here today, and I'll introduce them
20 shortly.

21 But, first, I'll introduce our
22 Chairman, Jay Clayton. Before arriving at the
23 Commission in May of this year, Jay was a partner
24 at the New York law firm of Sullivan & Cromwell
25 where he focused on corporate matters, largely

1 finance and M & A and governance issues. But while
2 Jay worked on a large number of complex, large
3 dollar value deals, his roots are actually more
4 grounded in small enterprise.

5 As a young man in Pennsylvania growing
6 up, Jay's dad went to Vietnam to serve his country,
7 and Jay's mother moved the family in with her
8 parents. And Jay's grandfather, who was a lawyer
9 in town, took a strong interest in Jay and decided
10 he would learn from not just his schooling but also
11 from experiences in the community. So he took him
12 to closings and town halls and various business
13 meetings where Jay started to get a sense of what
14 small businesses looked like and their importance
15 to the communities in which they prospered. And I
16 think that has carried with him. It's something
17 that we at the Commission appreciate when he places
18 such an emphasis on small business enterprise
19 forums like this one and the work we're doing in
20 the area.

21 So it's my pleasure to introduce
22 Chairman Jay Clayton.

23 MR. CLAYTON: Thank you very much.
24 Welcome everyone to the 36th Annual
25 Government-Business Forum on Small Business Capital

1 Formation. As Bill mentioned, we've made it a
2 priority to reach out to investors and small
3 businesses across the country, including in Texas,
4 and I'm delighted that this year's forum is being
5 held in Austin.

6 The Texas capital is known for its
7 lively music scene. But the crowd is gathered here
8 today because Austin is known as the rock star of
9 small business cities. Austin has received a number of
10 accolades in recent months, including being named
11 the number one place in America to start a
12 business, the top city for small business vitality
13 and the top city for launching a technology
14 startup.

15 We are excited to take this year's
16 forum outside of the nation's capital and have
17 received a warm welcome and generous support from
18 the Herb Kelleher Center at the McCombs School of
19 Business here at the University of Texas at Austin.
20 I want to extend our sincere thanks to all of them
21 for co-hosting this event in the great State of
22 Texas. I also want to express my gratitude to all
23 of our panelists and moderators and to the staff of
24 the Division of Corporation Finance as this forum
25 would not be possible without all of you.

1 This annual forum provides an
2 opportunity to hear directly from the small
3 business community about their experiences raising
4 capital, interacting with investors and navigating
5 our regulatory system. It also provides an
6 opportunity to receive their recommendations on how
7 to improve small business capital formation in the
8 regulatory environment for these companies.

9 The forum further serves several
10 principles that I believe should guide the SEC.
11 The Commission has a tripartite mission to protect
12 investors, maintain fair, orderly and efficient
13 markets and facilitate capital formation. One of
14 my priorities is for the Commission to focus on
15 facilitating capital-raising opportunities for all
16 companies but importantly small and medium-sized
17 businesses.

18 Let me deviate for a moment from my
19 prepared remarks and make an observation that has
20 become apparent in the past couple of weeks.
21 Kara, Mike and I wanted to—one of the things
22 that we get to say thank you for—as opposed to I'm
23 sorry or please—is we spend time with the central
24 bankers around the world. And people are now
25 looking seven, eight years back on the financial

1 crisis and saying, now, what happened coming out of
2 that. One of the questions bankers around the
3 world ask is why was the United States able to
4 recover more quickly than Europe with a similar
5 structural environment?

6 There are lots of answers. But the
7 common answer across is more effective capital
8 markets—more efficient capital markets that go
9 deeper down the business spectrum. They go down to
10 small and medium-sized businesses. We know there's
11 a lot of work to do. But it was nice to know that
12 around the world, that is cited as a difference.

13 So back to my prepared remarks, small
14 businesses contribute significantly to U.S. job
15 creation. In fact, America's 30 million small
16 businesses generate 62 percent of new net jobs.
17 And hearing news directly from the small business
18 community provides us with greater insight into how
19 our capital markets may better facilitate capital
20 formation without compromising important investor
21 protections. This enables us to better work with
22 other regulators to enhance the opportunities for
23 small businesses in all areas of the United States
24 to grow and create jobs.

25 Enhanced small business capital

1 formation also provides the seeds for more diverse
2 investment opportunities for mainstreet
3 investments, or as I call them, Mr. and Ms. 401(k).
4 At a time when greater responsibility is shifting
5 to mainstreet investors to save for their own
6 retirement, I believe serving the long-term
7 interests of Mr. and Ms. 401(k), including providing
8 more investment opportunities, is an important
9 guiding principle for the SEC.

10 Providing more opportunities for
11 investors to diversify their investments in
12 companies at an earlier stage in their development
13 allows mainstreet investors to participate in the
14 growth opportunities these companies offer. There
15 are many new capital raising options available for
16 small and emerging companies, and you will hear
17 from our panelists who have firsthand experience
18 with them.

19 At the SEC, we are actively looking at
20 additional measures to facilitate small business
21 capital formation and ways to remove obstacles to
22 reduce regulatory burdens again without
23 compromising important investor protection
24 safeguards.

25 I have noted my concern that our

1 public capital markets are relatively less
2 attractive to growing businesses than in the past.
3 I believe the key to restoring vibrancy in our
4 public capital markets is recognition that a one size
5 regulatory structure does not fit all. I know I
6 don't need to remind people in this room of that,
7 but it is just very important to recognize that.

8 Recently Congress and the SEC have
9 taken significant steps to further develop a
10 capital formation ecosystem that includes a scaled
11 disclosure regime. Now, for example, a small
12 company may begin with a Regulation A mini-public
13 offering of up to \$50 million, then move to a fully
14 registered public offering, as a smaller reporting
15 company, and eventually develop into a larger, more
16 seasoned issuer. This is a potentially significant
17 development, and I believe there remains room for
18 improvement.

19 In fact, I was talking about, again,
20 deviation. I was talking about room for
21 improvement in the hall outside. It's nice to have
22 a path, but there probably are speed bumps in that
23 path that we need to be cognizant of.

24 In the coming months, I anticipate
25 that the Commission will consider adopting rules to

1 expand the definition of smaller reporting company
2 to permit additional companies to avail themselves
3 of scaled disclosure requirements.

4 I'm very pleased to announce that the
5 SEC's Office of Small Business Policy recently
6 updated the small business web site on SEC.gov. I
7 encourage small businesses and their advisors to
8 visit the new web site, which provides easily
9 accessible and user-friendly resources of the
10 various capital-raising options available to small
11 businesses, including exemptions from registration.

12 Additionally, we are taking steps to
13 fill the position of the Advocate to head the
14 Commission's new Office of the Advocate of Small
15 Business Capital Formation. I am excited that this
16 position is coming to the Commission. The Advocate
17 will be a powerful voice for small businesses
18 across the country providing assistance, conducting
19 outreach to better understand their concerns and
20 recommending improvements to the regulatory
21 environment.

22 The Advocate will also be responsible
23 for organizing this annual forum and will become a
24 member of our Small Business Capital Formation
25 Advisory Committee. I anticipate that the

1 Commission will select the advocate in the near
2 future.
3 These are just a few examples of our
4 efforts to facilitate companies' access to capital
5 while protecting investors. But we can and will do
6 more to advance our capital formation mission.
7 Today's panel discussion and recommendations will
8 be useful to us as we continue that work, and I
9 thank you again very much for your participation.

10 Bill?

11 MR. HINMAN: Next, I'd like to
12 introduce Commissioner Kara Stein. Kara was sworn
13 in as a Commissioner in August of 2013. And prior
14 to that, she was a Senior Policy Advisor in the
15 U.S. Senate serving in a number of capacities,
16 including Staff Director for the Securities,
17 Insurance and Investment Subcommittee of the U.S. Senate
18 Committee on Banking, Housing and Urban Affairs.

19 Kara grew up also in small town USA in
20 a couple of different spots, spending time in
21 Lynchburg, Virginia and Alliance, Ohio in middle
22 America. And I think she has a keen sense of the
23 importance of small enterprises in those
24 communities. And it's my pleasure to welcome Kara
25 Stein.

1 MS. STEIN: For the height challenged,
2 I'm going to move this down. Thank you, Bill.

3 Good morning. Welcome to everyone.
4 I'm so glad you're spending some time with us this
5 morning.

6 I want to start by thanking Jay
7 Clayton, our Chair, for his decision to hold this
8 annual forum outside of the capital beltway and in
9 Austin, Texas. I also want to thank our Small
10 Business Office team, Sebastian Gomez Abero,
11 Anthony Barone and the entire SEC team, who worked
12 so hard to move us here for the morning and the
13 afternoon. And I really do want to give a shout
14 out to the McCombs School of Business at U.T. for
15 hosting us.

16 This is actually the 36th year that
17 the SEC has held this forum. And it's meant to be
18 a way for the public to engage with the Commission
19 and the Commissioners on issues that are impacting
20 small businesses and capital formation, in other
21 words, what issues are currently affecting small
22 businesses and the investors who support those
23 companies. Hearing firsthand from you about small
24 business capital formation, both the opportunities
25 and the challenges, provides us with invaluable

1 input as we think about how to improve things going
2 forward.

3 I had the opportunity yesterday
4 afternoon to visit with the Capital Factory and a
5 few of its member companies to discuss capital
6 formation from their perspectives. And it was fun.
7 Yesterday, I got to go through all the different floors
8 and got to see some of the cool stuff that was
9 being done.

10 And I was also able to meet with folks
11 from the Austin Tech Alliance—I
12 should say Alliance right since I grew up in
13 Alliance, Ohio—to discuss the organization's
14 recent efforts regarding “tech forward” policies. So
15 in many ways, and I think the Chair already said
16 this, greater Austin and its multitude of small
17 businesses in my mind represent the future both of
18 our economy and the capital markets. You're out on
19 the edge of Silicon Hills. I'm sort of struggling
20 with what our next generation of small business
21 formation is going to look like.

22 As most of you know, capital formation
23 does not happen in isolation. The company is part
24 of a larger ecosystem, and that ecosystem is
25 inhabited by other companies, investors and a

1 multitude of service providers. Many of the
2 Securities and Exchange Commission's rules are
3 efforts to facilitate trust between those different
4 market participants, the small businesses seeking
5 to raise capital, the investors who wish to support
6 their growth and the service providers.

7 I think what's invaluable about today
8 is taking into account the diversity of companies
9 and their investors. How can we help small
10 business owners in different parts of the country
11 to meaningfully provide input into the policies
12 that we're developing on the national level? How
13 can small businesses in different parts of the
14 country effectively understand the options they
15 have to raise capital? And then, how can investors
16 in different parts of the country participate in
17 the growth of these small businesses with a sense
18 of security?

19 Today's forum is focused on hearing
20 from diverse voices outside the confines of
21 Washington, D.C. We need to continue I think to
22 hear those voices outside the Capital Beltway, where
23 the cars that cost the most money, and
24 have the loudest horns, are often the most prized.
25 I hope that this trend continues. It would be

1 really cool to see it move every year, because I
2 think the outreach is critical to understanding how
3 to help our capital markets continue to be the
4 deepest and most vibrant in the world.
5 So I join today's event, and I
6 encourage everyone to consider making
7 recommendations that encourage the confidence of
8 small companies in our markets. I also urge
9 everyone to consider recommendations that would
10 enhance the trust of investors because a lot of
11 times we're talking about strangers. The company
12 doesn't know the investors, and the investors don't
13 know the company. So how do we setup a construct
14 that helps the money flow, right, between the
15 savers or I call them the capitalists and those who
16 need the capital. Clearly, when that relationship
17 is working, it positively impacts the overall
18 funding ecosystem for our small and emerging
19 businesses.

20 So thank you. And I very much look
21 forward to today's forum.

22 MR. HINMAN: I'll introduce
23 Commissioner Michael Piwowar. Michael joined the
24 SEC and was sworn in as a Commissioner in August of
25 2013 as well, a few weeks after Kara, which

1 probably explains why your government-issued
2 Naugahyde furniture is not quite as nice as hers.
3 But it's okay.
4 Mike is an economist, a Ph.D., and has
5 served as the Chief Economist at the Senate Banking
6 Committee. He was also a Senior Economist of the
7 Counsel of Economic Advisors for both President George W. Bush
8 and President Barrack Obama.

