

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION

ADVISORY COMMITTEE ON
SMALL AND EMERGING COMPANIES

Wednesday, June 3, 2015

9:32 a.m.

Securities and Exchange Commission

100 F Street, N.E.

Washington, D.C. 20549

Page 2

1 PARTICIPANTS:
2 COMMITTEE MEMBERS:
3 Stephen M. Graham, Co-Chair
4 M. Christine Jacobs, Co-Chair
5 Charles Baltic
6 David A. Bochnowski
7 John J. Borer, III
8 Dan Chace
9 Milton Chang
10 Shannon L. Greene
11 Sara Hanks
12 John Hempill
13 Richard L. Leza
14 Sonia Luna
15 Catherine V. Mott
16 David J. Paul
17 Timothy Walsh
18 Gregory C. Yadley
19 Michael S. Pieciak, Non-voting member
20 Javier Saade, Non-voting member
21
22 SEC COMMISSIONERS:
23 Mary Jo White, SEC Chair
24 Michael S. Piwowar, SEC Commissioner
25 Kara M. Stein, SEC Commissioner

Page 4

1 CONTENTS
2
3 PAGE
4 Co-Chairs Call Meeting to Order 5
5 Introductory Remarks by Chair Mary Jo White,
6 Commissioners, and Division of Corporation
7 Finance Director Keith Higgins 7
8 Committee Discussion of Public Company
9 Disclosure Effectiveness 12
10 Committee Discussion of Intrastate Crowdfunding and
11 Securities Act Rule 147 78
12 Consideration of Written Recommendation on the
13 "Section 4(a)(1-1/2) Exemption" 111
14 Committee Discussion of Rules and Market Structure
15 Matters Relevant to Venture Exchanges 114
16 Committee Discussion on the Treatment of "Finders" 142
17
18
19
20
21
22
23
24
25

Page 3

1 PARTICIPANTS (CONT.):
2
3 SEC STAFF:
4 Julie Davis
5 Karen Garnett
6 Sebastian Gomez Abero
7 Keith F. Higgins
8 David Shillman
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

Page 5

1 PROCEEDINGS
2 CO-CHAIR GRAHAM: Welcome, everyone.
3 Sebastian, I assume we have a quorum.
4 MR. GOMEZ: We do.
5 CO-CHAIR GRAHAM: Are we good? Are we good
6 with that? Okay. Good. Okay. Well, welcome to today's
7 session of the Advisory Committee for Small and Emerging
8 Companies. It is a pretty full agenda. I think it
9 should be a productive day that we should all hopefully
10 find rewarding.
11 We will start today with a discussion that a
12 number of us feel is critical. That is what can be done
13 to make public company disclosure less burdensome for
14 issuers and also more helpful for investors, particularly
15 in the context of small public companies.
16 As you know, the SEC staff is engaged in a
17 disclosure effectiveness initiative. So we will get an
18 update on that to kick off. I am sure what will follow
19 will be a lively discussion on a topic that many of us
20 are very close to.
21 This morning we also have Mike Pieciak to tee
22 up the topic of intrastate crowdfunding with an update on
23 what many states are doing on this front to promote
24 capital formation. In that connection, we will also
25 discuss the SEC's safe harbor rule 147 that is often

1 relied upon by issuers for interested offerings and
 2 whether there might be adjustments to that rule that
 3 better accommodate intrastate crowdfunding offerings.
 4 Before lunch, we also plan to finalize our
 5 consideration to formalize section 4(a)(1-1/2).
 6 Following our discussion and resolution on that matter at
 7 the last meeting, we put together a written
 8 recommendation, which I believe captures the position of
 9 the Committee. We will take that up and hopefully get
 10 that completed.
 11 We will also continue our consideration of
 12 venture exchanges. The presentations from David Weild
 13 and Vince Molinari at our last meeting set out some
 14 thought-provoking options. We agreed at that time that
 15 it would be helpful to get a presentation on recurring
 16 market structure rules so we can all more fully
 17 understand what is currently possible and when
 18 impediments might stand in the way of ideas to facilitate
 19 greater secondary market liquidity. David Shillman from
 20 the SEC's Division of Trading and Markets will be here to
 21 help us with that.
 22 As a final item of business today by popular
 23 demand on the part of a number of you, we are going to
 24 take up the so-called finders issue. Several of you have
 25 been engaged in this issue for a long time. And we have

1 asked Greg Yadley to tee up that discussion and whether
 2 it might make sense to have an exemption or other
 3 solution that would enable those who want to help
 4 companies locate investors for private placements to do
 5 so without going through all of the full process of
 6 broker-dealer registration.
 7 So it should be a productive meeting. We are
 8 honored to have our chair, Mary Jo White, with us this
 9 morning. Is Commissioner
 10 COMMISSIONER STEIN: She is on her way.
 11 CO-CHAIR GRAHAM: Stuck in traffic. Okay.
 12 Mike is here. Commissioner Piwowar is here.
 13 Would you guys like to make some opening remarks? Okay.
 14 CHAIR WHITE: Yes. Thank you very
 15 much, Stephen. Good morning to everybody. Thanks to
 16 everybody for being here, Steve, Chris, and all of you.
 17 I appreciate the full agenda that you have today. So I
 18 will be very brief in my customary update and comments so
 19 that you can get down to the business of your meeting.
 20 So let me start. I am pleased to note that
 21 since your last meeting, the Commission in March adopted
 22 regulation A+. I know this Committee was eager for that
 23 rule to be finalized, as we were we. I believe the rule
 24 we adopted will provide an additional and effective path
 25 to raising capital that also provides strong investor

1 protections. I look forward to seeing companies put the
 2 rules to good use to raise capital.
 3 On other fronts, we continue to advance the
 4 completion of our other rulemaking mandates under both
 5 the JOBS Act and the Dodd-Frank Act and, as we discussed
 6 before, it is one of my priorities to complete the
 7 crowdfunding rulemaking this year, which is, really, the
 8 last significant JOBS Act rulemaking. Crowdfunding in
 9 its various forms obviously remains a focus of many
 10 others, including this Committee, the states, and various
 11 countries around the world. Indeed, more than 20 states
 12 have enacted some form of intrastate crowdfunding
 13 legislation or rules. And a number of others are
 14 considering similar initiatives.
 15 As states are seeking to expand the avenues in
 16 which issuers may conduct intrastate offerings, we have
 17 focused on the fact that some of our laws and rules were
 18 put into place years ago, prior to widespread use of the
 19 internet, and may present challenges to the states'
 20 efforts. For example, Securities Act rule 147, which you
 21 will be discussing today, created a safe harbor that
 22 issuers often rely on for intrastate offerings. Rule 147
 23 was adopted in 1974, the year I graduated from law
 24 school. So it is a while ago. And how an issuer might
 25 conduct an intrastate offering using the internet was

1 obviously not contemplated at that time. The staff in
 2 the Division of Corporation Finance is currently
 3 considering ways to improve the rule by looking at, among
 4 other things, the conditions included in the rule for an
 5 offering to be considered intrastate.
 6 Securities Act rule 504, an exemption that
 7 could be used to facilitate regional crowdfunding
 8 offerings for up to \$1 million that are registered in 1
 9 or more states is another rule. That may benefit from
 10 modernization. And the staff is considering ways to do
 11 that.
 12 We look forward to having your input on these
 13 topics and to hearing your thoughts on whether there are
 14 aspects of these or, frankly, other rules that could be
 15 usefully updated or changed.
 16 It is also quite timely -- and I see it is your
 17 first item on the agenda -- for this Committee to be
 18 taking up public company disclosure effectiveness. As
 19 Steve alluded to, the staff in the Division of
 20 Corporation Finance is hard at work on our initiative to
 21 improve the effectiveness of the public company
 22 disclosure regime for investors and companies. The staff
 23 has sought input from a broad range of market
 24 participants and is in the process of developing
 25 recommendations for the Commission's consideration. And

1 so we clearly welcome your thoughts in this area. I know
2 that is of particular interest to many of you.

3 I look forward to your input on the other
4 topics on your agenda, including the section 4(a)(1-1/2)
5 exemption and the issues surrounding broker-dealer
6 registration for those who identify or otherwise find
7 potential investors in private placements. I am also
8 very glad to see a continuation of your consideration of
9 venture exchanges as an avenue, possible avenue, for
10 secondary market liquidity.

11 So I will stop here. As always, we very much
12 appreciate the time and the expertise that you devote to
13 this Committee. And I also wish you a very productive
14 meeting. Thank you.

15 CO-CHAIR GRAHAM: Commissioner Piwowar?

16 COMMISSIONER PIWOWAR: Yes. Thanks. I don't
17 have any prepared remarks. Thank you all again, as Chair
18 White said, for taking the time to come here. We
19 appreciate, you know, you have a lot of other things to
20 do. And we appreciate all of your feedback.

21 Piggybacking off a couple of things Chair White
22 mentioned, I look forward to the discussion of rule 147,
23 as she mentioned. Sebastian and his group have been
24 working very hard about trying to update that rule. I
25 look forward to your feedback on that.

1 Today you are going to address a bunch of
2 topics that the chair has already gone over that we are
3 really looking forward to. So let me do my job of
4 introducing those on the staff that are here. Sebastian
5 Gomez Abero, who is head of our Office of Small Business
6 Policy, obviously needs no introduction to you, and Julie
7 Davis, who is senior counsel in that office. Also with
8 us today is Karen Garnett, who is an associate director
9 in our Disclosure Operations Division in the division.
10 And she is the one who is heading up our disclosure
11 effectiveness project.

12 So, with that, I would like to turn it back to
13 Stephen and Christine, who will introduce Karen. And
14 then we will begin the discussion on company disclosure.

15 When Commissioner Stein shows up, we will take
16 a brief respite and have her give the remarks that she is
17 going to do. Thanks.

18 CO-CHAIR GRAHAM: Okay. Thank you, Keith.

19 Well, as was just said, our first item of
20 business today is public company disclosure
21 effectiveness. I note that this Committee submitted a
22 set of scale disclosure recommendations, really, I guess,
23 over two years ago now. I think, you know, hopefully you
24 have gone back and taken a look at that. So this has
25 been something that has been at the top of the mind for

1 And I understand Mike Pieciak is going to be
2 doing a presentation on intrastate crowdfunding. As you
3 know, we are trying to move forward on the federal
4 crowdfunding rule and seeing if we can find some common
5 ground here for potentially some regional crowdfunding
6 for the states to get together. And is there anything we
7 need to do at the SEC to allow that to happen or is this
8 just something that can happen organically?

9 So I look forward to that discussion and all of
10 the other ones. Thanks.

11 CO-CHAIR GRAHAM: So we also have with us Keith
12 Higgins, who is, as you know, the director of the SEC's
13 Division of Corporation Finance. Keith will introduce
14 the rest of the SEC staff joining us today.

15 Keith?

16 MR. HIGGINS: Thanks, Stephen. Good morning.

17 Before we get started, let me give the standard
18 disclaimer that anything that I or anyone on the staff
19 says today represents our own views and not the views of
20 the Commission or any other member of the staff.

21 With that dispensed, I would like to welcome
22 everybody here. Thanks again for coming. It is great
23 that you would take the time to bring your experience,
24 insights, and expertise to us to help us as we sort
25 through issues on small and emerging companies.

1 this Committee for some time.

2 We will start off with a briefing from the
3 SEC's staff working in the initiative to give us an
4 overview of these efforts. Karen Garnett is an associate
5 director of disclosure operations in the Division of
6 Corporation Finance. She is leading the team conducting
7 the review, and we are pleased to have her join us today.

8 So I will turn it over to you.

9 MS. GARNETT: Great. Thank you very much.

10 This is my first meeting at this Committee. So
11 I am very pleased to be here today and happy to talk to
12 you a little bit about our efforts on disclosure
13 effectiveness.

14 As you all are well-aware, I am sure we have
15 been working on this project for some time now. And it
16 is a long process of gathering information and working
17 towards some recommendations for the Commission. So I
18 wanted to just give you a little bit of an overview of
19 that process, what we have been doing up to now, and sort
20 of what the updates we have for you are.

21 I think in your materials, you all got a copy
22 of a speech that Keith Higgins gave back in October that
23 I think is a really good summary of our efforts to date.

24 One thing that I think is particularly helpful about
25 that speech is it talks both about our perspective in

1 looking at ways our disclosure could be improved to the
 2 benefit of investors as well as balancing the compliance
 3 and cost burden on registrants who are providing those
 4 disclosures. As we work through this process, I think,
 5 believe it or not, we are hopeful that there are many
 6 opportunities where we can do both, where we can both
 7 improve the disclosure that is being provided to
 8 investors while still reducing the cost to the companies
 9 that are providing that disclosure. So we are still
 10 working on our recommendations, and we will see how all
 11 of that turns out.

12 As we continue to work on this project, there
 13 are some general areas of focus that we have identified
 14 and kind of three major what I will call work streams
 15 going on right now. The first of those is the work that
 16 we are doing on regulation S-K. We are also taking a
 17 look at the disclosure requirements in regulation S-X,
 18 which addresses financial statement or financial
 19 information that is provided in SEC filings. And then
 20 the third area, the third broad area, deals with kind of
 21 how companies provide information in their SEC filings.
 22 Those efforts coincide with a broader Commission effort
 23 to update and modernize our EDGAR system but we hope are
 24 not limited to just improvements in the EDGAR system. So
 25 I will talk a little bit more about each of those three

1 areas.

2 In the regulation S-K efforts, we are
 3 considering some very broad questions about how and where
 4 we could improve our existing disclosure requirements.
 5 Some examples of issues that we are looking at are
 6 whether there are principles-based requirements currently
 7 in regulation S-K, are there ways that we could improve
 8 those disclosures, and asking first, really, are those
 9 principles-based requirements really resulting in the
 10 disclosure that investors need to make informed
 11 investment decisions.

12 We are also looking at some of the proscriptive
 13 requirements in regulation S-K. These are the
 14 requirements for some of the more detailed requirements;
 15 for example, the item 101 description of the business.
 16 Many of those are very proscriptive. Some of our
 17 disclosure rules also include dollar thresholds for
 18 disclosure, sort of aside from a more principles-based
 19 materiality consideration. So we are looking at all of
 20 those prospective disclosure requirements and thinking
 21 about whether there are opportunities to update and
 22 modernize those requirements.

23 I am happy to pause for Commissioner Stein at
 24 this point. We can pick up again with the remainder of
 25 our S-K.

1 COMMISSIONER STEIN: I am just pleased to be
 2 here. I want to again thank all of you for the pro bono
 3 time that you are putting in to help us think through
 4 some cutting-edge issues.

5 There is a really interesting agenda today. So
 6 we will look forward to seeing your feedback, you know,
 7 on it. But, again, thank you for coming and spending the
 8 day with us and helping inform our policy-making.

9 MS. GARNETT: So we are looking at principles-
 10 based requirements. We are looking at the proscriptive
 11 requirements. We are also thinking broadly about how
 12 companies present information to investors in their SEC
 13 filings and are there ways, should we think about
 14 encouraging companies to tailor their disclosure in a
 15 manner that makes it readily accessible, both to retail
 16 investors and to institutional investors; and if so, how
 17 might we go about doing that.

18 And we are, in fact, looking at the scale
 19 disclosure requirements as well. I know that is an area
 20 of great interest to this group. We are thinking about
 21 how our current scale disclosure requirements are
 22 working. Whether they have been effective in reducing the
 23 compliance burden on public companies, and whether they
 24 are still providing the appropriate information to
 25 investors. We are also looking at the types of issuers

1 that are permitted to provide scale disclosure.

2 I know this group has focused on the definition
 3 of smaller reporting company. The thresholds there were
 4 updated in 2007. Is it time to look back at those
 5 thresholds and maybe consider a different definition or
 6 perhaps different ways of scoping companies into scale
 7 disclosure that might be different from the definition of
 8 smaller reporting companies? So all of those are
 9 questions that we are thinking about and working towards
 10 some recommendations to the Commission.

11 In regulation S-X, we are taking a little more
 12 focused approach there and kind of starting with looking
 13 at the disclosure requirements for financial information
 14 of entities other than the registrant. So this might
 15 include acquired companies. It might include investees
 16 or guarantors. Currently regulation S-X requires public
 17 companies to provide financial information of those
 18 entities under certain circumstances. And we are looking
 19 at, we are interested in getting input on the value of
 20 that information to investors, how they use it, and
 21 whether there are ways that we could streamline or update
 22 our disclosure requirements in those areas.

23 In both S-K and S-X, we are also looking at a
 24 more granular level at the existing disclosure
 25 requirements and whether there are things that are in our

1 rules that are just simply outdated because the
2 information is readily available somewhere else, because
3 the information is required. In many cases, our
4 disclosure rules overlap with GAAP disclosure
5 requirements. So we are thinking about those areas. SEC
6 staff has been actively engaged with staff at the FASB to
7 talk about ways that we can coordinate to streamline the
8 disclosure requirements so that investors continue to get
9 the same information but we don't have duplicative
10 disclosures within a single filing.

11 Also in both of these areas, it is just worth
12 pointing out that we are initially focused on the
13 disclosures that are required in periodic and current
14 reports under the '34 Act. I know that this group has
15 had some additional recommendations on proxy disclosures
16 and governance items. Those are things that we hope to
17 take up in a later phase of the disclosure effectiveness
18 project, but we really are not trying to address those
19 right now. Those are also things that I think have been
20 updated more recently than some of the basic 10-K
21 disclosure requirements. So we are putting those aside
22 for the moment.

23 And then a third work stream is how companies
24 file information through the EDGAR system. EDGAR
25 modernization is a big technical project that certainly

1 so we are interested in looking at all of that.

2 Public input is a really critical part of our
3 whole process. We have gotten a good amount of public
4 comment so far. We are up to almost 40 comment letters
5 in the project right now from a variety of different
6 commenters. We have received a lot of different
7 suggestions for how we might update our disclosure
8 requirements. And these are incredibly useful to us. So
9 I would encourage everyone, you know. If you have input
10 on this project, we are still accepting/welcoming comment
11 letters. And we hope to get more.

12 We are in the process sort of in the what is
13 next front. We are in the process of developing
14 recommendations of the Commission. That is a long and
15 involved process, but we are working diligently on it.
16 We are mindful not only of the comment letters that we
17 have received but also recommendations from this group,
18 from similar groups that have spoken on this issue, and
19 we are taking all of that into account as we develop
20 recommendations for the Commission.

21 We are considering both. In developing our
22 recommendations, we are considering both, as I started
23 these remarks, the impact on investors and how we can
24 improve the information that investors receive in the SEC
25 filings, but we are also sensitive to the cost and

1 goes beyond the skills of the lawyers and accountants in
2 the Division of Corporation Finance, but I think the good
3 news is that our timing is really perfect on this because
4 it allows us to provide some very substantive input in
5 the EDGAR modernization project as the technical folks
6 sort of get started and ramp up there. It is,
7 unfortunately, a year's-long project. So thinking about
8 how companies present information in their EDGAR filings
9 as a technical matter may take some time to realize any
10 changes or benefits in that area.

11 In the meantime, we are thinking about whether
12 there are things that we can do to make the existing
13 EDGAR system more useful to investors and easier for
14 users of the information to access it through our
15 existing system. So that may take the form of some
16 updates to the sec.gov website, just simply making
17 information easier to search. The presentation of the
18 information that is searchable could be perhaps different
19 on sec.gov in a way that makes it just easier to use and
20 more accessible. So those are all things that I think we
21 can focus on in the short term and perhaps get some
22 benefits.

23 We have gotten some really great input also on
24 that area and any area on how we can just update our
25 current systems to make information easier to find. And

1 burdens of compliance. And we would particularly welcome
2 comments from this group on those concerns. To the
3 extent there are particular areas of compliance that are
4 burdensome that we could address, we would welcome your
5 comments on that.

6 I think that is pretty much our update at this
7 point.

8 CO-CHAIR GRAHAM: Thank you, Karen.

9 I would like to open it up for comment now, but
10 before I open it up more broadly, I would first like to
11 hear from Christine and from Shannon, two of our
12 Committee members who have firsthand experience with, you
13 know, wrestling with these issues as CEOs of smaller
14 public companies.

15 And then I would like to hear from you,
16 Charles, from kind of the investor point of view. We
17 talk about, again, requirements that may be burdensome
18 for small companies but also we are looking at improving
19 things, you know, for the investors as well.

20 So, with that, who wants to begin? You,
21 Shannon?

22 CO-CHAIR JACOBS: Oh, I will begin.

23 CO-CHAIR GRAHAM: Okay.

24 CO-CHAIR JACOBS: First, good morning. And
25 thank you for allotting time and consideration of

1 disclosure effectiveness.
 2 The SEC's mission has three components:
 3 Protecting investors; maintaining fair, orderly, and
 4 efficient markets; and facilitating capital formation.
 5 All three of these missions are important to today's
 6 discussion, but we are going to focus on number 3:
 7 Disclosure effectiveness and its effect on capital
 8 formation.

9 The issue of disclosure effectiveness is
 10 important, as is scaling that disclosure. Both are
 11 critical to small and emerging companies. The burden of
 12 increased regulations post-Enron and subsequent collapse
 13 of the RPO market is well-documented. Indeed, many of
 14 these issues led to the creation of the JOBS Act.

15 What we would like to do this morning is
 16 connect the dots and drill down into some real-world
 17 actual examples, providing information for those of us
 18 who live the regulations and the compliance issues every
 19 day. Shannon and I are going to attempt to do just that.

20 Please assume at the outset that Shannon and I
 21 understand the need to protect investors, both our own
 22 and those in general. Shannon Greene has 15 years'
 23 experience as a NASDAQ CFO, and I have 20 years'
 24 experience as a New York Stock Exchange CEO. What we
 25 suggest or talk about today in no way compromises the

1 charge of protecting investors. Instead, we intend to
 2 strike a balance and give some examples of rules that,
 3 some of which are SOX and some of which are Dodd-Frank,
 4 harm small companies and capital formation. Increased
 5 regulations burden small companies with escalating costs.

6 These costs to comply eat up precious cash of
 7 our small, emerging companies. That cash usage comes at
 8 the expense of things like R&D, M&A, investing in new
 9 product extensions, purchasing capital equipment,
 10 building new plants, new job creation. And all of these
 11 things stimulate the state, local, and national
 12 economies.

13 Existing small companies with a market cap of
 14 greater than 75 million have to comply to the same rules
 15 and regulations as our companies, largest public
 16 companies, like GE, J&J, Morgan Stanley, JPMorgan, and
 17 even Disney. The compliance costs as they exist today
 18 are a disproportionate burden on a small company.

19 The costs to comply for the large companies
 20 that I just mentioned are more easily absorbed by those
 21 large companies, often handled with in-house staff. It
 22 is not the case with a small public company; whereas,
 23 most of us have to go out and incur a higher expense
 24 because these are done without the compliances done by
 25 outside vendors. So for the small public company, the

1 costs are material and scale matters. One size does not
 2 fit all when we continue to absorb one new regulation
 3 after another.

4 Painting all small companies with the same
 5 broad brush harms the small companies in ways that I
 6 believe our policy-makers surely never contemplated
 7 because the playing field is not at all level for the
 8 small companies. Treating all public companies in the
 9 same manner, with no adjustment for size, past behavior,
 10 or historic good performance, is not only harmful, but it
 11 exacerbates an already challenging environment for us,
 12 especially with weak economic growth.

13 Lastly, small companies post-Enron were
 14 inextricably caught up in and punished with the same
 15 regulatory fervor as the large companies, including those
 16 that suffered, the large companies that suffered,
 17 catastrophic losses and imposed an enormous burden on the
 18 U.S. taxpayer and investors, like an AIG. Net-net, the
 19 small public companies were caught up in the resulting
 20 economic and regulatory tsunami.

21 Between the years 1998 and 2012, 7,769 -- that
 22 is almost 8,000 -- companies delisted from the ranks of
 23 our public companies. The JOBS Act has given us hope and
 24 has begun to move the needle. It has reopened a key
 25 fundraising avenue for our growth in emerging companies.

1 One cited reason is the JOBS Act relaxed certain rules
 2 for companies wishing to go public. It specifically
 3 postponed or eliminated the implementation of certain
 4 rules and regulations.

5 Companies with revenue of less than \$1 billion
 6 are entitled to these enhancements. But wait a minute.
 7 What about the existing small companies that have revenue
 8 of less than \$1 billion? Unless a company has a market
 9 cap of less than \$75 million, the answer is nothing.
 10 There is a vast array of public companies now caught in
 11 the middle who have had no relief. Instead, the
 12 regulations continue to pile on.

13 Existing public companies could surely use some
 14 relief. After all, we need to remember they are already
 15 public. They already have internal controls in place.
 16 They are already compliant. They already have audited
 17 financials. They are known to their regulators. They
 18 have a history, both with their investors and with their
 19 regulators. They, too, are engines of growth. They are
 20 not the IPO du jour. And their goals are the same as
 21 those of the emerging growth companies, and that is to
 22 grow and to create jobs.

23 At this point, I am going to share some real-
 24 world exact examples of compliance costs on one of these
 25 small companies. This example is a New York Stock

1 Exchange company with \$80 million in revenue, 22 years of
 2 being public, no restatements ever, no wrongdoing, the
 3 cost per year of external auditors \$637,000 a year. It
 4 doubled in the three years post-SOX. Internal audit cost
 5 this company \$237,000 per year. Do you know insurance
 6 went up after Sarbanes-Oxley? That is now \$566,000 a
 7 year. Again, it is an \$80 million in revenue company.
 8 Internal salaries related strictly to compliance, \$1.2
 9 million a year with an average annual growth rate of 15
 10 percent per year. External legal costs, no M&A, no
 11 contracts, strictly compliance issues, \$208,000 a year.
 12 Employee health insurance, \$1.1 million a year. This is
 13 a total annual cost of \$4 million. If eliminated to this
 14 public company, the pre-tax income minus goodwill, et
 15 cetera, would have increased 55 percent to the immediate
 16 benefit of its investors. This equates to \$8,000 per
 17 employee for compliance costs. That is 100 new jobs per
 18 year at an average pay rate of \$40,000 a year.
 19 These actual expenses that I am sharing with
 20 you today were compiled in 2008. Dodd-Frank was enacted
 21 in 2010. Now that it is 2015, I will let you all do the
 22 math going forward.
 23 Now I am going to change course and provide a
 24 list of regulations which coincide with the JOBS Act
 25 relaxed rules and are not available to existing

1 companies. And I don't believe they lead to investor
 2 fraud either. This list also includes suggestion for
 3 rules that currently create costly disclosure burdens or
 4 rules that simply represent disclosures that put small
 5 companies at a competitive disadvantage: say on pay, say
 6 on pay frequency. The new pay disclosure, pay for
 7 performance, which is out on the comment period,
 8 mandatory auditor rotation, XBRL, proxy access if
 9 enacted, conflict minerals disclosure, another pending
 10 regulation, the median employee pay ratio to the CEOs
 11 comp, auditor attestation, compensation policies versus
 12 risk disclosures, PCAOB rule adoption timing, and exhibit
 13 filing requirement. Currently small companies, all
 14 companies, have to provide any material contracts as part
 15 of their disclosures. That includes schedules and
 16 attachments.
 17 I doubt anybody has contemplated that that
 18 particular rule when you have to disclose those contracts
 19 and the exhibits and attachments were used by foreign
 20 customers and foreign competitors to demand pricing
 21 concessions from the small U.S. companies. This is a
 22 real-world example of where disclosure actually harmed
 23 the small company.
 24 Notice the list that I have provided involves
 25 no financial/accounting shortcuts or avenues to defraud

1 investors. The JOBS Act and its authors were right on
 2 track with capital formation and understanding that
 3 regulatory compliance is a hurdle for companies in job
 4 creation. So what about the existing companies and
 5 providing them a level playing field and providing them
 6 with the runway for growth?
 7 Small existing companies are known to the
 8 regulators. And they deserve some of the same
 9 concessions provided by the JOBS Act. They shouldn't be
 10 penalized because they went public before the act.
 11 So think about this. This particular class of
 12 public company represents less risk to the investing
 13 public than an IPO. JOBS Act was the right move, but we
 14 somehow forgot the little companies in the middle.
 15 As of 2011, 70 percent of the public companies
 16 have a market cap of less than \$250 million. This
 17 population only represents 5 percent of the total market
 18 cap of all public companies. They also represent less
 19 than 5 percent of the total average trading volume and
 20 less than 1 percent of the public float of all exchanges.
 21 These companies do not represent a systemic risk to the
 22 U.S. economy. They are, however, an engine of growth in
 23 their one class of business that deserves a level playing
 24 field. And it would be nice if this population of
 25 companies were somehow viewed as worthy of correlation to

1 the JOBS Act. Perhaps size, behavior, and historic
 2 performance could matter and we could employ a common
 3 sense approach to disclosure effectiveness because our
 4 existing companies struggle just as much as the IPOs
 5 struggle with increased disclosure requirements.
 6 Thank you. And, with that, I am going to ask
 7 Shannon.
 8 MS. GREENE: Thanks, Chris.
 9 I wrote my comments out today as well because I
 10 tend to ramble and rant. And I didn't want to do that.
 11 I wanted to use the time effectively. So I apologize in
 12 advance for reading.
 13 I do appreciate the Commission's interest in
 14 this topic. It is very relevant and timely. And also
 15 thank you to Chris and Stephen and my fellow Committee
 16 members for emphasizing the importance of this topic such
 17 that it made it on today's agenda.
 18 To give some perspective to my comments today,
 19 I thought it was important to share a little bit about my
 20 company. Tandy Leather Factory is public. Our shares
 21 trade on the NASDAQ. And we have been public since 1993.
 22 Our revenue is approximately \$85 million, and our market
 23 cap is the same. But our public float is less than \$75
 24 million due to 1 large shareholder that sits on our
 25 board. We are approximately 60 percent institutionally

Page 30

1 owned. And our trading volume is averaging approximately
 2 8,000 shares a day so far this year.

3 I think we can all agree that the JOBS Act was
 4 a good thing. It helped smaller companies who want to go
 5 public. But as the CFO of a small company that has been
 6 public for over 20 years, what help are we actually
 7 getting?

8 I recognize that there has been some disclosure
 9 relief for us as a smaller reporting company presenting
 10 two years of audited statements, rather than three, but,
 11 frankly, after presenting three years of statements for
 12 so long, eliminating one column on our financial
 13 statements is hardly what I would call relief. We still
 14 present three years of statements in our filings.

