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C O N T E N T S

P R O C E E D I N G S

INTRODUCTION

MS. CHOI: Hi. I am Jenny Choi from the SEC Small Business Advocacy team. Thank you for joining us today for our final day of the SEC's 41st Annual Small Business Forum. And welcome back to those who joined us for the first three days. Today's discussion will focus on smaller public companies drawing insights from small-cap leadership and advisors. Let's dive right into today's discussion.

MS. MILLER: Thank you very much, Jenny. And welcome back for day 4, our 4th and final day of the SEC's 41st Annual Small Business Forum. I am thrilled that you have joined us today to talk about some of the issues, challenges, and opportunities in the small-cap marketplace.

Before I introduce Commissioner Caroline Crenshaw and Director Renee Jones to provide opening remarks, I wanted to give the SEC's wonderful disclaimer that the opinions and perspectives shared today from each of our guests, whether SEC staff or otherwise, represent only that individuals perspective, and not necessarily that of the organization which they represent.

Without further ado, it is my pleasure to turn the microphone over to Commissioner Crenshaw to welcome you and provide opening remarks. Commissioner Crenshaw?

OPENING REMARKS

MS. CRENSHAW: Good afternoon. And thank you, Martha. And you also Amy, Kim, Jenny, and Julie, and the rest of the staff in the Office of the Advocate for Small Business Capital Formation, as well as to the participants for another successful annual forum. It's wonderful to be here, and I do not hesitate to call it a success, even though we're just getting started on day four. And having a direct line of communication with the public is absolutely imperative. So I really appreciate the past few days. And I look forward to the discussion and the policy recommendations at the outcome of this.

And as many of you know this is the last Annual forum for Martha Miller. So I want to give a heartfelt thank you to Martha for her service as the very first advocate for Small Business Capital Formation. She has been a thoughtful and tireless public servant and has used her position to draw resources and attention to disparities in the capital markets.

In her remarks to kick off the forum earlier this week, Martha noted that who you are, can be the first hurdle for an entrepreneur before investors ever learn about what you're building. She pointed to a report produced by the Office of the Advocate for Small Business Capital Formation that shows demographic background, personal network, education, and geographic location can be controlling factors in whether or not an entrepreneur is able to access capital and opportunity. Martha has done a superb job in standing up the office and focusing their work on such issues. I look forward to continuing that work and to the public's feedback on how to erode such barriers.

And as part of that, recently, the Commission put out a proposal relating to Special Purpose Acquisition Companies or SPACs, and the issues raised by their structures and characteristics. As facts become more and more popular -- became more and more popular during the pandemic, several issues came to my attention. I, of course, look forward to any comment on that proposal.

But in thinking about SPACs, it highlighted to me that it may be time to think holistically about all paths to the public markets. One example of a well-documented issue is the traditional -- in the traditional IPO is the 7 percent underwriter fee for mid-market entrepreneurs seeking to access the public markets.

Data indicates that entrepreneurs of mid-market companies are consistently charged 7 percent by investment banks for taking their company public regardless of other factors and conditions.

Further, IPOs may be under priced to produce better first-day returns at a cost to the entrepreneur. This is just an example. But I am interested to hear about the challenges that you have faced in your path to the public markets. What are the hurdles that policymakers and academics are not talking about? And how do we reduce those hurdles while maintaining investor protections?

And I just want to note, one of the suggestions that arose from last year's forum was to increase the transparency of short selling and dark pool activities. In February, the Commission proposed new rules and amendments to broaden the scope of short sale-related data available to the investing public and to regulators. And I would encourage anyone interested in that topic to review the proposal.

With respect to dark pools, we propose several changes to our framework for regulating alternative trading systems or ATSs is in January of this year, including strengthening the operational transparency requirements applicable to certain ATSs, and expanding those requirements to ATSs that trade government securities.

However, I would like to hear from you about whether there was more we should do to increase transparency in this space. For example, should we extend the operational transparency requirements to all categories of ATSs including those that trade equity securities other than NMS stocks? Should we prohibit certain practices that may create conflicts of interest, such as trading by the broker-dealer operator and its affiliates in the ATS?

But I just want to highlight that that is something we take seriously. We take the recommendation seriously. And your feedback is again, just so important to us. So thank you for your time. And I look forward to the policy recommendations.

MS. MILLER: Thank you very much, Commissioner Crenshaw, and I appreciate your thoughtful words as well as the kudos on some of the things from our report and the suggestions for ideas to think about as we start diving into policy considerations.

It is now my pleasure to welcome to the virtual stage Director Renee Jones, who is the head of our Division of Corporation Finance, who is a name that many of you -- if you're in the small-cap space, you know well at this point. Renee, it is wonderful to have you here today. The microphone is yours.

MS. JONES: Thank you so much for that very kind introduction, and I am really pleased to be here with you today at this important event. Your focus on small-cap companies fits well with the theme of my remarks which will focus on the benefits of the public securities markets for smaller companies.

And to give away the punchline, I believe that public markets offer many important but underappreciated benefits to companies, particularly smaller companies. But when those both -- when those companies conduct registered offerings, but even when they do not. And some of these benefits spill over and accrue even to these smaller companies that themselves are not public.

Before I begin, I would like to remind you, of course, that the reviews that I expressed here today are my own, and I am not speaking on behalf of the Commission or the SEC staff.

My remarks today are motivated by an important phenomenon. Public markets have become much -- a much smaller part of the capital formation process in recent years. Significant regulatory, legislative, and judicious developments over the past 40 years have led to a dramatic expansion of the exempt securities markets, both in terms of the amounts raised and relative to the public registered markets.

Private markets now constitute the majority of capital raising in the United States. In 2020, registered offerings accounted for $1.8 trillion dollars, or 40 percent of new capital raised, compared to the approximately 2.7 trillion or 60 percent that staff estimates was raised through exempt offerings.

So as we debate the appropriate response to the relative decline of public markets, I think it's important that we consider the benefits that public markets provide to smaller companies. The benefits I discuss today apply to companies of all sizes, but in many cases, these benefits may be greater for smaller companies. And as the relative importance of public markets declines, so too may many of these benefits to smaller companies wane.

First, public markets provide transparency that increases investor confidence and thereby helps smaller companies raise capital. Public markets provide transparent market prices that generally reflect all available public information. And price discovery is enhanced by other reinforcing features of public markets such as active trading, intermediaries who help investors process information, and, of course, public disclosure.

Moreover, public market rules ensure that investors receive information all at the same time, which increases the confidence of investors who may not be closely connected to a company.

By contrast, Regulation FD, an important SEC Rule that prohibits selective disclosure, does not apply in private markets. And restrictions on insider trading are much more difficult to police in these private markets. So the upshot is that investors in private companies may have less confidence that they have full information and that they are investing on a level playing field.

Secondly, standardized public market disclosure requirements also enable investors to compare companies to their peers, as well as relevant indexes. This makes the information provided by each public company more useful. By contrast, private market disclosures, to the extent they are available, can require significantly more time and effort to enable compare ability.

My note here that comparability provides benefits even to companies that remain private. After all, to value private companies, investors need a baseline in public markets and prices in the public markets provide that baseline. To the extent that public markets decline in relative importance, the quality of a baseline and its spillover, the benefits also declined.

Third, public markets have strong company governance rules that may increase investor confidence that management is working in their interests. Public companies are subject to SEC proxy rules that allow shareholders to vote on the selection of board members and provide their input on other important issues.

In my view, these public market advantages do not accrue just to public companies, but they accrue disproportionately to high-quality, smaller companies. That's because on average, investors know less about smaller companies than their larger counterparts, which raises the cost of capital for smaller companies.

More information being available helps investors price smaller companies more accurately, and this reduces the cost of capital for smaller companies who have strong fundamentals. This more efficient capital allocation has benefits to smaller firms, but it also has benefits to the broader economy.