9 Mike's background as an economist I
10 think serves him well in understanding the
11 importance of small business. He has some facts
12 and figures to back it up, and Mike, as much as any
13 of us, appreciates small enterprise.

14 So let me introduce Michael Piwowar.

15 MR. PIWOWAR: Thank you, Bill, for
16 that kind introduction and, you know, comments
17 about my furniture, notwithstanding. I always get
18 the last word. So I always appreciate that as
19 well, too. And seriously, Bill, thank you for your
20 outstanding service to the Commission and our
21 capital markets over the past several months.

22 As Chairman Clayton's inspired choice
23 for Director of the Division of Corporation
24 Finance, Bill has already proven himself to be
25 worth his weight in gold or perhaps his weight in

1 crude oil as is the appropriate metaphor down here
2 in Texas. Bill's knowledge and expertise in the
3 area of capital formation have long been valued in
4 the private sector, and we, now in the regulatory
5 sector, are benefiting from his efforts.

6 A case in point is the Division's
7 expansion this past summer of our regime for
8 confidential submission and non-public review of
9 voluntary draft registration statements. Another
10 example is the Commission's adoption in September
11 of a new interpretive guidance to assist companies
12 in their own efforts to comply with the pay ratio
13 disclosure requirement mandated by Section 953(b)
14 of the Dodd-Frank Act. Not my favorite legislative
15 mandate—understatement of the year—but I believe
16 that the guidance is the best possible regulatory
17 effort to reduce the cost of compliance until
18 Congress repeals this gift to politically connected
19 special interests.

20 A third item is Bill's successful
21 shepherding of our proposed amendments to modernize
22 and simplify the disclosure requirements of
23 Regulation S-K, per our mandate under the FAST Act.
24 And as I mentioned in my opening remarks at our
25 October open meeting, these amendments respond

1 effectively to our mandate under the FAST Act to
2 prune the regulatory orchard and shear away dead
3 limbs and overgrown branches thereby improving the
4 fruitfulness and health of the trees.

5 I'm delighted at the warm welcome we
6 received from everyone here at The University of
7 Texas, including from my friend who is now the
8 Dean, Jay Hartzell. If I remember correctly—we
9 were talking in the hall—I think we both got our
10 Ph.D.s in the same year. And so who knew you would
11 end up to be Dean and I would end up being a
12 Commissioner. I guess we're both failed academics.
13 I guess that's how that works.

14 As I mentioned in my forum remarks in
15 2014 and 2015, I've advocated that we take this
16 event out of the D.C. beltway. I'm so pleased that
17 Jay has decided to do so. And I also want to thank
18 Sebastian and his group for actually making it
19 happen. This is a tremendous effort for them.

20 We have a great audience here today.
21 We have a great group of panelists. And I'm so, so
22 much looking forward to it.

23 It's more appropriate that we take
24 this type of event on the road to dynamic regions
25 like Texas where small business capital formation

1 actually takes place and where remember the Alamo
2 doesn't just mean waiting in line at Reagan
3 National Airport for a rental car.

4 As you may be aware, both the Senate
5 and the House of Representatives have recently
6 recognized the value of this forum by passing bills
7 that would require the Commission to respond to
8 each of the forum's annual recommendations. Now,
9 while the ultimate passage of these bills remains
10 in the offing, please know that I personally will
11 continue to give careful considerations to the
12 recommendations from this group, where there has
13 been always very thoughtful recommendations, and
14 you can hang your hat on that.

15 Thank you all very much for your
16 attention, for your participation and for your
17 continued support of our Small Business Forum.
18 Thank you.

19 MR. GOMEZ: Thank you, Commissioner
20 Piwovar.

21 One of the challenges of doing a forum
22 on the road is that there's always things that are
23 unexpected. But one thing that I was not expecting
24 is that we are going to be right on time on the dot
25 to start our panel. So Bill and I are going to

1 take off our hats for doing introductions, and
2 we're going to move over to the table over there
3 and put on our moderator hats. That way, we can
4 get started with the panel.

5 So I wanted to go ahead and do some
6 housekeeping matters first. Bill and I will be
7 moderating the panel, as I mentioned. But we are
8 more than happy to get questions from the audience
9 as well. In your forum program, there should be an
10 index card. We encourage you to write questions
11 that you have for the panelists on that index card.
12 Both Tony and Julie, who are my colleagues in the
13 Office of Small Business Policy, will be walking
14 around the room. Just raise your hands when
15 they're ready. They'll bring the index card to us.
16 Bill and I will sprinkle those questions along as we go
17 through the panel.

18 For those of you watching the webcast,
19 because, as you know, we're webcasting this event
20 live over the Internet, if you could email your
21 questions to Tony Barone and the email address is
22 BaroneA@SEC.gov -- BaroneA@SEC.gov, Tony will then
23 bring those questions over to my attention.

24 We have the privilege to have an
25 outstanding panel this morning for you from

1 experts in many areas of the capital formation
2 spectrum. Like I mentioned at the beginning, their
3 full bios are in the program. But I would like for
4 them to take a few seconds to introduce themselves.

5 Mike, could you get us started?

6 MR. PIECIAK: Sure. I'm Mike Pieciak.

7 I'm the Commissioner of the Department of Financial
8 Regulation in Vermont. So we regulate the
9 securities industry, the banking industry and the
10 insurance industry within our department.

11 And I'm also the President-Elect—
12 the incoming president of the North American
13 Security Administrators Association, NASAA. So I'm
14 looking forward to that and working with fellow
15 state regulators to implement additional capital
16 formation initiatives. I'm happy to be here today.

17 MR. LEE: My name is Youngro Lee. I'm
18 the Co-Founder and CEO of NextSeed. We're
19 actually headquartered in Houston, so we're a big
20 fan of Texas obviously. We are the first
21 SEC-registered and FINRA-approved regulation
22 crowdfunding funding portal. We specialize in
23 small business debt financing for now. There's
24 various reasons I'll talk about that later in a
25 little bit. But it's been incredibly eventful and

1 to experience with it being in Texas because we
2 actually started the Texas intrastate crowdfunding
3 portal and transitioned to a SEC-registered funding
4 portal, which I'll talk about in a little bit.

5 MR. MADRID: I'm Antonio Madrid. I'm
6 definitely the least sophisticated person up here.
7 I am a small business owner. I recently started a
8 business called Native Hostel Austin, which is a
9 boutique hostel here in town that opened six months
10 ago.

11 Before that, I was running a design
12 built firm, and I built hospitality venues
13 throughout the United States for the last seven
14 years. I've done a lot of art installation work up
15 in New York and D.C. and San Francisco as well. So
16 hopefully, I can provide some insight on how
17 unsophisticated we actually are down here.

18 MR. GOMEZ: Antonio, you are the
19 reason we do this Small Business Forum. So we're
20 very glad to have you.

21 MR. MADRID: Thanks for having me.

22 MR. GOETGELUK: Good morning, my name
23 is Jan Goetgeluk. I'm the Founder and CEO of
24 Virtuix. We are a start-up here in Austin. And we
25 bring to market Virtuix Omni, which is a virtual

1 reality platform that enables you to walk and run
2 around in virtual reality games and applications.
3 It's a treadmill. We call it an Omni-directional
4 treadmill. So you can walk and run all around on
5 this round base that's on a platform, and your
6 movements are being translated to the virtual
7 world. So you're physically walking around in the
8 yard.

9 We've raised \$16 million from
10 investors to date, of which \$7 million was
11 raised through a Series A round last year, which
12 was a Regulation A financing round, which was a
13 great success for us, and we're very grateful that
14 we had that opportunity. So I'll talk more about
15 that, no doubt this morning.

16 Thank you for having me.

17 MR. ELENOWITZ: I'm Mark Elenowitz.
18 I'm the Founder and CEO of TriPoint Global
19 Equities in our online division BANQ. We have
20 emerged as one of the leaders in Reg. A, and we
21 looked at it a little bit differently than some of
22 our competitors, where we took Reg. A and modernized
23 it into a modern way of doing capital formation for
24 small cap issuers.

25 Our mantra is bringing back the small

1 cap IPO. So what we did is we were able to take
2 Reg. A and take it into a new way of thinking where
3 we can make it look, act and feel like a
4 traditional IPO and, most importantly, settle like
5 a traditional IPO using the digital DTC and other
6 tools that Wall Street uses still.

7 We completed the first NYSE-listed Reg.
8 A offering back in May. It was a very exciting and
9 historic moment because it allowed Reg. A to now
10 merge and become really, as I said, bringing back
11 the small cap IPO.

12 And since that time, we've embraced
13 and worked with several other issuers. We just
14 recently completed an iconic brand onto NASDAQ, so
15 we were very excited about that. And last week, we
16 completed another offering onto the New York Stock
17 Exchange.

18 So we're very excited to be here and
19 look forward to sharing our thoughts.

20 MS. TIERNEY: Hi, I'm Annemarie
21 Tierney. I'm the Head of Strategy for NASDAQ
22 Private Market, which is a part of the NASDAQ
23 listing business that's focused on providing
24 services to start-up level all the way through the
25 IP and IPO companies.

1 I'm here today to talk about Nasdaq's
2 participation in the Reg. A+ listing space. Thank
3 you for the listing last week. We appreciate it.

4 It's a very exciting time to be a
5 private company raising capital to help a company
6 going public. And I'm excited to talk about the
7 issues we're facing today.

8 MS. MOTT: Good morning. I'm
9 Catherine Mott. I'm the Founder of BlueTree Allied
10 Angels and the BlueTree Venture Fund out of
11 Pittsburgh, Pennsylvania. BlueTree Allied Angels
12 is one of 500 professionally managed angel groups
13 in the United States.

14 Whenever I get in front of an
15 audience, I like to be clear about the difference
16 between individual angels and professionally
17 managed angel groups. Professionally managed angel
18 groups operate much like micro-VCs. We deploy
19 best practices and due diligence. From
20 syndication, we tap our resources to aggregate our
21 capital and the knowledge to do that. And we also
22 do that to manage the companies for a profitable
23 exit.

24 I'm past Chairman of the Angel Capital
25 Association. That's the trade organization for

1 professionally managed angel groups and
2 individual angels. And I'm also the past
3 Chairman of the Angel Resource Institute which was
4 funded by the Kauffman Foundation for research and
5 data collection of angel investment activity in the
6 United States.

7 I'm happy to be here, and I'm happy to
8 answer some questions later on.

9 MR. TOBIAS: Good morning. I'm Paul
10 Tobias. I'm a native Austinite and a graduate of
11 The University of Texas with two degrees. Welcome
12 to all of you who have flown in today. If this is
13 your first time to Austin, every morning in Austin
14 it's in the mid-40s, and it's a wonderful place
15 every day of the year. So welcome.

16 I'm a partner at Vinson & Elkins, and
17 I've had the privilege to focus on representing
18 technology of upcoming companies and helping
19 entrepreneurs startup those companies for over
20 25 years, partly in Silicon Valley and
21 predominantly here in Austin, and I spend a lot of
22 time helping them raise capital and helping them
23 buy and sell companies. And I've had the privilege
24 of incorporating more than one company and taking
25 them public, including Bazaarvoice and HomeAway

1 here in Austin, and to work with other companies,
2 including SalePoint who closed its IPO last week.

3 Thank you.

4 MR. GOMEZ: Thank you everyone.

5 Mike, I wanted to start with you.

6 Just over a year ago, the Commission finalized
7 rules to modernize Rule 147, Rule 147A and Rule 504
8 with the goal of further facilitating intrastate
9 capital formation. Among the things that the
10 Commission did is create a new Rule 147A that
11 allows companies to make offers through the
12 Internet or across the spectrum to anyone so long
13 as the purchasers are residents of the state of the
14 company. And it also made changes so the companies
15 that are not incorporated in the state are able to
16 do offerings in that state so long as they have
17 their principal place of business there.