15 We did drop the stock performance graph from
 16 our filings, not because it was particularly burdensome
 17 to include but why spend the money to buy the graph if
 18 you don't have to? I would think, however, that
 19 investors might find the graph useful, although I have
 20 yet to be asked about it since we dropped it.

21 XBRL. I am still not convinced that anybody is
 22 using our XBRL files, but I admit that I don't have any
 23 way to prove that. We use an outside vendor, spending
 24 more than \$10,000 a year, and have yet to be asked about
 25 it by our investors or anyone else, for that matter.

Page 31

1 Conflict minerals. I am still trying to figure
 2 out how this disclosure helps investors. Is this one of
 3 the criteria used when making investment decisions? I
 4 don't know the answer to that question. I have never
 5 been asked about that either.

6 Executive comp. While a former CD&A isn't
 7 required for us, we still had to expand our disclosures.
 8 We hired an outside comp firm to review our comp
 9 programs in order to sufficient deal with say on pay.

10 PCAOB and the auditors. This may be outside of
 11 the scope of this topic, but I could spend the entire
 12 morning talking about the negative changes to the
 13 relationship between auditors and issuers, which seems to
 14 be blamed on the PCAOB more often than not. Our auditors
 15 have been such for more than 10 years. It is painful to
 16 live through the degradation of our relationship. They
 17 are a good firm, but I have watched them become more of a
 18 regulator than a business partner. I understand there is
 19 a line there, but, frankly, in order to audit efficiently
 20 and effectively, there needs to be a spirit of
 21 cooperation between auditors and their clients. Instead,
 22 my experience is that auditors are now considered to be
 23 the guy with the big hammer while we as the client wait
 24 to be hit with it.

25 I will conclude my comments with a short

Page 32

1 excerpt from testimony that I gave to the U.S. House
 2 Small Business Committee in 2007, the point being made
 3 that as small public companies, our investors know us.
 4 They have been on site, met face to face with management.
 5 They are investors in our company, not because of
 6 extensive disclosures but because they believe in the
 7 people running our company.

8 The issue then was SOX, but I think you can
 9 exchange any reference to SOX or internal controls with
 10 some current disclosure topic: XBRL, say on pay, et
 11 cetera.

12 Here it goes. We are considered a micro-cap in
 13 the world of public companies. Our market cap and
 14 trading volume is quite small, relatively speaking.
 15 Approximately 35 percent of our outstanding stock is
 16 owned by institutions, some of which are so large they
 17 could buy our entire company and not even realize it. I
 18 meet with a number of these institutions as well as
 19 individual stockholders either via telephone or in person
 20 numerous times a year. Many of our stockholders own our
 21 stock because they believe in the potential of our
 22 company and are comfortable that the management team
 23 knows how to grow the company and, therefore, increase
 24 its value.

25 In all of my discussions with our stockholders

Page 33

1 and potential stockholders, I have yet to be asked about
 2 our internal control system and whether we are or expect
 3 to be in compliance with Sarbanes-Oxley section 404.
 4 However, I am frequently asked how much we have and will
 5 spend trying to comply and how much of a negative impact
 6 it will have on our earnings.

7 While most investors want to invest in ethical
 8 companies, I am not getting the impression that the
 9 internal control system is what helps those investors
 10 make that determination. Again, it is the people of the
 11 company.

12 With all of that said, I am not minimizing the
 13 importance of effective disclosure. While I do not
 14 always agree in principle with the rules and regulations
 15 that public companies are forced to follow, I can assure
 16 you that my company takes this very seriously. As I have
 17 said numerous times, our company chose to play in the
 18 public company game. And we will play by the rules,
 19 whatever those are, until we find it impossible to do so,
 20 at which time we would have to withdraw from the public
 21 market.

22 Thanks again for your time. I turn it back to
 23 Chris.

24 CO-CHAIR JACOBS: Thank you.

25 CO-CHAIR GRAHAM: Okay. Thank you, Shannon,

1 and thank you, Chris.
 2 Charles, could we maybe have the benefit of
 3 your perspective?
 4 MR. BALTIC: Thank you, Steve. Good morning to
 5 Chair White, commissioners, SEC staff, fellow Committee
 6 members, and others present today.
 7 The topic of mandated disclosure and disclosure
 8 effectiveness is far-reaching and of fundamental
 9 importance to the regulatory regime for public companies.
 10 It is a big deal. It is a big topic. And it relates to
 11 both sides of the equation: companies and investors.
 12 My practice is in investment banking, emerging
 13 growth companies, particularly the biotechnology space.
 14 And those are companies that fit classically into the
 15 definition of emerging growth companies. They have been
 16 one of the biggest beneficiaries of the JOBS Act
 17 innovation in terms of numbers of companies going public
 18 and benefitting from an improved environment for IPOs.
 19 They also have an investor base that is very smart and
 20 very efficient in evaluating companies. It is largely an
 21 institutional investor base.
 22 So I think we need to keep our mind on who the
 23 investors are for different classes of companies, but I
 24 think both companies and investors can benefit from the
 25 disclosure effectiveness efforts in really thinking hard

1 about how to revise and update and improve the regime.
 2 As I said, it is not just a big deal to issuers and
 3 reporting companies but also to investors. Things like
 4 historical stock price graphs or the dilution tables and
 5 IPO S-1's really have very little, if any, import to
 6 investors in evaluating companies and investment
 7 opportunities. So there are clearly a lot of areas in
 8 the line item and structuring of S-K and the regulations
 9 to make things more efficient and more beneficial.
 10 As Chair White has emphasized, when disclosure
 11 strays from its core purpose, disclosure can lead to
 12 information overload to the detriment of both investors
 13 in their investment decisions and voting decisions as
 14 well as unnecessary costs to companies. Therefore,
 15 mandated disclosure needs to remain relevant and material
 16 to guiding the investment and voting decisions of
 17 investors. And so materiality as the bedrock principle
 18 of disclosure can and should guide this effort around
 19 disclosure effectiveness and reform.
 20 I think it is also important to note and keep
 21 in mind that the current disclosure effectiveness effort
 22 was spurred in great part by the JOBS Act mandate to
 23 update, modernize, and simplify the disclosure regime,
 24 particularly with regard to S-K, but that was also with
 25 the goal specifically of reducing costs and time and

1 other burdens that are particularly onerous for emerging
 2 growth companies, which are often capital-intensive and
 3 at development stage than require new equity capital on a
 4 repeat basis to become successful and profitable
 5 businesses and create sustained job growth, some of the
 6 things we heard from Christine and Shannon in their
 7 remarks about the burdens that companies face in trying
 8 to get to the next level of commercial success.
 9 And so the principle of scale disclosure for
 10 smaller cap public companies is and should be intrinsic
 11 to this reform effort.
 12 Now, the Commission staff has been clear that
 13 the disclosure effectiveness effort is also important to
 14 all public companies at all stages of development. Thank
 15 you, Karen, for your presentation. I think the efforts
 16 underway are very, very encouraging. Many of the most
 17 logical, prudent, and potentially effective reforms are
 18 generalizable. This makes sense. There are many
 19 potentially fruitful areas of reform in disclosure.
 20 As the staff report on review of disclosure
 21 requirements and Reg S-K have enumerated, there are many
 22 specific opportunities to modernize and update Reg S-K
 23 and also Reg S-X and industry guides as well to delete
 24 outdated requirements, rationalize duplicative
 25 disclosure, harmonize overlapping disclosure between SEC

1 and standard setters like the FASB and eliminate
 2 unnecessary disclosure. Many of these relate to specific
 3 line item reform but can also prove to be very, very
 4 beneficial and very impactful and not harm the disclosure
 5 that investors are getting. Many of the comment letters
 6 received that we heard referred to earlier by the
 7 Commission also lend a great deal to potential areas of
 8 line item reform or even broader principles of reform,
 9 including increasing the scope of principles-based
 10 disclosure to provide companies more flexibility in
 11 meeting the disclosure burden or using emerging
 12 technology to modernize and enhance delivery, things like
 13 expanded cross-referencing or use of hyperlinks, things
 14 that relate to reforming and improving the EDGAR system.
 15 In this regard, significant contributions have
 16 been made through the comment letter process,
 17 particularly entities that have weighed in, including
 18 U.S. Chamber of Commerce Center for Capital Markets
 19 Effectiveness, Business Roundtable, Society of Corporate
 20 Secretaries and Governance Professionals, the ABA
 21 Business Law Section Working Group, and others.
 22 I want to return to the imperative for reducing
 23 the regulatory disclosure burden specifically on smaller
 24 cap public emerging growth companies, which are the
 25 lifeblood of the new economy and economic growth. This

1 Committee, as, Steve, you mentioned earlier, has already
 2 previously made recommendations to the Commission with
 3 sensible reform to scale certain requirements for small
 4 and mid-sized public companies as recently as February of
 5 2013. These included a number of very potentially
 6 important measures revising smaller company reporting
 7 rules to incorporate the exemptions applicable to
 8 emerging growth companies, exempting smaller companies
 9 from requirements to provide the interactive data, the
 10 XBRL formatting -- those are very expensive undertakings
 11 -- revising the exhibit requirements of item 601 to
 12 permit omission of the material schedules and attachments
 13 and filings and also things relating to definitional
 14 aspects of smaller reporting companies, realizing the
 15 definition of smaller reporting company to include
 16 companies with a public float of up to \$250 million or
 17 with less than \$100 million in annual revenues and, as
 18 Christine also said very effectively, correlating the
 19 JOBS Act scale disclosure to existing small cap public
 20 companies. These would all provide very significant
 21 relief to emerging growth companies without harming, I
 22 believe, relevant and material disclosure.

23 To these, I would add potentially others,
 24 potentially revising '33 Act filing requirements,
 25 allowing emerging growth companies to use forward

1 incorporation by reference on form S-1, which would
 2 reduce the burden of filing updates for both IPOs and
 3 first-year follow-on offerings on S-1, potentially
 4 shortening the waiting period for companies to use form
 5 S-3 from 1 years to 6 months, thereby reducing the timing
 6 risk and uncertainty of undertaking first follow-on
 7 offerings and facilitating their capital formation and
 8 potentially creating useful guidance and industry guides,
 9 specifically for key emerging growth industry sectors,
 10 like biotechnology and social media.

11 On that point about follow-on transactions, I
 12 would note again the space that I am involved with,
 13 biotechnology, since the beginning of 2013 doesn't
 14 correlate exactly with the JOBS Act, but it roughly
 15 correlates. Since the beginning of 2013, 56 biopharma
 16 companies have gone public and conducted a first follow-
 17 on offering. The average time to the first follow-on
 18 from the IPO for those 56 has been 9 and a half months,
 19 inside of the 1 year, that makes them shelf-eligible.
 20 The median time was eight months. And 42 of the 56 that
 21 conducted first follow-ons did so within the first year.

22 So these are capital-intensive companies that have to go
 23 back to the market on a repeat basis. I would hazard a
 24 guess that very, very, very few of those companies
 25 actually received comments to their S-1 filings to raise

1 capital in follow-ons. It is not clear to me that the
 2 benefits of making them wait for a year would outweigh
 3 the benefits that they would get from having ready access
 4 to the market on a regular basis.

5 So these are some thoughts I have trying to be
 6 balanced about the goals of improving disclosure for
 7 investors: making it relevant, making it focused
 8 exquisitely on materiality, but also providing benefits
 9 to companies that face these tremendous regulatory costs
 10 and burdens.

11 The key to all of these reforms is that they
 12 would enhance capital formation and capital efficiency
 13 for emerging growth companies without compromising but I
 14 believe enhancing the principle of providing relevant and
 15 material disclosure for investment and voting decisions.

16 And so I would urge the Commission to continue
 17 to undertake this disclosure effectiveness reform effort
 18 with the principles and recommendations just discussed at
 19 the forefront in helping to guide the effort. Thank you.

20 CO-CHAIR GRAHAM: Great. Thank you, Charles.

21 Okay. I would like to open it up to the
 22 balance of the Committee for comment. There must be some
 23 ideas about what is obsolete or redundant or -- Dan?

24 MR. CHACE: I will give it a go. As a consumer
 25 of these filings on a regular basis, I spent a lot of

1 time yesterday just thinking about what I really want to
 2 find in the filing, when I read SEC documents or when I
 3 look at a company, what I am trying to achieve. The
 4 reality right now is that the SEC documents are really
 5 just a piece of it. You have the SEC documents. You
 6 have the company reports, the press releases, which,
 7 increasingly, include a lot of non-GAAP data that is not
 8 in the 10-K/10-Q's and disclosure, additional
 9 disclosures, that investors seem to find relevant. And
 10 there is actually a growing divergence, it seems, between
 11 the GAAP numbers and the non-GAAP numbers, which is
 12 another topic worth addressing, I think.

13 But, starting back, I think it feels, reading
 14 your document, Keith -- you know, I am always amazed at
 15 how much detail there is in terms of the legal aspect of
 16 these filings and how I just don't notice it as a
 17 consumer. But my goal really to start with is like who
 18 does the company define as their stakeholders. Who are
 19 they looking to add value to? The standard answer for
 20 that is employees, shareholders, customers, right? But
 21 there is a lot of nuance in that that I think is probably
 22 naive to expect, but the goal there is like am I looking
 23 at a company whose goal is to enrich management at the
 24 expense of shareholders or is it balanced.

25 From that point, I would love to know, like,

1 understand the goals of how that company intends to
2 pursue that. How do they intend to create value for
3 shareholders? Is it through growth? Is it through
4 expanding margins? Is it through maximizing cash flow?
5 Is it through investing that cash flow and growth?

6 There is a variety of ways that companies can
7 do that. You don't necessarily get that from the
8 disclosures. You have got a generic business
9 description, but you don't get that kind of value-
10 enhancing description, which I think would be useful. We
11 as institutional investors get it in other ways through
12 conversations with management. Some companies put their
13 investor presentations on their websites. Some don't.
14 But there are additional ways to get that. But in terms
15 of SEC filings, it is not there.

16 Beyond that is understanding those goals of how
17 do they plan to add that value to the stakeholders and
18 then understanding the metrics that management uses to
19 judge themselves to perform to those goals. And, again,
20 I think the SEC filings come up short in that regard, I
21 think mostly because it is a checkmark-type procedure for
22 them versus a kind of explanatory procedure and a little
23 bit of a CYA procedure as well.

24 MR. HIGGINS: If I can just respond to that?
25 It is the problem that we have identified that many

1 like to know if I am looking at a company? And, again,
2 there is a variety of ways that companies communicate
3 that via press releases, via management meetings, via
4 communications with their sell-side analysts, you know,
5 presenting at conferences, via public comments to the
6 media.

7 So, you know, there is always a mosaic. And it
8 is not going to be one document that is comprehensive.
9 My take was just more to try to explain to you how I look
10 at it from a public investment standpoint.

11 CO-CHAIR GRAHAM: Yes. Understood. And that
12 is useful. I think Keith's point is well-taken. I think
13 that oftentimes it is more that companies can do in this
14 regard than -- there is more that they can do, but they
15 don't do it. But do you have any thoughts on what is it
16 that is currently disclosed that you could care less
17 about?

18 MR. CHACE: Well, I can certainly pull my own
19 stock chart, you know. It is interesting as a reader of
20 a 10-K, you know, you tend to gravitate towards specific
21 sections because you know that you are going to -- it
22 depends on where you are in your level of understanding
23 of that company. If you are trying to -- well, to begin
24 with, to look at a new company, you tend to read the
25 business descriptions, which can vary widely in terms of

1 companies treat, particularly 10-K's and 10-Q's, as
2 compliance documents. Of course, they are compliance
3 documents. Look, we have a lot to change in our rules.
4 And we will own up to that. But there is nothing in our
5 rules that prevent companies from doing exactly, Dan,
6 what you are looking for and what you are laying out

7 MR. CHACE: Yes.

8 MR. HIGGINS: -- other than -- and maybe
9 Christine and Shannon have views on that. Why don't
10 companies view SEC documents as more communication
11 documents than compliance? And how can our rules help to
12 achieve that objective?

13 CO-CHAIR GRAHAM: Dan, are you saying that,
14 just generally speaking, then, it would be useful to have
15 additional disclosure but the existing disclosure is fine
16 like it is?

17 MR. CHACE: My take was just if I start with a
18 clean slate, as a consumer of financial information, how
19 would I like to see it? What would I like to know? What
20 are you trying to achieve when you look at a company and
21 try to decide whether or not to invest in it? I am not
22 saying necessarily that the SEC documents have to include
23 that information, but it seems logical to me in a way
24 that they would as a mandated filing for a company. But
25 I am more just starting from the point of, what would I

1 its usefulness. You know, some companies are much more
2 precise than others. And others, okay, you know, they
3 make pipes. You know, that is the kind of conclusion you
4 get out of it, and there is not much color.

5 The risk factors are interesting simply because
6 companies I think feel an obligation from a box-checking
7 point of view to be precise on that because they know
8 they will probably get sued if they miss one of them. It
9 is interesting to see the changes in those risk factors
10 over time as well because my sense is the companies are
11 in tune with that and they need to be complete.

12 The MD&A, my take is typically too vague to be
13 of great usefulness, you know. Just generalities, gross
14 margin is decreased because of product mix, you know. So
15 the management comp is lengthy. And, really, the key to
16 that, what you want to know, is how they are paid. Is
17 their base salary reasonable? And their incentive comp,
18 what is that based on? And, really, are your incentives
19 of shareholders aligned with the way they are paid?

20 The disclosure there, my take is -- I haven't
21 studied this systematically, but it feels inconsistent
22 there as well that not all of that disclosure is precise,
23 you know. It is nothing like precise to the dollar, but,
24 you know, the take-aways that are useful to you is when a
25 management is compensated on, say, growth in adjusted

1 EBITDA. You know as a shareholder that that means a lot
 2 to them to just grow for the sake of growth, you know,
 3 profitably, of course, but not necessarily on a first
 4 share basis, not necessarily organically. So there is
 5 disclosure there that is, you know, helpful, but
 6 inconsistent is my take as well.

7 Conflict minerals. You know, most companies
 8 just say, "Not applicable," you know, if it is not in a
 9 manufacturing company. But there is a growing trend
 10 towards environmental, social governance issues that
 11 companies do find relevant. But I do find that that
 12 regulation just seems incredibly complex to implement
 13 given the lack of visibility in the supply chain. It
 14 just doesn't show up in a lot of companies that we look
 15 at.

16 What else is in there? The contracts at the
 17 end that you mentioned typically, you know, are way more
 18 precise and necessary than -- unless it is a super large
 19 contract, but, you know, we will kind of glance over
 20 them, but it doesn't seem material in a lot of cases.
 21 You do find as well that there is a lot of overlap, you
 22 know, there is repetition from a business description to
 23 the industry description later. I don't know if those
 24 are big cost savings items, but

25 CO-CHAIR JACOBS: Dan, do you use XBRL to mine

1 data?

2 MR. CHACE: We use FactSet and Bloomberg as
 3 services that I presume link to XBRL. I don't understand
 4 the business process behind it, but I assume they do.
 5 But we are very heavy users of financial data downloaded
 6 through external data providers, which I assume is XBRL-
 7 based.

8 CO-CHAIR JACOBS: I don't know. Shannon? Our
 9 investor base, I mean, we had about 60 percent
 10 institutional and not one question ever ever about XBRL
 11 because most small companies are in index funds or we
 12 have mom and pops. Like to Shannon's point, they have
 13 known us forever. Their issue is "We want to talk to
 14 management."

15 And, you know, I have got one comment in
 16 response to your wanting -- let's say we have shareholder
 17 presentations, we go to the investor conferences, et
 18 cetera. I don't know about Shannon or any of the rest of
 19 you that are associated in the public world. My lawyers
 20 would have shot me to put that presentation into my
 21 filings with the SEC because my understanding is those
 22 are absolutes. They didn't want comment letters.

23 I once said I would like to write an end-of-
 24 year letter like Warren Buffett does, where you tell them
 25 what you did right and you tell them what you did wrong.

1 And the comment came back, "When you are Warren Buffett,
 2 we will let you do that. But until then"

3 (Laughter.)

4 CO-CHAIR JACOBS: Until then, you have to
 5 follow the rules and the regs. And it was like I had to
 6 be modeled into place by attorneys and auditors on every
 7 single communication that was going out there that had to
 8 do with compliance. Dan, I was never given the freedom.
 9 And I am not sure I would have taken it because it is
 10 one thing to talk about your regulators on a global
 11 scale, but you have local regulators. And not all things
 12 are equal in Atlanta, as they might be in Dallas. The
 13 last thing you need is comment letters coming back
 14 because then, depending on the comment letters, you have
 15 to disclose that. It is a never-ending world of what you
 16 must do.

17 Keep in mind if you are at a board meeting and
 18 you have any kind of discussion and there is a lawyer
 19 there or they hear about it later, they come back and
 20 say, "Wait a minute. That is a material disclosure" and
 21 you find yourself filing S-K's and 8-K's and all the rest
 22 of this stuff when, geez, you are wanting to disclose
 23 things before they are even concrete or they have even
 24 happened in some cases.

25 CO-CHAIR GRAHAM: Thanks.

1 Other thoughts?

2 MS. LUNA: I had a quick comment. This is
 3 Sonia Luna. Thank you, Karen, for your work on the
 4 disclosure effectiveness project. I was recently at a
 5 conference, LD Micro in Los Angeles. And I got to meet
 6 and greet a lot of CEOs of smaller publicly traded
 7 companies. I did ask the question about disclosure
 8 effectiveness just to get some feedback. The general
 9 consensus is that there is over disclosure with little
 10 value.

11 One example would be something that may not be
 12 obviously in the authority of the SEC: footnote
 13 disclosures. So a lot of these smaller reporting
 14 companies back -- I went to some of my client base --
 15 back in 2007 had maybe 10 pages worth of what is called F
 16 pages; right, your financials and your footnotes related.
 17 We fast forward to present day, and there is somewhere
 18 between 24 pages or 26 pages. You know, so there are 10
 19 additional footnote disclosure pages that the auditors
 20 have to get their minds around, which ties into a
 21 potential solution that I am hoping the Securities and
 22 Exchange Commission will look into: In other areas in
 23 the filings, if it is already sufficiently present in the
 24 footnotes, maybe the company doesn't need necessarily to
 25 describe something else in the MD&A section if

Page 50

1 comparative financial data is there already in the
2 footnotes. So things like that would be I think hopeful
3 to a smaller public company.
4 And then also, Charles, to your point about
5 scalability, about disclosures, we probably want to
6 revisit the thresholds that are currently being applied.
7 My last comment, dealing with PCAOB, which I
8 call it the smaller public company additional tax. I had
9 a client, a biotech. They had less than \$100,000 in
10 revenue. Their stock shot up, and they became an
11 accelerated filer. So I had to explain to the audit
12 committee what that meant in terms of internal control
13 evaluation by the external auditors. I gave them only
14 one work paper that I had to go through. And I said,
15 "Here is the before and after." So I have a testing lead
16 sheet. And I had eight fields of data I had to put in
17 for a summary testing lead sheet for what I had to audit
18 for controls. Now that they were an accelerated filer, I
19 said, "I have 17 fields to enter in data. So this is
20 just one summary document. So I have to get an auditor
21 to evaluate this new lead sheet to be sufficient enough
22 for the external auditors to be happy because the PCAOB
23 regulators have, you know, swung the pendulum on internal
24 controls in a very stricter scale."
25 And then I had very great colleagues at the

Page 51

1 larger firms, CPA firms, that are telling me that, you
2 know, there is a newer terminology in auditing called
3 level of precision. You know, you have got to audit
4 management's judgment. You know, the degree of work ties
5 into that lead sheet that I was just telling you about,
6 you know, eight fields of data. And now you are an
7 accelerated filer. Congratulations. Now I have got to
8 really evaluate a lot of points of focus for that smaller
9 company.
10 And I question, you know, what is the real
11 value add when this client had the exact same number of
12 financial reporting people on their staff. Nothing has
13 changed in their business model. I am auditing expenses.
14 And now I have got to ramp up my audit efforts.
15 CO-CHAIR GRAHAM: Thank you.
16 John?
17 MR. BORER: Thank you very much. John Borer.
18 I appreciate all of the comments this morning. I have a
19 couple of anecdotes I want to just speak to really
20 quickly, which touch on some of the comments that have
21 just been made here by Sonia as well as a couple of the
22 others.
23 I was with a company for a number of years that
24 had gone public in 1988. And through a number of
25 changes, it had become private again and went public

Page 52

1 again in 2007. When the company went public, we had a
2 prospectus. The non-F pages I think were 118. Out of
3 interest, I pulled out of the drawer a copy of the
4 prospectus from 1988. It was less than 30 pages, the
5 non-F pages, which was interesting.
6 To Dan's point here a few minutes ago, working
7 on an IPO right now in the med tech space, the first
8 draft of the S-1 was from the lawyer. So it had a lot of
9 work to do to be sent to issuers. Well, as everybody
10 else involved was an S-1, another company this year that
11 had gone public in the med tech space with a number of
12 things redacted, you know, the name, the history of the
13 incorporation, the shareholder table and all of these
14 other things. But 80 percent of the risk factors, all of
15 the forms, the columns, the description of the business,
16 the industry, the regulatory environment, and all of
17 these things were the same, to be changed but to the
18 point of checking boxes. There was very, very little
19 originality going into the comprehensive thought process
20 behind the disclosure. To me, if all we are doing is
21 making this a compliance document and a compliance
22 regimen, whether it be the '33 or the '34 Act filings, I
23 think we are creating so much overload of information,
24 118 pages versus 30, that it is difficult, even for
25 sophisticated investors, to figure out where to go or

Page 53

1 they just go to where they have interest in what is going
2 on, but a retail investor, a brokerage customer of
3 E*TRADE or Charles Schwab, I think it is probably not an
4 effective disclosure.
5 To the work that is being done right now --
6 and, Karen, I appreciate your comments earlier -- I just
7 had a couple of questions, whether these were even in the
8 analysis that Corp Fin is doing. And I have spoken to
9 this in prior Committee meetings in the prior session or
10 prior term we had here, a couple of very specific things
11 if there are any comments. One is, has this analysis
12 looked at the benefit of not allowing smaller companies
13 to use S-3? Is there any analysis of whether the baby
14 shelf rules are really enhancing disclosure and investor
15 protection in the real world? And has the issue of
16 issuer registration versus security registration been
17 visited at all in this context, as it has obviously
18 proven to be successful in many other securities
19 regulatory regimes in many other countries? So, instead
20 of having to have an S-1 filed and ready to go effective
21 or an S-3, you sell the securities. The issuer is
22 already registered. And the exchange could admit those
23 securities for trading. And you are done. Is any of
24 that in the context of what is being evaluated?
25 MS. GARNETT: So I think on the S-3 point, as I

1 said earlier, we are at this phase of our project focused
2 on the disclosure requirements for periodic reporting.
3 So we really are not focusing any attention on the
4 registration requirements, the '33 Act requirements. You
5 know, certainly there are a lot of areas that are right
6 for consideration there, but just in the interest of
7 trying to -- you know, as it is, it is a pretty big
8 project. In trying to bite off what we can chew at this
9 point, we have decided to focus on the periodic
10 disclosures. So no, we are not looking at the S-3
11 eligibility standards right now.

12 The second question was company registration.
13 Again, we are not in the '33 Act space so much on this
14 project other than the extent to which S-K requirements
15 apply to both '33 and '34 Act filings. I will say in the
16 EDGAR space, though, one thing that we are thinking about
17 -- and I think that Keith had some remarks in the speech
18 that was in your materials -- this idea of not company
19 registration but having some sort of company file or
20 company disclosure that is more of a static document,
21 updated periodically as there are developments in the
22 business, but that could be one way to reduce the filing
23 burden on companies to the extent that you have the same
24 information year after year in terms of your description
25 of the business. Perhaps that is a different way to

1 provide that information to investors without having to
2 repeat it in filings every year. So that is more of the
3 long-term project because it would be part of the EDGAR
4 modernization effort, but it is an idea that we are
5 thinking about.

6 MR. HIGGINS: If I can add, in hopefully not
7 making an unpopular statement, in large part, we have
8 company registration for companies of \$700 million or
9 market cap and over. The WKSZ system is in effect,
10 company registration, because companies that qualify as
11 well-known season issuers can file it and go. And there
12 is an essentially skinny aspect of the '33 Act
13 registration offering. Everything is based on your
14 public filings. That is true to some extent but not
15 entirely the same to companies above the smaller
16 reporting company level, from \$75 million to \$700
17 million. The S-3 system, the shelf system, they are
18 allowed to use for primary offerings in effect gives them
19 that with the exception that they can't offer novel
20 securities without coming back in to do new filings. It
21 is really at the \$75 million and below. That is not
22 something that is in the wheelhouse of our disclosure
23 project, but generally it is something that the staff and
24 the Commission are interested in looking at.

25 CO-CHAIR GRAHAM: Okay. Other thoughts?

1 Catherine?
2 MS. MOTT: This is just a question. As I think
3 about what I am listening to here, someone commented that
4 there were almost 8,000 companies delisted. People
5 behave in the way that they are rewarded. So companies
6 behave in the way that they are rewarded. So there is
7 obviously something driving that process. And me as a
8 public investor, I would have concerns about that because
9 now I don't have public information that I would normally
10 have. So I just want to say that.

11 The other thing is I am all for this capital
12 formation because it means something to the companies I
13 invest in. So facilitating it and making it easier for
14 our companies to become public companies is valuable to
15 me and my industry. On the other hand, I am always
16 thinking about balance. One of the things that has been
17 very valuable to me as someone who invests in public
18 stocks as well is that the say on pay has been pretty
19 important to me. As an investor because, you know, I am
20 concerned about the abuses of say on pay, even with the
21 little companies that were on the boards.

22 So, you know, that is a big issue. And I would
23 take it to the next level. I would like to see say on
24 where money is going in lobbyists and things like that.
25 When I am evaluating investing in a company, how much

1 money is being spent and to what degree is it going to
2 certain things that that company wants to advocate?

3 I think, to Dan's point, what I am trying to
4 determine is, is management enriching it for themselves
5 and their own personal agenda? So those are the kinds of
6 things that are important to me as a private investor.