Now, of course, I don't mean to imply that there are not barriers or costs to going public. These costs, however, are often overstated. And this may be especially true for smaller companies, because Congress and the SEC have provided many accommodations for smaller companies, including an on-ramp for going public and scale disclosure requirements once companies are public.

The Commission continues to build on the scaling of disclosure in its new rule proposals. For example, our recent rule proposal on climate change disclosures includes a number of accommodations for smaller companies. We are attentive to the impact of our rules on small companies as we seek to protect investors and fosters strong and liquid securities markets.

Thank you once again for providing me the opportunity to speak with you about this important issue. And I really look forward to your continued engagement with us in cooperation finance, and I hope that you will comment on our future potential rule proposals. Thank you very much.

MS. MILLER: Thank you very much, Renee, for the thoughtful opening remarks. And certainly, you and your team have been very busy at work over the past few months almost now coming up on a year that you have been here. So I appreciate your time today and look forward to the discussion which I have no doubt we'll veer into some of the recent rulemaking activities that you have undertaken.

It is now my pleasure to kick off the program. Before I do, I did want to provide some background for those who may be joining us for the first time this week. And that is a reminder that we want to hear from you during this event. So if you have questions for our panelists, we will be asking Q&A at the end. So add those to the Q&A within the event platform, so that we can make sure that we're queuing those up, and don't wait until the very end. Start doing that as you think of the questions that you would like for us to ask.

And the second reminder is that at the end of the forum, you'll have the opportunity to prioritize policy recommendations submitted by yourself and other participants using the event platform. More details to come at the end. But it is now my pleasure to introduce Jenny Riegel from our team who is going to kick off the panel discussion. Jenny, the floor is yours.

MS. RIEGEL: Thank you so much, Martha. And thank you all for joining for this fourth and final day of the SEC Small Business Forum. Many companies have the goal of conducting an initial public offering, listing on an exchange, and becoming a public company.

It is my pleasure to spend the next hour with free thought leaders in the small-cap space.

I am joined by Adam Epstein, the founder of Third Creek advisors; Kris Simpson, Senior Vice President and General Counsel of Urban One; and Peter Holt, a Chief Executive Officer of the Joint Chiropractic. I will let our panelists introduce themselves before we jump directly into the why of today's discussion.

Adam, did you want to kick us off?

MR. EPSTEIN: Sure. First, Jenny, thanks so much for having me. I have really been looking forward to this conversation all week.

Most relevant, I think to the subject matter today is that for many years, I co-managed a special situation hedge fund based in San Francisco that provided growth capital to literally hundreds of small-cap public companies in the U.S. And subsequent to my tenure as an institutional investor, I have been running a firm for about the last 12 years or so that provides a buy-side perspective, in other words, the perspective of a former institutional investor, to CEOs and to boards regarding unique small-cap challenges.

And as everybody at the SEC is well aware, of course, leaders of small-cap companies just face a daunting, seemingly endless array of existential threats day in and day out. And my firm specializes in helping those high-growth companies with what I would characterize as complex capital markets problems. And I spend an awful lot of time helping small-cap companies transform their storytelling. As an institutional investor, I have heard thousands of stories, some good ones, some not so good, Jenny.

MS. RIEGEL: Thank you so much. And yes, we find storytelling is so powerful. And thank you again for joining us.

Kris, would you like to go next?

MR. SIMPSON: Yeah. My name is Kristopher Simpson. I am Senior Vice President and General Counsel for Urban One. I have been with Urban One for going on 15 years now. Prior to that, I did corporate development and investor relations at E*TRADE Financial. So I have kind of seen it from all sides, both in terms of developing the story through corporate development, selling the story, telling the story through investor relations, and then guiding companies through, you know, regulatory issues relating to disclosure.

MS. RIEGEL: Wonderful. And we're so glad to have you here today.

Peter, would you like to go next?

MR. HOLT: Absolutely. I am Peter Holt. I am the CEO of the Joint Chiropractic. We are publicly traded. We did our IPO in November of '14, did a secondary round in November of '15, raised about $31 million to really build a corporate portfolio of our chiropractic clinics. So the Joint is a franchise publicly held chiropractic clinic chain of chiropractic clinics.

At the end of last year, we had 706 clinics in operation, 96 of them were either owned or managed corporately, and the balance was in the hands of our franchisees.

Personally, I have been building and managing franchise systems for over 35 years, and that have worked for different public companies. And this is a really exciting time to share just some of the challenges and opportunities associated with being a small-cap company in this unique environment we're operating today.

MS. RIEGEL: Excellent. And we are thrilled to have you on the panel as well. With that context, I would love to dive into the why of small-cap.

Adam, from your experience as a former investor in the small-cap space and as a current advisor, why are small-cap companies so important?

MR. EPSTEIN: Well, first and foremost, I think it's just important to underscore, Jenny, why it's absolutely critical to spend not a little bit of time talking about small-caps, but a lot of time talking about small-caps. And first, I would say it's rooted in numbers first.

And what I mean by numbers is, look, the overwhelming majority of public companies in the United States are small-cap companies, right? And this is despite the fact that the Wall Street Journal, the New York Times, Financial Times, CNBC, Bloomberg, tend to ignore small public companies and focus, of course, on the largest companies.

But it's not just the numbers. It's also jobs. And it's also innovation. Small-cap companies in the United States employ millions of Americans millions, millions, and also an awful lot of, for example, technology and life science innovation in the U.S. emanate from small-cap public companies.

MS. RIEGEL: Those are all excellent points. I would love to kind of pivot and look at the investor side. So from the investor perspective, what do small-cap companies bring to the market?

MR. EPSTEIN: Yeah. Look, simply put, small-caps provide the market with the potential for dynamic, outsized returns. We all grew up with that adage, right, that high risk, high returns. And I am not suggesting that all small-cap companies are high risk, but certainly, as it pertains to comparing them to larger public companies, let's just say they are higher risk, higher return. So that's succinctly -- that's why investors love small-caps.

MS. RIEGEL: Excellent. Thank you. And finally, from the other perspective, on the company side, Director Jones highlighted a few benefits in her remarks. But from your perspective, why should a company consider going public?

MR. EPSTEIN: Yeah. I think Director Jones made some terrific points. I would just say succinctly, three points.

Number one, I completely agree that public company, the disclosure and the reporting regime that's presided over by the Securities and Exchange Commission, give companies added credibility in the marketplace that companies compete in.

Number two, when small companies do make it to the public markets, they gain access to those equity capital markets to secure growth capital.

And third, I would say not only is it the access to equity capital markets for growth capital, but it also provides the opportunity for founders, for employees, for early investors, for partners, for all kinds of other stakeholders to have the opportunity to be able to monetize their equity stakes.

MS. RIEGEL: Thank you so much. I would love to turn it to Kris. From where you're sitting as general counsel of a small-cap company, what are some of the interesting legal or investor relations issues that you and some of your contemporaries have seen?

MR. SIMPSON: Yeah. So having worked at E*TRADE Financial, I am still kind of a fan of their commercials. And you know I think back to the most recent commercial, them bringing back the E*TRADE baby. And you know kind of his stated reason for coming back. You know people investing in memes.

You know memes, social investing, Reddit chat boards, you know, particularly as they converge upon thinner traded stocks, kind of have, you know, an outsized impact and create massive distortions. And you know it's kind of what Adam was referring to, you know, more risk, more reward. But those distortions can create just a vast array of issues in and of themselves.

We have two classes of stock one, our class A, which is more thinly traded, and our other class, class D. And back in 2000, around the time of the George

Floyd incident, after his death, to be quite frank, there was a massive interest in minority-owned companies. And we saw a benefit from that. One class of our stock, our class A, spiked from 2 to roughly 50 in the course of a couple of hours. And you know that caused some interesting conversations, you know, with our regulators.

I was literally sitting in a board meeting, and I could see, you know, NASDAQ Stock Exchange calling me and FINRA calling me at the same time. You know so it obviously caused some interesting conversations, you know. We didn't know what was going on at the time. You know it was nothing related to the fundamentals of the company. It was just a new interest and, you know, people literally taking news in the moment and applying that news immediately to the markets.