18 Can you tell us how that is working
19 now that a year has passed and what the states are
20 doing in that area?

21 MR. PIECIAK: Yeah, I'd be happy to.

22 And just as a precursor, I do want to thank
23 Sebastian and the Commissioners of the SEC for not
24 just inviting me, but making sure there's state
25 representation and state regulator representation

1 here at the forum. I think it's very important.
2 We've really enjoyed our collaborative relationship
3 for a long time, particularly as of late, and
4 looking forward to continuing that.

5 So I think just to touch on maybe the
6 question maybe just a little bit more broadly to
7 show sort of the importance of capital formation,
8 small business capital formation to state
9 regulators generally in states. In Vermont, it's
10 been a paramount issue for a long time.

11 We had one of the first 147 offerings—the old
12 Regulation 147 offerings with Ben & Jerry's. They
13 did a Vermont-only offering in 1984 and raised
14 \$750,000. It allowed them to get from their sort
15 of gas station startup phase—they were literally
16 in an old gas station serving ice cream—into a
17 facility that allowed them to expand their
18 distribution, allowed them to grow their business
19 and go public the next year. So that was a really
20 important, you know, piece of their story in their
21 capital formation history.

22 And we have other examples, too, from
23 the '80s. One was Earth's Best Baby Foods, which
24 was acquired by a large national company a few
25 years ago. And then as importantly, a company

1 called Catamount Brewery, which was the first craft
2 brewery in Vermont, which is now a full-fledged
3 industry in our state supporting something like
4 1,400 jobs. Vermont beer is continually ranked some of
5 the best beer in the world.

6 So capital formation and small
7 business capital formation has been really
8 important, and it's been important in other states.
9 About 30 or so states created intrastate exemptions
10 so that if you were selling to your citizens of
11 your state that you had an avenue to raise money
12 locally.

13 However, as Sebastian points out,
14 there was some need to modernize the regulations
15 that were on the books for about 40 years. We
16 continually heard from our lawyers from our small
17 businesses that now that there's the advent of the
18 Internet, it's difficult to require that both the
19 offer and the sale of your security be limited to the
20 individual residents of your state. We were
21 thinking it would make more sense, if it was just
22 simply the actual sale and not the offer.

23 Similarly, compliance with what they
24 call the 80 percent test—there's sort of
25 multiple problems with the 80 percent test. It was

1 very difficult, and it was sort of hard for
2 companies, particularly small companies, to
3 determine if they were in sort of the right
4 percentage.
5 And then lastly, as Sebastian
6 mentions, the state of incorporation. A lot of
7 lawyers will advise their small businesses if
8 they're in New England and some other states to
9 incorporate in Delaware thinking longer term about
10 the future of their company and their corporation.
11 So it made sense to us to have a principal place of
12 business test instead of a state incorporation
13 test.

14 So I do want to thank Sebastian
15 personally. I think he did an excellent job
16 working with the states. We brought some of these
17 concerns to them in a number of different venues,
18 and we really had a nice collaborative relationship
19 to get something—an end product that is really
20 serving and will serve local businesses very well.

21 So Sebastian asked the question of how
22 are states taking advantage of these new rules? In Vermont on
23 May 20th when the rule became effective, we revised
24 our rule to make it effective and take advantage of
25 the new 147A exemption that allows offers outside of the

1 state boundaries and allows the use of the Internet.
2 I checked in and we periodically check in with our
3 local companies that are using our crowdfunding
4 exemption and with the portals as well. And they
5 reported that right after that exemption was in
6 place and they were able to loosen the requirements
7 on their platforms that Internet traffic spiked up, and
8 that they have a ton of investor interest now.
9 That before, people would go to their web site and
10 would not register as an investor in Vermont,
11 because they didn't want to go through the hassle
12 of providing their documentation, and they didn't
13 even get to see what was offered. They didn't know
14 sort of what this was all about. They were
15 interested, and they were curious. But it was
16 certainly a barrier to them to take the next step
17 of sort of analyzing the company, seeing what was
18 available to invest in and then actually make the
19 investment. So that was really good feedback that
20 we've heard on 147A.

21 The State of Washington is also moving
22 forward with regulations to revise their local exemption
23 as are a number of states in the process. Some of
24 them were in statutes. Some of them were in
25 regulations. So they're in various stages of

1 modernizing their local exemptions to take advantage
2 of the SEC's new rule.

3 One other thing, the Rule 504 exemption
4 that went from a \$1 million to \$5 million exemption,
5 one thing that that's allowed states to do and to
6 sort of reconsider is the idea of maybe regional
7 partnerships or agreements around capital
8 formation. So one thing the New England states are
9 considering is having a New England crowdfunding
10 exemption, where the six states would get together—
11 and we've had a number of meetings and we're
12 working on this and trying to work through the
13 logistics—but we would have the six states
14 coming together, signing an MOU or signing some
15 sort of agreement and then business in any one of
16 the states would file with the state regulator and
17 once it goes through the process, would be approved
18 in all six states and available to raise money from
19 all investors in that market.

20 So I think that would be particularly beneficial
21 in a state—I think New England would probably
22 fit into inside of Texas two or three times—so,
23 you know, a state with smaller geographic
24 boundaries, both the rules and changes to 147A and
25 the expansion of Rule 504 make a lot of sense and are

1 really, really helpful for our small businesses.

2 MR. GOMEZ: Thank you for that update,

3 Mike.

4 There's been a lot of discussion in

5 the press for a number of years now about

6 crowdfunding. And there's different exemptions

7 that cater to crowdfunding. But in the next

8 question I wanted to focus specifically on

9 Regulation Crowdfunding.

10 Regulation Crowdfunding allows issuers

11 to raise up to \$1,070,000 in a twelve month period. If you're wondering why

12 it's such a weird number, \$1,070,000, the rule

13 initially started with \$1 million, but it's

14 adjusted for inflation every five years. So we at

15 the Commission adjusted for inflation earlier this

16 year, so the number went up to \$1,070,000.

17 Over a 12-month period, companies

18 may raise the money through an intermediary

19 that is either a funding portal or a registered

20 broker-dealer using an Internet platform. To give

21 you an idea of what's been happening in that

22 exemption, the rules went live in May of 2016. And

23 from that time until September 30th of this year,

24 472 companies had taken advantage of crowdfunding

25 by commencing an offering of which 134 companies

1 had reported completed offerings, raising on average
2 \$279,000 per offering.

3 NextSeed was the first funding portal
4 to register with FINRA. And, Youngro, I wanted to
5 hear from you as to what got you inspired to get
6 into this market and what are you seeing so far?

7 MR. LEE: It's a long story, but I
8 feel like I'm a legal nomad from a national
9 perspective. So I started my career in 2007 at
10 Cleary Gottlieb in New York. So that was my
11 welcome to finance, Wall Street. Literally, my law
12 firm was one of the firms that was very heavily
13 involved in everything that was going on at that
14 time. So it's funny. I'm pretty sure I'm speaking
15 for a lot of folks my age, my generation, so sort
16 of the older millennial group. We have this
17 understanding or expectation of you do good in
18 college, law school, business school, whatever it
19 is, you know, Wall Street was the path to success,
20 whatever you want to call it. And obviously, that
21 was not the case when the full financial crisis
22 hit.

23 So I think that kind of—that was
24 the starting point for my professional journey—
25 understanding that maybe the world is not what I

1 thought it was. And to be frank, that's kind of
2 why I personally chose to focus on the private
3 side. So I moved away from the public securities
4 market to private equity. And my professional
5 career for eight years was focused on private
6 equity fund formation investments.

7 I was very fortunate in just kind of my
8 personal interests as well as to have amazing
9 opportunities. I worked actually one year in
10 Russia. And then most recently,
11 I was in Hong Kong in Shanghai with Kirkland Ellis
12 and Weil Gotshal, and I focused on Asia private
13 equity. As you guys all know in this room with
14 Dodd-Frank happening, various other regulations
15 started coming in place. A lot of capital did go
16 out to Asia specifically, as well as the fund
17 manager and asset managers trying to set-up
18 different operations in different parts of the
19 country or—I'm sorry—the world.

20 So during my eight years of
21 professional career in which I learned so much, and
22 I don't mean this in any negative way, but I learned
23 and I felt two specific observations. One was just
24 the way the world is going, especially in private
25 equity, frankly to what others have said, the

1 opportunities for good investments are literally
2 and legally limited to Wall Street and wealthy
3 individuals, and frankly, not even individuals, but
4 institutions and large programs. That was evident
5 no matter where you went, whether U.S. or Europe or
6 Asia.

7 And then the second observation I
8 personally also observed was, again, no matter
9 where you go—given the clientele that I was
10 dealing with—I was able to
11 “experience maybe the high end of the market.” But
12 it doesn't matter how rich or poor you are, in
13 every city there's a local place. There's a local
14 central market. There's a local restaurant or bar
15 or gym or wherever that people gather. You guys
16 all have that in your own neighborhoods, no matter how
17 rich you are. It's where you go to sit with your
18 friends and so on and so forth.

19 So when we talk about small
20 businesses, I mean, yes, like, small business just
21 gets thrown around a lot. But to be frank, there
22 are various limitations, various degrees. And the
23 small businesses I'm talking about are those brick and
24 mortar retail, truly small businesses not looking
25 for a million dollars even. They just need maybe

1 that \$50,000, \$100,000, \$200,000, whatever that is.

2 And, again, not to kind of

3 [indiscernible] my point but the banking system and

4 the irony of Dodd-Frank and I say this as a lawyer

5 is that it was created because it was too big to

6 fail. The banks are now too bigger to fail. The

7 top five banks construct 50 percent of the entire

8 industry. That financial system that provides

9 small business lending just doesn't work, as I

10 assume the Congressional Regulators intended.

11 And so those two kind of learnings, I

12 guess, or personal experiences, kind of hit me hard

13 when I was in my eighth year as an associate. And

14 this is kind of where a lot of lawyers kind of

15 figure out, okay, what would I like to do with

16 my life.

17 That's when the Jobs Act came up. And

18 the initial Jobs Act was passed in 2012. I

19 remember this clearly in October, 2013 or November was

20 when the proposals came out. And all of those

21 laws, specifically Regulation Crowdfunding, the

22 ability for any business to raise capital online

23 from any single person, regardless of your wealth,

24 regardless of your connections or knowledge base,

25 that was what, in essence, I personally and a

1 couple of my college friends, the three of us,
2 started NextSeed for. Because we thought there is
3 a way to connect these changing regulations and
4 obviously the amazing changing technology to create
5 a platform to support those specific small
6 businesses at the hyper local level that—I'm
7 generalizing obviously—but banks find very
8 difficult to lend to, especially at a smaller
9 level, let's say, under \$250,000.

10 And we thought given all of the
11 restrictions and limitations of Regulation
12 Crowdfunding, which we'll talk about today, at
13 least in that category, we can utilize the laws to
14 help those small businesses. And so our mission is
15 to connect businesses and individuals to those
16 vibrant communities. That's something that we take
17 very seriously. And especially in the small
18 business content because it's not just about the
19 money. When you have investors from your local
20 community, they're coming with their families and
21 friends. They're talking about it. They're
22 providing a different value to the small business
23 than money. And that's something that we
24 intentionally focus on.

25 And I think this is amazing. I was

1 driving to this venue today from Houston this
2 morning with my colleague, who I also used to work
3 with at Cleary, and it's hard to imagine. Three
4 years ago, we literally had a piece of paper of
5 jobs that came out. I know everyone else was
6 focusing on tech startups and trying to do equity
7 crowdfunding and fund the next startup. But we had
8 a specific idea of funding small businesses,
9 community driven small businesses through your
10 community. And who knew three and a half years
11 later to be able to speak with the SEC and with the
12 Commissioners being here, it was just—it's hard
13 to explain how that felt. But I'm very grateful
14 for the regulators and the government to recognize
15 that the rules might not be perfect, but there is a
16 way to improve it and they're willing to have us, a
17 very small platform relative to the other gentleman
18 here and lady here—to have an opportunity to
19 share that story. So that's why NextSeed exists.

20 MR. GOMEZ: Now, Antonio, The Native
21 sounds like the company that Youngro is talking
22 about. In 2016, you raised nearly \$400,000 using
23 Regulation Crowdfunding. As you mentioned
24 subsequently, you've had other rounds of financing.
25 You used Regulation D for subsequent rounds of

1 financing.