7 So, in listening to all of this, I am not as --
8 I tried to read as much as I could to get up to speed on
9 this. I am not, but I just tried to put myself in the
10 shoes of me as the investor and how I am evaluating this
11 and me as a private investor that wants companies to more
12 easily be encouraged to become public companies because I
13 think it is good for our economy. It is very simple but
14

15 CO-CHAIR GRAHAM: Okay. Thank you.
16 Greg?

17 MR. YADLEY: Thanks to the SEC staff for all
18 you are doing here and for the three members of the
19 Commission being here.

20 This is really hard. I am a lawyer. And so
21 this is what I do all of the time. And it is really
22 different working with small public companies compared to
23 the large companies that we represent. A lot of it
24 really has to do with the fact that, as Chris and Shannon
25 have said, you are running your businesses. And this

1 compliance aspect is something you have to deal with.
 2 And, as Dan said, it is not necessarily what the
 3 investors are interested in.
 4 From the Commission's standpoint and I think
 5 from outside counsels' standpoint, where you know you
 6 don't have the opportunity to be consulted all the time,
 7 with a big client, you get to see press releases. You
 8 attend board meetings. You have lots of contact with
 9 management. So in a way, I think the disclosure system
 10 has become -- and this is right to a great extent. It
 11 has to be the baseline of information that is out there.
 12 And certainly when I review a 10-K for a client that
 13 doesn't use me to review their 10-Q's and rarely for 8-
 14 K's, I know that I am trying to make sure that I give
 15 them enough disclosure so that when they have conferences
 16 with investors and make presentations at conferences,
 17 there is enough out there that there is a safety net.
 18 And my experience is that very few people are out there
 19 just trying to enrich themselves and screw the public.
 20 Unfortunately, there are enough of those that we have a
 21 lot of rules simply to prevent against people that abuse
 22 the system. It is very hard.
 23 One of the things that on conference calls that
 24 I audit for clients that the investors want to know is
 25 what is going to happen next. Most of the disclosure

1 really is historic. So in the compensation area for
 2 sure, the link between what the company says they are
 3 going to do to expand revenues and increase
 4 profitability, you want to know how that is tied to
 5 compensation.
 6 On the other hand, when I read what I consider
 7 really great public companies' proxy statements to get
 8 ideas for my smaller clients, they end up not being that
 9 useful because there is such a degree of detail. And
 10 executives get paid under eight different plans with
 11 performance metrics that are very hard to understand.
 12 And in a smaller company, it is a lot more simple. You
 13 know, are you doing your job? Are you working across
 14 departments because departments don't really matter?
 15 What are you doing to help our company grow and be more
 16 profitable? And you lose the flavor of that in SEC
 17 filings I think.
 18 So maybe one idea would be more support that
 19 forward-looking statements really are okay. I think it
 20 is certainly a lot different than it was 10 years ago and
 21 before FD, but that is an area. The redundancy is also a
 22 problem because, as Shannon was saying with the
 23 accountants, if there is disclosure in the narrative that
 24 is also included in the footnote or something that the
 25 accountants have reviewed, if you get a comment letter

1 and you are asked to explain or expand on your narrative
 2 disclosure, if it is going to affect your footnote
 3 disclosure, the accountants are not really that helpful.
 4 And they don't really want you to change something, even
 5 though there may be a different standard for the
 6 financial reports.
 7 So I applaud your effort. There are lots of
 8 things in the items mentioned today that can be improved
 9 upon, certainly can, but I think it is going to be an
 10 unwieldy system because in a way, this really is your
 11 contract with the public, who may be investors today or
 12 may be investors tomorrow. And you sort of have to have
 13 a lot of that there. And I think it has to be balanced.
 14 Dan, when you mentioned risk factors, that is
 15 always something really important. Of course, over time,
 16 risk factors went from something that was part of the
 17 document to a separate section to a section that is now
 18 incorporated by reference. There has been an ebb and
 19 flow about, do you put everything in? Do you only put
 20 the important things? Certainly there is a conservatism
 21 among lawyers and people who have been through litigation
 22 not to leave anything out. But you do have to hunt quite
 23 a bit and see, you know, beyond all the standard stuff.
 24 Well, this company, what do they perceive as their real
 25 risks?

1 So it is a challenge, and I look forward to
 2 this Committee and through other organizations helping
 3 you all as much as we can.
 4 CO-CHAIR GRAHAM: Thanks, Greg. You know, you
 5 touched on a number of points, I think, that relate to I
 6 think the simple fact that a lot of information that we
 7 are talking about is useful.
 8 I am kind of reminded of that quote that "I
 9 would have written you a shorter letter, but I didn't
 10 have time." I think there is a fair amount of that going
 11 on, a fair amount of redundancy, a fair amount of things
 12 that are just obsolete. And so it strikes me that there
 13 is probably some low-hanging fruit before we actually get
 14 into, you know, thinking about kind of, you know,
 15 absolute information that is seen as valuable by a number
 16 of investors.
 17 Milton, were you
 18 MR. CHANG: Yes. I thought the three
 19 presentations were extremely thoughtful. Thank you very
 20 much. I would like to make more of a trivial viewpoint
 21 that I am not really hopeful that much change can occur
 22 but just nibble around the edges to make things a little
 23 bit simpler because it is a philosophical and expectation
 24 issue of the SEC basically from where I sit in a common
 25 sense viewpoint. To use an analogy, it is like .01

1 percent of the population will catch cancer. And you can
2 make everybody every morning take cancer-preventing drugs
3 versus when you have cancer, you do through an intensive
4 treatment, which means like severe punishment if somebody
5 violates the law.

6 The other point is that it is against the big
7 government versus common sense versus free economy
8 because we want to regulate versus the free economy would
9 take care of itself. If a company does not provide
10 useful information to shareholders and commit fraud, they
11 eventually get punished. But then if the expectation is
12 for SEC to prevent everything, bad things, from
13 occurring, then how can it change?

14 So I think it is really a bigger question than
15 what this room can address. Anyway, just simple, minor
16 comment.

17 CO-CHAIR GRAHAM: Okay. I appreciate that.
18 And in some ways, I share that perspective. I think it
19 is important that -- because this is a big job. There
20 are no two ways about that. It is complex. There are a
21 lot of issues. There is a lot of tension. But there are
22 some things that really can be done, like this afternoon,
23 and no one in their right mind would say that that is a
24 bad idea. So yes. I think I wouldn't consider your
25 points trivial.

1 Anyone else? Sara?

2 MS. HANKS: Yes. It is more of a question for
3 the staff, actually. I am a huge fan of the idea of
4 company files. I think it would really help investors
5 because they would be able to find stuff on EDGAR, which
6 is really difficult right now. And it would help the
7 companies themselves. But, of course, company files is
8 going to be dependent on revising EDGAR, which is older
9 than my legal career, which is pretty long at this point.

10 How many years out are we? I know that there
11 have been RFPs go out for like the initial concept phase.

12 So before I retire, are we going to have EDGAR changed?

13 CO-CHAIR JACOBS: When are you going to retire?

14 MR. HIGGINS: You look very youthful.

15 (Laughter.)

16 CO-CHAIR GRAHAM: Yes. How much time do we
17 have?

18 MR. HIGGINS: You know, I think the full EDGAR
19 modernization project is probably a 10-year undertaking,
20 but to your point, I think there are some things that we
21 can do and that we are actually looking at right now.
22 And we have spoken with groups, even before EDGAR is
23 totally modernized, to make it easier to find company
24 information on sec.gov.

25 We don't necessarily have to display all of the

1 information in reverse chronological order based on what
2 was filed. You know, it probably does need EDGAR
3 modernization to break apart a filing and have the
4 company description in one place and have the MD&A in
5 another place and the financial statements in another
6 place, but within the context of, you know, can you find
7 annual reports, can you find prospectuses, can you find
8 proxy statements, it is like you do on a company website.
9 We could do that. And we can probably do that without
10 any rule changes.

11 And so we have it on our plate. Stay tuned.
12 It may come sooner than you think and clearly before you
13 retire, Sara.

14 CO-CHAIR GRAHAM: Charles?

15 MR. BALTIC: Yes. Steve, I just wanted to
16 circle back to a thread in this conversation going back
17 to something that Keith said very early on about
18 companies can, you know, proactively disclose and tell
19 their story. You know, I work with companies in the
20 biotech sector who are headed by scientists, Ph.D.'s and
21 M.D.'s who developed some kind of new innovation at a
22 research institute, gotten it through the venture capital
23 process, and now need to raise money for clinical trials.
24 And it is tens, if not hundreds, of millions of dollars.
25 So they have to do that in the public market. They want

1 to tell their story, and they are very enthusiastic about
2 it, but they very quickly come to learn -- and part of
3 what I do is help these companies form their stories up
4 for the filings as well as the investor audience. They
5 quickly come to fear disclosure. And I think they look
6 at it as a burden very quickly. And that relates to a
7 few things: The technical compliance burden, which is
8 great. And so I think anything that can be done to
9 reduce the burden of technical compliance, where those
10 things are not relevant or helpful to the investor
11 audience would be helpful.

12 The litigation risk associated with disclosure.
13 And that is another topic for another day perhaps.

14 I think also on the investor side, they are
15 concerned about creating expectations for future
16 disclosure. And that is an investor issue. Investors
17 will come to expect some level of disclosure going
18 forward. And so that is perhaps why companies aren't
19 maybe as proactive as they could be and then simply just,
20 you know, driving staff comments or triggering a comment
21 letter where there might not otherwise be a comment
22 letter, which is a real fear because it can slow down
23 either a process in an S-1 or a process of filing a
24 follow-on S-1. And so I think all of those things go
25 into it.

1 So I think companies are incentivized to try
2 and do things that will tell the story to investors in an
3 effective way. In fact, oftentimes when we are forming
4 up the road show, something that will be important to the
5 investor thesis we will realize doesn't have a link in
6 the S-1 and needs to have that link in the S-1. So you
7 will go back and put something in the S-1 that is clearly
8 going to be important to the investor audience. So I
9 think it is just a mindset that disclosure is a technical
10 obligation, as opposed to an opportunity to really give
11 investors useful information.

12 There is no easy answer. It is complex,
13 probably taking opportunities where their realistic
14 opportunities for reform are important. But I think just
15 reducing the overall burden of disclosure is a really
16 important goal.

17 Thank you.

18 CO-CHAIR GRAHAM: Okay. Sure.

19 MS. MOTT: Charles, define what you mean by
20 technical disclosures.

21 MR. BALTIC: Well, perhaps adding something
22 about the company's business that may not be necessarily
23 required but would trigger, then, some kind of risk
24 factor disclosure and a whole host of analysis that would
25 go along with that.

1 I mentioned earlier, for instance, the dilution
2 tables or filing of exhibits that oftentimes are far
3 afield from anything that is really relevant to
4 investors' investment decisions. So I think all of those
5 things go into making it a process that is very
6 burdensome, very time-consuming, very expensive.

7 MS. MOTT: Okay. I was trying to I guess
8 discern that from scientific technical things. And so
9 you are saying more financial technical things.

10 MR. BALTIC: Yes, just the disclosure regime
11 itself.

12 MS. MOTT: Okay. All right. That helps me
13 understand. Thank you.

14 CO-CHAIR GRAHAM: Sonia?

15 MS. LUNA: Just one quick question. Karen, in
16 your analysis, I wrote down a note about looking at Reg
17 S-K using a principles-based approach. Part of that
18 process, when I think about certain principles, I think
19 about materiality. Have you guys in your study thought
20 about comparing and contrasting, let's say, annual
21 filings and looking at a particular disclosure section
22 and say, "If there is no material change," you know,
23 maybe there could be a principles-based approach in that
24 disclosure where the company can say, "It is pretty much
25 the same as last year. We are going to incorporate it."

1 You follow? "We are going to reference to our prior
2 filing because the SEC has done a principles-based
3 analysis on this disclosure effectiveness issue." And
4 you looked at materiality being one of the criteria
5 because if something hasn't materially changed and all we
6 are doing is copying and pasting and then just changing
7 the year, you know, maybe that might be a better
8 analysis.

9 MS. GARNETT: Let me just unpack that a little
10 bit because there is a lot of good stuff in there. So
11 when we think about or when we are looking at principles-
12 based -- when I say "principles-based," some of our
13 particular disclosure requirements are written in a
14 principles-based manner. In other words, it is up to the
15 companies to identify the specific information that would
16 be responsive to the requirement like risk factors or
17 MD&A. So that is one aspect of principles-based.

18 Certainly materiality is something that we are
19 very interested in looking at. And I think that, you
20 know, the Commission has over time in various contexts
21 addressed materiality, thought about materiality as a
22 basis for our disclosure requirements, but that is not to
23 say it is the only basis for our disclosure requirements.
24 So that is, I will say, a concept that we are thinking
25 about just broadly in terms of how to evaluate the basis

1 for our disclosure rules.

2 To the specific point about what about the
3 question of disclosure, that really doesn't change much
4 from period to period or from year to year. I think that
5 one way of thinking about that question is, how do
6 investors access information? Given that technology has
7 changed the way investors can find company information,
8 you know, is it important, is it still important, to
9 investors to have a single document that is self-
10 contained that has all of the disclosure or can
11 hyperlinks back to historical filing do the job? So
12 those are really great questions I think that we want to
13 explore further as we are working on this project.

14 CO-CHAIR GRAHAM: John?

15 MR. HEMPILL: Yes. I just wanted to, you know,
16 be one of the lawyers in the room. I just wanted to echo
17 what Greg said and just to pick up on one thing that
18 Christine said. I think one of the problems you have,
19 certainly with the periodic filings, is that smaller
20 companies that have to outsource the review to outside
21 law firms put cost pressures on the law firms. You have
22 to do it on a flat-fee basis. And law firms, in turn,
23 just push the work down to lower-cost providers, you
24 know, junior associates. They have a checklist. So
25 there is absolutely no incentive to try and improve the

1 disclosure. At that point in time, it is just really a
 2 check the box.
 3 I am not sure how to make that problem go away,
 4 somehow incentivize better disclosure. I know that some
 5 larger companies, like I saw something on TV about GE, I
 6 think it was GE, that, even though they had a huge
 7 disclosure in their 10-K, they had put some charts up
 8 front to really disclose things a lot better. I think it
 9 was also in the Wall Street Journal. How do you
 10 incentivize companies to do that when they are looking at
 11 this as just a cost center and that the periodic reports
 12 with the SEC are disclosure documents but they are not
 13 sales documents? It is not even sales documents. It is
 14 that they are not a document that tells the story about
 15 the company and people don't rely on them for that.
 16 And so it is just basically if it ain't broke,
 17 don't fix it. And if new regulations come in, you just
 18 lard on the stuff. And so, consequently, your 10-K goes
 19 from 75 pages to 150 pages in the process of 10 years,
 20 even though it is the same basic company.
 21 CO-CHAIR GRAHAM: I can't disagree. Any other
 22 comments, questions? Tim?
 23 MR. WALSH: I have, actually, one question for
 24 Shannon. Were your numbers at your firm similar to
 25 Christine's, the cost, the \$4 million in Christine's

1 example?
 2 MS. GREENE: No. Our revenue, the company that
 3 she referenced and our revenues, are about the same, but
 4 I guess we are doing a fairly decent job of managing
 5 those costs relative to the dollars that she said. I
 6 mean, our employee health insurance matches hers at a
 7 million, million and a half, for our 500 employees. Our
 8 audit fees are 100 grand. Our attorney fees are 100
 9 grand.
 10 We don't have internal audit. I am it. So my
 11 effective hourly rate has got to be \$2 an hour or
 12 something or less, you know, well below minimum wage.
 13 (Laughter.)
 14 MR. WALSH: This is being taped.
 15 MS. GREENE: So no. Maybe we are harder on our
 16 auditors and our attorneys than on compliance. Maybe we
 17 are doing a good job at that. I am pretty hard on them.
 18 So yes. No. Four million, no, no. I mean, that was
 19 earnings last year.
 20 CO-CHAIR JACOBS: See, we had four factors in
 21 four states. We had a larger infrastructure. And we
 22 were right in Atlanta, which I think was maybe from a
 23 market point of view going to be a little tougher on
 24 these outside vendor costs. So yes.
 25 MS. GREENE: Maybe difference in business, too.

1 I mean, we are a retailer. You know, we run retail
 2 stores, not manufacturing. We don't have to
 3 CO-CHAIR JACOBS: Right. We are strictly
 4 manufacturing plants, equipment, all of that.
 5 MR. WALSH: So the other follow-up question I
 6 guess is to the SEC. So is there a project to try to get
 7 these smaller companies exempt or is that stuck in
 8 Congress? And where is that? In other words, why were
 9 they never given the same opportunities as emerging
 10 companies?
 11 MS. GARNETT: So part of our current effort is
 12 the various scale disclosure provisions that are
 13 available is something that we are looking at. So
 14 looking at the existing provisions for scale disclosure,
 15 looking at the differences between the accommodations
 16 available to smaller reporting companies as compared to
 17 emerging growth companies, you know, where are those
 18 differences? And why, you know, do they continue to make
 19 sense?
 20 So I think those are all questions that we want
 21 to think about as part of this project. And they are
 22 certainly included in what we are doing now.
 23 MR. HIGGINS: And, just to follow up, a number
 24 of the JOBS Act provisions are actually applicable to
 25 smaller reporting companies, no CD&A. In fact, the JOBS

1 Act says the comp disclosure is the same comp disclosure,
 2 at least on the CD&A and the tables, as for smaller
 3 reporting companies. Some things, obviously, aren't the
 4 same, but two years financial statements, same thing for
 5 smaller reporting companies. So there is a fair amount.
 6 On things like exemption from say on pay, that
 7 is not in our current project. And, you know, obviously,
 8 that is something that the Commission would have to
 9 decide it wanted to do.
 10 What are the other JOBS Act features that from
 11 a disclosure realm would be helpful or
 12 MR. WALSH: My comments are really just for
 13 Christine's individual company, which I don't think I can
 14 tell you the name of it, but it is studying the cost, you
 15 know, \$4 million on an \$80 million revenue company. That
 16 just seems exceptional. D&O for over half a million
 17 dollars is just -- I can't even comprehend why the costs
 18 are that high.
 19 MR. HIGGINS: We probably won't have a
 20 rulemaking project on D&O insurance. I mean, I don't
 21 think it is anything we
 22 MR. WALSH: That was just one part of it. That
 23 was 15 percent of the cost. But still \$4 million for a
 24 company just seems incredibly onerous.
 25 CO-CHAIR JACOBS: I have got a question for

1 Keith because on a more global thing, rather than it was
2 just this company's cost, you are correct about the small
3 reporting companies, but that is market capital less than
4 \$75 million. That is a really small population. And,
5 yet, the JOBS Act, which we all love, is a billion
6 dollars in revenue.

7 So pick a market cap. Seven hundred million
8 might be a fair one, but the gap of relief is just
9 enormous. And, yet, the JOBS Act is on the right track.

10 They have got it correct in identifying that one of the
11 impediments to capital formation is disclosure. I mean,
12 forget the recommendations. Forget the list that I
13 provided. Forget any of the rest of it. Just from a
14 global point of view, it is like, wow, we are getting
15 this right. We have identified a very real opportunity
16 in the area of capital formation. But there is a group
17 stuck in the middle that might be able to benefit us
18 overall. I mean, that is my point.

19 CO-CHAIR GRAHAM: Okay. I think everyone has
20 pretty much weighed in. Richard, have you? D. J.,
21 anything? David?

22 MR. BOCHNOWSKI: Just to address the forward-
23 looking statements, we are a small company in the
24 community banking space. Our market cap is at \$78
25 million. So we are caught. And, yet, the public float

1 is a lot less than that because 25 percent of the company
2 is on the inside-owned, have 18 percent investor that
3 comes to us. And they are very stable in their action on
4 the buy side and not on the sell side. So the kinds of
5 questions we get -- and, to add a little levity, you
6 know, at our annual meeting this last time, we dropped
7 the non-insiders. We dropped by a third because, instead
8 of having three people show up, we had two. The kinds of
9 questions we get, we are in the mom and pop category.
10 Our shareholders can all find us. They all can call us
11 and do.

12 I am walking into a grocery store two or three
13 weeks ago. And a fellow introduces himself, says he is
14 not only a customer of the bank but an investor. And the
15 kinds of questions he asked had nothing to do with what
16 was in our public disclosures. He wanted to know what
17 we were going to do, how we were reacting to certain
18 conditions in the local economy, and what was our long-
19 term plan.

20 Now, if I tried to put that into our annual
21 report or even to my letter in the annual report, we are
22 back to the lawyer saying, "You don't want to do that
23 because of the litigation risk and because they are
24 checking boxes on the security side and don't want to do
25 it."

1 In our case, our costs are about \$300,000 a
2 year to comply. In the community banking space, that may
3 not seem like much, but we tend to leverage. So in 10
4 times leverage, that is \$3 million worth of loans we
5 can't make. Community banks make roughly 50 percent of
6 all small business loans in the United States of America.
7 Over 10 years, that is \$3 million times 10, \$30 million
8 worth of loans in jobs that we cannot help create. So
9 that just keeps going.

10 So I almost applauded when you were done, the
11 same thing with Karen and her comments, and certainly
12 support Charles in his. So we would be all for
13 continuing the process of trying to make the disclosures
14 scalable, which is critical to the whole process.

15 Thank you.

16 CO-CHAIR GRAHAM: Okay. Well, thanks,
17 everyone, for their comments.

18 I want to put together a recommendation, but
19 there is a lot here. I think it will be difficult to try
20 to get too specific this morning, but what I would like
21 to do is following this meeting, I would like to put
22 together a recommendation related to this topic that
23 would then be circulated to the Committee. And then I
24 think we will try to deal with it with a telephone
25 conference, as opposed to waiting until our next meeting.

1 What I would like would be your thoughts on
2 what that recommendation might look like. I mean, it
3 seems to me that we certainly are supportive of the SEC's
4 efforts. It seems to me that there are a number of
5 things that might be considered controversial. There is
6 also a number of things that are not. I think there are
7 things, a number of things, that could be done
8 immediately. I think, instead of waiting until we can
9 kind of solve every problem, it seems to me that it would
10 make sense to prioritize and start taking care of the
11 things that can be taken care of immediately immediately;
12 you know, for example, requiring disclosure with so many
13 things that people don't even look at because of today's
14 technology. I think it is also important to go back and
15 reconsider the recommendations that we made regarding the
16 scale disclosure two years ago, see what might be
17 considered still relevant and perhaps, you know,
18 reiterate some of those points.

19 Those are my initial thoughts. Would anyone
20 like to add to them or subtract from them? Does that
21 seem like a reasonable path forward? It was kind of a
22 broad outline.

23 MR. YADLEY: Yes. I think it will be easier
24 for us to add things to some of those generalities
25 because there were a lot of different views expressed.

1 Even, for example, within the comp period, there were I
2 think three different comments that may be hard to mold,
3 but I think we ought to do it. And I think we ought to
4 do it over the summer if we can.

5 CO-CHAIR GRAHAM: Yes. Okay? Thank you.

6 Let's move on to our next topic, which is
7 intrastate crowdfunding and rule 147. We all know that
8 the Commission is working toward finalizing rules to
9 implement securities-based crowdfunding. At the same
10 time, a number of states are enacting legislation or
11 regulation to provide for intrastate crowdfunding.

12 Mike has raised this issue to us. And we
13 understand it is a timely one for the Commission as well.
14 So we are pleased to turn it over to Mike to tee up the
15 issue for the Committee.

16 MR. PIECIAK: Well, thank you, Stephen. And
17 thank you to the commissioners and to the Committee and
18 to the Corporate Finance staff for allowing the
19 opportunity for me and on behalf of the states to talk
20 about something that we think is really exciting in the
21 field of crowdfunding, a recent development, in the last
22 three or four or five years, which is state-based
23 crowdfunding. And, again, I just want to emphasize that
24 state-based crowdfunding is really part of a larger
25 overhaul that the states and NASAA as an organization are

1 contemplating by focusing on our dual charge of
2 protecting investors but then also promoting efficient
3 capital formation. This I would say is probably the
4 crown jewel of our capital formation initiatives. It is
5 something that we are very excited about, have started to
6 see some success, and have some ideas as to how it can be
7 improved.

8 So first a little historical context. And, as
9 is often the case in blue sky laws, it starts with
10 Kansas, which in 2011 created something called the Invest
11 Kansas Exemption, the acronym meaning IKE, which was for
12 Dwight Eisenhower, their native son. So Vermont, of
13 course, was thinking about calling the exemption BERNIE
14 or something similar to that.

15 (Laughter.)

16 MR. PIECIAK: But we decided to go with a
17 different acronym.

18 In 2011, it was really the start of state-based
19 crowdfunding. But to go back a little bit to the history
20 of Vermont because I think it is informative, in the
21 early '80s, there was an intrastate movement with a
22 number of well-known companies, the most well-known being
23 Ben and Jerry's. They did an intrastate offering, took
24 advantage of rule 147, offered their initial shares to
25 only Vermont residents. There is a funny story about how

1 their offering was originally on the underneath part of
2 their cap of their ice cream and that the ice cream had
3 to be brought into the Department of Financial
4 Regulation. I am not sure what happened to it then.

5 (Laughter.)

6 MR. PIECIAK: So, anyway, there is a number of
7 other companies: Earth's Best Baby Food, which was
8 purchased by Heinz corporation in 2005; a company called
9 the Catamount Brewery, which, unfortunately, went out of
10 business around 2000 but really sparked the craft brewery
11 movement in Vermont, which is a very strong economic
12 basis for our state, has created a number of small
13 businesses that do craft breweries. And they are very
14 good.

15 So it is really about local investing, about
16 putting money back into the local economy, supporting
17 your neighbors, your colleagues, your friends, and
18 helping those small businesses grow and expand.

19 So I will turn to the slide here just to give
20 you an example of how many states currently have state-
21 based crowdfunding or some form of state-based
22 crowdfunding. You will see that the green represents
23 states that have state-based crowdfunding fully enacted.

24 And I believe there are 16 plus the District of
25 Columbia. There are another nine states, which are

1 represented in blue, which have legislation passed and
2 are engaged in rulemaking to finalize state-based
3 crowdfunding. There are I think 12 additional states
4 that have legislation pending, which is in that yellow
5 color. And then there are three states that are
6 currently investigating state-based crowdfunding as an
7 option going forward.

8 So in the very near future, we will have a
9 majority of states that will have some form of state-
10 based crowdfunding up and running. Traditionally, the
11 limits of the state-based crowdfunding that we have seen,
12 there is a variety of limits and particular rules, but,
13 on average, it is a million dollars per offering, \$2
14 million if you have audited financial statements. The
15 cap on individual investment is at a maximum of \$10,000.
16 Some states are less than that, but the highest is
17 \$10,000. And then for non-preferred credited investors,
18 there is usually no cap. There is no limitation on the
19 number of investors. For example, in Vermont, we used to
20 have an exemption that limited investors to only 50
21 investors per offering. And recently, last June, as part
22 of our crowdfunding initiative, we eliminated that cap
23 and raised the aggregate cap to \$1 million. So, as I
24 like to say, you could raise \$1 from a million Vermonters
25 if you wanted to, but we don't have a million Vermonters.

1 So you are going to have to raise \$2 from half a million
2 to get to that number.

3 So the states are very active. There is a New
4 York Times article that will come out tomorrow that
5 highlights the states' initiatives in the state-based
6 crowdfunding arena. Out of the 16 states plus the
7 District of Columbia that have active state-based
8 crowdfunding, there have been 91 offerings. And, mind
9 you, a number of these states, Vermont included, have
10 only had this new regulation on their books for less than
11 a year. So 91 offerings we think is pretty good for a
12 start or a first step toward, you know, a really robust
13 offering process.

14 So we give you a little flavor of some of the
15 companies that have taken advantage or the types of
16 companies that have taken advantage of the state-based
17 crowdfunding to date. You will see there is a great
18 variety: breweries, grocery store. There is even a dog
19 groomer -- I thought that one was particularly funny, but
20 I am sure they are a good business -- and hair salon and
21 really a lot of diversity. There are really two types of
22 businesses I see. There are businesses that have the
23 potential for high growth. Their investors are probably
24 looking to maximize their profits. But then there are
25 also businesses that have a social or community component

1 to them that it is a local grocery store that they want
2 to keep in the community and, therefore, the grocery
3 store conducts a crowdfunding offering to raise money to
4 buy a new building or to buy the building that they are
5 in or there is a local food store that is looking to
6 expand or craft brewery or anything of that nature. So
7 there are really those two categories, I think, of
8 companies out there and two types of investors as well.

9 So, again, just to highlight, NASAA has a
10 crowdfunding resource page on its website that lists all
11 of the various states that have state-based crowdfunding,
12 all of the exemptions, all the language for the
13 exemptions, and provides very fulsome details there.

14 So when we passed our state-based crowdfunding
15 in Vermont, we thought, you know, all was sort of well
16 and good and people were going to be really excited about
17 it, which they were, but almost immediately I heard from
18 practitioners in Vermont that there were certain
19 impediments to using our rules and to using particularly
20 rule 147. So I continued to ask, you know, "Articulate
21 those for me. Let me know what those are." It really
22 came down to three issues. When I looked outside of
23 Vermont to other counsel, they repeated these same three
24 issues. And then when Mr. Keller submitted a paper to us
25 sometime last week, I saw that his three issues were

1 pretty much the same. And those were in 1991. So I
2 think we have been dealing with some of these for quite a
3 bit of time.

4 What I hear repeatedly is, first of all, under
5 rule 147, which is a safe harbor right to 3(a)(11), that
6 the focus on residency at both the time of the offer and
7 the sale is an impediment in our internet age and our
8 social media age for an offering to be put publicly on a
9 website for it to be promoted actively on social media.
10 Obviously both of those mechanisms go across state lines.
11 And whether something constitutes an offer could put an
12 issuer in a very difficult position and potentially blow
13 the exemption that they are using, which creates a number
14 of issues for them.

15 Another constant impediment is the 80 percent
16 rule, which requires under rule 147 that 80 percent of
17 revenues derived from your business, 80 percent of your
18 business assets, and 80 percent of the net proceeds of
19 the offering all be within or derived from the state of
20 operation. It is a difficult rule to comply with, and it
21 is a difficult rule to even calculate for some
22 businesses. For example, an internet business that sells
23 online, where are those revenues derived from? Sometimes
24 they don't even know where their customers are located.
25 For a use of proceeds, for states like New England, where

1 there is often intrastate companies, what does that mean
2 to spend your proceeds within the state and so on and so
3 forth?