So you know it had an outsized impact on our stock price in our class A, but those distortions also cause some other issues. You know we changed from a smaller reporting company to a smaller accelerated reporting company, and you know that changed our need for attestation on our internal controls.

So you know being a small-cap that more risk, more reward. You know it can definitely cause some waves in your business operations. But at the same time, it creates a lot of fun and some interesting issues to deal with on a day-to-day basis.

MS. RIEGEL: No. Those are great points. And those -- you highlighted many the things that we're also going to touch on a little bit later in the conversation on market volatility and shareholder engagement. So thank you for kind of teeing up those issues.

Before we turn to those questions, I wanted to ask Peter your thoughts on what are some of the advantages or benefits that you think a small-cap public company has over a private company or even a large cap public company?

MR. HOLT: That -- and it's a great question, and, of course, in all of these, there is advantages and disadvantages to each of those choices. And I thought that Renee Jones really did lay out a lot of the advantages of why private companies should consider going public.

One of the biggest issues is liquidity, is that it's a really simple story is that businesses face really two issues to get to survive and thrive capital and management, and you never have enough, you know. And so that in going public, if that allows you that liquidity, that allows you to bring in that additional capital that will allow you to expand, and grow, all the things you need to do, hire the right management, then that is a really powerful reason to consider going public.

It also gives you a tool for retention of your staff. That working for a private company, okay, maybe somebody gives you equity in that private company, but how does it valued, you know, and how do you earn it, and what happens when you leave? And so being a public company, you can offer those options that are grants. You can vest them over time.

There is a distinct value that changes by the hour, and that's going to become a really powerful retention tool to be able to track the quality management that you need to take your concept to whatever the next level is. So that liquidity is a really important advantage to being in this small-cap space .

The other thing is exposure. As again, as a small-cap company, you are playing on a field that's different from a private sector company. And that exposure, if you use it effectively, can help accelerate or move your business going forward. So it's an important platform that you're on that is like no other.

I think that the sophistication of investors and board members that you can draw into your public company now is also a really important resource. All public companies have that board. And that board can act as an incredibly powerful resource for experiences and expertise that you may not be able to afford inside your management. And so if you're effectively using that board, and that you're making sure that board is bringing into those areas of expertise that you may not have, like capital markets, or retail, or all kinds of -- just whatever those issues are so you get access to that level of expertise that can again, protect and propel you going forward.

So the quality of your board is an important resource that you typically don't have in that private company. Because a private company, do they have a board? Who's the board? It's their mother. It's their father, their brother, their sister. I mean you know, it's -- and they may give you all kinds of advice that may be good or not. And so that access to that quality invest group.

The other side of that is your shareholders. And again, as a small-cap, this is one thing in a small-cap space is you are pretty connected to your shareholders. In large cap, you may have a lot of shareholders out there. How often are you talking to them? Very, very rarely, and only the really big ones.

But in small-cap, it's essential that you're building that relationship with that group of potential investors or existing investors. And certainly, what I have learned over the years, well, I may know a lot about franchising or chiropractic care, that I can learn from my investors themselves by the quality of the conversations that we're having. And we have a regular reach out to them so that they understand what we're doing, why we're doing it, how things are progressing.

And so again, it gives you a source of information to think about how you're operating your business, particularly in the capital markets. Because a lot of these long-term shareholders who specialize in small-cap are amazing resources that you can tap into.

And finally, I think it was really what's been kind of mentioned a couple of times is the discipline. Is that being a public company, you are held to a standard that is very different from a private company. And that discipline, if you can survive it, you know, can only make you go stronger.

I mean you know Kris was mentioning going from, you know, a small-cap to accelerated filer, and all of a sudden you have SOX 404(b) that you need to comply with. We're going through that same thing this year, you know, and that it is a unique challenge.

And so what happened is it raised the standards of how we're operating within our organization. We are small-cap, and so we had an acceleration in our evaluation was so we tripped the trigger. We had over 750 million in market cap on June 30th of last year, which means that we were held to a different standard.

And so -- but as painful as it is, what it does is it raises the bar, which is exactly what we're looking for. It makes us a stronger company. It makes us a more transparent company. And those are essential for really to survive and thrive in this small-cap market.

MS. RIEGEL: Excellent. That is an excellent transition into kind of what I was hoping to go into next on market volatility. And this is something that we're hearing a lot about in the market in general, but we're also hearing about it in the small-cap space .

And Peter -- and I know, Kris, you kind of helped tee up a lot of the questions and the concerns and what is occurring. Peter, I would love for you to share from your perspective, you know, how are you seeing that market volatility impacting small-cap companies?

MR. HOLT: Absolutely. You know I will talk very personally about our own. And that market volatility is a double-edged sword. And because what is this all about? You need volume. That when I first came to the company, we were trading about $2 a share, and 25,000 shares a day was a big day for us. So that's a $50,000-daily trade.

Now, what does that mean? I am thinly traded and closely held, and how does institutional investors tap into that space? Well, they don't, you know, because they need a way in and a way out. And it has to be really easy to be able to go make those decisions if you're going to attract that quality, you know, investor that our -- institutional investment that most small-caps are trying to get to.

You know today, we're trading on an average of 250,000 shares a day and let's say 35-ish, a share so that's almost $9 million in a daily trade. And so that allows us -- so that volatility allows us to attract a higher institutional investor that does take the time to learn about the management and the concept.

And this is again really important to your -- you have this really dynamic relationship with these investors or potential investors because what they have understood is as they are in this small-cap environment, is that management is as crucial to concept. And so they need to make sure that both are there so that they are willing to make that investment.

Now in this volatility is that we also have these -- you know these trades that are they are not talking to management. They are not spending the time. Okay, what's this concept about? Who are these people behind it? They are looking for that volatility, that that trade that's going up or down in a relatively short period of time. And there is -- it's not -- it's about the algorithm. It's about the quants. And so that you don't control that.

In fact, you don't even see it. This is, again, where we need some greater transparency around that. Because that's moving in and out of your trade that you have no control over. And if this is all about putting a, you know, concept forward with strong management, and why you're investing in it, those rules don't apply.

And so it is more important to understand the transparency around that trade so you can understand really what's happening with the shares in -- that are -- as you're moving in and out of your organization. And that's a very important point from my perspective.

And so, I think that the last part of this and that volatility, is again, you know kind of the short-sellers, and you mentioned that earlier. It's a challenge. And that they are out there. They -- there is -- there needs to be more transparency, but it feels like I am, as a public company, held to a standard that requires me just to basically say everything about my business on a quarterly basis.

And I am so controlled with that Reg. FD about what I can say, and who can I say that to. Well, where is that, you know, when it applies to these short-sellers who are creating all kinds of havoc and for certain companies?

MS. RIEGEL: Well, and Kris, I know you teed up the topic before in talking about the murder of George Floyd, but I would love to hear how what Peter just shared compared to your -- compares to your experience at Urban One.

MR. SIMPSON: Yeah. You know I mean it's completely spot on. You know the double-edged sword comments is truly, you know, plays itself out, particularly in the small-cap space . You know one of the perfect examples is AMC. You know I think they -- with the volatility in their stock, I know they raised -- if I remember correctly, almost a billion dollars to pay off debt, and do some other corporate development work, and things of that nature, just off of the volatility or stock.

We kind of experienced the similar phenomenon, not off of George Floyd, but we're actually changing our operation or expanding our operations. We have some gaming interests, and we're looking to expand that. And the gaming sector is actually one where there is a lot of public information out there. Because it's so heavily regulated, there is a lot of information that analysts are very attuned to, and they, you know, dig through on a daily basis.

Like, for example, in Maryland, you have to report monthly gaming revenues. So some investors, you know, hedge funds, and things of that nature, they will use that information to trade on the stock, because it's public information, and so it's out there for everybody to consume. And everybody, in theory, knows when that information is coming out.