2 I'm curious as to if you can take us
3 back to when you were thinking about raising the
4 capital, did you have the option to get a bank
5 loan? How did you decide to go through Reg.
6 Crowdfunding? And I guess more interesting
7 personally to me is who were the investors that
8 came to you in that Reg. Crowdfunding to give you that
9 nearly \$400,000 in debt financing?

10 MR. MADRID: Now, that's a good question.
11 We've been slowly meeting a lot of those people
12 through various incentives that we've offered
13 through the crowdfunding portal. So I worked with
14 Youngro and his team at NextSeed to raise \$400,000
15 through a crowdfunding platform. And that was
16 actually the first time that me and my partners
17 have ever really utilized something as formal as
18 that.

19 I've been in the bar and restaurant
20 industry for about seven years. Seven years ago,
21 our first project started as, you know, us sitting
22 around somebody's house, and a buddy who was pretty
23 wealthy said, fantastic idea; I'll give y'all
24 \$200,000.

25 We opened a bar six months later. And

1 it's progressively gotten a little bit bigger and a
2 little bit more sophisticated. Working with
3 NextSeed was actually sort of a really eye-opening
4 experience because it forced us to become more
5 formal, more formalized, and, you know, kind of
6 prepared us to be able to potentially grow as a
7 business and grow as a developer.

8 That being said, you know what was
9 fascinating about the crowdfunding portal, which we
10 had never considered before, was twofold in
11 particular. One, as a marketing opportunity to
12 utilize, you know, another organization who had a
13 reach that we didn't have. Most of our projects
14 are hyper local. They're bars and restaurants here
15 in Austin, Texas. And our crowd that we've always
16 reached out to for funding and for, you know, kind
17 of patronizing our businesses are all local. So
18 that was one reason why we considered a group like
19 NextSeed.

20 The other reason and the main reason
21 was that, you know, this is an opportunity for
22 people that would actually be our patrons, who
23 would actually kind of be part of the business on
24 kind of a cultural level, to join in on the
25 financial level. And as y'all know, most of the

1 regulations otherwise, you know, are kind of
2 prohibitive for backpackers and travelers, you
3 know, small bands and different other groups that
4 are going to be passing through Austin, Texas on a
5 regular basis.

6 And the idea around The Native hostel
7 was to create a culture where quality was
8 accessible, not only quality, but high quality.
9 And so it was kind of a beautiful alignment on the
10 crowdfunding side to allow people to invest in what
11 I consider a really high quality product but at a
12 level that was accessible to them, whether it's \$50
13 bucks or \$100 bucks, as opposed to having a net
14 worth of a million dollars and having to put in \$100,000.
15 So that's kind of how I came to NextSeed.

16 MR. GOMEZ: Great. As we were doing
17 introductions, there was a lot of talk about
18 Regulation A. And for those of you who may not be
19 familiar with Regulation A is that it's also an
20 exemption from registration under the federal
21 securities laws.

22 In 2015, the SEC modernized Regulation
23 A and created two tiers of offerings. Tier 1
24 offerings go up to \$20 million a year. Tier 2
25 offerings allow companies to raise up to

1 \$50 million a year. The rules have a process
2 through which companies prepare an offering
3 document that is reviewed by SEC staff. But the
4 rules also allow those companies to test the
5 waters, get indication of interest from potential
6 investors before filing that document with the SEC
7 and while that document is under review with the
8 SEC to give you an idea as to the type of interest
9 there will be in those offerings. Those rules went
10 into effect in June, 2015.

11 To also give you an idea of what's
12 happening in that area since the time of
13 effectiveness until September 30th of this year,
14 there were 238 companies that have taken advantage
15 of Regulation A by filing an offering with the SEC.
16 Out of those, 69 companies have reported completed
17 offerings raising on aggregate of \$611 million.

18 Virtuix was one of those companies
19 based here in Austin. You guys raised over \$7
20 million in a Regulation A offering. Before that,
21 you had done a non-securities-based campaign that
22 raised about a million dollars.

23 So can you tell us about your thought
24 process of doing Reg. A and also that transition
25 between a non-securities-based offering to a

1 securities based offering?

2 MR. GOETGELUK: Yeah, definitely. I
3 want to echo the words of Youngro that we have the
4 same feeling of gratitude towards the regulators,
5 because I think the company that we built over the
6 past four years, I don't think we would have been
7 able to do it ten years ago.

8 We are now a 30 people company with a
9 office here in Austin and an office in South China
10 in Zhuhai and also an office in Shanghai. We
11 raised \$16 million from investors. The majority
12 came from crowdfunding. And what we do, you need a
13 lot of money to do it.

14 We brought to market the Omni, which
15 is a complex product. It's a hardware product, but
16 it has software, firmware, electronics. It took us
17 \$10 million and three years to finalize the
18 product. So you need a lot of capital to do that.

19 And it's the kind of product that is
20 very hard to raise capital for. The traditional
21 venture capitalists, for the most part, they don't
22 like hardware. They certainly don't like hardware
23 in our format, big, huge, a new industry in virtual
24 reality. So lots of skepticism.

25 We were able to raise some money from

1 VCs in our first and second seed rounds. But they
2 just put in a little bit of money just to have a VR
3 investment. They were excited by virtual reality
4 three or four years ago. So we got some venture
5 capitalists in our company. But none of which
6 would really stand up and lead a full on Series A
7 round where you raise \$10 or \$20 million. Our
8 product just doesn't fit that mold.

9 We also couldn't bootstrap our company
10 because we have to develop this product first
11 before we can sell it in the traditional way of
12 doing business. And so bootstrapping our company,
13 that just wasn't possible for us.

14 What we were able to do—and this is
15 fairly new I'd say—is, first of all, we started
16 off four years ago with a Kickstarter campaign.
17 That's how we got started.

18 Our product is very visual. It's a
19 virtual reality platform. It's a physical device
20 on which people run with a gun, and they play video
21 games. It's quite mind blowing. It's very visual,
22 and it speaks to people's imagination. So a great
23 fit to motivate not VCs, but motivate gamers and
24 enthusiasts and the VR community.

25 So we did a Kickstarter campaign four

1 years ago, and we raised \$1.1 million on
2 Kickstarter, which worked really well. We were
3 back then in the top ten of the highest Kickstarter
4 campaigns at that time.

5 But, again, a million dollars is
6 really just a drop in the bucket if you want to
7 develop a big technology product. So we had to go
8 fundraise fairly shortly thereafter. And, again, a
9 traditional way of fundraising VCs and whatnot was
10 very hard for us. So we did our first seed rounds
11 also part of crowdfunding—also equity
12 crowdfunding in a sense through Seedinvest,
13 which is a platform in New York. That was still a
14 traditional Regulation D offering. So those were
15 all accredited investors. But still that came
16 through this online portal for the most part, in
17 addition to some investors here in Texas and angel
18 networks and so forth.

19 So we did another seed round after
20 that. And then last year in 2016, we were planning
21 for our big Series A round. Again, I knocked on
22 every VC's door, and I probably got rejected so
23 much I lost count. [Indiscernible]. They were all
24 very nice about it, though. They were very nice
25 about rejecting you.

1 It just was not a viable round for us.
2 And I get it. I don't blame them. I don't blame
3 VCs. That's not what they do.
4 But we have this company with a big
5 following, lots of community passion, lots of
6 enthusiasts loving what we do. And so for us,
7 crowdfunding is a natural fit. So we decided to do
8 a Regulation A offering. This had just come out in
9 2015. And we started preparing for ours in the
10 second half of 2015. And we launched our rounds in
11 I believe March of 2016 again with Seedinvest,
12 which is a platform in New York. And we raised \$7
13 million from our community, from investors big and
14 small, including lots of our customers, lots of
15 fans that really love what we do. They were able
16 to invest in our company.

17 It's not easy. The same with
18 Kickstarter. It's not, you just push a button, and
19 the money comes in. It's a lot of work and a lot
20 of effort to get it done. But we did raise \$7
21 million.

22 And here we are today, and we've now
23 raised \$16 million. We are almost profitable as a
24 company. We're close to doing \$5 million to
25 \$10 million in revenue. All thanks

1 to this new way of Crowdfunding Regulations that
2 has been very, very helpful to us.

3 MR. GOMEZ: Mark, you've helped
4 companies raise capital for over 20 years now. And
5 you mentioned how you see Reg. A as a potential way
6 to kick start that small IPO.

7 Can you tell us what other factors you
8 see in Reg. A that in your mind make it a candidate
9 for doing that and how you are seeing the potential
10 in Reg. A?

11 MR. ELENOWITZ: So the one thing I
12 want to say is that from our standpoint and from
13 the small cap community, Reg. A has been an amazing
14 initiative that has basically transformed or we
15 think will transform Wall Street to bring back
16 capital formation. There's been a void for small
17 cap broker-dealers and for small investors. If you're
18 a large opportunity, there's plenty of underwriters
19 that are out there to assist you.

20 What happens to the small issuers and
21 to small underwriters? There is really just not a
22 lot of product available. And unfortunately,
23 there's not a lot of liquidity in the marketplace.
24 If you look at the way traditional investment
25 banking has been done over the last several years,

1 it doesn't fit in a modern world.
2 Today's modern community communicates
3 through social media at a realtime live event. So
4 when you look at a traditional offering under Form S-1,
5 you go into a quiet period. And that lack of
6 communication or really the lack of transparency,
7 as I like to look at it, stymies the ability for
8 these companies to be able to go out and compete
9 against. And more importantly, for the
10 transparency of information to the individual
11 investors because they're all going to communicate
12 through social media. They use live and
13 instantaneous, you know, immediate gratification of
14 communication and information.

15 And Reg. A I think solves that, because
16 it allows, as you had mentioned, the ability to
17 test the waters, which allows us to communicate
18 before, during and after that filing process. So
19 it's an amazing tool now to be able to communicate.

20 What we looked at when we started
21 examining Reg. A, we found that initially it was
22 identified for companies that have great ideas,
23 where entrepreneurs wanted to come out with whether
24 it was a three-wheel car or flying car or something
25 that's going to change transportation, and that would

1 attract a crowd. When we thought about it, it
2 didn't really make sense in terms of the way we
3 wanted to see Reg. A evolve because those are very
4 early stage businesses with a lot of high risk.
5 And there was a lot of good companies out there
6 that were more established and had been looking for
7 ways to raise capital.

8 But there was a disconnect, because the
9 reality is when it first came out, everybody
10 thought if you sent an e-mail, then suddenly
11 everybody was going to write you a check. It just
12 doesn't work that way.

13 You do need to involve Wall Street.
14 But there were barriers to bring Wall Street in,
15 because we have rules that were regulated by FINRA,
16 where compliance officers have certain issues
17 related to small cap issues, whether it trades on
18 the over-the-counter market, and what we call the designated
19 security rule or the penny stock rule to be able to
20 actually go out and solicit orders from those
21 individual investors. So brokers can't communicate
22 to their customers and be able to solicit offerings
23 if it trades on the OTC or it doesn't trade at all.
24 And brokers are looking for liquidity.

25 So that's where we went to the New

1 York Stock Exchange, and we applaud that they
2 embraced Reg. A because they looked at it—and if
3 you really think about it—it's just like any other
4 traditional offering. The form of registration or
5 in this issue is not on a Form S-1. It's not quite a form
6 of registration. But it's a Form 1-A that enables
7 us to go out and sell the security.

8 But after that, the methodology that
9 we employ makes it look like, act and feel like a
10 traditional IPO. So it enables it to actually
11 become a '34 Act company and then list onto a
12 national securities exchange, which enables then
13 the rest of Wall Street to be able to participate.

14 So the crowd is not quite there yet.
15 We still have to see an evolution. You can't
16 anticipate an offering to be purely done for the
17 crowd. You still need to employ Wall Street, which
18 means that you need to bring in a syndicate and
19 institutions, and you need to look at it in a
20 manner that will create and attract those type of
21 investors, as well as a crowd.