4 One last issue that we continually hear, which
5 is not so much an impediment as it probably is just an
6 inconvenience, is the inability for a company to
7 incorporate in another state but still conduct an
8 intrastate offering in the state where the primary place
9 of business is. The clearest example of this would be a
10 business in Vermont that wants to incorporate in Delaware
11 to take advantage of the Delaware corporate laws but
12 can't do that and also do an intrastate offering.

13 So those are really the three issues that
14 continually get brought up. And we have been engaging
15 with the SEC very proactively and very cooperatively to
16 look at ways in which those can be changed, those can be
17 modernized, and that issuers and their legal counsel can
18 have much more clarity and assurance that when they are
19 doing an offering, they are not running afoul of state or
20 federal regulations.

21 Just to touch also, which is not up here,
22 sorry, but on rule 504 as well. There are two states
23 that have done state-based crowdfunding with both rule
24 147 and rule 504, one of them being Mississippi, the
25 other one being Vermont, which we are working through our

1 legislative rule process at the moment. So, basically,
 2 we allow an issuer to decide, do you want to do a rule
 3 147 offering or do you want to do a rule 504 offering,
 4 which would require a lighter registration process but
 5 pretty similar to the type of disclosure that we already
 6 require under our rule 147 mechanism.

7 So we are sort of excited about offering both
 8 of those. However, under rule 504, there are a couple of
 9 constant similar complaints, impediments that we hear
 10 from counsel, those being that the limit is too low, the
 11 \$1 million. I think that was implemented in 1992 and
 12 hasn't been increased since then. Particularly when you
 13 are using 504 on a regional basis, the million dollars is
 14 pretty low. And then the other complaint is that the
 15 securities have to be registered at a state in order to
 16 utilize general solicitation.

17 So, just for an example, under most of these
 18 intrastate offerings, there are exemptions and they allow
 19 you to do general solicitation, but if you are going to
 20 do the same thing under 504, you would have to be
 21 registered in a state in order to do general
 22 solicitation. So those are the complaints that we hear
 23 about.

24 And then one last point that I will make about
 25 an initiative that we are doing in New England, all the

1 New England states are attempting to meet up -- we have
 2 had some issues over the winter due to weather --
 3 attempting to meet up to discuss a regional approach to
 4 crowdfunding and a reasonable approach to capital
 5 formation within our area, which just makes sense based
 6 on the geographic size of our region and also considering
 7 the modern economy and how many people live in New
 8 Hampshire but work in Boston or live in New Hampshire and
 9 work in Vermont and vice versa. So that is also an
 10 exciting new initiative that the states in New England
 11 are working on and a number of other regions are also
 12 contemplating as well.

13 So that is sort of the brief overview. And I
 14 will sort of leave it at that. And we are more than open
 15 and willing to answer any questions that you have.

16 The one thing I think from our perspective that
 17 we would be really interested in hearing from the
 18 Committee about is, in lieu of an 80 percent test, what
 19 would be something that is appropriate which would
 20 connect a business, the nexus that would connect a
 21 business, to a particular state to allow that state to be
 22 the primary regulator of the business while they are
 23 conducting their offering? We are open, very much so, to
 24 hearing people's thoughts. And we ourselves are trying
 25 to brainstorm, but that would be a really I think

1 interesting discussion.

2 CO-CHAIR GRAHAM: Okay. You know, I have a
 3 couple of questions. I mean, we are talking about, I
 4 mean, obviously, you know, the focus of this Committee is
 5 the capital formation of smaller companies. And
 6 certainly crowdfunding has been seen as, if not a
 7 panacea, seen as certainly something that could represent
 8 a tremendous opportunity for companies, for smaller
 9 companies, especially those that are not located in or
 10 near money centers.

11 So this, what you say, resonates, with me at
 12 least, but it seems to me that there are three different
 13 levels that you talked about. You know, one is dealing
 14 with rule 147 and 3(a)(11). Two is kind of going beyond
 15 that and tinkering with 504, which I think raises the
 16 stakes a little bit and kind of complicates the
 17 situation.

18 And then, to further complicate, there is this
 19 whole notion of somehow doing regional deals that would
 20 somehow be treated, you know, as intrastate offerings.
 21 You know, maybe that is not what you meant, but

22 MR. PIECIAK: On the regional approach, it
 23 really would be utilizing a modernized 504 to allow
 24 states to get together.

25 CO-CHAIR GRAHAM: Okay.

1 MR. PIECIAK: So it wouldn't be an additional
 2 exemption, no.

3 CO-CHAIR GRAHAM: No, I didn't think it would
 4 be an additional exemption. So you are not trying to
 5 roll into 147? You are trying to roll it into 504?

6 MR. PIECIAK: Correct.

7 CO-CHAIR GRAHAM: Okay. Okay.

8 MR. PIECIAK: But I think that the heart of
 9 what we see as impediments are to rule 147.

10 CO-CHAIR GRAHAM: Right. Right. You know, my
 11 reaction, my initial reaction, would be that that is
 12 where the focus should be.

13 MR. PIECIAK: Yes.

14 CO-CHAIR GRAHAM: Okay. Greg?

15 MR. YADLEY: Thank you, Michael. That was a
 16 good summary. Florida was one of those states that just
 17 passed legislation, even though we have a very
 18 dysfunctional legislature, that sort of walked out one of
 19 the chambers. But that bill got through.

20 Could you comment on maybe a similar breakdown
 21 in terms of whether there is a portal concept and that
 22 aspect of it?

23 MR. PIECIAK: Yes. Yes, sure. So there are a
 24 number of states that require the use of online portals
 25 to conduct an offering, but then there are a number of

1 states that have that as an optional thing for issuers to
2 decide whether they want to use an online portal or not.

3 So, for example, in Vermont, we have an elderly
4 population. And we thought it would not make sense to
5 mandate the use of this type of offering to online since
6 maybe some folks aren't as familiar with portals and
7 getting online to do or maybe not even as comfortable
8 with getting online and doing investing. So we made it
9 an option for an issuer to decide to use a portal or not.

10 Some states, as I said, mandate it, but I think it is
11 probably a pretty healthy split.

12 MR. YADLEY: If you know, the ones that use
13 portals, do they have some of the similar restrictions
14 and limitations on what the portal can do in terms of
15 compensation and maybe education, expectations, and
16 duration, things like that?

17 MR. PIECIAK: As to the federal proposed rules,
18 yes. So I can speak in Vermont. If you go the avenue of
19 a portal, then we require either registration as a
20 broker-dealer or registration with our office. And if
21 you only register with our office, then you are limited
22 to more of a subscription fee activity than a success-
23 based compensation. And I think that is probably pretty
24 uniform among the states that either mandate portals or
25 have that as an option.

1 CO-CHAIR GRAHAM: Richard?

2 MR. LEZA: Yes. I understand on intrastate for
3 being a resident that that makes sense as an investor.
4 What difference does it make where the revenue comes
5 from?

6 MR. PIECIAK: Yes. You know, that is one of
7 the impediments that we see or we hear about, at least,
8 from issuers in Vermont and elsewhere, that they ask that
9 same question. So that is why I bring it up as an issue
10 that should probably be addressed and looked at to decide
11 a better mechanism for connecting a state with an issuer
12 than this 80 percent rule.

13 CO-CHAIR GRAHAM: Sonia?

14 MS. LUNA: I wanted to also hone in on -- you
15 had asked about us offering more of a solution. If to 80
16 percent, then what else? Has NASAA looked into what -- I
17 am not familiar with the space -- other countries and
18 what countries, let's say, based on their rules and
19 regulations -- do they have different, let's say, best of
20 breed percentages? Have you looked at, you know, parts
21 of the U.K.? Are they doing crowdfunding? And have they
22 come up with some local crowdfunding set of rules that
23 would be better than the 80 percent?

24 MR. PIECIAK: I mean, we haven't looked beyond
25 North America. I mean, obviously the Canadian provinces

1 are part of the North American Securities Administrators
2 Association. So the acronym isn't lost. But the 13
3 provinces in Canada, those that have crowdfunding, go
4 provincially. Their provinces are bigger than our state.
5 So I think it is less of an issue for them, but that is
6 a good research exercise I think.

7 CO-CHAIR GRAHAM: It seems to me like that is
8 one of those questions where it is like so many aspects
9 of securities regulation. Somehow somewhere, we come up
10 with a number, whether it is in defining an accredited
11 investor or demanding a certain disclosure. You know, I
12 don't think there is a right number. At least that is my
13 reaction. And I think we can spend the next few years
14 kind of debating what the right percentage might be. It
15 strikes me as narrowing it where the rule of reason
16 should be applied and understand that this is an
17 impediment to the state efforts and, you know, coming up
18 with something that makes sense.

19 I am not sure. I am not sure that it is 50
20 percent or 40 percent. You know, with revenues, maybe it
21 is not even a requirement any more. You know, certainly
22 when determining whether or not someone has a significant
23 presence in a particular state, you know, why should it
24 be 80 percent of something or 70 percent? I think we can
25 look at businesses. And we kind of understand,

1 regardless of what else they have going on elsewhere,
2 whether or not they have a significant presence in a
3 particular location.

4 So let's hear everybody else's thoughts. D.
5 J.?

6 MR. PAUL: Yes. I mean, I think to some
7 extent, these problems have been solved. They just
8 haven't been enacted yet. And it is title III, which is
9 to say if we had national crowdfunding, we would not be
10 discussing how to make it easier for the states to do
11 financial calisthenics around them, around these various
12 things, whether it is 147 or we are trying to co-opt 504.

13 I realize that, I am very cognizant of, the
14 chair reiterating her desire to have title III lit up
15 sometime before the end of the year. I am awfully happy
16 to continue to hear that. There is something about the
17 zero if of October, but what have you.

18 And I understand that our topic today is to try
19 to make some of the federal rules more applicable and
20 less onerous for the intrastate crowdfunding efforts that
21 exist in order to support more than, say, 91 offerings.
22 But I wouldn't mind at some point if this Committee would
23 take up the discussion of title III because I think that
24 that would fiat all of this discussion with respect to,
25 you know, what we can do at the state level.

1 I also believe that should we actually have
 2 title III and national crowdfunding or federal
 3 crowdfunding before the end of the year, that I don't
 4 know that there is going to be a great deal of appetite
 5 at the state level to continue with the intrastate
 6 efforts. I am not sure that they are going to -- I think
 7 the federal will supersede it. I think that the internet
 8 doesn't know state boundaries, let alone regional
 9 boundaries. And I think that that is simply -- that it
 10 will become where crowdfunding for equity and debt goes
 11 to. I don't think that the portals are going to be
 12 limited to individual states or individual regions.

13 CO-CHAIR GRAHAM: You know, I think that those
 14 are good points. And I am unsure if I could discern the
 15 answer at this point because I think, you know, a lot is
 16 going to depend on the regulations and compliance
 17 features that are going to come into play under title III
 18 versus what the states are requiring.

19 CO-CHAIR GRAHAM: Well, it is just a matter of
 20 because, clearly, the efficiency of having a patchwork of
 21 50 jurisdictions or even if the regions are broken up
 22 into 7 is not going to be as efficient as having, you
 23 know, one. So that would be the suggestion there.

24 MR. PAUL: This is all about crowds.

25 MR. PIECIAK: If I may just respond to that? I

1 have put a great deal of thought into that as well
 2 because, you know, if the federal crowdfunding comes
 3 online, what do the states have to offer? And it is
 4 really something that, as I mentioned, we have thought
 5 considerably about. I think if you look first at IKE, I
 6 mean, that predated the JOBS Act in 2011 and was utilized
 7 prior to the JOBS Act final rules or, you know, proposed
 8 rules being published. However, the thing that is going
 9 to differentiate, I think, local/state-based crowdfunding
 10 and federal crowdfunding, exactly as Stephen mentioned,
 11 is going to be the regulatory compliance.

12 So, for example, in Vermont and many other
 13 states, we allow up to \$1 million without any audited
 14 financial statements. We allow \$2 million if you have
 15 audited financial statements. We allow a higher
 16 individual investment amount. And the reason that the
 17 states are comfortable having those higher numbers is
 18 because we are often involved in a much more hands-on way
 19 with the offerings that come through our door.

20 So I know in Vermont, we have had maybe 25
 21 meetings with businesses that were substantive meetings,
 22 hour-plus long, where we walked through their offering,
 23 talked about their business, talked about what they
 24 wanted to use the money for. And out of that, we have
 25 had a handful of issuers. And because of that process,

1 we are much more comfortable having higher thresholds for
 2 businesses to raise money.

3 MR. PAUL: What you are saying is you are more
 4 comfortable in Vermont with the limits being even higher
 5 than the federal because at the state level, you weren't
 6 preempted; whereas, the federal did, in fact, preempt the
 7 states? Because of the states' involvement, you are more
 8 comfortable allowing a higher limit in the instance that
 9 you said of up to \$2 million; whereas, the federal is
 10 limited to a million; correct?

11 MR. PIECIAK: Yes. I don't think it is because
 12 we are preempted.

13 MR. PAUL: Okay.

14 MR. PIECIAK: But it is because the offer is of
 15 a local nature. And it is a different rule that we would
 16 be operating from than the federal crowdfunding exemption
 17 that was put in place. So it has continued to exist as a
 18 separate exemption after the final rules are implemented.
 19 And it really has nothing to do with preemption. It has
 20 to do with whether we are comfortable regulating our
 21 local region.

22 MR. PAUL: I don't actually know. Maybe you
 23 know the answer to this because you referenced Kansas,
 24 which is oftentimes brought up as a model. Since it has
 25 been around since 2011, how many offerings has Kansas

1 actually had since 2011, the last 4-plus years and in
 2 what aggregate amount? I am not trying to put you on the
 3 spot.

4 MR. PIECIAK: Yes.

5 MR. PAUL: I don't know the answer. I probably
 6 should know the answer. I was wondering if anyone did.

7 MR. PIECIAK: Well, I can tell you as more of a
 8 general statement, it looks like they have had nine
 9 offerings and nine offerings that were successful, a
 10 variety of businesses. But that type of information for
 11 all states that have state-based crowdfunding is
 12 something that we are doing a better job of tracking, not
 13 just how many offerings there have been but how many were
 14 successful, how many are still in business as an ongoing
 15 basis because I think that data is going to be what is
 16 going to help drive the conversation in the future.

17 CO-CHAIR GRAHAM: Commissioner Piwowar?

18 COMMISSIONER PIWOWAR: Yes. Thanks.

19 I just wanted to say, so, just like Mike
 20 Pieciak, I view sort of the federal crowdfunding
 21 regulations that hopefully we will get done very soon and
 22 the state efforts as being complementary of that. The
 23 federal statute is very prescriptive in terms of the
 24 regulations on the portals, in terms of the information
 25 that has to be provided by the issuers. Some have

1 suggested that it is going to be very successful. Some
 2 have suggested that there are some impediments there and
 3 maybe the federal statute isn't going to be as great as
 4 some people think. And that is where the states come in.
 5 There is a lot of diversity, which I think is
 6 great because that allows us to experiment.
 7 And this idea of regional crowdfunding I think
 8 is even better because then you can get the New England
 9 states together, maybe D.C., Maryland, Virginia, you
 10 know, those sorts of things. Kansas City, right, you get
 11 Kansas and Missouri. You get people, you know, close to
 12 that sort of thing.
 13 My question to Mike and I guess also Sebastian
 14 as well, too, in addition to working on modernization of
 15 rule 147, which you guys have been working on and I think
 16 it is great that there is a potential win-win here for
 17 investors and issuer in this. And the collaboration you
 18 guys have is fantastic.
 19 In addition to rule 147 and rule 504, is there
 20 anything else the Commission needs to do to help
 21 facilitate this regional crowdfunding or is it simply
 22 those two things and then we are done?
 23 MR. PIECIAK: I certainly think that if we are
 24 to focus our efforts, rule 147 would be the main focus.
 25 And it is not to say that we shouldn't continue to

1 examine what are the impediments going forward, but I
 2 can't think of any greater impediment than the three
 3 items that I listed that re contained within rule 147.
 4 MR. GOMEZ: And then, Mike, I think one point
 5 that you had raised that I thought would be helpful to
 6 better understand, when you were talking about 504 as a
 7 vehicle for a more regional type of crowdfunding, you
 8 mentioned the \$1 million cap as a potential impediment.
 9 You also discussed the fact that those had to
 10 be registered with the state. So is the idea that if the
 11 cap went up, the cost of registration would be offset by
 12 the fact that you can go up. And, therefore, is what you
 13 were thinking something in which by just raising the
 14 threshold, all of a sudden, the fact that you have to
 15 register becomes less of a factor because you are able to
 16 spread that cost over a higher offering amount or were
 17 you even thinking that there was a concern with the
 18 registration concept itself?
 19 MR. PIECIAK: Yes. That is a good question, a
 20 good thing to flesh out. I do think, to your first
 21 point, if only the dollar amount was addressed, that
 22 would certainly make it more reasonable for an issuer to
 23 register in one of the states to take advantage of
 24 general solicitation.
 25 However, you know, as Mr. Keller points out in

1 his paper, the alternative solution is to look at the
 2 states' level of disclosure. And if a substantive
 3 disclosure document is required, what is required in that
 4 document? If it is similar to something that would be
 5 required in a registration context, maybe that is
 6 sufficient for the usage of general solicitation in the
 7 504 context. So I think both of those are things that
 8 are useful to explore.
 9 CO-CHAIR GRAHAM: Charles?
 10 MR. BALTIC: Michael, thank you for the
 11 presentation. I just had a question on the three
 12 impediments that you mentioned, so 147.
 13 MR. PIECIAK: Yes.
 14 MR. BALTIC: They are very different in
 15 character.
 16 MR. PIECIAK: Yes.
 17 MR. BALTIC: The last one, incorporation in
 18 another state, is a choice for the company to make.
 19 MR. PIECIAK: Yes.
 20 MR. BALTIC: And they can weigh the benefits
 21 versus risks and make that choice. The 80 percent rule,
 22 as we have talked about, is something that could be
 23 solved by different numbers and metrics. The first one,
 24 focused on residency, seems to have a different level of
 25 risk involved, which is just a legal risk. And I am just

1 wondering, of the first two, are they equally
 2 impediments? Is one more predominant? You know, if one
 3 problem were solved of those, would a lot of the problem
 4 go away?
 5 MR. PIECIAK: Yes.
 6 MR. BALTIC: Can you give some sense of the
 7 relative importance of those three?
 8 MR. PIECIAK: Sure. I would say, again, that
 9 the third one that I mentioned is more of an annoyance
 10 than it is an impediment. As you mentioned, it is a
 11 choice. And if eventually down the road a company
 12 becomes of a sufficient stature, they could always
 13 reincorporate in the state that they wish to have the
 14 corporate laws dictate them.
 15 However, out of the first two that I mentioned,
 16 I would say they are pretty evenly split. One affects
 17 the way in which you conduct your offering. And then the
 18 second really affects who can do the offering in the
 19 first place. And both of them are difficult to comply
 20 with. And I think issuers are getting probably wise
 21 counsel from their attorneys to really look hard at those
 22 two pieces of rule 147 before deciding to go down that
 23 route to conduct an offering.
 24 CO-CHAIR GRAHAM: John?
 25 MR. HEMPILL: Again, thank you very much,

1 Michael. Just to kind of go back to the state of
2 incorporation, not to be parochial here, but I never
3 advise my clients to incorporate in the State of New
4 York. I had a former partner who actually said it was
5 tantamount to malpractice to have someone incorporate in
6 the State of New York. It is largely because of a quick
7 in the New York law that makes the ten largest
8 shareholders personally liable for wage claims.

9 MR. PIECIAK: Yes. Yes.

10 MR. HEMPILL: And so, you know, one of the
11 things -- and it was mentioned there as kind of a minor
12 annoyance.
13 If it is a minor thing, as far as I know, in my
14 experience, incorporating in the state means absolutely
15 nothing to the state. And it doesn't seem to have any
16 sort of like tie to the state or anything along those
17 lines because you always have to qualify to do business
18 in a case.

19 MR. PIECIAK: Exactly, yes.

20 MR. HEMPILL: So that one can clearly be
21 eliminated. I don't think that has any sort of bearing
22 on -- so if you are looking to modernize rule 147, I
23 would say that was one thing you should just
24 automatically just go.

25 MR. PAUL: I was just going to point out the

1 pesky issue of the interstate commerce clause, which is,
2 you know, probably where that derives from. So unless we
3 are going to get rid of that, then it is going to be an
4 issue. You know, it would then be under -- all of the
5 state offerings would then, at least theoretically, be
6 subject to federal jurisdiction or federal supervision,
7 which is, of course, the point. We are trying to avoid
8 that.

9 MR. HIGGINS: D. J., if I can on the point, it
10 actually comes from the statute itself, the statute
11 3(a)(11). As a condition of that exemption, the statute
12 requires that you be incorporated in that state.
13 Congress was presumably trying to get at the question of
14 what offerings are sufficiently local that they don't
15 have the jurisdictional connection of interstate commerce
16 to trigger federal regulation and registration. So we
17 would be outside of the safe harbor, but that is okay
18 because the Commission has exemptive authority.

19 MR. PAUL: Right.

20 MR. HIGGINS: On the other point, I think the
21 other points are all trying to get at that same point.
22 You know, what makes something sufficiently local that
23 the federal interest shouldn't be involved? And, you
24 know, the 80 percents do seem to be a little over the
25 top. And I think that is why.

1 MR. PAUL: Yes.

2 MR. HIGGINS: Michael was sort of seeking input
3 from this group on what does make the offering a local
4 offering or, quite frankly, is that even -- if the
5 Commission is using its exemptive authority, is that even
6 a relevant factor?

7 MR. PIECIAK: Yes. That is exactly right,
8 Keith. That is the type of issue that we are trying to
9 address. Which state is in the best position to regulate
10 the offering? Which local state is in the best position
11 and trying to find that right nexus?

12 One thing, for example, would be to even get
13 rid of an 80 percent test altogether and focus more on
14 where the principal place of business is for the issuer
15 and have that state be the primary regulator. And that I
16 think would be a much more simple test for issuers to
17 comply with and to understand.

18 MR. LEZA: That is the point that I was making
19 at the beginning. You would end up with two rules. The
20 first one would be investors are in your state. And the
21 second one is the headquarters are in your state. And
22 that should be all.

23 MR. PIECIAK: Yes.

24 CO-CHAIR GRAHAM: Sara?

25 MS. HANKS: I just wanted to make a point on

1 technology that I have seen raised not today but in
2 previous discussions on this, such as how do you
3 establish that somebody is resident in a state when you
4 are looking to buy. And I have seen some "Oh, yeah. You
5 can always tell where a computer is." Let's not try
6 going down that path because it is so easy to use a VPN
7 or a proxy so that you can't tell. So one of the things
8 that I think the regulations are going to have to address
9 is letting people say where they are, just self-certify
10 as to their status, and not require any portals or
11 intermediaries to jump through any hoops in establishing
12 where somebody is located.

13 CO-CHAIR GRAHAM: Yes. I think that is fair.
14 You know, certainly it seems to me that we should move in
15 the direction of being guided by the principles that
16 guide recent changes over the last several years with how
17 we look at other private placements when we stop focusing
18 on who we made the offers to and focus on who actually
19 bought the securities. It seems to me that there does
20 have to be that verification, but it can be some
21 burdensome. It just makes compliance impossible.

22 Sonia?

23 MS. LUNA: Yes. I just want to echo Sara's
24 comment. I agree that I think a self-certification
25 process, the individual makes that statement, instead of

1 putting it on the business. And then I don't think there
2 is a good percentage in terms of 80 percent assets or I
3 think it should just go away. I think we are living in
4 an economic situation now that we are interdependent.
5 And I think just the principal business office of that
6 organization should be it. And that way we can say that
7 that is more local.

8 Also, just a general comment, I think that the
9 dollar thresholds that you were pointing out, a million
10 and \$2 million, seem pretty insignificant. I mean, I
11 just think that at the federal level, if anything, I
12 think that these numbers should be higher to allow, you
13 know, reduced regulation.

14 MR. PIECIAK: They are lower. At the federal
15 level, the cap is a million dollars for title III; right?
16 So at least for the time being.

17 CO-CHAIR GRAHAM: Any additional thoughts?
18 Questions?

19 MR. SAADE: Just a quick comment just to remind
20 everybody I have an observer seat on behalf of the SBA,
21 but I can tell you that the 28 million businesses across
22 America, many of which don't have the ability to raise
23 capital in many of the ways that we have been talking
24 about here, tell us that they are so excited about this.
25 So this is what I am going to put to everyone here on

1 the Commission, is that something is better than nothing.
2 There is a need at the very bottom end of the market for
3 capital formation. Banks got bigger. Private equity
4 funds got bigger.

5 So my sense in trying to compare what Ken says
6 has done in 15 years with 9 offering or 91 and the 20 you
7 showed may not be the best corollary. And the only
8 reason I am saying that is because if you look at the
9 other forms of crowdfunding, take out the crowdfunding
10 parent site, crowd rewards, crowd donations, it is in
11 billions of dollars. In fact, the best source of
12 capital, no offense to anyone here, is not equity and it
13 is not debt. It is actually selling things. That is not
14 dilutive.

15 So I think a good way to kind of think about
16 the size of this potential thing -- and I don't know what
17 it is going to be -- and it is never going to be the \$4
18 trillion of market cap in the United States and so on and
19 so forth -- is that this, according to the 28 million
20 small businesses in America, many of them are very
21 excited about in some way. So I don't want us to lose
22 sight of the fact that there is a very big tug-of-war
23 that you guys deal with all of the time, which is
24 protection of the ambassador in capital formation, which
25 was evident in the public disclosure issue. It is the

1 same thing happening in a very micro level.

2 So I know that the chair of the SEC has started
3 talking about when and not if, which is a great change,
4 but I just don't want us to lose sight that this, even
5 though it seems small, is actually going to be quite
6 important to the small business community in America.

7 And I didn't mean that to sound like a
8 political speech, but it is important. So I am very
9 happy about this discussion.

10 CO-CHAIR GRAHAM: Well, thank you for that. I
11 think it is important to have kind of that real-life
12 insight.

13 Charles?

14 MR. BALTIC: Steve, just one thought on the 80
15 percent question. And we have talked about different
16 alternatives, principal place of business, but it could
17 be that there could be thresholds of different measures
18 and you meet one in the alternative and that is enough of
19 a nexus to the state to qualify. I am just thinking
20 perhaps something that is relatively easily determinable
21 and maybe much more stable than revenues would be wages,
22 where the company pays people to work for the company.
23 And then it is tied directly to job creation, which
24 presumably is one of the purposes of fostering
25 local/state development. So there may be measures in the

1 alternative, one of which could include wages at some
2 level that could be deemed to be of sufficient nexus with
3 the state to meet the test, revised test.

4 And that's much easier to calculate based on records that
5 are with the labor department of various states. So
6 yeah.

7 CHAIRMAN GRAHAM: Okay. And if there are no
8 other comments, questions, then I call for a
9 recommendation. I can respond to that call. It seems to
10 me that it makes perfect sense to modernize Rule 147 to
11 support these state efforts. As Bob here just said so
12 well, this is -- even if we might not think it's a big
13 deal, this is very, very important to a lot of people
14 that maybe are not necessarily on our radar screen. And
15 in that regard, the focus is on those three things.

16 I think that to the extent that we can take
17 state of incorporation out of the picture, I think that
18 that's useful. The notion -- these 80 percent numbers
19 with respect to where the money is spent and where the
20 business is located, I think those are things that we can
21 deal with. I think the wage idea is a good one. I think
22 we can leave it to the SEC to kind of come up with
23 specifics and something that is doable, but the -- you
24 know, modernizing Rule 147 strikes me as something that
25 would be, again, very important to facilitate capital

1 formation at these levels. And it strikes me as
2 something that really should be noncontroversial and
3 that's essentially the way I see it and is that view
4 shared or --

5 MR. PAUL: I share the view. I just would like
6 more -- would your recommendation then in terms of
7 modernizing it or whatever to make it so that it is not a
8 violation to offer but rather only a violation to sell?

9 CHAIRMAN GRAHAM: Correct.

10 MR. PAUL: So the contemplation --

11 CHAIRMAN GRAHAM: Yes.

12 MR. PAUL: -- of the sin is not the sin, only
13 committing the sin is the sin?

14 CHAIRMAN GRAHAM: Right.

15 MR. PAUL: Okay.

16 CHAIRMAN GRAHAM: It seems to work with the Reg
17 D, and so I think it should work in this context as well.

18 MR. YADLEY: I think if you wanted -- as part
19 of the recommendation for elimination of a strict
20 percentage in some of these alternatives, I think wages,
21 employees, main office, headquarters offices are all
22 good. Maybe use those as examples so --

23 CHAIRMAN GRAHAM: Right.

24 MR. YADLEY: -- we're not being prescriptive to
25 the --

1 CHAIRMAN GRAHAM: Exactly.

2 MR. YADLEY: -- as they review this, but tell
3 them what we think.

4 CHAIRMAN GRAHAM: Yeah. That's exactly the way
5 I see it. So that's the recommendation. We'll put
6 something -- we'll put pen to paper, but before we do
7 that, does someone want to move that we adopt it?

8 MR. BAL TIC: I would so move that we adopt that
9 kind of a formulation as a recommendation.

10 CHAIRMAN GRAHAM: Okay. Second?

11 PARTICIPANT: Second.

12 CHAIRMAN GRAHAM: Anymore questions, comments?
13 All those in favor?

14 (Chorus of ayes.)

15 CHAIRMAN GRAHAM: Anyone opposed?
16 (No response.)

17 CHAIRMAN GRAHAM: Okay. The last thing that I
18 want to do before we break for lunch is picking up on the
19 section -- the so-called Section 4(a)(1 and a half)
20 exemption. And I guess everyone got this already, right?

21 PARTICIPANT: I got it.

22 PARTICIPANT: I think so --

23 CHAIRMAN GRAHAM: Okay. So Sebastian is in the
24 process of passing out another copy of the recommendation
25 that I think you've already reviewed. As you recall, we

1 talked about this at the last meeting. At the last
2 meeting we put it to a vote and we all decided to move
3 them forward with recommending that the Commission work
4 to formalize this legal construct with something that we
5 all supported. I think that the written recommendation
6 reflects that position, and again, I think you've all had
7 an opportunity to read it before today. And here's
8 another copy. If I could get a motion.