We are looking at a project in Richmond, and they are in a competitive process. And you know there was information that was put out, and it caused the spots -- a spike in our stock price. So it's -- you know it's information, about your information. That's not about your information. It's, you know, about the group that you're trading in. All of it can have, you know, play into your stock, and it can have, you know, massive impact and cause wild fluctuations.

And you know that can be a good thing and a bad thing. You know obviously, you're seeing your stock price go up and down, especially if you have a shelf up, you know to Adam's point, to Peter's point. You know you can use that to, you know, sell shares in the market and raise capital in a pretty immediate manner. So it's out there, but that volatility really can cut both ways, and be a double-edged sword.

MS. RIEGEL: Thank you and thank you for highlighting those challenges. I think having that perspective is really important for us being able to hear people who are experiencing it.

And Adam, as an advisor in this space, how has market volatility impacted your advice and your work with small-cap companies?

MR. EPSTEIN: Yeah. Well, I will provide thoughts. I mean I think we're talking a little bit about volatility on a micro level, like with respect to stocks, but there is also volatility on a macro level, right? What we're seeing when markets get really turbulent. And particularly for those who are, what I will say, comparatively new to operating or governing small-cap companies -- and also I am sure there is those people listening on the call today who are considering becoming small-cap public companies -- I think it's important to be mindful that market volatility -- and let's just be candid, right -- market volatility in the nearer term, can be pretty penal for small-cap companies, right, when the markets become volatile.

And there is an old adage that everyone in the capital markets knows that small-cap stocks typically ascend, their stock prices ascend using a staircase, right? But they descend using either an escalator or an elevator, right, and nothing could be truer. And the first sector of the market to see selling and then to see decreased liquidity, when there is overall market turbulence, is the small-cap sector, the riskier companies.

So I think the moral of the story that I try and impart upon a lot of the CEOs and boards that I advise -- I have been having a lot of these conversations in the last couple of months as the overall trade if you will, has gotten choppier -- is that you can't really internalize that macro market turbulence. They need to stay the course if you will. Because it's less about their company, particular, in particular, than it is about kind of the overall broader rotation of capital away from that risk or the perceived risks if that makes sense.

MS. RIEGEL: No. Thank you. And that micro/macro perspective is really helpful. So thank you for kind of bringing it up to the 10,000-foot level and sharing your thoughts on that as well. Now, Peter mentioned, you know, some teed-up comments, some of the shareholder engagement questions, and I would love to transition into that. That is definitely an issue we have been hearing about. Understanding who your shareholders are, communicating effectively with your shareholders, and managing shareholder activism.

Kris, if you could, in your experience, how have you seen small-cap companies managing that -- the challenges of shareholder engagement?

MR. SIMPSON: You know that's kind of an interesting one because as I noted before, I came from, you know, a larger company, E*TRADE Financial, where we had, you know, a dedicated IR team that, you know, worked through -- with shareholder engagement. And you know in a smaller company, there is not as much resource. So you know our CFO, our CEO primarily engaged in that engagement, the shareholder engagement. And you know it's -- part of the difficulty is, you know, making sure they are telling the story, you know, as in any case. But you know following the disclosure rules.

You know I am lucky. I have got two executives that are highly attuned to those rules, and you know tend to come to me. They tend to err in coming to me because they are very conservative. But you know talking with colleagues, that's not always the case. You know we have seen Elon Musk, you know, engage with shareholders on Twitter. Again, luckily, something I don't have to worry about.

But you know you really have to think about how you're telling the story. You know coming into the micro again, you know, we have an interesting story, because we are a family-traded public company. And there actually are quite a large number of these. So you're always kind of balancing the equities in terms of fiduciary duties to your shareholders, you know, when some of your shareholders are literally family.

So making sure that your institution, your shareholders, and your retail shareholders understand that dynamic. And then, you know wrestling with the other questions that are coming to bear, things like ESG, you know, social impact, environmental impact. You know you mentioned the, you know, increase in the environmental disclosure.

You know luckily, that's you know there is some scale disclosure for smaller cap companies. But it's something to be incredibly mindful of, and it's just something to be mindful of as you talk to institutional investors. You know they want to know the story. It's becoming a much bigger part of the investment community and then in terms of what they are looking at and what they are measuring. So making sure you're telling that story in a cogent manner, and making sure that you're, you know, marrying that with the facts.

And you know it's interesting because it's causing a much more measured approach in terms of CapEx, and other investment, and things of that nature, in terms of how you look, you know, what impact it will have on your environmental footprint, and on your social footprint. And making sure that you're making an appropriate investments, you know, in terms of your capital allocation, but also your social allocation as well.

So it's becoming money much more of a different environment, and managing to that, and making sure you're telling the story in a manner that your institutional investors and your retail investors can comprehend. It's -- it can be a little bit of a task. But again, you know, it adds to the story, and it creates a much more compelling story when you do it correctly.

MS. RIEGEL: Absolutely. Thank you so much for sharing that.

Peter, how does what Kris shared compare with your experience with shareholder engagement?

MR. HOLT: Well, I think Kris is spot on. I think that there is no question that one of the primary roles -- if you're going to be in this public space, in a small-cap environment, one of the fundamental roles, in addition to being CEO of the company, and whatever that means, and being a CFO, and whatever that means -- is the management of your shareholder relations.

There -- we aren't big cap, and you can make a difference. And that you have -- may be thinly traded and closely held, and it's essential that you have established that relationship with these people who have so much influence on outcome as it relates to your share price.

And so that -- what I would say is that is as a role of the CEO and the CFO, it's essential to manage that relationship. And what does that mean? You know what that really means? That means establishing a relationship of trust. Because what do we want? We want shareholders in the long term. I don't want shareholders you're in today and out tomorrow.

I want people who understand this business, believe in the management and are there to go through the macro issues of the volatility associated with small-cap today or if there that set of riots that we just had, and all of a sudden, are they bailing? Are they staying with you?

Well, if they believe in what you're doing, and understand what you're doing, and they are part of what you're doing, is they'll ride with you as you go through these inevitable ups and downs that you will experience in this small-cap market. And that the only way you can maintain any relationship -- and this doesn't have to do with investors -- is trust.

So what does that mean? That means what I say I have to do. What does that mean? I have to be assessable. Because these are important people. Just as I have run a franchise company, and I have to be assessable to my franchisees. They are the core of how this business operates.

And so if I don't manage effectively that relationship with the franchisees, I am in a world of hurt as it relates to being a franchisor in this country. If I don't manage relationships with my investors -- and the other thing we haven't mentioned is our sell-side analysts, you know, who also have an enormous influence on outcome as you are managing that relationship.

And so what you have to do is -- I'll go back to the whole point -- you have to establish that level of trust. You do that through transparency. You do that through accessibility. You do that by taking your vows in arrears, and not upfront. You take good advisors who can help you go through this.

Just I will tell you that Adam has helped me enormously over the years understand how important these issues are. And that's how you manage those relationships with your shareholders.

MS. RIEGEL: Thank you. No, and it's really important to hear this insight and hear how you guys are working through it, and the experts that you're seeking to kind of help -- to help, you know, get through the challenges.

And I know, Adam, you had raised in the beginning kind of what companies should be -- you know how -- the benefits of the IPO, and what a company should be considering?

Peter, and I know you raised some issues as well talking about kind of what to do in the readiness of an IPO. So as the CEO of a public company, what advice do you have for a company whose leaders are thinking about going public?

MR. HOLT: My number one advice is get great counsel, and I am not just talking about legal counsel. That you're entering the space -- and let's say if you -- this is the first company you have been in that is -- that you are taking public. It's your company you're taking public. You may know everything about your concept. You may know everything about your employees and all. You have got 30 years of understanding your business.

But do you understand what it is to operate in the capital markets? Do you understand how to effectively structure your relationship with investment banker? Do you understand that what -- the things we were just talking about? How do I make sure I am managing the relationship with my investors? How do I get investors?