22 So when we look at Reg. A and what we
23 started to focus on is taking an iconic brand,
24 taking something that has a large affinity group or
25 a customer base or a shareholder base that loves

1 the product, eats at the restaurants or stays at
2 your hostel or uses your product or in the
3 circumstance of one of our recent companies eats
4 burgers and loves it. And now, they have a chance
5 to play side by side with the institutions in the
6 community that really shunned the general public,
7 because the best deals went only to the
8 institutions. The crowd never got to participate.
9 Now, the crowd gets to participate side by side,
10 and it really leveled that playing field.

11 So what we're seeing in Reg. A is
12 really the future of small cap underwriting because
13 it now allows those very customers to become
14 shareholders. The other interesting thing that we
15 saw—and this is something I can feel proud about—
16 is our first client was a company that had an
17 exoskeletal robotic arm for somebody that has
18 paralysis or some type of disability, and they
19 don't have the ability to function. This was
20 virtually an unknown company. If you're in that
21 community, you knew what it was because there were
22 about 600 customers or 600 patients that used it.

23 When we went out and did the Reg. A, it
24 wasn't a large offering. What was so amazing about
25 it was it was the first time that you could

1 actually see the methodology works to list on an
2 exchange. But the side effect that came is we had
3 customers calling us or really patients calling us
4 who said, how can I get this product; I never even
5 knew it existed; my father-in-law has paralysis; by
6 mother-in-law has MLS. And now, this company has
7 been able to go out and actually provide relief and
8 benefit to patients who never knew it existed.

9 So if you think about the power of Reg.
10 A, it's taken this offering that nobody would have
11 ever heard of and put it onto a global scale. So
12 not only does it expand the ability to bring the
13 capital, but it also allows these issuers to go out and
14 be able to get new customers and to expand their
15 business. And we're starting to see that happen
16 here with the companies that we're working with.

17 When you look at it, though, there's
18 still some issues and some things that we have to
19 as service providers and as the gatekeepers have to
20 be cognizant of. There's a lot of people coming up
21 to me saying, well, I don't like Reg. A. In Reg. A
22 all of these deals go down.

23 Well, Reg. A is not bad. It's the
24 issuers that are becoming public probably shouldn't
25 be public yet. And that's one of the things I

1 think that the Commission needs to look at, really
2 not necessarily the Commission, but more so
3 everybody that practices in this industry is—be
4 aware that when you're dealing with a crowd, you're
5 dealing with a passionate, unsophisticated investor
6 who might believe in that flying car or believe in
7 that product and sometimes disconnects from what
8 the reality of the financial situation of that
9 business is. And it's important to value these
10 businesses properly based upon fundamental analysis
11 and looking at how that compares to its peers and
12 price them correctly.

13 So the form Reg. A is not bad. It's
14 the ability to pick the right companies. And that
15 goes back to every entrepreneur should look
16 themselves in the mirror before they become public
17 and understand the responsibility of what it means
18 to be a public company and know that that's the
19 first step. The first capital you're going to
20 raise is the first step of the rest of your life.
21 You have a responsibility to your shareholders, and
22 you have a responsibility to communicate and
23 continue to grow your business.

24 So I think Reg. A, at least the way
25 we're looking at it, is not to keep the lights on,

1 but really to grow the business. And I think if we
2 look at it as a community and everybody continues
3 to embrace it and some of the suggestions that we
4 have is increasing the limit and more education to
5 the street meaning to the bigger tier banks.
6 Because as I said at the beginning, Wall Street has
7 been limited primarily to an institutional
8 community, and that crowd is powerful. That crowd
9 provides liquidity, and it provides validation of a
10 product, because if they like the product and they're
11 willing to invest in the company, it shows that
12 this is a strong business that has the opportunity
13 to succeed.

14 So as more and more larger banks
15 become aware of that, I think you're going to find
16 that they're going to start to come into this
17 world. If we could raise the threshold to \$75
18 million to continue to attract larger issuers, it
19 really is just a win for the small community as a
20 whole.

21 MR. GOMEZ: The shares that a company
22 sells in a Reg. A offering are freely tradable
23 meaning that generally an investor who buys shares
24 in a Reg. A offering will be able to resell those
25 shares. Some issuers or companies have taken steps

1 to create liquidity in their companies. Some Reg. A
2 issuers have gone to get quoted in the
3 over-the-counter markets. They're market makers
4 that have created liquidity in the over-the-counter
5 market. But as both Mark and Annemarie mentioned,
6 there's also some companies that are exploring—
7 Reg. A issuers that are exploring this on an
8 exchange.

9 Annemarie, from the standpoint of
10 NASDAQ, could you help us understand the thought
11 process about bringing in those Reg. A issuers into
12 NASDAQ, and how you view them compared to other
13 smaller companies, and what are the liquidity
14 challenges for them?

15 MS. TIERNEY: Yeah, of course. NASDAQ
16 is very committed to small public companies
17 and public companies as a general matter. And from
18 our point of view—I think Mark touched on this—
19 there's no difference from a listings point of
20 view whether a company is coming onto NASDAQ
21 through a Reg. A+ mini IPO or a traditional Form S-1
22 IPO. It's the same listing criteria that have to
23 be satisfied. They're subject to the same ongoing
24 reporting requirements, the same listing
25 qualification requirements.

1 So from our point of view, it's the
2 same process, and we're eager and happy to list any
3 company that satisfies our qualifications for
4 listing.

5 You know, when we're looking at the
6 Reg. A+ mini IPOs space very closely, we're proud to have
7 five companies listed already to date that have
8 come to us through Reg. A+ mini IPOs, and there's
9 more in the pipeline.

10 I think where there's an evolving
11 marketplace—Mark touched on several points I was
12 going to make. So thank you for that
13 [indiscernible].

14 But, you know, one of the things that
15 we're seeing is more as a result of some of the
16 special qualifications around Reg. A+, the fact that
17 it is more crowdfunding oriented, the fact that
18 Wall Street is not as bought into the process now
19 as I think they will be. There's some challenges
20 once a company is listed that may not exist for the
21 more traditional Form S-1 IPOs that include Wall
22 Street syndicates and others. I think that's
23 shifting a little.

24 For example, the transactions that are
25 listed on NASDAQ are all best efforts underwritten.

1 Whereas, the majority of Form S-1
2 IPOs are firm commitment. We're seeing that shift.
3 There's one company in registration at
4 the SEC right now that will be the first firm commitment underwritten
5 offering using Reg. A+. The first Reg. A+ mini IPO that's
6 a firm commitment underwriting. So we're looking at that as a really
7 interesting test case to see what the aftermarket
8 looks like.

9 I think the fact that you have more
10 retail typically in a Reg. A+ mini IPO
11 than institution. There might be less
12 aftermarket support than there is for the typical
13 syndicate underwritten IPOs. That's created some
14 challenges that we think will again change over
15 time.

16 The other thing is that, you know, in
17 a typical Form S-1 IPO, there's generally a road
18 show and a book building process wherein Reg. A+
19 mini IPOs, it's maybe at this point in time more
20 typical that they use a crowdfunded platform or a
21 platform to help find investors, testing the waters
22 for sure in advance, but again not that kind of
23 typical institutional support, syndicate support
24 around the transaction.

25 We do see more banks, as Mark pointed

1 to, you know, realizing that from a market point of
2 view, it's the same company qualifications. It's
3 the same standards being met. The fact is that Reg
4 A+ mini IPOs are more cost effective in many ways.
5 It's a less time process to get through the SEC, which I
6 think is a big upside for a lot of companies looking
7 at Reg. A+ as a way to go public. So we think it's
8 an evolving market space, and we think that it is a
9 great opportunity for companies to raise capital in
10 a more streamlined manner.

11 And we're happy to talk to any company
12 that's interested in listing on NASDAQ in the context of
13 obviously a mini IPO or typical Form S-1.

14 On liquidity for small companies, this
15 is a space that NASDAQ has been very focused on for a
16 long time. We are home to a very
17 significant number of small to medium-sized public
18 companies. We do see the challenges that public
19 companies face for smaller companies looking for
20 liquidity.

21 We published a report earlier this
22 year called "Revitalize," that's part of the materials
23 for this program and is available outside
24 for people in the room. We think it's a really
25 smart and thoughtful approach to kind of talking

1 about some of the issues that are making the public
2 company markets more challenging for companies.
3 I think one of the most important
4 things that we see -- And I'm going to read the
5 stats so I get it right because I want to make sure
6 I say this the right way. 15 years ago, 90 percent
7 of liquidity was concentrated into a single
8 exchange with the rest spread over about eight to
9 ten other exchanges. So 90 percent of your liquidity was on
10 your primary exchange, NASDAQ or wherever
11 your primary listing was.
12 Today, we produce a spread thinly
13 across 50 or more venues. We have 12 stock
14 exchanges right now, ATs [alternative trading systems], you know, ECNs [electronic communication
networks],
15 50 different ways that securities can be traded with
16 no more than 25 percent trading on a single market.
17 So that fragmentation has really shifted. Price
18 discovery, transparency in a small thinly
19 traded public company, one word by one investor can really
20 break the crust of liquidity and create a really
21 bad user experience for the investor.
22 So in the report to Revitalize, we
23 suggest three things. One is to take a look again
24 at an outcome that occurred from adopting Reg. ATS
25 and Reg NMS, which is an idea of unlisted trading

1 privileges, which is that if you're listed on a
2 public market, anybody can trade your securities.
3 We think that small companies should have the
4 ability to choose to concentrate their liquidity on
5 one market that will create a deeper pool of
6 liquidity, more transparency, more price certainty.
7 Right now, about half of the small to
8 medium companies have more than 50 percent trading
9 occurring off exchange, so through dark pools and
10 other platforms where there's less transparency
11 than there is on U.S. exchanges. So we really
12 recommend that the SEC and members of Congress think
13 about changing their list of trading rules to allow
14 a smaller company to choose just one venue
15 with some limitations for their
16 stock.

17 We also have been very supportive of
18 the tick pilot that's been occurring, and we really
19 support flexible tick sizes that small companies can
20 make different determinations about the best way
21 for their securities to trade. And we're also
22 looking at really being creative around liquidity
23 for small and medium-sized public companies and
24 work with other market players to figure out other
25 solutions that may potentially auction mechanisms

1 versus continuous trading. So it's a space we're
2 really focused.
3 "Revitalize" is a great read, if anybody
4 is interested and has questions, and we're very happy to
5 take them.

6 But I do think from a Reg. A+ point of
7 view, it's a great opportunity for companies to
8 raise capital. It's a really smart idea maybe to
9 raise the cap above \$50 million. The cost of going
10 public of the Reg. A+ from a diligence, legal
11 and accounting point of view, I think we've been told is more or
12 less the same as for a traditional IPO with no cap.
13 So I think increasing the cap and creating a better
14 way for that company to trade after it's gone
15 public would really help the market tremendously.

16 MR. GOMEZ: Catherine, like those who
17 reside here in Texas, you reside in an area that's
18 other than the two traditional coasts for VC
19 funding in the Northeast and Silicon Valley. The
20 issuers, the companies that you work with, what are
21 the challenges that they're finding to try to find
22 those investors?

23 I know that as a member of the
24 Advisory Committee, you talked about the industry
25 of finders. Could you tell us what that is? Is

1 that something that companies are using to -- to
2 find investors?
3 MS. MOTT: Yes. You know, small towns
4 and cities don't have a plethora of investors as
5 resources. When you're building a new company,
6 you're resource constrained. And I'm not just
7 talking about capital. I'm talking about time.
8 You're performing multiple functions and multiple
9 roles in your company. And the key to finding
10 capital is having time to make the right connections
11 to find these so-called anonymous wealthy
12 investors. So by permitting finders to make
13 introductions, this could be an avenue for
14 garnering capital is to find someone who's
15 connected.

16 Currently, finders must be
17 broker/dealers. This works well as typically in
18 the larger cities like New York City and Boston
19 and, of course, San Francisco where brokers can
20 make a meaningful commission from aggregating \$10
21 to \$40 million by representing a biotech company or
22 a life sciences company or capital intensive
23 company. And they can reach out to their clients
24 because they're concentrated in that area.

