

U.S. Securities and Exchange Commission
SMALL BUSINESS CAPITAL FORMATION ADVISORY COMMITTEE

November 13, 2020

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1070


Dear Chairman Clayton:

On behalf of the SEC Small Business Capital Formation Advisory Committee, we are pleased to submit the below recommendation approved at the Advisory Committee's November 9, 2020 meeting.

On October 7, 2020, the Commission [proposed](#) a new limited, conditional exemption from broker registration requirements for "Finders" who assist companies with raising capital in private markets from accredited investors. In order to promote small business capital formation, especially underrepresented businesses (such as minority owned and women owned businesses) and businesses that are not in regions with robust capital raising networks, the Committee supports a framework to permit certain Finders to engage in limited capital raising activities involving accredited investors with the following principles in mind:

- 1) The framework should be kept simple.
- 2) The framework should keep out bad actors.
- 3) The Commission should consider requiring a notice filing for all Finders, which includes information on fees charged for Finders' services.
- 4) The Commission should work with state securities regulators to provide additional certainty for market participants with coordination among the states and the Commission.
- 5) It is important that Finders and Issuers know the rules on how Finders can assist with capital formation for small businesses.
- 6) The Commission should consider a blanket exemption for Finders for offerings under a certain size.
- 7) The Commission should consider the issue of fees to Finders, including the reasonableness around Finders' fees and/or limits on the amount of Finders' fees.
- 8) The Commission should add clarity on prohibited and permissible activities. For example, the contact restrictions, the one time per year, and the natural person requirements in the proposal may be too limiting.
- 9) The Commission should clarify whether broker-dealers are allowed to pay Tier 2 finders that are non-associated persons.

Respectfully submitted on behalf of the Advisory Committee,



Carla Garrett
Committee Chair



Jeffrey Solomon
Committee Vice Chair

Kesha Cash
Founder and General Partner
Impact America Fund
Oakland, CA

Robert Fox
National Managing Partner, Professional
Standards Group
Grant Thornton LLP
Chicago, IL

Carla Garrett
Corporate Partner
Potomac Law Group PLLC
Washington, DC

Stephen Graham
Corporate & Securities Partner
Fenwick & West LLP
Seattle, WA

Sara Hanks
CEO and Co-Founder
CrowdCheck, Inc
Alexandria, VA

Youngro Lee
CEO and Co-Founder
NextSeed
Houston, TX

Brian Levey
Chief Business Affairs and Legal Officer
Upwork Inc
Santa Clara, CA

Sapna Mehta
General Counsel & Chief Compliance Officer,
Rise of the Rest Seed Fund; Associate General
Counsel, Revolution
Washington, DC

Catherine Mott
Founder & CEO of BlueTree Capital Group,
BlueTree Allied Angels, BlueTree Venture Fund
Pittsburgh, PA

Poorvi Patodia
CEO and Founder
Biena Snacks
Allston, MA

Jason Seats
Chief Investment Officer
Techstars
Austin, TX

Jeffrey M. Solomon
Chief Executive Officer
Cowen, Inc
New York, NY

Hank Torbert
President
AltaMax, LLC
New Orleans, LA

Sue Washer
President & CEO
Applied Genetic Technology Corporation
Gainesville, FL

Gregory Yadley
Partner
Shumaker, Loop & Kendrick, LLP
Tampa, FL

Greg Dean
Senior Vice President
Office of Government Affairs, FINRA
Washington, DC

Melanie Senter Lubin
Maryland Securities Commissioner for the
Securities Division, Office of the Attorney
General; Baltimore, MD

Martha Miller
Advocate for Small Business Capital Formation
U S Securities and Exchange Commission
Washington, DC

William Manger
Chief of Staff and Associate Administrator for the
Office of Capital Access; U S Small Business
Administration; Washington, DC

Marc Sharma
Chief Counsel, Office of the Investor Advocate
U S Securities and Exchange Commission
Washington, DC