And so that there are people -- you can make those mistakes and see if you survive and thrive, or you can pay people to help you understand what you need to know because you're not the expert in that area.

And so it's kind of funny. It's like franchising. I mean like I said, I have been building and managing franchises for a long time. And that -- do you know what franchising really is? Franchising is the business of selling mistakes. You know what does that mean? What we're doing here is that we are operating -- again, providing an operating model to that franchisee that says, okay, do this, don't do that. These are the things, and this is how we operate.

Now, where did all those insights come from? From all the mistakes we made to get to where we are now. And I am saying okay, do this, and don't do that because I have done it. This doesn't work. I am going to -- you'll still make mistakes, but you're going to make different mistakes, and you're not going to make the mistakes that I made.

Well, this is the same story. So you're out there, and you want to be public. And there is some really critical decisions that you're going to have to be making. And then you will be so well served to ensure that you are working with the right people, whether it's an investor relations firm. Okay.

We -- there is all kinds of investor relationships firms out there, and some are much better than others. There is an investment banker that you have got to work out. How do you structure that deal? You know I mean there is just some really important issues and, of course, the legal side of it, which is essential.

And that's just -- so when I say counsel, I am not just talking about legal counsel. I am talking about the people you need to surround yourself if you're going to minimize the mistakes you're going to make anyway. So at least the ones you're making give you a good chance to survive and thrive.

MS. RIEGEL: That is great advice and suggestions. Now I would like to transition to a topic that is vital for us to be discussing.

Kris, we're fortunate to have your perspective on this panel today. And as we talked in preparing for the panel, we all know that the number of persons of color in the C-suite at public companies does not reflect the potential in the market. What advice you have for professionals of color seeking to build their careers?

MR. SIMPSON: Yeah. I mean I think the biggest piece of advice I would have is don't avoid the "hard disciplines," you know, finance, numbers. And then have faith in people that have faith in you. You know growing up in Maryland, you know, I was kind of lucky. We have a local businessman here named Reginald Lewis, who was an African American who was a lawyer and then became CEO of a company called Beatrice.

And if you read his book, when he was six years old, the lore has it that his grandparents asked him about, you know, his opinion on discrimination. And he looked at them and replied, you know, why should the white guys have all the fun? And you know basically, what he was saying was, you know, I want to get into that game too.

And the only way to get into the game is to make sure that you have the skills. You know it's if you look at it now, it's really just a skills mismatch. Not enough of us go in kind of the harder disciplines. And we need to make sure, you know, that we take those steps.

You know we have difficulty hiring -- we're -- Urban One is an African American company, and we have difficulty hiring minorities with the appropriate skill sets. Because historically, we have not gone into those. You know I'll admit, you know, I went to law school because I wanted to avoid numbers.

And when I was doing corporate development at E*TRADE, I was working late one night. And my old CEO, Mitch Kaplan, was roaming the halls because he was working late too. And you know he kept walking by my cubicle. And you know I kept looking over and looking at Mitch, and he was -- I could tell he wanted to talk about something, but I didn't know what it was.

And finally, he comes over and says come into my office. And he's like, you know, I want you to do investor relations. And I was like, Mitch, I went to law school because I can't count. He walked over to his desk, brought me his calculator, and put it down in front of me. And I was like, no. And he's like, look, you have helped build this business. You understand it. You can tell the story. I was like, you know, again, I don't want -- you know I don't want to talk about numbers. I am just not comfortable.

He's like, do it or you're fired. And I am like, no. And he's like, you know, do it for six months or you're fired. And I was like, no. And he's like, just do it. And you know at that point, it was really him just waiting me out. Because he was like, you know, I am going to stand here and not let you do your work, and you're not going to leave tonight until you say yes.

And so finally, I relented, and you know it was one of the best things that happened to me. Because you know he was right. I understood the businesses. And having reviewed the SEC filings, I did know the numbers, and I understood it, and it was actually very interesting. Because you know what I thought was a disadvantage was actually an advantage.

You know because I hadn't, you know, learned the numbers in a finance class, and I kind of had to figure them out for myself, you know, I was able to talk with people. I was able to talk to retail investors, you know, in layman's terms. You know I was just able to lay it out for them. And you know it became a much easier discussion, you know, both with retail investors and then also with buy- and sell-side investors as well or analysts.

So just don't be afraid of the numbers. Don't be afraid of the hard disciplines. And you know just don't be afraid to take the time. You know if you actually look at CEOs, you know, in the S&P 500, there is actually a disproportionate number who actually went to law school and not business school.

So you know again, don't be afraid of the numbers. You know you might have gone to law school to run away from them, but you can still do it, and you can still do it effectively.

MS. RIEGEL: Thank you so much for sharing that story. And it's excellent advice. I will say personally, that story really resonates with me. I am a lawyer, and I went to law school, but I love looking at numbers. And I like how they make me think. And to be able to take that perspective of I am hearing a story, I am seeing a problem firsthand, but then I am also looking at what's the broader macro perspective here? And how is this affecting the market? And I think that's really important for all of us to be considering as we encounter a single challenge in our experience or broader issues in the market. But that really hits home to me.

MR. SIMPSON: Yeah. No. And absolutely. And back to one of Adam's points, you know, it was funny the other day, because you know I think we all know we're kind of starting to look out and see the -- you know the stars aligned for a recession.

And I was talking to my CFO the other day, and I was like you saw the yield curve inverted. And you know it was news to him. You know I had given him that news and, you know -- so I have gone from being a, you know, somebody who ran away from numbers to kind of an economic junkie. It's because I can't back down at this point. You know the macro really does impact, you know, where you're going.

You know it kind of -- on this point, you know, in terms of a recession, you know, small-caps are the first one to sell off. And then when the market rebounds, they are the first to, you know, rock chip back up. So you know it's good to know the environment. It's good to know the numbers. It's good to know the context, you know, as you're providing counsel to your clients, you know, both in terms of legal and business counsel.

MS. RIEGEL: Excellent. And Peter, you had also mentioned your company's work kind of in diversity and inclusion. And I wanted to see if you could share your thoughts on how we continue can continue to increase the number of women and people of color in leadership roles.

MR. HOLT: Yeah. No, it's such an important thing, and it's -- and I guess what I would say, Jenny, is that people are amazing at operating in their own interests. And that what is so clear now is that diversity is in the interest of businesses. As in a diverse board helps that business be more profitable. A diverse workforce, helps that business be more profitable. That the value proposition of diversity is there.

Now, it's not always understood, like so many truths that are out there, is not everybody understands. And so part of the way you're going to get around that is make sure people see the research that has been done that shows what has been done. Yes, we can create, you know, laws. Like for example, in California, that you have to have a certain percentage of women on your board if you're a publicly-traded company based in California.

Now, that rule actually just, you know, was up before the Supreme Court, and I now is like, is that against the California Constitution? We'll see where that goes. And so, yes, you can do certain things to try to push minorities and women into certain roles.

But the more we can show it's in the interest of the business to make these decisions, the better it gets for everybody. This is how Kris gets beyond, you know, all should I know the numbers or not, is because you have people behind you saying, look it, this is important, you have a role to play. I need you to play this role. And so as an organization, yeah, you -- it is -- it needs to be conscious.

It needs to be understood that this isn't just me and a quota so I can be a publicly-traded company in a state that creates a certain requirement or other requirements that are being looked at, as it relates to being public. Is that it is being understood that it is actually making organizations perform better, more profitable, and it's in our interest to do so.

And I think all that we can do to get that information out there, make those conscious choices when you are hiring different positions, and then mentoring those people as they go along. Because that's where --

that's how you get to where Kris is, is you would have people who took an interest in you and moved you to a place where you didn't think you could go. Well, guess what? That's what's happened to me, you know, that -- and so it's not any different. I can -- I have my own story, Kris, of people who have pushed me to do things I never thought I could do. And we all need that, and it just has to be broader. It has to be women and minorities and people who can bring great value to the organizations that we serve.