25 In small towns, broker/dealers don't

1 have any interest because they can't get
2 remunerated for raising half a million for a
3 company that needs to get started off the ground.
4 It's not how they make their bread and butter.

5 So by having finders who are connected
6 and can connect to, you know, wealthy, accredited
7 investors provides another avenue for founders to
8 access capital.

9 MR. GOMEZ: Paul, Title I of the JOBS
10 Act had a number of accommodations for companies
11 that were seeking to do an IPO, an on-ramp
12 accommodation, those companies that qualified as
13 emerging growth companies, companies that have
14 annual revenues of less than \$1.07 billion -- Also,
15 one of those numbers that got adjusted for
16 inflation was an issue of \$1 billion. So I think as
17 we keep doing these type of presentations, you're
18 going to hear more and more about those odd-sized
19 numbers because of the adjustment for inflation.

20 There's a number of accommodations
21 that came with the tag once qualified as emerging
22 growth company. As a lawyer helping companies go
23 through the IPO process, what are those -- the
24 issuers in Texas doing? Are they taking advantage
25 of accommodations or are some of them more popular

1 than others?

2 MR. TOBIAS: The onramp is working.

3 You know, there are several ways that companies

4 have been taking advantage of them. First, the

5 confidential submission process is a big one.

6 In the old days, you were reticent to

7 file your Form S-1 or your registration statement until

8 you knew that your market conditions were going to

9 hold, that your ability to forecast your revenue

10 and your other financial performance was going to

11 come through. And so I would sit in a board

12 meeting, and the board would say, is this the

13 quarter we're going to launch the IPO process. And

14 there would be this, well, it's too risky; let's

15 wait another quarter. And underwriters sometimes I

16 think would delay offerings by a quarter just to

17 confirm that the company's performance was going to

18 continue to come true.

19 So to be able to submit your SEC

20 filing, your registration statement confidentially,

21 work your way through the process almost entirely

22 with the staff and its comments and then to decide

23 whether to launch after a brief period

24 your road show, that's very effective. And almost

25 all companies I've seen have been taking advantage

1 of that.

2 There's also the ability to include
3 only two years of audited financials instead of
4 three and also to limit your selected information
5 to the periods that are included and, of course, to
6 correspond with the audited financial statements.
7 And companies not always are doing that. But quite
8 often, they're doing that. Sometimes they want to
9 be able to market the growth in three years, and
10 it's easier to do that and to give comfort to
11 include three years of audited financials.

12 Clearly, the emerging growth companies
13 are taking advantage of the delay and having to
14 include auditor attestations on internal
15 controls. And many of them I think that I work
16 with, if not all, are taking advantage of the
17 reduced compensation disclosure. So I think it's
18 really working quite well.

19 The testing the waters, I think some
20 are using that. I know of one offering where the
21 management team met with qualified institutional
22 buyers and institutional accredited investors to
23 test their story. And they refined their message,
24 because they thought certain things would confuse
25 investors and they didn't and other things that

1 they thought investors would clearly understand,
2 the investors were requiring more discussion. So I
3 think that's been helpful in many cases, too,
4 especially for companies that require, you know, a
5 little bit more explanation of their story because
6 they might be a biotech company that doesn't have
7 the financial performance yet but there's huge
8 opportunity. To try and understand exactly whether
9 that's a good investment or not, sometimes the
10 testing of the waters process is helpful.

11 MR. GOMEZ: Well, one thing has
12 surprised me is we have gotten a few questions via
13 e-mail but not a whole lot of questions from the
14 audience here. So don't be shy. If you do have a
15 question, please write them down there. Tony is
16 walking around and Julie as well and happy to bring
17 them down. If you're shy about raising your hand,
18 just like Ryan did, you can just walk them right
19 over to me.

20 I had an idea of actually going
21 through the entire panel again with questions. But
22 since we have gotten some questions, I want to go
23 ahead and shift a little bit out of order and take
24 some of those questions.

25 One question we got from the audience

1 and I'll just throw it out to the panel in general
2 is a question about what role does investment
3 research play in the small IPO, and are there
4 challenges right now in the current rules that
5 prevent that investment research from helping those
6 small IPO companies?

7 MR. ELENOWITZ: I'll jump in on this
8 one.

9 So research is important for any
10 aftermarket. It enables sometimes it's a complex
11 story and to put into a simple form that investors
12 can understand.

13 I think the challenges that we have is
14 it's more of education going back again to these
15 mid-tier banks and larger banks that are writing
16 research because those analysts really aren't sure
17 when they speak to their compliance departments is
18 this something that we can cover. There still
19 seems to be this disconnect about what Reg. A is.

20 As we discussed with NASDAQ and once
21 it's listed and on the NYSE, it doesn't matter how
22 it became public, it's where it is today and what
23 exchange it's traded on and then there is no
24 designated security rule. There is no barriers
25 that enables.

1 But when you look at Reg. A as a whole
2 as it stands today, most of the companies that have
3 become public are early stage that probably
4 wouldn't really attract a research analyst. I
5 think as we see an evolution occur here of the
6 bigger companies starting to embrace this, that
7 would attract analyst coverage. And analyst
8 coverage is important from a validation standpoint
9 and also to attract institutions that cover that or
10 follow that analyst to look for recommendations.

11 MS. TIERNEY: I think we've seen a
12 trend towards a significant decrease in research on
13 small and medium-sized companies. Over the past
14 ten years, I think the move toward decimalization
15 from penny increment trading and the global research
16 settlement where banks had to hold off
17 investment banking research definitely
18 decreased dollars for research. We've seen a lot
19 of the research smaller or medium-sized research
20 companies either be acquired or close their doors.

21 So I think there's a lot less focus on
22 small to medium company research being written
23 right now. We would love to see that change. You
24 know, I think one of the potential upsides of
25 moving away from decimalized trading for small to

1 medium-sized companies to more of a, you know,
2 penny increment or different increment, might be that there's more money
3 from the trades to go towards researching it, like it did,
4 you know, ten or 12 years back.

5 MR. HINMAN: Thanks very much.

6 Michael, we've got number of questions
7 about the 147A offering that you mentioned,
8 intrastate offering exemption. Folks are
9 curious as to how many you've seen in Vermont. But
10 beyond that, generally how much is being raised for
11 that in your state, and how many investors you have
12 in your state?

13 And then another question around the
14 after-effects. You've done an offering, you've been
15 able to send it out on the Internet to people
16 outside Vermont. Are companies being able to take
17 advantage of that in follow-on offerings, or other
18 exempt offerings, that they would structure with
19 people outside their state?

20 MR. PIECIAK: Yes. Those are all good
21 questions. I mean, to the first point how many
22 have we seen in Vermont, and elsewhere? I mean, in
23 Vermont we had a sense of our sort of focus on
24 local investing re-emerge about two and a half
25 years ago. We've had 19 offerings in our state.

1 We've had probably, I'd say, half a dozen that have
2 either converted to 147A or started as a 147A
3 offering in the last year. So we've seen a good
4 size amount for our state.

5 I know that in other states they have
6 seen dozens and dozens of local intrastate
7 offerings. And as they get their 147A up and
8 running, I think you'll see more and more of those
9 offerings.

10 In terms of the size of the offering,
11 we were under the misconception -- I think it was a
12 misconception when we revised our regulation that
13 there was really a need and a desire from small
14 businesses to have the caps higher and higher when
15 it came to local investing. Originally, our cap
16 was a half a million dollars, and we moved it to a
17 million. And now, it's actually at \$2 million with
18 some conditions.

19 But of those 19 offerings, more and
20 more and more are seeking smaller and smaller
21 dollar amounts. They're seeking amounts under
22 \$100,000 in some instances. One example in Vermont
23 that I think is really a success story in sort of
24 this micro investing is this company called the
25 Vermont Evaporator Company, which provides backyard

1 maple sugaring technology so that you can have at
2 home maple syrup.

3 They are very widely successful. They
4 have this huge margin on their product. They sell
5 for \$750, and it cost them something, like, under
6 \$50 to make. And they didn't have enough
7 distribution. They had plenty of distribution.
8 They didn't have people to put the product together
9 actually, and they didn't have enough inventory to
10 sell.

11 So they were a startup company that
12 couldn't get any bank financing. They were trying
13 to raise \$70,000 through this local exemption, this
14 local offering. They raised the minimum to clear
15 the threshold to get their money just over \$30,000,
16 I think. So it was really micro.

17 And the portal that helped them talked
18 to them afterwards and said, well, you know, how
19 did you find the experience; even though you didn't
20 raise the full \$70,000, how did that help your business?

21 And they said, well, the \$30,000 was
22 really important because it gave us enough --
23 enough cash on hand -- enough assets to then get a
24 traditional line of credit at a bank. They have
25 had three or four different banks that were

1 competing for their business after they did this
2 local offering. And they were able to hire an
3 employee to help them with continued manufacturing
4 of their product. So it's really a good example of
5 a success story at a very micro level.

6 But that's one of the trends is that
7 the amounts are actually getting smaller, in our
8 opinion, than people trying to seek a million or
9 \$2 million. Those are more the exception I think
10 not just in our state but across the whole of the states in the
11 intrastate crowdfunding arena.

12 MR. LEE: Could I add to that?

13 So this is exactly what I was talking
14 about in terms of one rule definitely doesn't fit
15 all. When I look at a Regulation Crowdfunding
16 specifically as well as the crowdfunding generally,
17 it is an assumption of companies want to grow and
18 go to a list and Reg. A and raise millions and
19 millions of dollars.

20 But when we define small businesses
21 not as these growth companies but really your local
22 businesses especially in the middle of the country,
23 not the coast, they're not looking for that. They
24 need \$100,000. That's all they need to open their
25 store. They're not actually even looking for

1 equity investors. This is a lifestyle business.
2 They're not looking for shelters. They're looking
3 for cash to literally get them into something, pay
4 for the family's education and food and whatnot.
5 So that regime while we don't
6 understand it -- And I hear the congressmen
7 regularly talking about how that's important -- the
8 Regulation Crowdfunding itself and parts of intrastate offerings --
9 I think that's just -- that's the missing gap, in my
10 opinion.
11 So when we think about how to improve
12 Rule 147 and crowdfunding in general but if
13 our goal -- we say specifically let's help the
14 small businesses at the local level -- This is kind
15 of where Antonio fits in -- there's a different
16 understanding I think that we need to apply to
17 these rules, whether it's investment limits for
18 individual investors, whether it's the
19 incentives to the portals, to the business
20 requirements that the issuers have. But if you're
21 trying to impose the same limitations on a business
22 trying to raise \$70,000 than you are trying to raise
23 a million dollars, the disclosures and all this
24 stuff, it doesn't make sense.
25 So the point about banks this is

1 personally a passionate topic of mine. Community
2 banks don't exist anymore. I mean, that's just a
3 fact. I mean, especially if we look at the last
4 five years, I think there's literally no new community
5 banks, except that maybe three came up this year. So a lot of
6 community banks are themselves struggling about
7 what to do.

8 So Antonio's case is a perfect example
9 where they actually had a bank loan, I think about
10 \$2 or \$3 million. We were effectively
11 mezzanine financing. So for the banks to
12 meet their LTV calculation, they provide a
13 traditional bank loan. Antonio's group has to come
14 up with that 20 or 30 percent LTV or whatever that
15 is. We helped crowdfund a portion of that. So the
16 bank is relying on the crowdfunded portion to
17 actually get a bigger amount.

18 So that's a conversation I'm having.
19 We've had several businesses in our NextSeed
20 portfolio or processes where we are literally
21 working with banks to say, hey, if we crowdfund "X"
22 dollars, can you count that towards your LTV requirements.
23 I'm looking to 504 to satisfy requirements to
24 approve funding. If we could help them get that,
25 then that's a whole separate conversation.

1 I think those are the innovations that
2 I think might be worthwhile to say, hey, not all
3 business is equal. For the small business at a
4 local level, let's provide a different regime
5 because it's not the same as these companies trying
6 to raise millions of dollars to grow.

7 MR. GOMEZ: Well, while we're still on
8 the topic of crowdfunding, one of the questions we
9 got note that one of the reasons VCs and private
10 equity investors don't touch early stage startups
11 is the high risk. And the question goes to whether
12 unsophisticated investors in equity crowdfunding
13 have access to due diligence resources.