9 MS. JACOBS: So moved.

10 CHAIRMAN GRAHAM: Second? Okay. So any
11 discussion?

12 Yes, David.

13 MR. BOCHNOWSKI: Steve, the only probably
14 afterthought that I had is that at the 250 million, which
15 I think we all agree with. We have to pick a number and
16 that's a good number. But as we heard Chair White speak
17 earlier today about things that were in place the year
18 that you she graduated from law school, when we as a
19 committee dealt with the number of registrations --
20 registrants of shareholders, it was 300 and that was in
21 1964 when I was a sophomore at Georgetown University.
22 I'm just wondering whether or not there should be an
23 index number here so that 20 or 30 years from now
24 someone's not sitting here still wondering why we picked
25 250 million.

1 CHAIRMAN GRAHAM: That's just -- the 250 is
2 really just preamble, and I think that probably goes back
3 to our charter. The only thing that we serve up to
4 posterity is are the last two lines on the last page.

5 MR. BOCHNOWSKI: Thank you.

6 CHAIRMAN GRAHAM: Okay. John.

7 MR. HEMPILL: One question when I was reading
8 this. The recommendation mentions existing opinion
9 practice, and you know you and I know what existing --
10 the existing opinion practices. But it's not described
11 in the part leading up to it. Maybe the -- adding a
12 sense as to what the existing opinion practice is might
13 be helpful.

14 CHAIRMAN GRAHAM: Okay. Good point.

15 Okay, any other comments? Okay. Take a vote
16 on the proposal as amended. All those in favor?

17 (Chorus of ayes.)

18 All those opposed?

19 (No response.)

20 Motion carries. We will adjourn for lunch and
21 reconvene at 2:00. Thank you.

22 (Whereupon, at 12:04 p.m., a luncheon recess
23 was taken.)

24 AFTERNOON SESSION

25 CHAIRMAN GRAHAM: Okay. Why don't we get

1 started? So if I could get everyone to take their seats.
2 For our first session we're going to have a briefing on
3 rules and market structure matters relevant to the topic
4 of venture exchanges. And as we discussed at our March
5 meeting, venture exchanges and ATSs are alternatives for
6 facilitating secondary trading for private and smaller
7 companies. And this is certainly a topic of interest for
8 us that has come up at least two meetings, probably more.
9 And it's certainly a topic of interest currently for the
10 Commission.

11 At our last meeting we heard from two
12 distinguished speakers who have been looking at these
13 issues for a long time -- David Weild and Vince Molinari.
14 David focused on the decline of small IPOs and the
15 collapse of the investment banking ecosystem that
16 provided incentives for exchanges that trade smaller
17 company stocks. He advocated for moving away from a one-
18 size-fits-all market model that favors for-profit
19 exchanges toward a solution that involves venture
20 exchanges or small cap exchanges. He proposed exempting
21 these changes from a number of rules.

22 And promoting a somewhat different approach,
23 Vince Molinari encouraged many existing regulation ATS to
24 facilitate the secondary trading of unregistered
25 securities. He suggested streamlining the process for a

1 broker-dealer to become an ATS, and he argued that a
2 structured ATS mechanism for unregistered securities
3 could facilitate Regulation A-plus offerings.

4 This is a very complex set of issues, and a
5 number of us asked questions last time to try to clarify
6 the current state of regulations and market conditions at
7 play. We heard questions such as: What is the current
8 process with the SEC and FINRA for a broker-dealer to
9 become an ATS? What exemptions from Reg NMS might be
10 needed to be profitable with smaller volumes? At the end
11 of that session, the committee decided that as a next
12 step in our discussion and education it makes sense for
13 us to get a presentation from SEC staff regarding all the
14 three-letter acronyms and terminology used in this debate
15 so we can better understand the current market structure
16 rules, what is already possible, and what might stand in
17 the way of some ideas presented as they -- as ways to
18 facilitate more secondary market liquidity.

19 To help us with this we'll hear from David
20 Shillman, associate director for the Office of Market
21 Supervision within the SEC's Division of Trading and
22 Markets. David was here for our last meeting, and David,
23 I'm sure you can decipher for us all the complexity that
24 resides in this area. And you've got 30 minutes to do
25 so. So -- (laughter) --

1 MR. SHILLMAN: Okay. Thanks very much. I
2 think what I -- and you're absolutely right. It's a very
3 complex area from both a regulatory structure standpoint
4 and from a market standpoint. And what I think I'd like
5 to do is relatively briefly tee up for you what we have
6 observed as the dialogue about venture exchanges has
7 become increasingly prominent over the last few years,
8 where maybe some common misperceptions and try to
9 identify what at least we as the staff all think the real
10 issues are and what we're looking at. And in the context
11 of that, I'll mention some of the relevant regulations.
12 And it may be -- once I do that, I'd be happy to answer
13 any specific questions about those regulations and how
14 they may impact the analysis that you're doing.

15 So just to start off with a couple of common
16 misconceptions that we hear quite regularly and in the
17 dialogue around venture exchanges is, one, the Commission
18 should permit venture exchanges. Why are you prohibiting
19 venture exchanges? And the first question there is:
20 What do you mean by a venture exchange? And to some
21 people it's a relatively broad definition that would
22 include any venue for secondary trading of small cap
23 stocks, including ATSs. To others I think they mean
24 trading on a national securities exchange, but one that
25 has substantially lower quantitative listing standards

1 than the traditional markets.

2 With respect to the broader definition of
3 venture exchange that includes ATSs, those exist today.
4 There is a relatively active over-the-counter market for
5 small cap securities and some alternative trading
6 systems' ATSs like OTC markets are quite active in that
7 area. When it comes to venture exchanges, national
8 securities exchanges with lower listing standards, I
9 think we've mentioned it at some of the prior meetings.
10 The Commission has approved exchanges with lower listing
11 standards, the most prominent example of that being the
12 BX venture market.

13 They are -- the quantitative standards around
14 market cap, a public float, share price were
15 substantially lower in the traditional markets. We
16 approved those rules and from our standpoint, we can
17 approve exchange rules as long as they meet basic -- the
18 statutory standards around -- designed to prevent fraud
19 and manipulation, protect investors and the public
20 interest, don't unfairly discriminate, not unduly
21 competitive and the like. And we can do that with lower
22 listing standards.

23 I think the -- given the heightened potential
24 risks of investing in small cap securities and given
25 their lower share price, lower public float and the like

1 that the greater potential manipulation, we asked for
2 some protections in exchange for that such as greater
3 vetting of issuers, enhanced surveillance, better
4 disclosure to potential investors. But we have approved
5 venture exchanges.

6 The real issue is that the BX venture mark and
7 other venture exchanges have had difficulty becoming
8 viable and the BX venture mark has not actually become
9 active to our understanding in part because it's so
10 difficult to attract liquidity providers. So we think
11 the real issue -- the real issue is not should we permit
12 venture exchanges but are there things that we can do to
13 make venture exchanges more viable as a business matter.

14 The second area where I think there's been a
15 lot of misconception is the impact that regulation has
16 had on either the viability of venture exchanges or on
17 secondary trading in small cap stocks more broadly. And
18 often you'll hear that your Reg NMS has impaired -- is
19 impairing the ability of venture exchange to function so
20 we should exempt venture exchanges from Reg NMS. And Reg
21 NMS as you may know is a -- well, it was coined Reg NMS
22 in the late 2000s but incorporated earlier rules.

23 You may know that today the markets for equity
24 securities are widely disbursed among a great variety of
25 trading venues, a dozen exchanges, 50 alternative trading

1 listed on the NASDAQ venture market -- the BX venture
2 market would not have been subject to those requirements.

3 But I think the real issue with the impact of
4 changes of regulation, market structure regulation over
5 the last 15 or 20 years to both venture exchanges in
6 trading and small cap securities more broadly. You know
7 there are some legitimate issues there.

8 As I mentioned, many of these regulations were
9 designed to promote competition both among trading venues
10 and among dealers in securities, and the focus really was
11 on the larger cap securities and I think there was a
12 concerted effort originating in legislation to break up
13 the monopolies of trading in -- primarily in the New York
14 Stock Exchange, AMX, NASDAQ and create competition among
15 venues and price competition among dealers and allowing
16 customers to participate in the price discovery process.

17 So the thrust of the market structure
18 regulatory initiative have been to increase competition
19 over the last 15 or 20 years, and that has been done
20 through Reg ATS, which created a new type of trading
21 venue that is subject to a lighter regulatory regime, has
22 a slightly different mix of benefits and burdens.

23 But as I said, there are about 50 ATSS a day,
24 so that certainly increased competition among trading
25 venues. It was done through decimalization which

1 systems, a couple of hundred broker-dealers. And that's
2 -- and that has been done in part through regulatory
3 initiatives to facilitate competition.

4 Many of the Reg NMS provisions are designed to
5 bring together the information generated in these
6 disbursed market centers, facilitate access among them,
7 create duties that will support best execution so that
8 you can get both the advantages of competition among all
9 these disbursed trading venues but bring the information
10 together so that the best price can be really determined
11 and accessed efficiently and therefore achieve best
12 execution for customers.

13 And there are a number of rules that do that,
14 but the rules around requiring market data, both quotes
15 and trades, to be centrally consolidated, there's a
16 trade-through rule that prevents trading from occurring
17 at a better -- at a worse readily accessible price.
18 There are rules against locked and crossed markets and
19 the like. Admittedly a complex set of rules.

20 But the fact of the matter is venture exchanges
21 don't have to comply with Reg NMS. Reg NMS applies to
22 NMS securities. Those are defined as exchange-listed
23 securities that report pursuant to the established
24 transaction reporting plans, the CTA and NMS and QTP
25 plans and securities like those that would have been

1 fostered price competition among dealers by essentially
2 decreasing the minimum spread. It was done through the
3 order handling rules that made sure best prices were
4 available publicly and that obligated brokers to display
5 their customers' orders if they were better than their
6 own orders or substantially increased the size. It was
7 done through Reg NMS that essentially required a better
8 price to be sought out in other markets. So the thrust
9 of the regulatory initiative has been to increase
10 competition.

11 There are arguments either way, but I think the
12 thrust of the evidence is that those initiatives have
13 worked well to demonstrably reduce transaction cost in
14 the larger cap stocks, both for retail investors and
15 institutional investors. However, legitimate questions
16 have been raised as to have they done the same thing for
17 small cap stocks. As this pushed toward greater
18 competition, the squeeze essentially that they put on
19 dealer profits is that on balance had a negative impact
20 in this market segment by reducing liquidity rather than
21 putting us in a position to achieve the benefits of
22 competition.

23 So I think -- so as we step back and look at
24 what we think are the real issues around trading in small
25 cap securities and how to create a better small cap

1 market structure, it really has been initiative designed
2 to reduce competition both among trading venues and
3 reduce price competition. And one example of that was
4 proved by the Commission last month. It was the tick --
5 is to basically move back from decimalization tentatively
6 to nickel increments for smaller cap stocks to see if
7 essentially allowing greater profitability from market
8 makers could promote liquidity. And that will -- tests
9 will begin next year and we'll be analyzing the data.

10 Another area would be -- and this is an area
11 that I think is of most acute Commission staff focus at
12 the moment is to see if there is a way to reduce venue
13 competition, essentially to move away from the efforts to
14 disburse trading, to encourage competition among trading
15 venues to take the position that, well, for relatively
16 illiquid stocks are we better off deemphasizing trading
17 venue competition allowing liquidity to concentrate and
18 seeing if that concentration will put us in a position to
19 extract alternative models that might promote liquidity
20 and market quality in small cap stocks.

21 So ideas there would be to see if trading can
22 be restricted to the listing market. And if that were
23 the case, then the listing market for illiquid securities
24 could, one, be able to offer a better value proposition
25 to market makers, perhaps an exclusive market maker in

1 listed on one exchange. The Commission has limited
2 authority to define the post-IPO interval where -- post-
3 IPO interval where unlisted trading privileges can't be
4 exercised, but that legislative intent indicates that a
5 relatively short time period.

6 The other thing that we have to think about is
7 restricting over-the-counter trading because you could
8 restrict trading on other exchanges, but the over-the-
9 counter market exists for small cap stocks, and there is
10 the authority for the Commission to do it, but it's a
11 fairly high hurdle in that we have to effectively show
12 that fair and orderly markets have been impaired. And
13 the only way to reestablish a fair and orderly market is
14 to restrict off exchange trading of small cap securities.

15 So in a nutshell that's where we -- those are a
16 couple of common misconceptions, and I've tried to give
17 you an idea of where we think the real issues are and
18 what we're looking at. But hopefully that sets the
19 stage, and I'd be happy to go into more detail on any
20 issue you'd like to discuss.

21 CHAIRMAN GRAHAM: Comments?
22 (No response.)

23 So David, this -- and thank you for that. I
24 mean clearly you understand it more fully than I could
25 ever understand it.

1 that exchange. You will -- like the old New York Stock
2 Exchange specialists, you will be the exclusive market
3 maker with better information, but in exchange for that
4 you have to maintain a continuous quote within reasonable
5 parameters and have other obligations to maintain market
6 quality.

7 Another idea would be if trading was
8 exclusively at the listing market they could experiment
9 with other models on the continuous trading market.
10 There's some who say continuous trading for illiquid
11 securities really isn't the most efficient way to do it.

12 There should be periodic batch auctions a few times a
13 day and the like. And if trading -- and that type of
14 idea would of course be more effective if the only place
15 you could trade were -- if batch auctions were competing
16 with the continuous market.

17 So this -- there certainly is room for
18 potentially greater experimentation if trading venue
19 competition were restricted, and that's something we're
20 actually looking at. We do have -- because I say the
21 legislative mandate was to foster competition 15 or 20
22 years ago, we have limited room to effectively grand
23 monopoly trading rights, both -- there are rules that
24 grant unlisted -- the right to trade through unlisted
25 trading privileges -- any exchange if the security is

1 MR. SHILLMAN: That could be a good or bad
2 thing.

3 CHAIRMAN GRAHAM: But what do you see as the --
4 as the -- I know that you touched on this, but what do
5 you see as kind of the real impediments to moving in this
6 direction?

7 MR. SHILLMAN: To moving in the direction of --

8 CHAIRMAN GRAHAM: Of establishing venture
9 exchanges.

10 MR. SHILLMAN: Of establishing --

11 CHAIRMAN GRAHAM: Viable. Viable.

12 MR. SHILLMAN: -- viable venture exchanges.

13 CHAIRMAN GRAHAM: Yes.

14 MR. SHILLMAN: Well, I think that the real
15 challenge is attracting liquidity providers, because
16 small cap securities tend to be illiquid, and there
17 aren't many trades from a -- there's limited opportunity
18 for profits by market makers. They also would have to
19 devote the resources to following the security and making
20 sure their quotes are -- remain reasonable. So there's a
21 lot of effort required and -- for limited potential
22 profit. So I think the trick is really designing an
23 attractive value proposition for them where they would be
24 willing to make a continuous market with quotes of
25 reasonable width in securities that don't trade much.

1 And so I think that gets to the ideas that I
2 was just mentioning. Is there a way to effectively
3 either give them minimum profits through larger minimum
4 quoting increments or to give them monopoly trading
5 rights effectively by a unique position at the unique
6 trading market. Now all of this has trade-offs of
7 course, and by increasing -- and it's a trade-off between
8 the interests of capital formation and small companies
9 and execution quality for investors or risks to
10 investors.

11 So as we look at these issues, we have to keep
12 in mind that -- we have to be in a position to conclude
13 that on balance this is better for investors in the
14 markets, because you increase minimum trading profits,
15 then that means potentially lower execution quality for
16 investors. Similarly, if you grant monopoly trading
17 rights you get the potential abuses that could occur with
18 a monopoly trading venue that we would have to be attuned
19 to.

20 CHAIRMAN GRAHAM: To what extent do you think -
21 - well, to what extent is the proliferation of trading
22 venues a factor? And is there something that you could
23 do as a regulator to correct that?

24 MR. SHILLMAN: Well, I think the proliferation
25 of venues is a factor particularly for small cap stocks

1 because it limits the ability of a venture exchange, an
2 exchange who it decides to list small cap companies to
3 experiment with the most -- potentially most viable ways
4 to attract liquidity providers.

5 If other exchanges can trade the securities
6 that are on the venture exchange that can be traded in
7 the over-the-counter market, that limits the ability of
8 the venture exchange to experiment, for example, with
9 periodic batch auctions because it will not be the --
10 there will be a continuous market going on alongside and
11 it would have a much more difficult time attracting
12 trading interest if the other options was to trade as
13 occurs normally today continuously.

14 So if the only place to trade was in a
15 marketplace where liquidity was aggregated at certain
16 points during the day, that potentially is a much more
17 effective way to aggregate liquidity than doing that and
18 trying to compete with a continuous market. Similarly
19 trying to impose meaningful obligations on market makers
20 and creating an attractive value proposition for them is
21 going to be much easier if you're the only play, if you
22 can offer essentially exclusive market making or
23 designated market making rights as opposed to them
24 competing with the full range of other exchanges and
25 over-the-counter venues.

1 CHAIRMAN GRAHAM: Sonia.

2 MS. LUNA: Thank you for that overview, David,
3 on misconceptions and I want to make sure I'm not
4 misconceiving anything about the definition. So is
5 liquidity providers -- what's the definition of liquidity
6 providers. And then more importantly I heard two
7 potential solutions that I just want to be clear. Are
8 they in play or they're about to be in play? One
9 solution I thought I heard was this batch kind of
10 processing of trades, and the other one was moving the
11 tick size to minimum of a nickel. Did I hear that right?

12 MR. SHILLMAN: Yes, so first of all, the
13 definition of liquidity provider, I think that's commonly
14 market makers. So someone who makes continuous two-sided
15 quotes and is willing to either buy or sell essentially
16 on demand, liquidity provider.

17 As far as the solutions that are in place, the
18 tick -- it increased the minimum tick size to a nickel.
19 That was approved by -- that's a pilot program that was
20 approved by the Commission last month. It will be
21 implemented next May. So it's been approved, there's
22 going to be an implementation period. It will be
23 implemented next May, last for two years, and we'll study
24 it.

25 The other ideas which really are -- there's

1 batch auctions and creating monopoly trading rights for
2 designated -- a designated market maker. That would
3 require Commission rulemaking and/or legislation to
4 essentially override the current right of other exchanges
5 to trade unlisted trading privilege or the current right
6 of dealers to trade in the over-the-counter market. And
7 that, many would say, would be the most effective way to
8 implement those measures. But there is nothing that
9 prevents exchange today from experimenting with periodic
10 batch auctions.

11 Actually you may have read last week the New
12 York Stock Exchange -- for less liquid securities is
13 planning to implement a midday auction, but they would be
14 doing so in an environment where there's also
15 simultaneous, continuous market running. So I think
16 there are questions to how viable that can be in
17 competition with a continuous market.

18 MS. LUNA: So these solutions that -- the two
19 that were just mentioned, have they been implemented
20 already in other countries where there is an exchange and
21 therefore that's where we got these potential solutions
22 to work with?

23 MR. SHILLMAN: Well, I can't speak broadly to
24 what's been done in the other markets. I have to say it
25 is really quite similar to the way the U.S. markets used

1 to look where the New York Stock Exchange dominated
2 trading in its listed securities, 90 percent or so of
3 trading volume, and they were able to offer their
4 specialists -- the value of proposition of having this
5 monopoly position and they were able to effectively
6 impose affirmative negative trading obligations on their
7 -- on the specialists.

8 CHAIRMAN GRAHAM: John.

9 MR. BORER: Thanks, again. A couple points, so
10 maybe I'll do them one at a time if you can indulge me.
11 But one of the points here in listening and having been
12 watching this stuff for a couple decades on Wall Street
13 it seems like the way things used to be worked reasonably
14 well, and then through -- instead of un-regulating, re-
15 regulating we tried to create competition which now has
16 made the markets far less efficient I think especially
17 for these small companies.

18 To my questions: In your discussion of venture
19 exchanges where you gave us the background, does that
20 include in your mind the venues where non-34 Act
21 companies would trade as well, or are you staying
22 strictly with the 34 Act companies that are just illiquid
23 and deemed in many cases penny stocks today.

24 MR. SHILLMAN: Well, by 34 Act, in order to
25 trade on an exchange you need to be registered, so for

1 there to be exchange -- if you take the I guess narrower
2 definition of interexchange, which is really a national
3 securities exchange, they'd have to be registered -- 34
4 Act registered securities. ATSS, however, don't have
5 that restriction. So non-34 Act registered company can
6 and do trade on ATSS.

7 With respect to your first question, I think
8 what we're coming to realize is I don't think there is
9 serious questioning that the move towards greater
10 competition was of overall net benefit to investors and
11 market quality for the larger cap stocks just looking at
12 the data on execution quality both for institutions and
13 individuals. I think what we've come -- what we're
14 coming to realize is that that model might not work for
15 small cap stocks.

16 So maybe we need to develop a different model
17 for small cap stocks and move away from the drive towards
18 competition, which created complexity, but overall when
19 you look at the bottom line has seemed to serve investors
20 well in large cap stocks. So it's really a recognition
21 that perhaps there should be differentiation between the
22 two types of securities rather than saying this idea of
23 increased competition was bad.

24 MR. BORER: Okay. It used to be a pretty good
25 life being a specialist on the American Stock Exchange.

1 MR. SHILLMAN: It was good for -- maybe not for
2 the investors.

3 MR. BORER: Right. Right. So where in your
4 mind is the demand for the improvements in the trading of
5 these thinly-priced stocks coming from? Is it coming
6 from investors? Is it coming from the street, or is it
7 coming from the issuers themselves?

8 MR. SHILLMAN: Well, I think -- I can't tell
9 you definitively where it's coming from. I mean some if
10 it is probably originating from the markets. I think
11 some of it is probably originating from issuers, and I
12 would think some of it is originating maybe primarily
13 from the street because those -- it essentially would
14 provide greater opportunities for market makers to
15 profitably make markets in less liquid securities.

16 Overall the -- interest stocks, because we want
17 -- our mission is to make sure that we establish a system
18 where markets are fair and orderly and execution quality
19 is high for all investors, and we, too, want to make sure
20 we've designed the right system to benefit the widest
21 swathe investors in all securities.

22 MR. BORER: And just my last point is I think
23 there's a pretty strong bias on the street these days
24 against companies to find as penny stocks, so not
25 exchange listed companies below \$5, and many of these are

1 below \$1. And even to the point where you have all the
2 skull-and-crossbones disclosures that have to go out to
3 the customers before they might be solicited or they
4 might buy a stock that fits into those categories, you
5 have this tremendous bias against non-DTC eligible stocks
6 with respect to even being able to put them in an
7 account, try to put one into a Charles Schwab account,
8 and it takes a really strong effort in order to be able
9 to do that.

10 And the clearing firms for a lot of the broker-
11 dealers that aren't the top ones have a real tough time
12 even taking those, accepting those securities for
13 trading. Given that bias, which I don't think has
14 happened recently -- I think it's happened over the
15 course of the last 10 or maybe 15 years, and I think
16 influenced substantially by the lack of liquidity, the
17 issues around clearing those stocks in some cases, in
18 some cases due to quality of those companies and issues
19 of those types of things.

20 Getting the dealers back into that business
21 would seem to be me to a pretty tough hurdle if it's
22 going to be mainstream as opposed to just some specialist
23 companies that develop like the ECNs did at one time and
24 some of the securities to be able to just more
25 efficiently trade companies that you don't know what they

1 do, you don't care what they do, but here's an exchange
2 where people who own those stocks or want to buy them
3 could come to. Any comment to that about how to turn the
4 E*Trades, the Schwabs, the Morgan Stanleys, the JP
5 Morgans, and those people around in that -- in their
6 headset as to those small companies?

7 MR. SHILLMAN: Yeah, I don't know that I'm in a
8 position to speak in detail about the issues of clearance
9 and settlement and the like, although I think I would say
10 that certainly we want to make sure that the market
11 structure is designed in a way that is appropriate for
12 small cap stocks. That said, we also -- it's very
13 important for the Commission to make sure investors are
14 protected.

15 And the reality is with small cap stocks with
16 lower market cap -- lower public float, they are riskier,
17 they're more prone to fraud and manipulation. So I think
18 we -- as we look at ways to make the market structure
19 more efficient, we don't want to lose sight of necessary
20 investor protections and making sure that they are --
21 investors are aware of the risks and the securities are
22 suitable for them.

23 CHAIRMAN GRAHAM: D.J.

24 MR. PAUL: Yeah, just -- I have one comment
25 about batch trading. I think in the UK it's pretty

1 actually do here that's often discussed in certain
2 circles, particularly oftentimes on the West Coast where
3 you have people who have taken on shares as a result of
4 their compensation that are Reg D securities private
5 placements, they may not -- the sellers in this instance
6 may not yet be accredited investors.

7 Of course, upon selling these shares that
8 they've accumulated they might actually become accredited
9 investors, and they'd like an opportunity to sell their
10 shares into a secondary market, albeit to either
11 institutions or to expand it to accredited investors.
12 And then going further, the ability of accredited
13 investors and QIBs to freely trade amongst themselves in
14 Reg D securities.

15 MR. HIGGINS: Right, I mean the first point is
16 that protection is not for the seller; it's for the
17 buyers. So you don't need to be an accredited investor
18 to sell into the market. The other thing, by the way, is
19 if they're -- if they would be an accredited investor
20 after the sale, they're probably an accredited investor
21 before the sale as well.

22 MR. PAUL: It's hard to know what the value of
23 the --

24 MR. HIGGINS: Unless they're selling their
25 house, their principal residence, but anyway, setting

1 commonplace, and I know that New Zealand is looking at
2 it. I don't know if they've implemented it yet just in
3 response to that. I wanted to just ask about the 144(a)
4 ATs and Reg D securities, which now -- and just if you
5 could kind of give me a little bit of color on this.
6 Institutions can trade using 144(a) Reg D securities on
7 ATs that have that designation. Is that correct? With
8 some limitations, like half a million dollars and --

9 MR. SHILLMAN: Yeah, this is a little out of my
10 area, but if you're talking about the NASDAQ private
11 market securities --

12 MR. PAUL: Right.

13 MR. SHILLMAN: Second market shares, but yes,
14 those do exist with limitations on them.

15 MR. PAUL: Right, and that's -- okay. And what
16 would it take for -- to open that up since right now it's
17 limited to QIBs to let's say credit investors, to allow
18 them -- they who can buy Reg D securities and the primary
19 market to enable them to then resell in a secondary
20 context?

21 MR. SHILLMAN: I think that would probably
22 depend on my colleagues in Corp Fin.

23 MR. PAUL: Yeah. So what would we need to do
24 in order to facilitate that? What I'm trying to achieve
25 here is a concrete example of something that we could

1 that aside. I mean it goes to sort of the 4-1 -- once
2 the -- once they've held the securities for a year and
3 our affiliates, I mean, they can freely sell them.
4 Anybody can freely buy them from the company. Now that's
5 often -- as we've heard, it's not good enough, these are
6 oftentimes people who are exercising options, need to
7 raise the money to pay the exercise price, so they need
8 to sell immediately.

9 I guess apropos of the 4-1 and a half
10 exemption, that would make -- if you put accredited
11 investors on a par with QIBs, that would solve that
12 problem. The question is whether that's the right
13 result. I mean QIBs are QIBs because they manage \$100
14 million of securities. We've heard a lot about the
15 accredited investor test.

16 The other thing is information. What
17 information is available to the buyer of those
18 securities. That's something that we worry about a lot
19 and creating an exchange to facilitate the trading of
20 securities where there isn't adequate public information,
21 don't we have to solve that?

22 MR. PAUL: I guess so. Although I would say
23 that you're still -- yes, of course. But I would also
24 say that these are the -- if they're in fact accredited
25 investors, they have access to the same information,

1 perhaps even more information since they're allowed to
2 purchase in the primary market. Then why make it more
3 restrictive in the secondary when at least at that point
4 you have a seasoned piece of paper.

5 MR. HIGGINS: Right, and I guess the short
6 answer is: In the primary market, they're presumably
7 dealing directly with the issuer and if they're
8 accredited investors they either have the ability or the
9 knowledge to fend for themselves and decide what they
10 need to get from the issuer to satisfy themselves on the
11 purchase or they walk away from it. When you're dealing
12 with --

13 MR. PAUL: The secondary.

14 MR. HIGGINS: In a secondary market, it's not
15 quite the same access directly -- I mean they could try
16 to get access. Although when you do it on exchange, it's
17 hard. Try to get access to your seller, but on a --

18 MR. PAUL: The seller might not have access to
19 the kind of information that was available to the seller
20 when the seller was the buyer --

21 MR. HIGGINS: Correct.

22 MR. PAUL: -- in the primary. Could you address
23 that maybe by hearkening back not to 144(a), but 144
24 itself so that the -- you have to get the permission of
25 the issuer in order to trade there and therefore upon

1 unlisted trading privileges cannot be exercised.
2 Legislative history is -- indicates that with short --
3 the initial time period was two days. So I think our
4 ability to, on a long-term basis, restrict unlisted
5 trading privileges, it would be very difficult without
6 legislation.

7 MR. CHACE: And on the increasing the
8 profitability through the tick size angle, have you -- is
9 it possible to kind of quantify the current market size
10 in terms of commissions or revenue opportunity for
11 broker-dealers that participate -- would or could
12 participate in a venture market?

13 MR. SHILLMAN: Well, I mean some of the data
14 that we're collecting in the tick size market --
15 profitability data, so it will be collected as part of
16 the tick -- and that will be one of the factors that we
17 will assess as we're -- we determine whether on balance
18 wider tick sizes is good for the markets.

19 MR. CHACE: Because I'm just curious, like, if
20 you assume the penny and the total volume trade in these
21 securities and the average profitability per share or
22 whatever, I mean is that a market at its current size
23 that's interesting to anybody?

24 MR. SHILLMAN: Well, I think that's the
25 problem. Is -- with minimum penny spreads -- and the

1 getting permission you could therefore get information
2 from the issuer? What's the state of the business now?