MR. SIMPSON: Absolutely.

MS. RIEGEL: Absolutely. Thank you so much. And before we open it up to audience Q&A, and I -- it looks like there is some excellent questions in the chat. I would like to turn it over to one other topic that we hear about this -- in this space.

And Peter, I believe you kind of touched on it a little bit earlier in the panel, which is the ability to track institutional investors.

Adam, what advice do you have for smaller public companies looking to attract the interest of funds and other institutional investors?

MR. EPSTEIN: Well, I would say two things, Jenny. The first is that small-caps, depending upon their size and depending upon their industries, appeal to a very different class of investors than -- if you can -- if you think about Apple, for example, right? Everyone in the world knows Apple. Everybody wants to own their stuff.

If you now think about a 25-person biotech company focused on solving some dreadful childhood oncology issue, you know, the universe of potential buyers for that stock is really very discrete, right?

So I think that when I think about CEOs and CFOs who are terrific about attracting institutional investors to small-cap companies, they do two things. The first one is they spend their time really wisely, really wisely, identifying those investors who are most likely to have a real interest.

There is a lot of investor tools out there. I know just from some recent experience, that for those companies, for example, that are listed on NASDAQ, NASDAQ has some phenomenal investor-targeting tools that I know a lot of small-cap NASDAQ companies kind of use.

But first is you have to really be smart about identifying investors that really might have an interest in what you're doing. It is not the same thing as trying to invest -- pardon me -- attract investors to Apple.

Second, particularly if you have either a technology company, or a life science company, or potentially a product, kind of a technical product or a service, your storytelling -- and Kris mentioned storytelling. Your storytelling needs to be really easily understood and absorbed. And I will tell you what I mean when I say easily understood from the perspective of a former institutional investor.

If the person in front of you in line at Starbucks, the five- or six-line about us paragraph at the bottom of your press release, and in the space of 25 or 30 seconds, be able to pare it back to you, this is what your company does, and this is why it seems kind of interesting, your small-cap public company is in trouble. You may not know it now. But your small-cap company is in trouble. It's just a question of how much trouble.

So number one, identifying the investors who realistically are going to have an interest in your kind of company, and being brutally candid with yourselves about that. And the second is that storytelling needs to be simple, dynamic, easily understood. And by the way, all of those things that I just said, matter incrementally more when you head into really volatile markets like we're in right now.

MS. RIEGEL: No, and I love that our

conversation started with highlighting storytelling, and we brought it home throughout the discussion. Then we're closing kind of the official portion of the panel. So thank you so much for bringing that around. Because storytelling is so important and being able to have that communication about what your company does so investors can understand. That is so vital and important right now, and I completely agree.

Adam, Kris, Peter, thank you so much. It has been a pleasure to join you and discuss the small-cap market. We really appreciate you sharing your experiences, your feedback, and your advice.

I am going to turn it over to Martha Legg Miller from our Small Business Advocacy team. She's been monitoring the chat, and we'll bring in some of those questions now. Martha?

Q&A SESSION

MS. MILLER: Wonderful. Thank you so much. I really enjoyed the conversation so far as have our guests. We have got lots of interesting questions coming into the chat.

Peter, I want to start with a question that came in from Saba who asked, when does a company know that it is the right time to go public or if it has the proper elements aligned to be a public company? And

Peter, I will let you start.

Adam and Kris, feel free to chime in afterward if you have got additional perspective that you wanted to share there.

MR. HOLT: It's such a great question, and there is really kind of two components to that. One is the micro and one is the macro because as we know, there is -- you know, there isn't a market out there. And to do an IPO at a certain market, timing of that has different impacts.

So for example, a very -- a good friend of mine who was working with a company that they wanted to go public, that they were putting everything in order. And this was -- their assumption is that they would go public in the summer of 2020.   And so just as they were getting themselves prepared to go public, the pandemic hit. And that, obviously, that changed the timing of everything. And so there is always going to be those kind of macro issues that are going to impact the timing of a company deciding to go public or not.

Looking at the micro issues, it all starts about a why. You know when you're trying to decide whether I should go public or not, the most important question you can ask yourself is, why are you doing this? Are you doing this because you want to raise capital, and that you have the vision for that capital, and that you want to make sure that you can make -- get to that next level, whatever it is? And that you have got a way to articulate that, and you have got the systems in place, to some degree, that allow you to go through the challenges of getting your company prepared to go public and all the costs associated with that?

But to me, is that biggest issue is the why. And that's why it's hard from these smaller companies is do I have the resources? There is a cost to going public. I talked about how important your advisors are.

Well, if you don't have the resources to employ the right auditing company, the right legal counsel, the right -- you know IR firm that can help you manage these incredible relationships that you need to prepare for or to create, then you can ask yourself, am I financially prepared to be able to take that leap? Because there is a cost associated with that.

Going public is not going to fix any of the problems that you have if the fundamentals of your business aren't there. Going public is going to give you resources to accelerate what you are doing well.

And so if you can look at that as a -- and from my perspective, that is the real advice that I would be giving to somebody is, are my fundamentals in place? You know, do I have the resources to get me through this process? Do I have the vision that I can articulate the storytelling to why I am raising these funds? Because the first question you're going to be asked is why. What are you going to do with this? Why are you going public? Do you understand how challenging it is to be public? Why are you going through that? And boy, you better have a good answer.

MR. SIMPSON: And I would add, you know, having both kind of an extension of the story, having the right long-term story, particularly in times like this with volatility. You know you have got to make sure you have got the right long-term story, and then also the right leadership and the right employee base, to, you know, maintain a public company. Because it does take a lot of time, and it does cause a lot of distraction.

So making sure that you have that, you know, the right internal resources, and the right vision, and the right long-term goals are really important to measure whether or not it's the right time to go public.

MS. MILLER: I think that's fantastic advice. And following up on some of the Q&A that was submitted, and Peter's discussion of long-term shareholders, do you think that focus on stock price tends to lead to short-term planning versus taking a more long-range view of the company?

I will open this to anybody to answer, but I do think it's an interesting one, especially given the discussion that we had.

Kris, you probed down on the kind of the meme trading, and what does the impact of stock price really have there?

MR. SIMPSON: Yeah. I mean it can -- it really is about having a long-term goal, and kind of ignoring the short term. There is so much volatility, and there is so much, you know -- particularly now with the advent of Robinhood, and basically frictionless trading. You know back when it actually cost you $50 to make a trade, you know, everybody actually thought, you know, about what they were doing.

You know then it got down to, you know, $25.15 to now, it's completely frictionless. So people are -- you know are buying and selling, you know, in the same minute. So it's really about focusing on the long-term and kind of ignoring the noise because that's what it is. I mean it's really being able to focus on and have that long-term vision and manage your business towards that long-term goal.

MR. EPSTEIN: Yeah. And I would say, Martha, that one of the things I see that's really common among newly public small-cap companies, is kind of a failure sometimes of CEOs, CFOs, boards to appreciate that there is a lot of management of employee expectations of being a public company, that that it doesn't take care of itself, right?

And one of the challenges of volatility and stock prices that are going all over the place, is that you have to be in front of that from an educative standpoint with your employees, and know that it's -- this is a 2000 -- in 2022 and beyond volatility is kind of with you in the small-cap space , because of a lot of the reasons that Kris pointed out.

You need to educate your employees. Because if you don't educate your employees what you have -- and I am sure that both Peter and Kris are going to smile inwardly or outwardly as are a lot of people that are listening today -- is you have employees that do nothing else. And not because they are not smart or experienced, but they can't help it. They are looking at Yahoo Finance all day long. Looking at, you know, what's going on with your portfolio because their stock price is going all over the place, right?

And it also is much more challenging. I mean I testified in front of your Commission a number of years ago about volatility, and some of the impacts on small-cap companies, in particular. And one of those challenges is, it's hard to attract new employees when your stock price is all over the place. It's hard to manage expectations of existing corporate partners, potential partners when your stock is all over the place.