14 Given the information that needs to be
15 provided, what would the panel recommend with
16 respect to transparency and that risk that some of
17 the offerings may pose to investors?

18 MR. GOETGELUK: I'll answer the last
19 first. I don't agree that VCs shun early stage
20 investments because it's high risk. They love high
21 risk. But they want to see high returns. Every
22 investment they make needs to potentially become a
23 billion dollar company.

24 That's their game. They invest in ten
25 companies with their funds. And one of those needs

1 to be Facebook, just one. The other nine can
2 disappear. They just need one. But every single
3 one invested in needs to have the potential to be
4 the next Facebook. That's how it works.

5 So a lot of startups don't fit that
6 mold. They can become \$100, \$200, \$300 million
7 company, but that may not be interesting enough for
8 the typical VC investor. So I don't agree VCs
9 investors don't invest because of the risk. There's always
10 a lot of risk involved.

11 I do agree that there needs to be a
12 lot of transparency and a lots of information
13 available to investors even on the crowdfunding
14 side. And I do think that's being addressed.

15 When we through our Reg. A process, we
16 had to go through -- and it's not as intense as a
17 formal S1 process -- but still, it was a pretty
18 intense process of providing all the information,
19 backing every statement up with data. And so I
20 think in our case, all the data was there as you would have
21 for a public offering, even though ours was not
22 -- you know, we didn't take our shares to an
23 exchange after our offering. But still I do think
24 the information was there, and I think it's very
25 important.

1 MR. HINMAN: Can you comment just a
2 little further on that rigor that you just talked
3 about? Was being driven by counsel, by a
4 dealer/broker, by a lead investor? How was that
5 happening?

6 MR. GOETGELUK: Yeah. It was mainly
7 driven by Seedinvest, which was our platform that
8 we used to do our offering, and they are a
9 registered broker/dealer. And they took this
10 process very seriously.

11 So the most work were for their lawyers
12 checking everything very diligently and making sure
13 that, you know, as any law firm would do for a
14 public offering, making sure every statement is
15 backed up. But that was mainly driven by the
16 Seedinvest platform in our case.

17 MR. HINMAN: We have a question that
18 some of the panelists may want to take on. I think
19 some of it is directed at us. And that's thoughts
20 on initial coin offerings. People are curious
21 about the role ICOs play in improving liquidity and
22 crowdfunding. I'll leave that to our panelists.

23 And then they are also asking the
24 other side of the equation, which is what are we
25 doing to prevent fraud in this area, and are there

1 anymore guidelines coming?

2 And on the latter, I can try to speak
3 briefly to that. I think the Chairman has observed
4 that he hasn't seen an ICO that does not look
5 like a security to him. As many of you know, what people
6 are trying to do initial coin offerings, they're
7 often trying to characterize the investment as
8 something that is not a security and that is not subject to all the regulations
9 and exemptions or the regulations that we've been
10 discussing and try to avoid that process and void
11 some of the rigor that we've heard discussed.

12 We very rarely think that there's
13 going to be a coin offering as such that doesn't
14 amount to a security. We apply a pretty old and
15 well worn Howey test. There was a third -- If are
16 you investing giving value to others in the hopes
17 that some third party will generate a return for
18 you. And that's often the case in these initial
19 coin offerings.

20 In terms of what the SEC itself is
21 doing, we have put out one report so far I'll call
22 the DAO report on a token offering that we brought
23 an enforcement action with respect to. There are
24 more in the works. We have a team of folks from
25 our group, as well as some of the other divisions

1 and enforcement that spent a lot of time looking at
2 this area. And I think you'll see more of our
3 guidance sort of illustrated through the
4 enforcement actions that we expect to bring.

5 But I'm curious, if whether Annemarie
6 or Mark or Catherine or Michael, whether you guys
7 all have a view on the utility of -- token
8 offerings for fundraising?

9 MR. PIECIAK: Maybe I can jump into a
10 little bit adding to Bill's comments about how
11 state regulators are looking at ICOs. And then
12 maybe they can formulate their thoughts about how
13 it might improve capital formation.

14 But similarly, I think the state
15 regulators are taking a look at ICOs. NASAA is
16 establishing a fin tech committee that's going to
17 be up and running within the next month. And one
18 of the items on that -- beyond just generally looking
19 at financial technology generally and how state
20 regulators can help facilitate the innovation and
21 also protect consumers -- is looking at ICOs.
22 And there's an interesting interaction or overlay
23 between fin tech and the capital formation with
24 that issue.

25 So I think from my perspective just

1 speaking for myself, I think our view would be very
2 much in line with sort of the interpretations that
3 have come out from the SEC in terms of whether the Howey
4 test applies, and whether the prongs are met. It
5 appears like the ICOs would be considered
6 securities depending on the specifics of the
7 transaction.

8 And it will be interesting on the
9 enforcement side because this will present a
10 challenge not just to state regulators, I think,
11 but to the SEC. We already have received a
12 cryptocurrency-related complaints in Vermont. And
13 when you start to look at where the individuals
14 are that they're complaining against, we had to
15 look them up on a map because we didn't know where
16 the geography was and where the territory was. So
17 that's going to be a challenge for securities
18 regulators at the state and I think also at the
19 federal level.

20 MS. MOTT: So the only thing I can
21 offer is that one of our portfolio companies is
22 actually considering an ICO. And I am the one
23 board member who is probably pushing back more than
24 others, because I feel, or I believe there's too much that's
25 unknown right now and have great concerns.

1 I don't want to get stuck in the
2 middle of something that should be regulated or
3 should have some structure around it. And so I'm
4 couching it, let me put this way, in general terms
5 right now. So no decision has been made yet. But,
6 you know, we are starting to see them.

7 MR. HINMAN: Right. So just to be
8 clear, we do think of the end structure of a token
9 offering in a way that would comply with the
10 securities laws. They can be a very innovative
11 way to raise capital.

12 What we are concerned with are the
13 folks that are saying, hey, these aren't
14 securities; we don't need to worry about
15 structuring this under an exemption, looking at the
16 sophistication of our investors and offering it
17 broadly to all kinds of folks and in many cases
18 without much of a business plan, more of a white
19 paper idea that they're looking for funding for.

20 If you do have a good idea in a token
21 that is distributed ledger technology and
22 block chain technology, that could be a
23 very innovative, thoughtful way to approach a new
24 business. And we're not against that in any way,
25 and we would like to foster that innovation. We

1 just want folks that are doing that to be very
2 thoughtful about the securities laws as they
3 do it.
4 We have a question maybe for you Antonio and Jan.
5 People are just curious, if there's some nuts and bolts advice here
6 on marketing and the marketing techniques that you
7 have found that gave you the best return on your
8 time invested and money invested as you tried to
9 build your business.

10 MR. MADRID: I'll start.

11 So I guess I've been building
12 businesses for locals for the most part. We've
13 kind of always just kind of run with the motto if
14 you build it, they will come. And I don't think we
15 ever put a single dime into any marketing for any
16 of our bars and restaurants up until two or
17 three years ago.

18 Luckily, our networks have a local
19 level. And me and my other partners were all born
20 and bred here in Austin, all of us went to the
21 University of Texas actually, bailed out of the
22 McCombs School of Business and ended up next door
23 in the philosophy department and seven years later
24 started a construction firm.

25 So but, yeah, that's kind of however

1 with a hospitality organization like The Native
2 hostel, our thought process started changing a lot
3 because our main clientele isn't a local person.
4 It isn't a person that's like me that lives two
5 miles away. You know, it isn't our friends. It
6 isn't our family who are already here.
7 It's actually people that are coming
8 from drive cities like Houston, New Orleans,
9 Dallas, San Antonio, and then the bigger markets
10 like L.A., San Francisco, New York, Chicago, all
11 the places that we believe people are coming to
12 Austin from. So that was what was really
13 fascinating about the NextSeed portal to be able to
14 raise funds on a national level in a public way.
15 And that just was one little --
16 ignited a conversation that we could have on a
17 national level on a very small scale. But
18 ultimately, it was kind of a foot in the door to
19 kind of alert people that our business was coming
20 online, you know, outside of just the 60 square
21 miles of Austin. And, you know, then from there,
22 kind of pick it up because, beautifully enough, we
23 were one of the first, and I think we were
24 the first. And, you know, NextSeed in particular
25 made it very easy to do outreach and press and all

1 that sort of stuff.

2 MR. GOETGELUK: I just want to add as
3 it relates to marketing or offerings if you want to
4 do a crowdfunding offering, it's a lot of work.
5 It's very enticing to look at a successful Kickstarter
6 campaign and look at our successful Reg. A offering
7 and think, oh, I'm going to do that. Of yeah, wow.

8 It's blood, sweat and tears. And if
9 you think you push a little button and the money
10 starts flowing in, it doesn't work that way.

11 There's lots of preparation, lots of
12 marketing, lots of events, building a community,
13 building a following, building up to the launch.
14 And the big trick is always to make sure that on
15 the day of the launch, whether it's a Kickstarter
16 campaign or I think to say the same for a penny offering or
17 whatever -- It's a different dynamic -- but you
18 want to have a lot of people ready to back you on
19 day one so that you have a lot of money going out
20 of the gate, and that takes a lot of work. It's
21 very hard to get money from people.

22 MR. GOMEZ: A follow-up question
23 somewhat related to that, and it's looking for some
24 idea of the cost of doing an offering. I think the
25 question specifically here asks for the ballpark

1 costs of, like, \$100,000 either Reg CF or 147
2 offering. I'll leave it up to the panel whether
3 some of the issuers want to talk about the cost
4 experience they had or Youngro, whether you want to
5 talk about the cost structure.

6 MR. LEE: This is actually related to
7 I think what you guys were saying. I mean, I think
8 for all the venture businesses out there, after I
9 got to thinking about it, I think the key -- the
10 difference in Kickstarter and investments crowdfunding in a properly
11 regulated offering is it is a
12 regulated offering. It is a legal process. You
13 got to get your documents. You got to get your
14 process in. So it is by definition a fundamentally
15 different process.

16 So when you look at this crowdfunding,
17 the most important thing is to look at the portal
18 themselves because again, by law, you cannot do
19 this without a portal. This is kind of where the
20 issues come from about incentives for the portal
21 about is it worth and not even for \$50 million --
22 for a \$100,000, how can a portal possibly do that
23 offering.

24 So I can give you a specific example.
25 One, it's not a bad thing but as a legal company,

1 you can't hold customer funds. So we have a
2 partner bank. We have to hold it in escrow.
3 The payment processing I can tell you, no matter what,
4 every cost is basically \$5,000 upfront just
5 straight to the bank for the banking services or their
6 other services. That's not including the labor
7 cost, the technology build up and everything else.

8 So by definition when we do a \$50,000
9 offering, we're losing money. When we are doing
10 \$100,000, we ourselves are literally losing money
11 on a per transaction model. I'm sure other platforms
12 probably have a similar business model.

13 The only reason I think that we're
14 doing it besides obviously being passionate about
15 what this could mean is the idea that potentially
16 this can scale, and you can build a platform.
17 Because if you have a platform that provides
18 structured advice, then maybe you can make it
19 worthwhile on a larger scale.

20 Having said that, that is one of the
21 specific issues why a lot of issuers applied to us,
22 for example, and we had probably about 400
23 applications. On our platform, we've listed
24 I think 30. That's one of the reasons. As much as
25 I want to, it's very, very difficult for us to do a

1 \$50,000 offering or even a \$100,000 offering, unless
2 we think that this has the power to tell the story. I
3 mean, a lot of businesses, especially in the
4 beginning, that we do this kind of context is so that we
5 can tell the story about this is Regulation
6 Crowdfunding. And I think it worked because you
7 guys invited me to be here because of the stories
8 that we represent on our platform.

9 And that's what we're hoping to -- I'm
10 pretty sure I'm speaking for all crowdfunding
11 portals. That's what we're trying to achieve,
12 especially Regulation Crowdfunding. This is not
13 some scheme to try to -- I mean, of course, there's
14 bad actors here and there. But by and large, this
15 is not a get rich quick scheme.