3 MR. HIGGINS: Right. I mean -- and one of the
4 things about 144(a) is that in order to be eligible for
5 the 144(a) exemption, the issuer has to have agreed to
6 provide 144(a) for (a) information to anybody who -- to
7 any purchaser who requests that information. So a
8 similar --

9 MR. PAUL: Wouldn't that achieve -- so that
10 would achieve the end.

11 MR. HIGGINS: A similar system could achieve
12 that same end, yeah.

13 MR. PAUL: So --

14 MR. HIGGINS: So when are we going to do it?

15 MR. PAUL: Yeah -- (laughter) -- when are we
16 going, Keith. Yes, sir. Okay. Thank you.

17 CHAIRMAN GRAHAM: Dan.

18 MR. CHACE: Just back to the basic venture
19 exchange concept, I mean if I heard you right, you're
20 saying that the reducing competition way to promote
21 venture exchanges is just tougher given it probably
22 requires legislative change as well.

23 MR. SHILLMAN: It may. We're looking at the
24 extent to which we have flexibility under -- we have the
25 ability to define the interval after the IPO during which

1 reality is many of these small caps -- the securities
2 trade at much wider spreads, but the concern is others --
3 stepping in front of you at the right time, being picked
4 off if you're not paying attention, but if the minimum
5 trading profit when you do trade is greater, the thought
6 is that may be -- it would seem logical it would attract
7 more liquidity providers.

8 MR. CHACE: It makes sense. I'm just trying to
9 get a sense of like is that like a \$100 million market in
10 terms of -- or is it a billion? I have no idea --

11 MR. SHILLMAN: Yeah, I don't know off the top
12 of my head, but it's certainly something we'll be
13 collecting as part of the pilot.

14 MR. SHILLMAN: Tim.

15 MR. WALSH: David, earlier this morning, Keith
16 made a little comment that any of the views -- or any
17 comments are just the individuals' comments, not the
18 views of the SEC.

19 MR. SHILLMAN: Me, too. (Laughter.)

20 MR. WALSH: Yeah, I wasn't sure you heard that.
21 So I'm personally pretty skeptical that this venture
22 exchange is really going to pan out. So on a scale of
23 one to ten, ten being the NYSE and ICE for volume and one
24 being defunct, where would your personal opinion be where
25 this is going to be two to three years from now?

1 MR. SHILLMAN: Well, I don't know that I have
2 any -- even if I gave a -- it wouldn't have any value
3 given that I'm not really in the business.

4 MR. WALSH: My guess, it's more value to the
5 Commission than you might think.

6 MR. SHILLMAN: Yeah. Well, but certainly I
7 think we can reasonably expect something similar to ICE
8 New York Stock Exchange type volumes. I think we'd be
9 looking for some -- but essentially -- we would hope to
10 see tighter price -- tighter spreads, more liquidity
11 provided on a regular basis in some of these securities.

12 I don't know whether one can reasonably expect volumes
13 to increase substantially. I think it would be more
14 optimistic to see better market quality in the form of
15 better liquidity provision and perhaps some greater
16 trading in this segment.

17 PARTICIPANT: Was that a two? (Laughter.)

18 MR. SHILLMAN: But I could pick a number, it
19 would have no value.

20 MR. SHILLMAN: Anything else?

21 (No response.)

22 Here's your chance. There will be a test.

23 (Laughter.) Okay. Thank you, David.

24 Let's go to the finder's issue. We've probably
25 all worked with the stereotypical founder in a startup

1 situation where they're spending day and night just
2 trying to get the business moving in need of lots of
3 capital and no idea where to get it, how to get it. They
4 want to hire a friend or another contact to try to help
5 them secure investors, but that contact is not a
6 registered broker-dealer, and does -- can engage -- or at
7 a minimum is unsure of whether or not they're allowed to
8 engage to help the company find investors. Greg has been
9 looking at this finder's issue for a number of years now,
10 and we have asked him to lead off our discussion of this
11 issue. So Greg, I put it to you.

12 MR. YADLEY: Thank you. Well, I think Stephen
13 teed it up right, and people in this room have had
14 experience as either entrepreneurs or small business
15 owners or certainly advisors where getting money is a
16 constant challenge and all of the regular suspects are
17 really not available at the beginning of the life cycle
18 of a company.

19 So the money that's being raised is private,
20 and as we know from our own experience as well as
21 speakers from the SEC at several of our meetings,
22 including in December, most of these are happening under
23 Regulation D. And we were told in December from folks at
24 DERA that the size of the Reg D market is very comparable
25 to that of the public offering market and that from

1 September of 2013 to this past September there were
2 15,000 new Reg D offerings. So that's quite a bit.

3 In data looking at Reg D offerings for the
4 period '29 to 2012 right before that, only 13 percent of
5 those offering had a financial intermediary, a broker-
6 dealer or a finder. So why is that the case? And
7 there's -- a lot of us believe that certainly for smaller
8 issuers the lack is there isn't any interest from
9 registered broker-dealers and there are enough risks
10 using unregistered broker-dealers that it just isn't
11 available, there's not anybody there to help put together
12 sources of capital for the companies.

13 The issue, of course, is that federal law and
14 the law of all the states prohibits someone from engaging
15 in the business of affecting transactions and securities
16 without a license. So you have to be licensed, and we
17 now have one regulator -- one self-regulator, FINRA. So
18 you have to be a member of FINRA. And there is an
19 exception for a finder, somebody who takes a fee for
20 providing an introduction and steps away. Although we're
21 not even really sure if that's the case.

22 The most famous no action letter was Paul Anka
23 since it's hockey season and the Tampa Bay Lightning are
24 going to beat the Hawks by the way in case you're
25 interested. Paul Anka was trying to help raise money for

1 the Ottawa Senators Hockey Club, and he was going to open
2 his list of contacts and rolodex for them back in those
3 days and be paid a fee. Actually it was proposed that he
4 be paid a fee only for those people who invested. So
5 that probably went further than maybe the Commission
6 staff intended.

7 In any event, they backed away from that. So
8 the point is that accepting transaction-based
9 compensation is a very short, firm way of saying it looks
10 like you're earning a commission and you're being a
11 broker. And certainly the view of the staff and the
12 Commission and the states is that if you're doing this
13 more than once, you've had your free bite, and you're
14 probably in the business.

15 Certainly John and I have talked about this.
16 There are a lot of people who have only done it once, but
17 -- and then they do it again, and -- but they're not
18 going to do it after that, but then they do it again. So
19 there are people out there. So the issue is that you
20 have a lot of small companies, startups that don't really
21 know how to find capital, and they're looking for capital
22 in very small amounts.

23 We talked about crowd funding this morning, and
24 as I think everyone here has experienced, people are
25 looking for \$50,000, \$100,000, \$200,000, maybe a million

1 or \$2 million, but probably in that range. Certainly not
2 often as high as 3 or \$5 million. So we have Angels and
3 again we have people in the room and on this committee
4 who are much more expert than I about Angels, but one of
5 the things that I think we've been made aware of if we
6 weren't already is that Angels tend to congregate or
7 historically have in groups and in areas of the country
8 where there have been successful companies and successful
9 entrepreneurs and now people with means and interest in
10 helping other companies.

11 So when we talked about the accredited investor
12 definition and changes that might be made as a result of
13 cost-of-living increases since 1982 when Reg D was
14 adopted, there would be a third or more fewer available
15 Angels and then the percentage was even higher when you
16 moved away from the coasts and the other money centers.
17 So there's really a lack of capital, and why can't
18 companies enlist the aid of broker-dealers?

19 Well, again, we talked to -- we heard this
20 morning about compliance costs for smaller public
21 companies and the numbers that Chris, for example, gave
22 and Shannon, those were pretty big numbers. And the
23 numbers if they were spread over 200 or \$500 million of
24 revenues and market caps much larger than 80 million,
25 maybe those percentages wouldn't be so great. But for

1 the broker-dealers, same problem.

2 There's costs involved in helping a company
3 find money, and if the deals are small, then the risks
4 are there, but the upside is not. The legal costs of a
5 transaction like that are pretty much the same, and in
6 fact they can be worse because this little, honest
7 entrepreneur hasn't kept records, doesn't really know how
8 to keep records, filed incorporation documents and that's
9 the last thing she did legally on behalf of the corporate
10 side of the house. Financial information is rarely in
11 great shape. It's almost never audited, so it's very
12 difficult for real broker-dealers to be able to assist
13 there.

14 Thinking about creating a class of broker-
15 dealers -- we were just talking about how do you make
16 money in trading. Well, how do you make money dealing
17 with these small companies and just the ability to be
18 registered is a process that takes six months or more.
19 The costs can exceed \$150,000 to get going. The
20 compliance costs for being a broker-dealer or member of
21 FINRA are estimated to be between 75 and \$100,000.

22 So there's an awful lot of costs, compliance
23 costs that is probably disproportionate for someone who
24 is a broker-dealer but is not doing the things that we
25 think of as broker-dealers. They're not alternative

1 trading, they're not making markets, they're not even
2 holding customer funds or securities. They're doing
3 much, much less, and they're really acting as a finder or
4 at least an intermediary assisting the small company.

5 A lot of the companies, some of the
6 intermediaries and some of the lawyers who help them are
7 not really aware that they're violating the securities
8 laws. They just don't know about it, they're under the
9 radar, and that's a problem.

10 The other part of the problem is there are
11 people who are involved in this space who absolutely know
12 exactly what they're doing, and that's sort of the seamy
13 side of the securities business and a lot of con-artists
14 who promise the world, and oh yeah, you've got a great
15 company, and I can help you get the money, and they'll
16 take a fee and maybe the funds aren't there, maybe they
17 are, and maybe these are also the same kind of people who
18 have offshore investors and get companies listed, and we
19 know all about the problems that happen. And somebody
20 already said penny stocks, so in that space.

21 This is not new, as Steve said. In 1999 the
22 ABA created a taskforce in this area to look at private
23 placement broker-dealers and there's an article that is
24 in the materials that was published in the May 2005
25 business lawyer.

1 I was part of the committee and later co-chair
2 of the taskforce where we said, look, there's got to be a
3 way to fix the disconnect between what the regulations
4 say and what's happening in the real world, because it's
5 a problem for the companies trying to raise money, it's a
6 problem for these intermediaries who may have a contract
7 with the company to be compensated, that is void or at
8 least voidable, and you have people flaunting the
9 regulatory system, which is not good for the Commission
10 and the states and the problem is almost too big or too
11 pervasive.

12 The taskforce report called it a vast and
13 pervasive gray market. So what the thrust of the
14 taskforce report was and the recommendations was to
15 establish a simplified system for registering private
16 placement brokers who engage in these very limited
17 activities and try and facilitate capital formation
18 without sacrificing investor protection. So as part of
19 this proposal there were certain parameters that the
20 taskforce considered would be workable.

21 First of all, sales could only be made to
22 accredited investors and only in limited amounts. They
23 could only be made by private companies. So if you have
24 a class of equity securities registered under the
25 Exchange Act, you wouldn't qualify here. If people were

1 bad boys, had done bad things and had been sanctioned
2 then they wouldn't be able to qualify as a finder.

3 There would have to be written disclosure of
4 certain basic things including the background of the
5 person and the compensation arrangements with the issuer.

6 But they would be exempt from the definition of broker-
7 dealer and permitted to share fees with broker-dealers,
8 because that's another thing that a FINRA member is not
9 allowed to share fees with unregistered persons. So by
10 coordinating federal and state regulation along this line
11 we would have a system that might work.

12 It was a pretty good idea, and although we're
13 the best advisory committee in the small business area
14 that the SEC has ever had, we're not the first, and there
15 was a very august committee back in 2006 that issued an
16 excellent report, and that report included as one of its
17 recommendations a very succinct sentence that recommended
18 that the SEC spearhead a multiagency effort to create a
19 streamlined registration process for finders, M&A
20 advisors and institutional private placement
21 practitioners. So that was really good news for those of
22 us who had worked on the taskforce.

23 Many of you know that every year -- and it's
24 been happening recently in November -- the SEC hosts a
25 forum, the SEC Government-Business Forum on Small

1 do this in limited fashion. This past year the forum was
2 on November 20, 2014 and the forum final recommendation
3 which was published last week had the same recommendation
4 as it did in 2013, that the SEC should join with NASAA
5 and FINRA in the effort to implement the basic principles
6 of the American Bar Association taskforce on private
7 placement brokers.

8 To achieve this goal, the Commission should
9 join NASAA and FINRA in developing a timeframe for
10 quarterly or other regular meetings with specified
11 benchmarks until a mutually agreeable regime of finder
12 registration and regulation is achieved. So pretty clear
13 directive. FINRA actually has developed a concept of a
14 limited corporate finance broker, and public comment has
15 been solicited twice on this. It would allow firms to
16 engage in a limited range of activities, including
17 advising companies and private equity funds on capital
18 raising, corporate restructuring.

19 As has been a thread through all this, this is
20 not a full-service broker. They wouldn't be able to
21 maintain accounts of securities or hold funds. Couldn't
22 engage in proprietary trading or market making, and I
23 think many of us who read this were really, really
24 excited until the very last page when it said it applies
25 to institutional investors, those are the ones that are

1 Business Capital Formation. This is a really neat
2 gathering of people, usually about 100 in person and
3 others over the internet who can share ideas about issues
4 that maybe the Commission and the SBA and from time to
5 time the Treasury has participated to help small business
6 capital formation.

7 The SEC is mandated to do this, and they've
8 done a really great job. Sebastian has been in charge of
9 this under Keith's supervision, and lots and lots of good
10 ideas have come out. Both before the taskforce report
11 and the last SEC small issuers advisory committee and
12 since, the forum has had as one of its recommendations
13 that this area be addressed.

14 So in 2009 for example the forum recommendation
15 was that the SEC should allow private placement brokers
16 to raise capital through private placements of issuer
17 securities offered solely to accredited investors in
18 amounts per issuer of up to 10 percent of the investor's
19 net worth, excluding his or her primary residence with
20 full written disclosure of the broker's compensation in
21 any relationship that would require disclosure under Item
22 404 of Regulation SK, which are related party
23 transactions in aggregate amounts up to \$20 million per
24 issuer.

25 So one really long sentence that said we should

1 going to be helped here. So that's \$50 million in assets
2 in professional institutions. So it certainly doesn't go
3 far enough, and in fact the proposing release for FINRA
4 said that they didn't feel that opening this up to
5 accredited investors would prepare the public.

6 So less it sound like I am being unsympathetic
7 to my former agency, let me commend the SEC on I think a
8 very meaningful step that it took a little over a year
9 ago in this area, which is the staff issued a new action
10 letter. It's called the M&A broker, no action letter. I
11 prepared a little piece that I think Julie sent to
12 everybody. I found eight typos so far, and I apologize
13 for those, because I did it on Saturday.

14 But this no action letter really was a very
15 well done compilation of thought that had been expressed
16 by the Commission in some other no action letters on very
17 specific sets of facts, and this made a very general,
18 very salutary statement of what somebody could do in
19 helping private business be bought and sold.

20 Now this is an issue that has been around for a
21 while because the Supreme Court in a case called Landreth
22 Timber said that if a sale of a business is being sold
23 and it involves the transfer of stock -- well, a stock's
24 a security, it's right there in the definition. So that
25 causes a problem because there are lots of business

1 brokers out in the country, many of whom are regulated by
2 states as real estate brokers or business brokers, so
3 there is some regulation and most of these little, small
4 businesses get conveyed by sales of assets, in which case
5 the securities laws are not implicated.

6 But if it's going to be a sale of stock, which
7 is often what you need to do if the business has customer
8 contracts which you want to preserve or licenses or
9 things like that, starts as a stock sale, even worse if
10 it converts to a stock sale from an initial asset
11 transaction.

12 Now the intermediary is a broker. So the SEC
13 issued the no action letter that said it would not
14 recommend enforcement action or -- for violations of the
15 broker-dealer registration provision for sale --
16 transfers of privately held companies to a buyer who will
17 actively operate the company. And so this has really
18 been very good.

19 Congress is considering creating a limited
20 exemption along these same lines from federal broker-
21 dealer registration that would probably have more effect.

22 A number of states have sort of gone in the tailwinds of
23 the SEC, no action letter, and agreed that at least for
24 now they're not going to object either. But all the
25 states are not onboard, and this may be another area that

1 getting pretty close to what broker-dealers do. So we'd
2 have to be careful at that end of the scale. But still
3 it's something that in a limited way I think we could
4 provide assistance to smaller companies and not really
5 hurt investors.

6 There are some things -- and I've mentioned
7 these throughout the presentation that just makes no
8 sense to allow these people to do. They shouldn't hold
9 customer funds or securities. We are talking about
10 private placements, not public deals. Since I think
11 506(c) is -- I guess you can argue whether that's public
12 or private, but most all of the conclusions of people
13 that seriously would like to get something done are
14 willing to restrict the purchasers to accredited
15 investors, although I think that's something we could
16 look at as well.

17 There would need to be as there have been in
18 just about all the new efforts at capital raising, bad
19 actor qualifications, so I think that would be fine. But
20 one of the things that would be important here is there
21 really can't be a question on the form that these finders
22 are going to have to file that asks when did you first
23 start conducting activities in securities, because nobody
24 will register if they have to say they've been doing it
25 for the last year or two. So there has to be some

1 NASAA can provide us some help, Michael, and there is a
2 group looking at that and just last month or April now,
3 so two months ago. And NASAA requested additional
4 comments on its proposed uniform state law in the area.

5 All of that's good. But back to capital
6 formation, which is what we're here now. There's more
7 than one solution possible, everything from exemption to
8 limited regulation, but I think we really need to do it.

9 It's an area where although we'll never eliminate bad
10 guys, there are plenty of advisors out there who are
11 simply trying to help companies and willing to do it and
12 get paid if it's successful, and if it's not successful
13 then they're not getting anything. And that's pretty
14 basic to capitalism in my view.

15 So at the end of the little piece I provided
16 for our meeting, I just laid out some markers that I
17 think can be considered by the staff and FINRA and NASAA
18 as they look at this. So the first thing would be to
19 sort of segment the area and see who is actually doing
20 this, because you actually out there from time to time do
21 have finders, somebody that just says here's my list, and
22 if they invest, pay me X. And that's the end of it.

23 Other people are more involved in structuring
24 an offering, helping the issuer, perhaps being involved
25 in some negotiation and so on and admittedly that's

1 grandfathering.

2 In terms of regulation, I think no action
3 letters are a really good starting place, and the M&A
4 letter is a pretty good model I think for some of these
5 things. There's, under the Investment Advisors Act, a
6 solicitor's rule, Rule 206.43 that allows payment of fees
7 by registered investment advisors to people who provide
8 leads to them essentially.

9 Membership in FINRA or some other self-
10 regulatory organization I think would have to be the
11 case. The SEC back in my day actually had an office for
12 SECO brokers, SEC-only broker-dealers that were not
13 members of the NASD, but that -- it doesn't anymore, and
14 this may not be an area where it makes any sense for the
15 SEC to have to gear up and create a new budget item for
16 its own direct regulation.

17 Written disclosure is really important, and of
18 course who is this person that is helping in the offering
19 and make it clear that he or she or the firm is
20 representing the issuer, have to describe any
21 relationships between them, what the compensation deal is
22 and any other thing like that. And of course this is not
23 an opportunity for people to commit fraud, so the anti-
24 fraud rules and the other applicable federal and state
25 regulation ought to continue to apply.

1 So there's lots of issues about what the
2 regulation could be. Even a small step forward would be
3 of benefit, and I really hope that we will be able to, in
4 my lifetime to coin a phrase, be able to have a finder
5 exemption or regulation, and that will be helpful. But
6 it really won't be all that helpful. It's a good start
7 to allow regulated intermediaries to be able to
8 participate in the structuring of the deal and helping
9 the issuer would be good.

10 The SEC can't do it alone. It requires the
11 states and FINRA, but the Commission is the big dog, and
12 I hope that it will be able with its very full rule-
13 making agenda still be able to take a serious look at
14 this. Thank you.

15 CHAIRMAN GRAHAM: Thank you, Greg. And you
16 mentioned some -- a few statistics at the beginning, and
17 I'll just ask you again. Is there -- to what extent can
18 you quantify kind of capital left on the table because of
19 the absence of this sort of exemption or regulation?

20 MR. YADLEY: I don't really --

21 CHAIRMAN GRAHAM: How big is the problem in
22 other words?

23 MR. YADLEY: I think it's a big problem and I
24 don't have data on that, but there's another aspect of
25 this that I didn't mention that I can't quantify either

1 but I have experienced it. And that is if you're using
2 an unregistered person and you shouldn't have and lo and
3 behold you actually raise money as a small company and
4 you get successful and then you're able to afford lawyers
5 and real broker-dealers and they start looking at your
6 capitalization and what you've done to raise that money
7 and you find out, well, we did this in an exempt Reg D
8 offering and there's no Reg D, there's no documentation.

9 Who helped you do this? So Charlie. Who's
10 Charlie? Oh, Charlie was CEO of this company. Oh, how
11 did he help you? Well, he helped us structure it and he
12 got us a bunch of leads and what a great guy and we
13 didn't have to pay him anything except he sold us stuff.
14 So now you have an issue.

15 And the SEC, of course, looks at this and when
16 it's reviewing registration statements and contingent
17 liabilities and if you've had these issues in your past,
18 these are disclosures, they be rescission offers that are
19 a huge liability, and so there are documented deals and
20 people have written about situations like this where
21 things just can't go forward. But I don't have hard
22 numbers.

23 CHAIRMAN GRAHAM: Thoughts? Charles.

24 MR. BALTIC: Greg, thank you.

25 CHAIRMAN GRAHAM: Are you the Charlie that Greg

1 was --

2 MR. BALTIC: No -- (laughter) -- hope not.

3 MR. YADLEY: He's registered now. (Laughter.)

4 MR. BALTIC: Thanks for the presentation, very
5 comprehensive. I just had a question about the FINRA
6 limited corporate finance broker initiative limited
7 concept that was floated I think that was relatively
8 recently. A couple questions around that. Was that a
9 real reform to solve some problem even though it didn't
10 solve, in your view, this problem?

11 And secondly, wouldn't that have been a golden
12 opportunity to extend and solve this problem? So I'm
13 just wondering without the principal SRO onboard
14 conceptually with this how far it could realistically go.
15 And maybe I'm over-interpreting that, but I just wanted
16 a little context around that process and what maybe
17 really happened there.

18 MR. YADLEY: Yeah, well, first of all, your
19 conclusion is apt. I think that's right. FINRA needs to
20 be onboard because they're the most logical person to do
21 it. And I understand that in a way you're asking them as
22 a self-regulator to do something that may not be any more
23 profitable for them than it is for a regular broker-
24 dealer or a big firm lawyer to help a little company. So
25 -- but if they're the regulator -- self-regulator of an

1 industry and this is part of the comprehensive services
2 to be provided by participants in that industry, I think
3 there ought to be a way to do that.

4 I don't really know what the main thrust of the
5 first initiative was. Maybe John does, but I know that
6 there -- FINRA has been assessing its rules and making
7 other recommendations in areas of other limited activity.
8 They're not treating everybody like Merrill Lynch
9 anymore, but I don't really know.

10 CHAIRMAN GRAHAM: D.J.

11 MR. PAUL: I'll ask a dumb question. Why
12 FINRA? Which is to say why not do it more -- if you're
13 creating kind of a sub-regime that is limited in its
14 activity, we're talking about a finder, so I'm basically
15 going to put buyers and sellers together in a very
16 limited context as defined in this way, maybe limit the
17 amounts, limited to -- essentially why not do it more in
18 RIA model where it doesn't involve FINRA at all? Why not
19 just have a registration with the SEC? Why add that
20 layer? It doesn't sound like FINRA's going to be jumping
21 -- or enthusiastic as you know to do this in the first
22 place.

23 MR. YADLEY: I think that would be okay, and
24 the SEC staff may wish to express some views here, too.
25 It is an apparatus that somebody's going to have to sort

1 of take ownership of, and I'll answer the question, but I
2 think another answer to why FINRA is -- and it doesn't
3 have to be FINRA, it could be somebody else.

4 In the same respect that groups are coalescing
5 to be a crowd funding industry and trade association and
6 best practices governance group or verification of an
7 accredited investor status, even some legitimate company
8 that has a business model says, okay, here's a regulatory
9 scheme, we'll take on membership and we'll talk to the
10 SEC and we'll figure out what they think we should be
11 doing and we'll talk to people in the industry and find
12 out what they think we should be doing, and we'll do it.

13 We'll be whatever -- and whatever the SEC wants to allow
14 them to do they could do.

15 I think the -- an issue with the SEC doing it
16 directly, as I alluded to, is if they take on a
17 regulatory scheme, they have to do something, and I think
18 that's why along the spectrum I think the Commission
19 could -- as we were talking about I think a little bit
20 earlier with Mike, I mean there could be a collaboration
21 with the states and the SEC sort of making it easy and
22 getting out of the way of somebody's doing something.

23 I don't think the SEC can just say, okay, well,
24 we'll take it on and we'll let the enforcement division
25 handle it. I mean I think there would have to be

1 regulation and one of the things that happens with
2 licensed people is they get examined. So that in itself
3 would be an issue here. Would there be annual
4 examinations, or would there just be examinations for a
5 cause? Things like that.

6 MR. PAUL: There are certain professions that
7 seem to be more represented in finders. It's certainly
8 not exhaustive, but attorneys, for example, are
9 oftentimes the ones that are doing the finding. You
10 don't think being a member of a bar is sufficient
11 regulation?

12 MR. YADLEY: Well, there are, you know, action
13 letters where lawyers have asked the SEC, so look, I'm
14 going to be the lawyer and I'm licensed and I can lose my
15 license if I do bad things and I want to help my client,
16 can I get a fee? It's ancillary activity. And the SEC
17 said, no, you look like a broker-dealer to me.

18 MR. GOMEZ: One thing we neglected to
19 introduce, our colleagues from the trading and markets.
20 Heather is the chief counsel in the Division of Trading
21 and Markets, and many of you know Joe and Joann who are
22 also in Office of Chief Counsel in Division of Trading
23 and Markets.

24 CHAIRMAN GRAHAM: Okay. Thank you for that,
25 Sebastian. But I think Greg was really looking for more

1 from you guys. (Laughter.)

2 MR. GOMEZ: I was just hoping that by
3 introducing them, I would deflect from Greg looking at
4 me. (Laughter.) And he would start looking down the
5 line.

6 MS. SEIDEL: It seems to have worked. So these
7 are, as you have noted, issues -- thorny issues,
8 difficult issues that a lot of really smart, good folks
9 have thought about for years in terms of how do we try to
10 balance the competing interests of capital formation,
11 access to capital for small issuers with protection of
12 investors, and you, Greg, alluded to this in terms of a
13 lot of people are in this business trying to do the right
14 thing, but there are folks who are not in the business
15 trying to do the right thing.

16 And so when we think about these issues and we
17 continue to think about these issues, that balance, how
18 do you strike that right balance I think is key. And so
19 it goes to a lot of things in terms of whether you're
20 talking about exemptions or some type of limited
21 regulation and then how to -- clearly the states need to
22 be involved in that conversation as well. It goes
23 through all the issues of if you have some type of
24 limited regulation who's going to be responsible for
25 carrying out that regulation, and that goes to FINRA --

1 is FINRA involved or not.

2 So a lot of really good issues. I don't have
3 any answers here. I think it's -- again, we continue to
4 think through the issues. I think that the bullets that
5 you laid out at the end of your presentation I think are
6 good places to start and -- or continue, not start, in
7 terms of thinking about a regulatory regime. But again,
8 we have sort of the balancing and just as Dave Shillman
9 was talking about with the venture exchanges, right,
10 there's always this balancing of access to capital,
11 capital formation, but wanting to make sure investors are
12 protected. And whatever you do, whatever we allow, make
13 sure that they're protected.

14 And as you know, over the years, the definition
15 of broker in the Exchange Act is very broad, and the
16 Commission and its staff has provided guidance over the
17 years, many, many years in terms of when you trigger that
18 registration requirement and when you don't. And so
19 again it's very fact-specific, and we have made some --
20 you know, as you know to the M&A letter that we did last
21 year. So we have made some progress in terms of trying
22 to address some of the more discreet types of behavior
23 that we think don't trigger in the registration
24 requirements. So I don't know if Joe of Joann want to
25 add anything.

1 CHAIRMAN GRAHAM: Just introduce yourselves and
2 -- Mike.

3 MR. PIECIAK: Thanks, Greg. That was a great
4 presentation. I just had a couple of questions. I
5 wonder if you can elaborate as to -- in relation to the
6 M&A no action letter, how closely the model rule that
7 NASAA's proposed models that and whether there's any sort
8 of major hiccups with what's being proposed that you care
9 to share now.

10 And then I also wonder are the finders that
11 you're talking about -- is this their profession or are
12 these one-off transactions where they get caught up in a
13 transaction every so often?

14 MR. YADLEY: I think these are people who are
15 doing it as a business and it may be a sidelight. But
16 again, it depends on who we want to help and we'd like to
17 help everybody, but who can we reasonably help soon. And
18 so I think finder has a connotation. It's extremely
19 limited, but that would be a step forward. It's
20 interesting, and it just, I think as an aside, is we've
21 talked about general solicitation in the 506 concept.

22 We're gathering data and I'm eager to hear by
23 the end of this fiscal year for the Commission what the
24 statistics will show, but a lot of us out there in the
25 field are still doing 506(b) offerings all the time and

1 not many 506(c), and part of that is that there's a
2 reluctance or a caution at least of many issuers to go
3 out and deal with people they don't know, and we talked
4 about disclosure and access to disclosure.

5 Keith mentioned, well, you're dealing directly
6 with the issuer, and yeah, you can fend for yourself when
7 you know the issuer and the issuer knows you and there's
8 some expectation of honesty. People responding to an
9 email inquiry or somebody like that that you don't know
10 is just difficult.

11 And so I think to that extent even a finder who
12 -- local communities we were talking about 311 earlier,
13 people who belong to the same organizations or work
14 together in business, I mean those are known quantities
15 and from counsel to the issuers' standpoint, those are
16 the investors I'd like to see them have because they'll
17 be more reliable, and you want your client to be honest
18 with these people. So if you're getting honorable
19 investors, now you're halfway there.

20 I don't have any just specific thoughts on the
21 NASAA M&A proposal. I mean I think those -- it looks
22 like there's good cooperation and more cooperation on the
23 way, and so I'm sure we'll get to the right result there.