So I mean I really agree with what Kris said. You have to have the long-term vision, but there is an awful lot of education that needs to go on internally. Explaining to stakeholders throughout the continuum of, hey, look, we're managing the company for the long term, there is going to be a lot of stock price gyrations in the meantime but, you know, don't take -- don't use that as a barometer for our corporate health on a day-to-day basis. It's not an accurate barometer of corporate health, about our vision, about our strategy, those wild, you know, kind of day-to-day gyrations, if that makes sense.

MR. HOLT: Yeah.

MR. SIMPSON: Yeah. It goes -- sorry, Peter.

MR. HOLT: No. I just would, I agree with everything that Kris and Adam are saying. And that you can even tell them, hey, don't pay attention to it, but they do anyway. And so I think the question is absolutely right, is how do you balance that short-term, long-term, you know, decision making that you make? And as a CEO, we all have a series of stakeholders that we have to address. And each industry has its own set of stakeholders that may be a little different.

I am a franchisor. So one of my major stakeholders is my franchisees. My shareholders are a stakeholder. My employees are a stakeholder. My patients are a stakeholder. My board is a stakeholder. And as a CEO, you have a responsibility to make sure that you are managing all of those stakeholders as you think through what you're doing to run your business.

Now, what I have learned in my business, is that the stakeholder that I need to spend the most time on managing is my franchisees. Because if I can manage my franchisees if I can make sure that we're growing, and count -- you know kind of same so our sales are going up, that the units are profitable. And believe me, when the franchisees are making money, they can hate you as a CEO, but they'll still be happy.

That it is that if I can manage that part, that stakeholder, then I can -- then everybody else will be taken care of. Because I know and because I understand that the core of my business requires that. Now, every business has its own set of stakeholders that are going to be essential to what they are doing.

And so then that's from my perspective, is how you live through the volatility. Yes. You try to explain it as best you can to your staff, to your shareholders, to your board, to whoever, but understand where the real power of your organization is derived from, and make sure that you're taking care of that. Because that's what's going to run the business.

Because at the end of the day, what you cannot forget, is we're actually running the business here. And that if you lose sight of that, it's all about, oh, what did I get that quarter or the other quarter? That you -- you're not in it for the long ride.

MR. SIMPSON: Yeah. And Adam is right. I mean it does become a huge distraction with what -- you have certain employees. And you know I have had numerous employees, you know, come to me and say, hey, what's going on with the stock? Why it is down today? And you know it's more sellers than buyers. You know it's kind of the.

You know it's you can really just have -- the stock can move on no news at all. And you know it can move on, you know, things wholly unrelated to the fundamentals of the business, and then it can just move basis on the macro. So you know it's educating your employee base, educating all of your constituents, to make sure, you know that they know that the stock price is not necessarily a barometer of the health of the company. And you know it can really just -- you can -- particularly in today's environment, you can just get caught up in trading. That's all.

MS. MILLER: Absolutely. So I want to ask another question from the Q&A about the relationship between index investment and capital flow to companies that are included or excluded from an index. What are your thoughts on index investment and how it may impact small-cap companies? We hear about this a lot in our office, I will say, especially as it concerns the follow on research coverage. They are curious of the perspectives of this group.

MR. HOLT: Go ahead, Kris.

MR. SIMPSON: No. I was just going to say, you know, it's always interesting because like, you know, Russell reconstitution is always, you know, an interesting time of year. And you know what -- whether you're being included or excluded from you in that index, you know, can have bearing on your stock price. And again, you know completely divorced from, you know, the fundamentals of the company.

So it's in terms of index investment versus --

you know it's really just kind of tough. I mean is you kind of take it as a -- you know whether or not you're included is a report card on you, and it's not. You know it's again, it's just kind of -- it can be completely distorted with where the market is going. You know it's just like how Apple, you know, the things disproportionately constitute, you know, the indexes themselves.

So I don't know that I necessarily take it as a grain of salt in terms of --

MR. EPSTEIN: I think it's -- I think they are -- I think indexes are also -- index funds are a great kind of encapsulation of the differences in a lot of ways between small-caps and large caps, right? Because there is a couple of things that happened with index funds that would never happen in small-cap land, that doesn't happen in large-cap land, right?

The first phenomenon is an index fund gets involved in your stock, the liquidity dries up. That index fund is now trapped, they can't get out. And so you look at the shareholder base, and the shareholder base is littered with index funds. And you can't even -- three years later, that index funds still can't sell because the liquidity isn't there.

And you have no idea -- they may be your second or third largest holder, you have no idea of who's responsible for that investment at the index fund. So as an investor relations person or outreach person, you're trying to figure out who is responsible for that investment. You haven't heard from those people for three years. That, of course, that factor pattern would never happen in a mid- and large-cap company, right? And so we all know the benefits of index investing, right?

But the other aspect is also if you are a 20-, 30-, 50-, $100-billion company, and you want to reach out in advance of proxy season to reach out to whoever is responsible for your investment at, you know, name whatever index fund you would like, you have a pretty good chance of reaching out to them to hear some of their concerns.

If you're a $375-million company that used to be a billion-dollar company, and the market cap has shrunk a little bit, and you want to reach out and have some dialogue with those people, boy, it's really challenging to get their attention. Because you're pretty low on the totem pole as far as just the assets that are committed to your company.

And so again, I think that there is -- it's a great example of how life as a small-cap company necessarily is different. And so you know capital markets are not a one-size-fits-all. The Regulations can't possibly be a one-size-fits-all item.

MR. HOLT: No. And then from my perspective, I would say, again, it's a double-edged sword. That when you get included of that index, you're going to get that movement of shares, which is -- you need. I mean if you end up just staying thinly traded and closely held, you're not going to get to where you need to go.

And so those -- when you get put into what's the Russell 2000 or the Russell 3000 or S&P, you know, SmallCap 600, that when you get put into -- to Adam's point -- that you have buyers that you'll never talk to that are buying it because of your part of that index, and that they are going to have a different perspective that has nothing to do with them with understanding management. Because it's a number. It's a stock, okay?

And then so you have to do is decide what you're going to do with it to make sure you're maintaining your ratio of shares under that index. So I have experienced, you know, great -- like right now, I mean some of the volumes that we're experiencing is -- at the Joint is you will see if you -- we were added to the S&P 600 Small-Cap Fund, and our volume, since that date, has stayed higher than it's ever been before.

And so, that's been positive, you know that -- you know our stock has had some volatility. We have been hit with this macro issue of small-cap. We had an enormous evaluation come up last fall that, as one investor or analyst was telling me, was perfectly-priced stock, which is not necessarily where you want to be. And so it's come down.

The fundamentals of the business haven't changed one little bit. But that volume continues to trade and that -- I think might very much driven by the fact that we are in the Russell 2000, the fact that we are in the S&P 600 Small-Cap Fund that that just pushes volume. It has nothing to do with talking to me.

And that is, in fact, one of the things we need is volume, to make sure that those institutional shareholders feel comfortable to get in and out -- which is what Adam was just talking about that -- that it is a force that can help you in that space. So it's good or -- and when it goes -- to Adam's point-- when it goes south, it's not helpful.

MS. MILLER: It's all interconnected. You don't get to pick and choose between just getting the benefits, but skipping the things that make you scratch your head and give you a headache.

MR. HOLT: No. You don't get --

MS. MILLER: -- wondering, who in the world --

MR. HOLT: -- get that option.

MS. MILLER: -- need to be reaching out to and talking to about this issue right now?

I want to ask one more question from the chat and then move into a lightning round question as we wrap up. As Director Renee Jones mentioned in her remarks, the Commission often exempts smaller public companies from certain requirements, either reduces or may delay the compliance deadlines or exempt completely. What are your thoughts about scaling and exempting disclosure requirements for smaller public companies? Do you think that that's a helpful thing? And if so, how does that help?