16 We really want to help the small
17 businesses and startups in ways that just doesn't
18 exist in this current financial system.

19 So how do we do that? That's
20 obviously up to regulators. And I was just talking
21 about bank costs.

22 Obviously, there's legal costs.
23 There's financial costs. There are legal
24 innovations. There's a company called
25 iDisclose, that's trying to finalize and

1 produce documents easier. So there are innovators
2 trying to make this process cheaper.

3 But I will say that it is not a cheap
4 process whatsoever. That is a big concern for the
5 service providers in the industry.

6 MR. GOETGELUK: Our costs were about
7 \$75,000 to \$100,000 I think just in legal fees,
8 including post-offering. You have to do a lot of
9 filings after the offering as well. That
10 excludes commissions to the broker-dealer.

11 MR. GOMEZ: This was for your Reg. A
12 offering, the \$7 million one?

13 MR. GOETGELUK: Yeah. It excludes
14 commissions and state fees.

15 MR. HINMAN: Mark, this might be for
16 you. I'll read the question because it's a little
17 bit complicated. But accredited versus
18 non-accredited investors is the caption. Some Reg
19 A+ companies that list on national exchanges do a
20 follow-on financing to manage costs being public.

21 How often do you get this type?
22 That's diluting early unaccredited
23 investors. Is this the purpose of the original
24 JOBS Act intent to provide a tiered pathway to going
25 public, Reg. CF, Reg. A, IPO for slow and healthy

1 growth.

2 And maybe that goes a little bit to
3 the point you made earlier about companies that are
4 using the regulation and being more selective about
5 joining into the process maybe a little bit too
6 early. In fact, the questioner is asking about if
7 you invested early, maybe you're going to face a
8 down round, and that won't be a very pleasant
9 experience for maybe the less accredited investors
10 who came in earlier.

11 MR. ELENOWITZ: That's right on the
12 point on some of these companies and what you said
13 maybe the earlier stage ones. When you're dealing
14 with an early stage opportunity and when you're
15 dealing with a crowd, as I said, you're dealing
16 with a little bit of irrational exuberance. It's looking
17 beyond the fundamentals and looking into the blue
18 skies of what you expect and hope it will be. And
19 I think there needs to be a better job of
20 transparency of really understanding what you're
21 investing in.

22 There was a company out there that was
23 very successful. They were able to raise a lot of
24 capital initially. But that capital wasn't even
25 close, maybe 10 percent of what's necessary, in

1 order to get that product to market. They need
2 another \$3 or \$4 million. So I think there was a
3 disconnect between the investment community and
4 then the investors that participated.
5 Specifically in terms of looking at a
6 second round or a down round, I mean, that's really
7 not a function of the issuer. It's a function of
8 the market. And when companies become public, a
9 company needs to perform. Management needs to meet
10 expectations and exceed those expectations on a
11 quarterly basis.

12 If you're not raising enough capital,
13 whether it's an S1 or Reg. A, it's unfair to say
14 that it's Reg. A. It's any issuer that raises
15 capital if you don't raise enough capital and you
16 need additional capital in order to grow your
17 business, and the marketprice is lower today than
18 it was when the IPO occurred and the secondary
19 follows on and another bank comes in and does an
20 offering, it's going to be a down round.

21 But on the opposite side that if you
22 structure it properly at the beginning when the
23 company is able to succeed and continue to grow and
24 they need to raise additional capital, they might do
25 a round at a higher level. And that's what

1 secondaries and follow ons are.

2 One of the things that Reg. A allows
3 issuers to do is to have selling shareholders in
4 the primary offering. From the beginning, we
5 haven't really allowed that with any of our issuers
6 because we feel if you're raising capital, you
7 shouldn't be selling your shares at the same time.
8 But that idea of a secondary resale and some
9 people have seen private placements occur before
10 the IPO occurs, and they're looking for that
11 liquidity.

12 I think maybe the question because
13 I've had it a lot is that should I buy the private
14 ahead of the IPO because if the IPO comes out and
15 the company needs to raise more money later and
16 does a big down round, by the time I get liquid, my
17 shares are going to be underwater.

18 And I think you can't just identify
19 that with Reg. A. It just has to be on case-by-case
20 basis with the issuer. And that goes back the
21 issuer making sure that this is the right decision
22 that if you want to raise capital, is it enough
23 capital to succeed and be able to execute your
24 business plan. Or do you do a private placement
25 first or do a Reg CF and get your feet wet a little

1 bit before you go out. Or the alternative -- and
2 this is the best part of Reg. A, it's not something
3 that we practice -- we're going to be doing with
4 some of our upcoming clients that we announce, you
5 don't have to trade. So you can raise capital.
6 You can use the exemption or use Reg. A and Title
7 IV, and then you can then grow your business. And
8 when you're ready, when you feel that you're
9 matured enough, that's when you can come to the
10 capital markets and list either on the OTC or
11 NASDAQ or the NYSE. So there are options and
12 opportunities for you.

13 MR. HINMAN: Great. Thanks.

14 We're starting to run out of time. I
15 heard through the various comments in the first
16 round through that there were probably some things that
17 each of you are thinking about that we need to be
18 doing a little better or has room for improvement
19 on some of the regulations that apply to smaller
20 enterprises.

21 Is there anything that any of you
22 want to bring up or a recommendation or a thought
23 about an area that we need to harmonize or do a
24 better job on, we would love to hear it.

25 MR. GOMEZ: Think of this as the

1 lightening round. And we have about eight minutes,
2 and there's eight of you. So that's the challenge.

3 MS. MOTT: Can I go first please,
4 please, please, please?

5 MR. GOMEZ: Please do.

6 MS. MOTT: Well, I'd like to make a
7 comment about the accredited investor definition.
8 So if I can maybe tell everyone a story we've heard in
9 reference to the Dodd-Frank bill or Act in 2010. I
10 was Chairman of the Board of the Angel Capital
11 Association at the time this bill was passed. And
12 it directed the Commission to review the accredited
13 investor definition every four years. Well, at
14 that time we had surveyed our members of the Angel
15 Capital Association and realized it would impact
16 about 60 percent of the market, and it was
17 primarily in middle America, the flyover states.

18 And I couldn't sleep. It was
19 three o'clock in the morning. I went into my home
20 office, and I typed a message to Senator Dodd and I
21 faxed it, I e-mailed it, and I called him at
22 three o'clock in the morning.

23 The next morning at nine o'clock in
24 the morning, my phone rang in the office and it was
25 Dean Shahinian, his lead counsel, wanting

1 to discuss this with us. And so I pulled other
2 members of the Angel Capital Association on the
3 phone with him.
4 And if I could, you know, in the
5 simplest way say that this definition if it was changed
6 from, you know, a million to \$2.5 million as
7 recommended or \$200,000 -- that's in net worth --
8 \$200,000 and \$450,000 in annual income that, you
9 know, in the middle of the states, a doctor or an
10 attorney is making \$200,000 to \$300,000 a year, so
11 that's like making \$450,000 to \$500,000 in New York
12 or San Francisco. A million net worth is pretty
13 good in small towns and small cities in middle
14 America compared to, you know, \$2.5 million. Again, that's
15 probably comparable to what you would need in a
16 larger city.

17 But, you know, I would implore our, I
18 guess advisors, that we consider not changing the
19 accredited investor definition, adjusting it
20 mildly -- adjusting it moderately for cost of
21 living as our Advisory Council had recommended.
22 Startups in middle America would be hurt the most.
23 And primarily, minorities and female-led companies
24 I think would be hurt the most by it, too.

25 MR. HINMAN: Thank you.

1 MR. GOMEZ: Anyone else?

2 MS. TIERNEY: So other than the proposals in our
3 Revitalize publication which we talked a little bit about earlier
4 and which will be part of our recommendations that we will talk about this afternoon,
5 other areas in this particular space, the SEC could
6 be focused on -- and we've brought this up on the
7 Advisory Committee for Small and Emerging Companies, so
8 this is not a new topic.

9 But I would love to see the SEC
10 rethink through the fact that Tier 2 Reg. A
11 offerings while the issuance is blue sky
12 preemptive, covered securities for Section 18,
13 resales are not. So when Mark's company gets into
14 Tier 2 Reg. A+ offerings, there's literally no
15 liquidity options for buyers of the securities unless the
16 company chooses to go through a bunch of reporting
17 standards and trade off OTC. It's a good option.

18 But we think there should be other options, and we
19 think there should be other platforms that are able
20 to provide liquidity for those type securities.

21 They're quasi-public, they're putting
22 out information on an ongoing quarterly basis. The
23 idea that the investors can't resell the securities
24 in a sensible manner just makes that
25 capital-raising option I think a little bit more

1 challenging for companies.

2 When we spoke to different banks in
3 this case about it, one of their biggest issues was
4 that their investors want liquidity. And if that
5 liquidity is not available, they're not going to be
6 interested in investing in those companies.

7 MR. ELENOWITZ: To add on to what
8 Annemarie said earlier about doing firm commitment
9 underwriting for Reg. A+'s, we've been examining this
10 in great detail. And some of the things that I
11 think is important for the industry as a whole is
12 the ability to have a green shoe and stabilization and over
13 allotment like in a traditional offering.

14 But as we've seen, almost all the
15 offerings to date have been best efforts. And
16 there's a reason behind that that most people
17 probably don't realize. And one of the reasons
18 that we're doing is that there's a rule that
19 doesn't allow us to have capital in advance from
20 accounts on a firm commitment underwriting because
21 then there's really no risk to the underwriter
22 because you already have the cash in the accounts.
23 Well, that works fine on an institutional placement
24 where the underwriter is taking risk.

25 But in a Reg. A offering if we're

1 really going to be doing this out to the crowd and
2 that's the whole idea because we want to see a
3 levelling of the playing field and see a shift to allow
4 individuals to finally be able to participate side
5 by side, it is too much of a business risk to us as
6 an underwriter to allow settlement on T2 without
7 having cash in advance. And it's a very dangerous
8 business risk to us because if we are basically
9 putting capital forth on behalf of that investor
10 and they DK the trade -- Remember, these are
11 unsophisticated investors who might not have gotten
12 the email or notice that the IPO was occurring and
13 didn't fund their account in time -- then it puts
14 not only us at risk, but the issuer at risk.

15 So I think we need to see some reform
16 or see some changes to allow in these type of
17 offerings an investor can put forth cash into a
18 crowd-financed offering in advance, and then we can
19 then shift to start doing firm commitments where
20 that would bring in the institutional world, it
21 will bring in the stabilization, it will bring in
22 the green shoe and the over allotment, but at the
23 same time allow the crowd to finally participate.

24 MR. GOMEZ: We're out of time. We --
25 I still have a number of questions here, questions

1 that came by email. And it always happens. I'm
2 glad for the input from everyone in the audience.
3 Specifically, I want to thank the panel for this
4 enlightening discussion today.

5 A little bit of housekeeping for those
6 of you who are joining us here at Austin, we're
7 going to take a ten-minute break to go to the two
8 breakout groups. The way you do that is to your
9 left in the hallway, there is elevators and stairs
10 that will take you upstairs to the second floor.
11 You will see that there are two signs for the two
12 rooms there.

13 For those of you who are joining us
14 via the webcast, this is the time for you to go and
15 search for that email that we sent you that has the
16 dial-in number and information about connecting to
17 the breakout session that you want to specifically
18 join.

19 We will take a break here and then
20 meet all of you upstairs. Thank you.

21 (Whereupon, at 11:00 a.m., the forum
22 was adjourned.)

23 * * * * *

24

25

1 PROOFREADER'S CERTIFICATE

2

3 In the Matter of: SEC FORUM ON

4 SMALL BUSINESS CAPITAL FORMATION

5 File Number: OS-1130

6 Date: Thursday, November 30, 2017

7 Location: Austin, TX

8

9 This is to certify that I, Christine Boyce,

10 (the undersigned) do hereby swear and affirm that the

11 attached proceedings before the U.S. Securities and

12 Exchange Commission were held according to the

13 record, and that this is the original, complete, true

14 and accurate transcript, which has been compared with the

15 reporting or recording accomplished at the hearing.

16

17

18 _____

19 (Proofreader's Name) (Date)

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