24 CHAIRMAN GRAHAM: Catherine.

25 MS. MOTT: I bump into some of these folks from

1 time to time, and actually one is a broker-dealer who
2 does an excellent job, I see from time to time raising
3 money for high-tech, high-growth companies. Where I have
4 -- I would like to see more professionalism around this
5 aspect of it for the entrepreneurs. I'll give you a good
6 example. We are looking at a company in the middle of
7 Pennsylvania. So I'm in Pittsburgh on the other side of
8 the state of Philadelphia. Everything in between is
9 called Pennsylvtucky because it's really kind of -- you
10 know, but this is a great little company.

11 This founder has created some interesting
12 technology around the HDAC industry. And we're very
13 intrigued by it. And however it's a really messy
14 structure because of someone who did this, raised money
15 in advance for them, and they were working with a country
16 attorney who was not a securities person and obviously
17 went out and cut and paste and put them some things
18 together. And so we're looking at it going, well, we
19 really can't invest in this because this is really a
20 mess.

21 Had there been some structure around these kind
22 of individuals who do this for these entrepreneurs -- and
23 entrepreneurs that are in these kinds of areas are more
24 desperate for money than they are maybe so in a larger
25 metropolitan area. So -- and not as knowledgeable

1 because they don't have -- in our city we have 18
2 incubators, so you can imagine the kind of support they
3 get. Out in the middle of Lancaster or Carlisle, Pa, I
4 mean it's -- they're not get that.

5 And this is a great company with a great
6 opportunity to create a lot of jobs and make a difference
7 with a brand new technology. But I see the need for this
8 as much as sometimes we in the industry kind of frown on
9 people raising money for -- or getting paid for raising
10 money. I just think that it makes a lot of sense. I can
11 see that in a lot of pockets in the United States where
12 this might be important to the economic engines of those
13 small, little towns of Pennsylvania or I mean the United
14 States. I don't know. That's just my thoughts on that.

15 MR. YADLEY: And if I could just --

16 CHAIRMAN GRAHAM: Go ahead, Greg.

17 MR. YADLEY: You hit on a couple points. One
18 is I think the Angel Capital Association has tried to do
19 is say, okay, you've got money to invest, that's not
20 enough. If you want to be a good investor and really
21 help the company, here's some things to do.

22 And D.J.'s provocative question as he asked,
23 why does it have to be FINRA, it wouldn't have to be. It
24 could be just somebody that says, look, we're going to do
25 this right and make it happen. And then at the end of

1 the day as this committee has talked about with crowd
 2 funding and other issues, the whole goal is to help the
 3 company not screw it up at the beginning so that it can
 4 go through the system and be successful all the way
 5 along. So that's promising.

6 CHAIRMAN GRAHAM: John and then Sara.

7 MR. BORER: Being in the broker-dealer
 8 business, obviously I've got a bias towards people using
 9 broker-dealers to help them raise money. But many, many
 10 times I've seen -- and this was mentioned -- broker-
 11 dealer doesn't want to get involved. But oftentimes the
 12 legacy problem -- and Catherine just -- is we come to a
 13 company that we really like but they did a lot of this
 14 haphazard stuff and maybe they did it perfectly, but
 15 there's a lot of ambiguity in what takes place.

16 And more than once I've run into one of these
 17 finders in those contexts that say, yes, I only did it
 18 once and I've done it five times now that way. And
 19 they'll do it once more. And clarifying the issue so
 20 that we who may have to pick up the pieces on the cap
 21 table and figure out how to go forward without having to
 22 worry about, okay, they're not going to go do this
 23 offering but all these people have rescission rights
 24 maybe. Can you get an opinion letter on that? And it's
 25 almost impossible to clean up that mess.

1 CHAIRMAN GRAHAM: Sara.

2 MS. HANKS: Well, actually, what I was going
 3 say actually builds on the last three comments, which is
 4 this isn't just a matter of investor protection which of
 5 course is really important but entrepreneur protection.
 6 And to the extent I live in the online investment
 7 platform world, we are seeing a lot, and I know that the
 8 guys at Trading and Markets, I am always bending their
 9 ear about some damn thing or other and really appreciate
 10 their responsiveness.

11 But to the extents you have a gray area and you
 12 have no hundreds, hundreds of small companies going
 13 through online platforms, some of whom, just a few, have
 14 uncertain regulatory status, now you're just churning our
 15 more and more rescission offer potential every day. So
 16 it is an area where there's some clarity needed. Thanks.

17 CHAIRMAN GRAHAM: John.

18 MR. HEMPILL: Yeah. And I appreciate having
 19 all you folks down here, and it's great to have this body
 20 that really knows this stuff. My question for you is the
 21 M&A letter was great. But for me it was kind of like
 22 saying that wineries during Prohibition could make
 23 sacramental wine. It's kind of a limited thing. And
 24 that really -- that -- and it doesn't really come up that
 25 often in what I do, and I see finders all the time.

1 And the first question my clients ask me is:
 2 Okay, so what's the problem? How do you structure around
 3 it? So it's like you come up with -- and you say there's
 4 really no way to do it. So I would like -- I would love
 5 to have regulatory structure in place for these guys,
 6 because I think -- I don't know, Sara, I mean maybe
 7 you've seen this more than me, but I think a lot of them
 8 really would want to comply with it but it's just too
 9 much of a pain to be a broker-dealer. And especially
 10 given the compensation that they're getting.

11 So I'm just wondering are there any -- I mean
 12 are you guys actively pursuing any particular activities
 13 in this area right now? I mean is there like a -- is
 14 there something like the M&A letter like that's coming
 15 down the pike? Are you thinking about this? Or is this
 16 not really on your radar screen right now?

17 MS. SEIDEL: So obviously we can't answer
 18 specific -- these --

19 MR. HEMPILL: Yes. Yes, I know.

20 MS. SEIDEL: Yeah. So these issues are issues
 21 that we're clearly aware of and we continue to think
 22 about as I noted before in terms of this has been very
 23 helpful to hear the comments, to hear the thoughts, but
 24 again, it's a difficult area when you think about what we
 25 might do in terms of if you have people engaging in

1 activity that falls within what a broker is under the
 2 statute and then you start thinking about some type of
 3 different regulatory category for them other than full-
 4 blown broker-dealer registration and regulation, you
 5 start getting into lots of questions about there would be
 6 a cost to whatever that regulation, whatever that
 7 category is and whether it's a lesser cost there's still
 8 a cost, and then what should apply, what should not
 9 apply.

10 Again, it's this balancing of investor
 11 protections with wanting to ensure that there's access to
 12 capital. So these are very difficult issues in term of
 13 practicality. Right? And then if there -- if people are
 14 engaging in something that doesn't trigger broker
 15 registration, we have spoken in some areas, given no
 16 action relief in terms of that, but it's very fact-
 17 specific.

18 And so in terms of thinking about how might you
 19 take something that's very fact-specific and make it
 20 broader -- of a broader applicability, that also is
 21 difficult. You don't want to go too broadly
 22 inadvertently and end up in a situation where you have
 23 concern about investor protections. So --

24 CHAIRMAN GRAHAM: Okay. Sonia.

25 MS. LUNA: My comments are really more coming

1 from an observation of a conference at -- it's called LD
2 Micro. It's the invitational, and it started June 1st
3 and today is actually the last day of that conference.
4 And I sat through several presentations on June 1st and a
5 few in the morning on June 2nd. And the observation was
6 that several of the companies kept stating that they had
7 a clean cap table. Right?

8 So I think they wanted -- this forum, LD Micro
9 Invitational, is more for accredited investors, and I
10 think that when I kept hearing it I didn't understand the
11 context, like why is that such a big deal, talk about
12 your story, tell me about the technology, how are
13 investors going to get more money out of the company. So
14 again, I'm trying to kind of wrap my head about a no
15 action letter.

16 Isn't there something the SEC can do to kind of
17 for these finders if it's a limited set of transactions
18 you can kind of put a little -- some thought into helping
19 these smaller companies find good individuals, but not
20 overregulate. So again, my comment is more from an
21 observation. I kept asking: Well, why do they have to
22 disclose this or why do they have to explain it? It
23 would just seem intuitive just to tell your story, tell
24 me the current numbers, et cetera.

25 CHAIRMAN GRAHAM: Greg, do you have a

1 recommendation?

2 MR. YADLEY: I would -- I think that the forum
3 recommendation is as good as any. I noted one of the
4 ones that the forum recommended in 2009 which didn't have
5 a comma for seven lines and it had a lot of bells and
6 whistles to it -- (laughter) -- last couple years has
7 been I think pretty clearly what some of the last people
8 have said is: SEC, please take the lead and work with
9 FINRA and the states to come up with something.

10 I mean I think the outlines of it -- and I
11 think Heather raises a real issue. I mean there are some
12 legal issues, but it also becomes small political in
13 terms of how you do this. But it does sound as if
14 there's a pretty wide consensus that even in a diverse
15 group such as this it's an issue that's rising on
16 people's radar and it hasn't gone away in 25 years. So
17 if we can do something about it --

18 CHAIRMAN GRAHAM: Well, it seems to me that it
19 is a real issue. We're dealing with a sector that we
20 talked about, and you have this issue where people would
21 like to be involved but because of the ambiguity, because
22 of the uncertainty they don't get involved, and so you
23 have -- you don't have legitimate broker-dealers kind of
24 filling that space.

25 And then you have people that are -- maybe have

1 a little bit shortened integrity that kind of step into
2 that vacuum. That doesn't help anyone. And then we
3 mentioned several examples of kind of the rescission
4 situation that you kind of fall into because there's no
5 one there that is helping to guide the process at that
6 level. And yes, there are issues, but that's no reason
7 kind of walk away from this whole area because resolution
8 might be difficult.

9 So it seems to me that essentially, at least
10 what I would like to see is that we essentially recommend
11 to the SEC to take the lead in working with the others
12 involved to come up with a way to kind of legitimize this
13 profession, if you will, through probably a combination
14 of exemption and regulation. It's -- I think that -- I
15 mean my sense is that this would certainly help to
16 facilitate in a significant way capital formation for
17 companies at that level.

18 So I think that that essential recommendation
19 plus your points at the end of your piece would serve as
20 a recommendation.

21 MR. YADLEY: I'd be happy to put that forward
22 as a recommendation.

23 CHAIRMAN GRAHAM: Okay.

24 MR. PAUL: I know we're running out of time --

25 PARTICIPANT: Mic.

1 MR. PAUL: Sorry. I know we're running out of
2 time, and I, too, have a train to catch, but I would like
3 to humbly suggest that we postpone formalizing any
4 recommendations and pick this up at another time when we
5 have a little bit more leeway to discuss it and put some
6 shape around some of the exemptions that you've alluded
7 to. I would just point out -- and I think everybody
8 knows it, but I want to hit this as hard as possible --
9 this is already happening.

10 What we're trying to do is trying to find a way
11 to either regulate or quantify or make -- it's happening
12 all the time. So it's not a matter of us like creating a
13 facility for some sort of new thing. It's existing, it's
14 in a gray area, and in most instances not a gray area at
15 all; it's actually just not allowed.

16 So I would rather have more concrete
17 recommendations to make to the SEC, to the Commission
18 than simply like the broad thing like we recommend that
19 you consider it even further. Do I need to make a motion
20 to that --

21 CHAIRMAN GRAHAM: No, not at all, not at all.
22 Fair point. And I think that we'd probably get to that
23 place, because the idea is, as you suggested, is to draw
24 things into sharper focus so that we are making a
25 recommendation that is concrete. So let's start that

1 process, and then we can pick it up at our telephone
2 conference, and we'll see how much progress we can make
3 between now and then. And if not, then it's back on the
4 agenda in September.

5 Okay, well, there are planes to catch and
6 trains to catch, and it's been a long day, but I think
7 it's been productive, and I thank you all for
8 participating.

9 (Whereupon, at 3:38 p.m., the meeting was
10 adjourned.)

11 * * * * *

12
13
14
15
16
17
18
19
20
21
22
23
24
25

1 PROOFREADER'S CERTIFICATE

2
3 In The Matter of: ADVISORY COMMITTEE MEETING ON SMALL
4 AND EMERGING COMPANIES

5 File Number: OS-0603

6 Date: June 3, 2015

7 Location: Washington, D.C.

8
9 This is to certify that I, Nicholas Wagner,
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 record and
13 that this is the original, complete, true and accurate
14 transcript that has been compared to the reporting or
15 recording accomplished at the hearing.

16
17 _____

18 (Proofreader's Name) (Date)

19
20
21
22
23
24
25

A				
A-plus 115:3	72:15	144:22 153:9	adjourned	158:13 178:4
a.m 1:12	accomplished	153:10,14,16	178:10	aggregate 81:23
ABA 37:20	179:15	154:13,14,23	adjusted 45:25	97:2 127:17
148:22	account 20:19	157:2 163:12	adjustment 24:9	151:23
Abero 3:6 12:5	133:7,7	166:6 173:16	adjustments 6:2	aggregated
ability 106:22	accountants	174:15	Administrators	127:15
118:19 127:1,7	19:1 59:23,25	active 82:3,7	92:1	ago 8:18,24
136:12 138:8	60:3	117:4,6 118:9	admit 30:22	12:23 52:6
139:25 140:4	accounts 152:21	actively 18:6	53:22	59:20 75:13
147:17	accredited 92:10	84:9 154:17	admittedly	77:16 123:22
able 63:5 74:17	136:6,8,11,12	172:12	119:19 155:25	153:9 155:3
99:15 122:24	136:17,19,20	activities 149:17	adopt 111:7,8	agree 30:3 33:14
130:3,5 133:6	137:10,15,24	152:16 156:23	adopted 7:21,24	105:24 112:15
133:8,24	138:8 146:11	172:12	8:23 146:14	agreeable
147:12 150:2	149:22 151:17	activity 90:22	adoption 27:12	152:11
152:20 158:3,4	153:5 156:14	161:7,14	advance 8:3	agreed 6:14
158:7,12,13	162:7 174:9	163:16 173:1	29:12 168:15	139:5 154:23
159:4	accumulated	actor 156:19	advantage 79:24	ahead 169:16
absence 158:19	136:8	actual 22:17	82:15,16 85:11	aid 146:18
absolute 61:15	accurate 179:13	26:19	99:23	AIG 24:18
absolutely 69:25	achieve 41:3	acute 122:11	advantages	ain't 70:16
102:14 116:2	43:12,20	add 38:23 41:19	119:8	albeit 136:10
148:11	119:11 121:21	42:17 51:11	advise 102:3	aligned 45:19
absolutes 47:22	135:24 139:9	55:6 75:5	advising 152:17	allotting 21:25
absorb 24:2	139:10,11	77:20,24	advisors 143:15	allow 11:7 86:2
absorbed 23:20	152:8	161:19 165:25	150:20 155:10	86:18 87:21
abuse 58:21	achieved 152:12	adding 66:21	157:5,7	88:23 95:13,14
abuses 56:20	acquired 17:15	113:11	advisory 1:7 5:7	95:15 106:12
126:17	acronym 79:11	addition 98:14	150:13 151:11	135:17 151:15
accelerated	79:17 92:2	98:19	179:3	152:15 156:8
50:11,18 51:7	acronyms	additional 7:24	advocate 57:2	158:7 162:13
accepting	115:14	18:15 41:8	advocated	165:12
133:12 145:8	act 4:11 8:5,5,8	42:14 43:15	114:17	allowed 55:18
accepting/wel...	8:20 9:6 18:14	49:19 50:8	affect 60:2	138:1 143:7
20:10	22:14 24:23	81:3 89:1,4	affiliates 137:3	150:9 177:15
access 19:14	25:1 26:24	106:17 155:3	affirm 179:10	allowing 38:25
27:8 40:3 69:6	28:1,9,10,13	address 12:1	affirmative	53:12 78:18
119:6 137:25	29:1 30:3	18:18 21:4	130:6	96:8 120:15
138:15,16,17	34:16 35:22	62:15 74:22	afford 159:4	122:7,17
138:18 164:11	38:19,24 39:14	104:9 105:8	afield 67:3	allows 19:4 98:6
165:10 167:4	52:22 54:4,13	138:22 165:22	afoul 85:19	157:6
173:11	54:15 55:12	addressed 68:21	afternoon 62:22	alluded 9:19
accessed 119:11	72:24 73:1,10	91:10 99:21	afterthought	162:16 164:12
accessible 16:15	74:5,9 95:6,7	151:13	112:14	177:6
19:20 119:17	130:20,22,24	addresses 14:18	age 84:7,8	alongside
accommodate	131:4,5 149:25	addressing	agency 153:7	127:10
6:3	157:5 165:15	41:12	agenda 5:8 7:17	alternative
accommodati...	acting 148:3	adequate 137:20	9:17 10:4 16:5	100:1 108:18
	action 75:3	adjourn 113:20	29:17 57:5	109:1 117:5

118:25 122:19 147:25 alternatives 108:16 110:20 114:5 altogether 104:13 amazed 41:14 ambassador 107:24 ambiguity 170:15 175:21 amended 113:16 America 76:6 91:25 106:22 107:20 108:6 American 92:1 131:25 152:6 amount 20:3 61:10,11,11 73:5 95:16 97:2 99:16,21 amounts 145:22 149:22 151:18 151:23 161:17 AMX 120:14 analogy 61:25 analysis 53:8,11 53:13 66:24 67:16 68:3,8 116:14 analysts 44:4 analyzing 122:9 ancillary 163:16 and/or 129:3 anecdotes 51:19 Angel 169:18 Angeles 49:5 Angels 146:2,4,6 146:15 angle 140:8 Anka 144:22,25 annoyance 101:9 102:12 annual 26:9,13 38:17 64:7 67:20 75:6,20 75:21 163:3 answer 25:9	31:4 41:19 66:12 87:15 94:15 96:23 97:5,6 116:12 138:6 162:1,2 172:17 answers 165:3 anti- 157:23 anybody 27:17 30:21 137:4 139:6 140:23 144:11 anymore 111:12 157:13 161:9 anyway 62:15 80:6 136:25 apart 64:3 apologize 29:11 153:12 apparatus 161:25 appetite 94:4 applaud 60:7 applauded 76:10 applicability 173:20 applicable 38:7 46:8 72:24 93:19 157:24 applied 50:6 92:16 applies 119:21 152:24 apply 54:15 157:25 173:8,9 appreciate 7:17 10:12,19,20 29:13 51:18 53:6 62:17 171:9,18 approach 17:12 29:3 67:17,23 87:3,4 88:22 114:22 appropriate 16:24 87:19 134:11 approve 117:17	approved 117:10,16 118:4 128:19 128:20,21 approximately 29:22,25 30:1 32:15 April 155:2 apropos 137:9 apt 160:19 area 10:1 14:20 14:20 16:19 19:10,24,24 59:1,21 74:16 87:5 115:24 116:3 117:7 118:14 122:10 122:10 135:10 148:22 150:13 151:13 153:9 154:25 155:4,9 155:19 157:14 168:25 171:11 171:16 172:13 172:24 176:7 177:14 areas 14:13 15:1 17:22 18:5,11 21:3 35:7 36:19 37:7 49:22 54:5 146:7 161:7 168:23 173:15 arena 82:6 argue 156:11 argued 115:1 arguments 121:11 arrangements 150:5 array 25:10 article 82:4 148:23 Articulate 83:20 aside 15:18 18:21 137:1 166:20 asked 7:1 30:20 30:24 31:5	33:1,4 60:1 75:15 91:15 115:5 118:1 143:10 163:13 169:22 asking 15:8 160:21 174:21 asks 156:22 aspect 41:15 55:12 58:1 68:17 89:22 158:24 168:5 aspects 9:14 38:14 92:8 assess 140:17 assessing 161:6 asset 154:10 assets 84:18 106:2 153:1 154:4 assist 147:12 assistance 156:4 assisting 148:4 associate 12:8 13:4 115:20 associated 47:19 65:12 associates 69:24 association 92:2 152:6 162:5 169:18 assume 5:3 22:20 47:4,6 140:20 assurance 85:18 assure 33:15 Atlanta 48:12 71:22 ATS 114:23 115:1,2,9 120:20 ATs 114:5 116:23 117:3,6 120:23 131:4,6 135:4,7 attached 179:11 attachments 27:16,19 38:12 attempt 22:19	attempting 87:1 87:3 attend 58:8 attention 54:3 141:4 attestation 27:11 attorney 71:8 168:16 attorneys 48:6 71:16 101:21 163:8 attract 118:10 127:4 141:6 attracting 125:15 127:11 attractive 125:23 127:20 attuned 126:18 auction 129:13 auctions 123:12 123:15 127:9 129:1,10 audience 65:4 65:11 66:8 audit 26:4 31:19 50:11,17 51:3 51:14 58:24 71:8,10 audited 25:16 30:10 81:14 95:13,15 147:11 auditing 51:2,13 auditor 27:8,11 50:20 auditors 26:3 31:10,13,14,21 31:22 48:6 49:19 50:13,22 71:16 august 150:15 authority 49:12 103:18 104:5 124:2,10 authors 28:1 automatically 102:24 available 18:2
---	---	--	--	---

26:25 72:13,16 121:4 137:17 138:19 143:17 144:11 146:14 avenue 10:9,9 24:25 90:18 avenues 8:15 27:25 average 26:9,18 28:19 39:17 81:13 140:21 averaging 30:1 avoid 103:7 aware 134:21 146:5 148:7 172:21 awful 147:22 awfully 93:15 eyes 111:14 113:17	164:17,18 balanced 40:6 41:24 60:13 balancing 14:2 165:8,10 173:10 Baltic 2:5 34:4 64:15 66:21 67:10 100:10 100:14,17,20 101:6 108:14 111:8 159:24 160:2,4 bank 75:14 banking 34:12 74:24 76:2 114:15 banks 76:5 107:3 bar 152:6 163:10 base 34:19,21 45:17 47:9 49:14 based 16:10 45:18 47:7 55:13 64:1 68:12 80:21 81:10 87:5 90:23 91:18 109:4 baseline 58:11 basic 18:20 70:20 117:17 139:18 150:4 152:5 155:14 basically 61:24 70:16 86:1 122:5 161:14 basis 36:4 39:23 40:4,25 46:4 68:22,23,25 69:22 80:12 86:13 97:15 140:4 142:11 batch 123:12,15 127:9 128:9 129:1,10 134:25	Bay 144:23 bearing 102:21 beat 144:24 becoming 118:7 bedrock 35:17 beginning 39:13 39:15 104:19 143:17 158:16 170:3 begun 24:24 behalf 78:19 106:20 147:9 behave 56:5,6 behavior 24:9 29:1 165:22 behold 159:3 believe 6:8 7:23 14:5 24:6 27:1 32:6,21 38:22 40:14 80:24 94:1 144:7 bells 175:5 belong 167:13 Ben 79:23 benchmarks 152:11 bending 171:8 beneficial 35:9 37:4 beneficiaries 34:16 benefit 9:9 14:2 26:16 34:2,24 53:12 74:17 131:10 132:20 158:3 benefits 19:10 19:22 40:2,3,8 100:20 120:22 121:21 benefitting 34:18 BERNIE 79:13 best 80:7 91:19 104:9,10 107:7 107:11 119:7 119:10,11 121:3 150:13 162:6	better 6:3 68:7 70:4,8 91:11 91:23 97:12 98:8 99:6 107:1 115:15 118:3 119:17 121:5,7,25 122:16,24 123:3 126:13 142:14,15 beyond 19:1 42:16 60:23 88:14 91:24 bias 132:23 133:5,13 170:8 big 18:25 31:23 34:10,10 35:2 46:24 54:7 56:22 58:7 62:6,19 107:22 109:12 146:22 149:10 158:11 158:21,23 160:24 174:11 bigger 62:14 92:4 107:3,4 biggest 34:16 bill 89:19 billion 25:5,8 74:5 141:10 billions 107:11 biopharma 39:15 biotech 50:9 64:20 biotechnology 34:13 39:10,13 bit 13:12,18 14:25 29:19 42:23 60:23 61:23 68:10 79:19 84:3 88:16 135:5 144:2 162:19 176:1 177:5 bite 54:8 145:13 blamed 31:14 Bloomberg 47:2 blow 84:12	blown 173:4 blue 79:9 81:1 board 29:25 48:17 58:8 boards 56:21 Bob 109:11 Bochnowski 2:6 74:22 112:13 113:5 body 171:19 bono 16:2 books 82:10 Borer 2:7 51:17 51:17 130:9 131:24 132:3 132:22 170:7 Boston 87:8 bottom 107:2 131:19 bought 105:19 153:19 boundaries 94:8 94:9 box 70:2 box-checking 45:6 boxes 52:18 75:24 boys 150:1 brainstorm 87:25 brand 169:7 break 64:3 111:18 120:12 breakdown 89:20 breed 91:20 breweries 80:13 82:18 brewery 80:9,10 83:6 brief 7:18 12:16 87:13 briefing 13:2 114:2 briefly 116:5 bring 11:23 91:9 119:5,9 broad 9:23
<hr/> B <hr/>				
baby 53:13 80:7 back 12:12,24 13:22 17:4 33:22 39:23 41:13 48:1,13 48:19 49:14,15 55:20 64:16,16 66:7 69:11 75:22 77:14 79:19 80:16 102:1 113:2 121:23 122:5 133:20 138:23 139:18 145:2 150:15 155:5 157:11 178:3 backed 145:7 background 130:19 150:4 bad 62:12,24 125:1 131:23 150:1,1 155:9 156:18 163:15 balance 23:2 40:22 56:16 121:19 126:13 140:17 164:10				

14:20 15:3	48:1	businesses 36:5	116:22 117:5	carrying 164:25
24:5 77:22	building 23:10	57:25 80:13,18	117:14,24	case 23:22 76:1
116:21 165:15	83:4,4	82:22,22,25	118:17 120:6	79:9 102:18
177:18	builds 171:3	84:22 92:25	120:11 121:14	122:23 144:6
broader 14:22	bullets 165:4	95:21 96:2	121:17,25,25	144:21,24
37:8 117:2	bump 167:25	97:10 106:21	122:6,20 124:9	153:21 154:4
173:20,20	bunch 12:1	107:20 154:4	124:14 125:16	157:11
broadly 16:11	159:12	buy 30:17 32:17	126:25 127:2	cases 18:3 46:20
21:10 68:25	burden 14:3	75:4 83:4,4	131:11,15,17	48:24 130:23
118:17 120:6	16:23 22:11	105:4 128:15	131:20 134:12	133:17,18
129:23 173:21	23:5,18 24:17	133:4 134:2	134:15,16	cash 23:6,7 42:4
broke 70:16	37:11,23 39:2	135:18 137:4	170:20 174:7	42:5
broken 94:21	54:23 65:6,7,9	buyer 137:17	capital 5:24 7:25	Catamount 80:9
broker 145:11	66:15	138:20 154:16	8:2 22:4,7 23:4	catastrophic
152:14,20	burdens 21:1	buyers 136:17	23:9 28:2 36:3	24:17
153:10 154:12	27:3 36:1,7	161:15	37:18 39:7	catch 62:1 177:2
160:6 165:15	40:10 120:22	BX 117:12 118:6	40:1,12,12	178:5,6
173:1,14	burdensome	118:8 120:1	56:11 64:22	categories 83:7
broker's 151:20	5:13 21:4,17		74:3,11,16	133:4
broker- 133:10	30:16 67:6	C	79:3,4 87:4	category 75:9
144:5 147:14	105:21	C 2:18 4:1 5:1	88:5 106:23	173:3,7
150:6 154:20	business 6:22	calculate 84:21	107:3,12,24	Catherine 2:15
160:23 170:10	7:19 12:5,20	109:4	109:25 126:8	56:1 167:24
broker-dealer	15:15 28:23	calisthenics	143:3 144:12	170:12
7:6 10:5 90:20	31:18 32:2	93:11	145:21,21	caught 24:14,19
115:1,8 143:6	37:19,21 42:8	call 4:4 14:14	146:17 149:17	25:10 74:25
147:20,24	44:25 46:22	30:13 50:8	151:1,6,16	166:12
154:15 163:17	47:4 51:13	75:10 109:8,9	152:17 155:5	cause 163:5
168:1 170:7	52:15 54:22,25	called 49:15	156:18 158:18	causes 153:25
172:9 173:4	66:22 71:25	51:2 79:10	164:10,11	caution 167:2
broker-dealers	76:6 80:10	80:8 149:12	165:10,11	CD&A 31:6
119:1 140:11	82:20 84:17,18	153:10,21	169:18 173:12	72:25 73:2
144:9,10	84:22 85:9,10	168:9 174:1	176:16	center 37:18
146:18 147:1	87:20,21,22	calling 79:13	capital-intensi...	70:11
147:12,25	95:23 97:14	calls 58:23	36:2 39:22	centers 88:10
148:23 150:7	102:17 104:14	Canada 92:3	capitalism	119:6 146:16
156:1 157:12	106:1,5 108:6	Canadian 91:25	155:14	centrally 119:15
159:5 170:9	108:16 109:20	cancer 62:1,3	capitalization	CEO 22:24
175:23	118:13 133:20	cancer-preven...	159:6	159:10
brokerage 53:2	139:2 142:3	62:2	caps 141:1	CEOs 21:13
brokers 121:4	143:2,14	cap 23:13 25:9	146:24	27:10 49:6
149:16 151:15	144:15 145:14	28:16,18 29:23	captures 6:8	certain 17:18
152:7 154:1,2	148:13,25	32:13 36:10	care 44:16 62:9	25:1,3 38:3
154:2 157:12	150:13 151:1,5	37:24 38:19	77:10,11 134:1	57:2 67:18
brought 80:3	153:19,22,25	55:9 74:7,24	166:8	75:17 83:18
85:14 96:24	154:2,7 162:8	80:2 81:15,18	career 63:9	92:11 127:15
brush 24:5	164:13,14	81:22,23 99:8	careful 156:2	136:1 149:19
budget 157:15	166:15 167:14	99:11 106:15	Carlisle 169:3	150:4 163:6
Buffett 47:24	170:8	107:18 114:20	carries 113:20	certainly 18:25