MR. HOLT: I will answer. I think it's essential. Because the -- what we have been talking about is the resources necessary to be public. I don't have an IR team hired in this organization. I have -- you know with our -- we have these corporate units so my overall payroll is about 600 people. If we look at the people running the company, it's 60 to 70.

I have got a full-time, you know, finance and accounting team. I have no one person specifically dedicated to investor relations. So I use outside resources. I don't have somebody who is just focused only on doing all of the disclosure requirements, whether it's your proxy, or your K, your Q, I mean all the documentation required. And so that being held to a different standard, because you don't have the same level of resources of Apple, is very appropriate. Because again, this is one of the challenges -- I don't for you, Kris.

But for us and so our market cap soared last year. We have -- you know we tripped the trigger. We are now an accelerated filer. And as a result, we have a shorter period to be able to report out. And you know so that -- and you're now not just opining on the financials, but the controls of the financials and that.

So I don't have 50 people in my F&A department to make sure I am going through all those processes. So, yes, it seems very appropriate to have -- as you're growing into this relationship, that you're being held to a slightly different standard or timing on these issues, to ensure that you are, you know, able to comply. So no one is asking about not complying, not being transparent, not making all the issues. But to understand that I have a different set of resources to work with when compared to Apple, for example.

MR. SIMPSON: Yeah. Yeah. I mean we like to joke that this is the, you know, most wonderful time of the year. Because you know you go from the K to the Q to the proxy, you know, and there is just no breathing time. You know and that's when you're --

MS. MILLER: People that bill.

MR. SIMPSON: Yeah. And for me, it's even -- you know it's even more of an issue now. Because we are, you know, a media business. We do radio, and we do a lot of -- I get a lot of political advertising. So we're in primary season as well. So you know I am dealing with the K, the Q, the proxy, and primaries, you know. And so it's just, you know like I said, the most wonderful time here. You know it just -- it keeps you busy.

But to Peter's point, it's you have got limited resources, so having that scaling and those exemptions, you know it's -- I think it's incredibly appropriate, particularly for smaller companies, because they -- we just don't have the resources.

MS. MILLER: Absolutely. Well, it aligns with my personal experience. And I will say I have got a good friend who is a party of one person that is in charge of IR for a public company, and it all sits on her. And so when anything changes, she's sitting there saying, okay. How long until the next conference? When am I going to actually see people that I can bounce the questions off of, how are you dealing with this?

But it's one person, and that's not her whole job. She also has other responsibilities, too. So what you're saying absolutely resonates with my experience as well in this space.

So as a lightning-round question, final thing before we wrap up the panel discussion, I want to ask you all what is one takeaway that you would like the audience to carry with them from today's session?

Adam, we'll start with you, and then we'll go clockwise around the screen to Kris, and then to Peter.

MR. EPSTEIN: Okay. Well, one takeaway for Kris is that I have been silent on the legal issue, but I am also a lawyer, and I ended up co-managing a hedge fund, Kris, so I got one up on you. That's not a takeaway for everybody else.

Look, so most -- again, unfortunately, in our country, the overwhelming preponderance of attention in the capital markets is on giant companies and kind of ignores smaller companies. But no matter what that coverage is, it's important for everyone, I think, to be mindful that most public companies in the United States are small-caps. And most small-caps constantly need growth capital.

And you know the -- unfortunately, it's a small percentage in my experience of small-cap companies who are terrific at shareholder engagement, and terrific at capital formation. But here's two things that they all do really well.

The first one is they tell really easy-to-understand, really concise, really dynamic stories, and they tell them to investors who are most likely to have an interest in what they are doing. And no matter what anybody tells you to the contrary, you need both of those. Okay. You need the great story. You need to be telling it to an audience, that's most likely the audience for you. And you need that, especially in really turbulent market situations, inflation, wars, et cetera.

MR. SIMPSON: Yeah. No, I would agree with that. I mean it's being a small-cap company is a lot of work. It's a lot of fun. But at the end of the day, it's all about the story. It's all about the story, because that story, you know, it's your strategic plan. It's your vision. It's, you know, how you weighed the volatility. And you know that's what it's about. That's your guiding post.

You know I think one of the great things that we have an Urban One is, you know, our founder, Cathy Hughes is still very much involved with the business and, you know, she constantly reminds us and pounds our story into us, you know. So you know we know our mission is to serve the African American community and, you know, provide not just entertainment but, you know, news content and social content for our community.

And you know that's what drives us. And that's our vision. That's our story. And that's what -- that's how we measure or weighted our way through the volatility.

MR. HOLT: And my takeaway or what I would leave this session with is the -- to jump into the small-cap market is enormously difficult. There are enormous opportunities associated with it. The more you're aware of what you're getting yourself into, the more effectively you're going to be able to manage that. And for God's sake, get good counsel.

WRAP-UP AND ADJOURNMENT

MS. MILLER: Fantastic parting remarks. Well, I want to say thank you. Adam, Kris, Peter, this has been a wonderful discussion. I have thoroughly enjoyed it, and I actually struggle to make us actually wrap this up on the time line that we should, because it's been such an insightful conversation. But I want to thank you for your time and your insights today.

To the rest of our participants who are in the event platform, this is the moment where you will have an opportunity shortly to begin voting on policy recommendations related to today's topic.

I hope that you have enjoyed the conversation as much as I have. This has been a fantastic forum thanks to a lot of hard work by many people who are behind the scenes, some of whom you have seen glimpses of on camera this week. But there are many more who make this possible. So I want to again, thank the entire team in our office, as well as our colleagues across the entire agency who have helped make this possible.

We also recognize in the intro slide the advisory planning group of leaders from across the public and private sectors who have provided input to make this event possible. Each year we seek feedback, and we actually have made changes. If you have attended the last couple of years, you have seen those changes in action. And that is a direct result of feedback that we receive from people like you. So if you have ideas, suggestions or ways that you would like to see the event evolve, please send us an email at smallbusiness@sec.gov.

I have learned a lot from each of our panelists each day. I opened up by talking about coming in and being ready to rethink, and I have loved the insights. You know we have talked a lot about building blocks in our office and how hard it is to build a company if you don't have the building blocks. That was well covered by our speakers on day one.

On day two, we talked a lot about the differences in visions and goals you might have for your company, whether that is one day landing on the cover of The Wall Street Journal, or whether that is building a smaller, sustainable company that you hope stays hyperlocal to you, especially on the Indian Reservation as we heard from our speaker, Vanessa.

Yesterday, we talked about the important role that new and diverse voices bring to the market, whether that is spotting the non-dairy ice cream investment opportunity or the next type of tech-enabled investment that may not seem like something that matches with your own pattern of what you have seen so the importance of diversity.

And, of course, the incredible insights today on the dynamics that are impacting small-cap companies. I cannot think of a segment of the market that has had a more dynamic last 12 months than the small-cap segment. And so it was the perfect note on which to end today.

And final remarks. I, again, want to say thank you and thank you for the privilege of serving as the director of this office. It has been absolutely wonderful. I will miss each of you. But know that we have a fantastic team that will be carrying the torch after I depart from this role, and I hope that you will continue to engage with the office to join us for next year's forum.

And in between, please make sure that you're reaching out to us and making sure your voice is heard. Thank you. Please remember to vote. And I look forward to hopefully hearing from you soon. Bye-bye.

(Whereupon, at 2:30 p.m., the meeting was adjourned.)

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PROOFREADER'S CERTIFICATE

In the Matter of: SMALL BUSINESS FORUM
File Number: OS-0001
Date: Thursday, April 7, 2022
Location: Washington, D.C.

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

______________________ ______________________

(Proofreader's Name) 4-11-2022

REPORTERS' CERTIFICATE

I, Isaac Lewandowski, reporter, hereby certify that the foregoing transcript is a complete, true and accurate transcript of the meeting indicated, held on 4/7/22, at Washington, D.C., in the matter of:
SMALL BUSINESS FORUM.

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

4-11-2022