44:18 54:5 58:12 59:20 60:9,20 68:18 69:19 72:22 76:11 77:3 88:6,7 92:21 98:23 99:22 105:14 114:7,9 120:24 123:17 134:10 141:12 142:6 143:15 144:7 145:11 145:15 146:1 153:2 163:7 176:15 CERTIFICATE 179:1 certify 179:9 cetera 26:15 32:11 47:18 174:24 CFO 22:23 30:5 Chace 2:8 40:24 43:7,17 44:18 47:2 139:18 140:7,19 141:8 chain 46:13 chair 2:23 4:5 7:8,14 10:17 10:21 12:2 34:5 35:10 93:14 108:2 112:16 CHAIRMAN 109:7 110:9,11 110:14,16,23 111:1,4,10,12 111:15,17,23 112:10 113:1,6 113:14,25 124:21 125:3,8 125:11,13 126:20 128:1 130:8 134:23 139:17 158:15 158:21 159:23 159:25 161:10 163:24 166:1 167:24 169:16	170:6 171:1,17 173:24 174:25 175:18 176:23 177:21 challenge 61:1 125:15 143:16 challenges 8:19 challenging 24:11 Chamber 37:18 chambers 89:19 chance 142:22 Chang 2:9 61:18 change 26:23 43:3 60:4 61:21 62:13 67:22 69:3 108:3 139:22 changed 9:15 51:13 52:17 63:12 68:5 69:7 85:16 changes 19:10 31:12 45:9 51:25 64:10 105:16 114:21 120:4 146:12 changing 68:6 character 100:15 charge 23:1 79:1 151:8 Charles 2:5 21:16 34:2 40:20 50:4 53:3 64:14 66:19 76:12 100:9 108:13 133:7 159:23 Charlie 159:9,10 159:10,25 chart 44:19 charter 113:3 charts 70:7 check 70:2 checking 52:18 75:24 checklist 69:24 checkmark-type	42:21 chew 54:8 chief 163:20,22 choice 100:18,21 101:11 Chorus 111:14 113:17 chose 33:17 Chris 7:16 29:8 29:15 33:23 34:1 57:24 146:21 Christine 2:4 12:13 21:11 36:6 38:18 43:9 69:18 Christine's 70:25,25 73:13 chronological 64:1 churning 171:14 circle 64:16 circles 136:2 circulated 76:23 circumstances 17:18 cited 25:1 city 98:10 169:1 claims 102:8 clarify 115:5 clarifying 170:19 clarity 85:18 171:16 class 28:11,23 147:14 149:24 classes 34:23 classically 34:14 clause 103:1 clean 43:18 170:25 174:7 clear 36:12 40:1 128:7 152:12 157:19 clearance 134:8 clearest 85:9 clearing 133:10 133:17 clearly 10:1 35:7	64:12 66:7 94:20 102:20 124:24 164:21 172:21 175:7 client 31:23 49:14 50:9 51:11 58:7,12 163:15 167:17 clients 31:21 58:24 59:8 102:3 172:1 clinical 64:23 close 5:20 98:11 156:1 closely 166:6 Club 145:1 co-chair 2:3,4 5:2,5 7:11 10:15 11:11 12:18 21:8,22 21:23,24 33:24 33:25 40:20 43:13 44:11 46:25 47:8 48:4,25 51:15 55:25 57:15 61:4 62:17 63:13,16 64:14 66:18 67:14 69:14 70:21 71:20 72:3 73:25 74:19 76:16 78:5 88:2,25 89:3,7 89:10,14 91:1 91:13 92:7 94:13,19 97:17 100:9 101:24 104:24 105:13 106:17 108:10 149:1 Co-Chairs 4:4 co-opt 93:12 coalescing 162:4 Coast 136:2 coasts 146:16 cognizant 93:13 coin 158:4 coincide 14:22	26:24 coined 118:21 collaboration 98:17 162:20 collapse 22:12 114:15 colleagues 50:25 80:17 135:22 163:19 collected 140:15 collecting 140:14 141:13 color 45:4 81:5 135:5 Columbia 80:25 82:7 column 30:12 columns 52:15 combination 176:13 come 10:18 42:20 48:19 64:12 65:2,5 65:17 70:17 82:4 91:22 92:9 94:17 95:19 98:4 109:22 114:8 131:13 134:3 151:10 170:12 171:24 172:3 175:9 176:12 comes 23:7 75:3 91:4 95:2 103:10 117:7 comfortable 32:22 90:7 95:17 96:1,4,8 96:20 coming 11:22 16:7 48:13 55:20 92:17 131:8,14 132:5 132:5,6,7,9 172:14 173:25 comma 175:5 commend 153:7 comment 20:4,4 20:10,16 21:9
---	--	---	---	---

27:7 37:5,16 40:22 47:15,22 48:1,13,14 49:2 50:7 59:25 62:16 65:20,21 89:20 105:24 106:8 106:19 134:3 134:24 141:16 152:14 174:20 commented 56:3 commenters 20:6 comments 7:18 21:2,5 29:9,18 31:25 39:25 44:5 51:18,20 53:6,11 65:20 70:22 73:12 76:11,17 78:2 109:8 111:12 113:15 124:21 141:17,17 155:4 171:3 172:23 173:25 commerce 37:18 103:1,15 commercial 36:8 commission 1:1 1:23 7:21 11:20 13:17 14:22 17:10 20:14,20 36:12 37:7 38:2 40:16 49:22 55:24 57:19 68:20 73:8 78:8,13 98:20 103:18 104:5 107:1 112:3 114:10 116:17 117:10 122:4 122:11 124:1 124:10 128:20 129:3 134:13 142:5 145:5,10 145:12 149:9 151:4 152:8 153:16 158:11	162:18 165:16 166:23 177:17 179:12 Commission's 9:25 29:13 58:4 Commissioner 2:24,25 7:9,10 7:12 10:15,16 12:15 15:23 16:1 97:17,18 commissioners 2:22 4:6 34:5 78:17 commissions 140:10 commit 62:10 157:23 committee 1:7 2:2 4:8,10,14 4:16 5:7 6:9 7:22 8:10 9:17 10:13 12:21 13:1,10 21:12 29:15 32:2 34:5 38:1 40:22 50:12 53:9 61:2 76:23 78:15,17 87:18 88:4 93:22 112:19 115:11 146:3 149:1 150:13 150:15 151:11 170:1 179:3 committing 110:13 common 11:4 29:2 61:24 62:7 116:8,15 124:16 commonly 128:13 commonplace 135:1 communicate 44:2 communication 43:10 48:7	communicatio... 44:4 communities 167:12 community 74:24 76:2,5 82:25 83:2 108:6 comp 27:11 31:6 31:8,8 45:15 45:17 73:1,1 78:1 companies 1:8 5:8,15 7:4 8:1 9:22 11:25 14:8,21 16:12 16:14,23 17:6 17:8,15,17 18:23 19:8 21:14,18 22:11 23:4,5,7,13,15 23:16,19,21 24:4,5,8,8,13 24:15,16,19,22 24:23,25 25:2 25:5,7,10,13 25:21,25 27:1 27:5,13,14,21 28:3,4,7,14,15 28:18,21,25 29:4 30:4 32:3 32:13 33:8,15 34:9,11,13,14 34:15,17,20,23 34:24 35:3,6 35:14 36:2,7 36:10,14 37:10 37:24 38:4,8,8 38:14,16,20,21 38:25 39:4,16 39:22,24 40:9 40:13 42:6,12 43:1,5,10 44:2 44:13 45:1,6 45:10 46:7,11 46:14 47:11 49:7,14 53:12 54:23 55:8,10 55:15 56:4,5	56:12,14,14,21 57:11,12,22,23 63:7 64:18,19 65:3,18 66:1 68:15 69:20 70:5,10 72:7 72:10,16,17,25 73:3,5 74:3 79:22 80:7 82:15,16 83:8 85:1 88:5,8,9 114:7 126:8 127:2 130:17 130:21,22 132:24,25 133:18,23,25 134:6 144:12 145:20 146:8 146:10,18,21 147:17 148:5 148:18 149:5 149:23 152:17 154:16 155:11 156:4 168:3 171:12 174:6 174:19 176:17 179:4 companies' 59:7 company 4:8 5:13 9:18,21 12:14,20 17:3 23:18,22,25 25:8 26:1,5,7 26:14 27:23 28:12 29:20 30:5,9 32:5,7 32:17,22,23 33:11,16,17,18 38:6,15 41:3,6 41:18,23 42:1 43:20,24 44:1 44:23,24 46:9 49:24 50:3,8 51:9,23 52:1 52:10 54:12,18 54:19,20 55:8 55:10,16 56:25 57:2 59:2,12 59:15 60:24	62:9 63:4,7,23 64:4,8 67:24 69:7 70:15,20 71:2 73:13,15 73:24 74:23 75:1 80:8 85:6 100:18 101:11 108:22,22 114:17 131:5 137:4 143:8,18 147:2 148:4,15 149:7 154:17 159:3,10 160:24 162:7 168:6,10 169:5 169:21 170:3 170:13 174:13 company's 66:22 74:2 comparable 143:24 comparative 50:1 compare 107:5 compared 57:22 72:16 179:14 comparing 67:20 compensated 45:25 149:7 compensation 27:11 59:1,5 90:15,23 136:4 145:9 150:5 151:20 157:21 172:10 compete 127:18 competing 123:15 127:24 164:10 competition 119:3,8 120:9 120:14,15,18 120:24 121:1 121:10,18,22 122:2,3,13,14 122:17 123:19 123:21 129:17 130:15 131:10
---	--	--	---	--

131:18,23 139:20 competitive 27:5 117:21 competitors 27:20 compilation 153:15 compiled 26:20 complaint 86:14 complaints 86:9 86:22 complementary 97:22 complete 8:6 45:11 179:13 completed 6:10 completion 8:4 complex 46:12 62:20 66:12 115:4 116:3 119:19 complexity 115:23 131:18 compliance 14:2 16:23 21:1,3 22:18 23:17 25:24 26:8,11 26:17 28:3 33:3 43:2,2,11 48:8 52:21,21 58:1 65:7,9 71:16 94:16 95:11 105:21 146:20 147:20 147:22 compliances 23:24 compliant 25:16 complicate 88:18 complicates 88:16 comply 23:6,14 23:19 33:5 76:2 84:20 101:19 104:17 119:21 172:8 component	82:25 components 22:2 comprehend 73:17 comprehensive 44:8 52:19 160:5 161:1 compromises 22:25 compromising 40:13 computer 105:5 con-artists 148:13 concentrate 122:17 concentration 122:18 concept 63:11 68:24 89:21 99:18 139:19 152:13 160:7 166:21 conceptually 160:14 concern 99:17 141:2 173:23 concerned 56:20 65:15 concerns 21:2 56:8 concerted 120:12 concessions 27:21 28:9 conclude 31:25 126:12 conclusion 45:3 160:19 conclusions 156:12 concrete 48:23 135:25 177:16 177:25 condition 103:11 conditions 9:4 75:18 115:6	conduct 8:16,25 85:7 89:25 101:17,23 conducted 39:16 39:21 conducting 13:6 87:23 156:23 conducts 83:3 conference 49:5 58:23 76:25 174:1,3 178:2 conferences 44:5 47:17 58:15,16 conflict 27:9 31:1 46:7 Congratulations 51:7 congregate 146:6 Congress 72:8 103:13 154:19 connect 22:16 87:20,20 connecting 91:11 connection 5:24 103:15 connotation 166:18 consensus 49:9 175:14 consequently 70:18 conservatism 60:20 consider 17:5 59:6 62:24 177:19 considerably 95:5 consideration 4:12 6:5,11 9:25 10:8 15:19 21:25 54:6 considered 9:5 31:22 32:12 77:5,17 149:20 155:17	considering 8:14 9:3,10 15:3 20:21,22 87:6 154:19 consolidated 119:15 constant 84:15 86:9 143:16 constitutes 84:11 construct 112:4 consulted 58:6 consumer 40:24 41:17 43:18 CONT 3:1 contact 58:8 143:4,5 contacts 145:2 contained 69:10 99:3 contemplated 9:1 24:6 27:17 contemplating 79:1 87:12 contemplation 110:10 context 5:15 53:17,24 64:6 79:8 100:5,7 110:17 116:10 135:20 160:16 161:16 174:11 contexts 68:20 170:17 contingent 159:16 continually 85:4 85:14 continuation 10:8 continue 6:11 8:3 14:12 18:8 24:2 25:12 40:16 72:18 93:16 94:5 98:25 157:25 164:17 165:3,6 172:21 continued 83:20	96:17 continuing 76:13 continuous 123:4,9,10,16 125:24 127:10 127:18 128:14 129:15,17 continuously 127:13 contract 46:19 60:11 149:6 contracts 26:11 27:14,18 46:16 154:8 contrasting 67:20 contributions 37:15 control 33:2,9 50:12 controls 25:15 32:9 50:18,24 controversial 77:5 conversation 64:16 97:16 164:22 conversations 42:12 converts 154:10 conveyed 154:4 convinced 30:21 cooperation 31:21 167:22 167:22 cooperatively 85:15 coordinate 18:7 coordinating 150:10 copy 13:21 52:3 111:24 112:8 copying 68:6 core 35:11 corollary 107:7 Corp 53:8 135:22 corporate 37:19
---	---	--	--	--

78:18 85:11 101:14 147:9 152:14,18 160:6 corporation 4:6 9:2,20 11:13 13:6 19:2 80:8 correct 74:2,10 89:6 96:10 110:9 126:23 135:7 138:21 correlate 39:14 correlates 39:15 correlating 38:18 correlation 28:25 cost 14:3,8 20:25 26:3,4,13 46:24 69:21 70:11,25 73:14 73:23 74:2 99:11,16 121:13 173:6,7 173:8 cost-of-living 146:13 costly 27:3 costs 23:5,6,17 23:19 24:1 25:24 26:10,17 35:14,25 40:9 71:5,24 73:17 76:1 146:20 147:2,4,19,20 147:22,23 counsel 12:7 83:23 85:17 86:10 101:21 163:20,22 167:15 counsels' 58:5 counter 124:9 countries 8:11 53:19 91:17,18 129:20 country 146:7 154:1 168:15 couple 10:21	51:19,21 53:7 53:10 86:8 88:3 116:15 119:1 124:16 130:9,12 160:8 166:4 169:17 175:6 course 26:23 43:2 46:3 60:15 63:7 79:13 103:7 123:14 126:7 133:15 136:7 137:23 144:13 157:18,22 159:15 171:5 Court 153:21 CPA 51:1 craft 80:10,13 83:6 cream 80:2,2 create 25:22 27:3 36:5 42:2 76:8 119:7 120:14 121:25 130:15 150:18 157:15 169:6 created 8:21 79:10 80:12 120:20 131:18 148:22 168:11 creates 84:13 creating 39:8 52:23 65:15 127:20 129:1 137:19 147:14 154:19 161:13 177:12 creation 22:14 23:10 28:4 108:23 credit 135:17 credited 81:17 criteria 31:3 68:4 critical 5:12 20:2 22:11 76:14 cross-referenc...	37:13 crossed 119:18 crowd 107:10,10 145:23 162:5 170:1 crowdfunding 4:10 5:22 6:3 8:7,8,12 9:7 11:2,4,5 78:7,9 78:11,21,23,24 79:19 80:21,22 80:23 81:3,6 81:10,11,22 82:6,8,17 83:3 83:10,11,14 85:23 87:4 88:6 91:21,22 92:3 93:9,20 94:2,3,10 95:2 95:9,10 96:16 97:11,20 98:7 98:21 99:7 107:9,9 crowds 94:24 crown 79:4 CTA 119:24 curious 140:19 current 16:21 18:13 19:25 32:10 35:21 72:11 73:7 115:6,7,15 129:4,5 140:9 140:22 174:24 currently 6:17 9:2 15:6 17:16 27:3,13 44:16 50:6 80:20 81:6 114:9 customary 7:18 customer 53:2 75:14 148:2 154:7 156:9 customers 27:20 41:20 84:24 119:12 120:16 133:3 customers' 121:5	cut 168:17 cutting-edge 16:4 CYA 42:23 cycle 143:17 <hr/> D <hr/> D 5:1 74:20 93:4 103:9 110:17 135:4,6,18 136:4,14 143:23,24 144:2,3 146:13 159:7,8 D&O 73:16,20 D.C 1:25 98:9 179:7 D.J 134:23 161:10 D.J.'s 169:22 Dallas 48:12 damn 171:9 Dan 2:8 40:23 43:5,13 46:25 48:8 58:2 60:14 139:17 Dan's 52:6 57:3 data 38:9 41:7 47:1,5,6 50:1 50:16,19 51:6 97:15 119:14 122:9 131:12 140:13,15 144:3 158:24 166:22 date 13:23 82:17 179:6,18 Dave 165:8 David 2:6,16 3:8 6:12,19 74:21 112:12 114:13 114:14 115:19 115:22,22 124:23 128:2 141:15 142:23 Davis 3:4 12:7 day 5:9 16:8 22:19 30:2 49:17 65:13	120:23 123:13 127:16 143:1 157:11 170:1 171:15 174:3 178:6 days 132:23 140:3 145:3 deal 31:9 34:10 35:2 37:7 58:1 76:24 94:4 95:1 107:23 109:13,21 157:21 158:8 167:3 174:11 dealer 121:19 144:6 150:7 154:21 160:24 170:11 dealers 120:10 120:15 121:1 129:6 133:11 133:20 147:15 dealing 50:7 84:2 88:13 138:7,11 147:16 167:5 175:19 deals 14:20 88:19 147:3 156:10 159:19 dealt 112:19 debate 115:14 debating 92:14 debt 94:10 107:13 decades 130:12 December 143:22,23 decent 71:4 decide 43:21 73:9 86:2 90:2 90:9 91:10 138:9 decided 54:9 79:16 112:2 115:11 decides 127:2 deciding 101:22 decimalization
---	---	--	---	---

120:25 122:5 decipher 115:23 decisions 15:11 31:3 35:13,13 35:16 40:15 67:4 decline 114:14 decreased 45:14 decreasing 121:2 deemed 109:2 130:23 deemphasizing 122:16 define 41:18 66:19 124:2 139:25 defined 119:22 161:16 defining 92:10 definition 17:2,5 17:7 34:15 38:15 116:21 117:2 128:4,5 128:13 131:2 146:12 150:6 153:24 165:14 definitional 38:13 definitively 132:9 deflect 164:3 defraud 27:25 defunct 141:24 degradation 31:16 degree 51:4 57:1 59:9 Delaware 85:10 85:11 delete 36:23 delisted 24:22 56:4 delivery 37:12 demand 6:23 27:20 128:16 132:4 demanding 92:11	demonstrably 121:13 department 80:3 109:5 departments 59:14,14 depend 94:16 135:22 dependent 63:8 depending 48:14 depends 44:22 166:16 DERA 143:24 derived 84:17,19 84:23 derives 103:2 describe 49:25 157:20 described 113:10 description 15:15 42:9,10 46:22,23 52:15 54:24 64:4 descriptions 44:25 deserve 28:8 deserves 28:23 designated 127:23 129:2,2 designation 135:7 designed 117:18 119:4 120:9 122:1 132:20 134:11 designing 125:22 desire 93:14 desperate 168:24 detail 41:15 59:9 124:19 134:8 detailed 15:14 details 83:13 determinable 108:20 determination 33:10	determine 57:4 140:17 determined 119:10 determining 92:22 detriment 35:12 develop 20:19 131:16 133:23 developed 64:21 152:13 developing 9:24 20:13,21 152:9 development 36:3,14 78:21 108:25 developments 54:21 devote 10:12 125:19 dialogue 116:6 116:17 dictate 101:14 difference 71:25 91:4 169:6 differences 72:15,18 different 17:5,6 17:7 19:18 20:5,6 34:23 54:25 57:22 59:10,20 60:5 77:25 78:2 79:17 88:12 91:19 96:15 100:14,23,24 108:15,17 114:22 120:22 131:16 173:3 differentiate 95:9 differentiation 131:21 difficult 52:24 63:6 76:19 84:12,20,21 101:19 118:10 127:11 140:5 147:12 164:8	167:10 172:24 173:12,21 176:8 difficulty 118:7 diligently 20:15 dilution 35:4 67:1 dilutive 107:14 direct 157:16 direction 105:15 125:6,7 directive 152:13 directly 108:23 138:7,15 162:16 167:5 director 4:7 11:12 12:8 13:5 115:20 disadvantage 27:5 disagree 70:21 disburse 122:14 disbursed 118:24 119:6,9 discern 67:8 94:14 disclaimer 11:18 disclose 27:18 48:15,22 64:18 70:8 174:22 disclosed 44:16 disclosure 4:9 5:13,17 9:18 9:22 12:9,10 12:14,20,22 13:5,12 14:1,7 14:9,17 15:4 15:10,17,18,20 16:14,19,21 17:1,7,13,22 17:24 18:4,4,8 18:17,21 20:7 22:1,7,9,10 27:3,6,9,22 29:3,5 30:8 31:2 32:10 33:13 34:7,7 34:25 35:10,11 35:15,18,19,21	35:23 36:9,13 36:19,20,25,25 37:2,4,10,11 37:23 38:19,22 40:6,15,17 41:8 43:15,15 45:20,22 46:5 48:20 49:4,7,9 49:19 52:20 53:4,14 54:2 54:20 55:22 58:9,15,25 59:23 60:2,3 65:5,12,16,17 66:9,15,24 67:10,21,24 68:3,13,22,23 69:1,3,10 70:1 70:4,7,12 72:12,14 73:1 73:1,11 74:11 77:12,16 86:5 92:11 100:2,3 107:25 118:4 150:3 151:20 151:21 157:17 167:4,4 disclosures 14:4 15:8 18:10,13 18:15 27:4,12 27:15 31:7 32:6 41:9 42:8 49:13 50:5 54:10 66:20 75:16 76:13 133:2 159:18 disconnect 149:3 discovery 120:16 discreet 165:22 discriminate 117:20 discuss 5:25 87:3 124:20 177:5 discussed 8:5 40:18 99:9 114:4 136:1
--	---	--	--	---

discussing 8:21 93:10	Dodd-Frank 8:5 23:3 26:20	dropped 30:20 75:6,7	ECNs 133:23	119:11 133:25
discussion 4:8 4:10,14,16 5:11,19 6:6 7:1 10:22 11:9 12:14 22:6 48:18 88:1 93:23,24 108:9 112:11 115:12 130:18 143:10	dog 82:18 158:11	drugs 62:2	economic 24:12 24:20 37:25 80:11 106:4 169:12	effort 14:22 35:18,21 36:11 36:13 40:17,19 55:4 60:7 72:11 120:12 125:21 133:8 150:18 152:5
discussions 32:25 105:2	doing 5:23 11:2 13:19 14:16 16:17 43:5 52:20 53:8 57:18 59:13,15 68:6 71:4,17 72:22 85:19 86:25 88:19 90:8 91:21 97:12 116:14 127:17 129:14 145:12 147:24 148:2,12 155:19 156:24 162:11,12,15 162:22 163:9 166:15,25	du 25:20	economies 23:12	efforts 8:20 13:4 13:12,23 14:22 15:2 34:25 36:15 51:14 77:4 92:17 93:20 94:6 97:22 98:24 109:11 122:13 156:18
display 63:25 121:4	dollar 15:17 45:23 99:21 106:9	dual 79:1	economy 28:22 37:25 57:13 62:7,8 75:18 80:16 87:7	eight 39:20 50:16 51:6 59:10 153:12
disproportion... 23:18 147:23	dollars 64:24 71:5 73:17 74:6 81:13 86:13 106:15 107:11 135:8	due 29:24 87:2 133:18	ecosystem 114:15	Eisenhower 79:12
distinguished 114:12	dominated 130:1	duration 90:16	EDGAR 14:23 14:24 18:24,24 19:5,8,13 37:14 54:16 55:3 63:5,8,12 63:18,22 64:2	either 27:2 31:5 32:19 65:23 90:19,24 118:16 121:11 126:3 128:15 136:10 138:8 143:14 154:24 158:25 177:11
District 80:24 82:7	donations 107:10	duties 119:7	education 90:15 115:12	elaborate 166:5
divergence 41:10	door 95:19	Dwight 79:12	effect 22:7 55:9 55:18 154:21	elderly 90:3
diverse 175:14	dots 22:16	dysfunctional 89:18	effective 7:24 16:22 33:13 36:17 53:4,20 66:3 71:11 123:14 127:17 129:7	eligibility 54:11
diversity 82:21 98:5	doubled 26:4	eager 7:22 166:22	effectiveness 4:9 5:17 9:18,21 12:11,21 13:13 18:17 22:1,7,9 29:3 34:8,25 35:19,21 36:13 37:19 40:17 49:4,8 68:3	eligible 133:5 139:4
division 4:6 6:20 9:2,19 11:13 12:9,9 13:5 19:2 115:21 162:24 163:20 163:22	doubt 27:17	ear 171:9	effectively 29:11 31:20 38:18 123:22 124:11 126:2,5 130:5	eliminate 37:1 155:9
doable 109:23	downloaded 47:5	earlier 37:6 38:1 53:6 54:1 67:1 112:17 118:22 141:15 162:20 167:12	effectiveness 4:9 5:17 9:18,21 12:11,21 13:13 18:17 22:1,7,9 29:3 34:8,25 35:19,21 36:13 37:19 40:17 49:4,8 68:3	eliminated 25:3 26:13 81:22 102:21
document 41:14 44:8 50:20 52:21 54:20 60:17 69:9 70:14 100:3,4	dozen 118:25	early 64:17 79:21	efficiency 40:12 94:20	eliminating 30:12
documentation 159:8	draft 52:8	earn 145:10	efficient 22:4 34:20 35:9 79:2 94:22 123:11 130:16 134:19	elimination 110:19
documented 159:19	draw 177:23	earnings 33:6 71:19	efficiently 31:19	else's 93:4
documents 41:2 41:4,5 43:2,3 43:10,11,22 70:12,13,13 147:8	drawer 52:3	easy 66:12 105:6 162:21		email 167:9
	drill 22:16	Earth's 80:7		emerging 1:8 5:7 11:25 22:11 23:7
	drive 97:16 131:17	easier 19:13,17 19:19,25 56:13 63:23 77:23 93:10 109:4 127:21		
	driving 56:7 65:20	eat 23:6		
	drop 30:15	ebb 60:18		
		EBITDA 46:1		
		echo 69:16 105:23		

24:25 25:21 34:12,15 36:1 37:11,24 38:8 38:21,25 39:9 40:13 72:9,17 179:4 emphasize 78:23 emphasized 35:10 emphasizing 29:16 employ 29:2 employee 26:12 26:17 27:10 71:6 employees 41:20 71:7 110:21 enable 7:3 135:19 enacted 8:12 26:20 27:9 80:23 93:8 enacting 78:10 encourage 20:9 122:14 encouraged 57:12 114:23 encouraging 16:14 36:16 end-of- 47:23 enforcement 154:14 162:24 engage 143:6,8 149:16 152:16 152:22 engaged 5:16 6:25 18:6 81:2 engaging 85:14 144:14 172:25 173:14 engine 28:22 engines 25:19 169:12 England 84:25 86:25 87:1,10 98:8 enhance 37:12 40:12 enhanced 118:3	enhancements 25:6 enhancing 40:14 42:10 53:14 enlist 146:18 enormous 24:17 74:9 enrich 41:23 58:19 enriching 57:4 ensure 173:11 enter 50:19 enthusiastic 65:1 161:21 entire 31:11 32:17 entirely 55:15 entities 17:14,18 37:17 entitled 25:6 entrepreneur 147:7 171:5 entrepreneurs 143:14 146:9 168:5,22,23 enumerated 36:21 environment 24:11 34:18 52:16 129:14 environmental 46:10 equal 48:12 equally 101:1 equates 26:16 equation 34:11 equipment 23:9 72:4 equity 36:3 94:10 107:3,12 118:23 149:24 152:17 escalating 23:5 especially 24:12 88:9 130:16 172:9 essential 176:18 essentially 55:12 110:3 121:1,7	121:18 122:7 122:13 127:22 128:15 129:4 132:13 142:9 157:8 161:17 176:9,10 establish 105:3 132:17 149:15 established 119:23 establishing 105:11 125:8 125:10 estate 154:2 estimated 147:21 et 26:14 32:10 47:17 174:24 ethical 33:7 evaluate 50:21 51:8 68:25 evaluated 53:24 evaluating 34:20 35:6 56:25 57:10 evaluation 50:13 evenly 101:16 event 145:7 eventually 62:11 101:11 everybody 7:15 7:16 11:22 52:9 62:2 93:4 106:20 153:12 161:8 166:17 177:7 evidence 121:12 evident 107:25 exacerbates 24:11 exact 25:24 51:11 exactly 39:14 43:5 95:10 102:19 104:7 111:1,4 148:12 examinations 163:4,4 examine 99:1	examined 163:2 example 8:20 15:15 25:25 27:22 49:11 71:1 77:12 78:1 80:20 81:19 84:22 85:9 86:17 90:3 95:12 104:12 117:11 122:3 127:8 135:25 146:21 151:14 163:8 168:6 examples 15:5 22:17 23:2 25:24 110:22 176:3 exceed 147:19 excellent 150:16 168:2 exception 55:19 144:19 exceptional 73:16 excerpt 32:1 exchange 1:1,23 22:24 26:1 32:9 49:22 53:22 116:20 116:24 117:3 117:17 118:2 118:19 120:14 123:1,2,3,25 124:1,14 127:1 127:2,6,8 129:9,12,20 130:1,25 131:1 131:3,25 132:25 134:1 137:19 138:16 139:19 141:22 142:8 149:25 165:15 179:12 exchange-listed 119:22 exchanges 4:15 6:12 10:9 28:20 114:4,5	114:16,19,20 114:20 116:6 116:17,18,19 117:7,8,10 118:5,7,12,13 118:16,20,25 119:20 120:5 124:8 125:9,12 127:5,24 129:4 130:19 139:21 165:9 excited 79:5 83:16 86:7 106:24 107:21 152:24 exciting 78:20 87:10 excluding 151:19 exclusive 122:25 123:2 127:22 exclusively 123:8 execution 119:7 119:12 126:9 126:15 131:12 132:18 Executive 31:6 executives 59:10 exempt 72:7 118:20 150:6 159:7 exempting 38:8 114:20 exemption 4:13 7:2 9:6 10:5 73:6 79:11,13 81:20 84:13 89:2,4 96:16 96:18 103:11 111:20 137:10 139:5 154:20 155:7 158:5,19 176:14 exemptions 38:7 83:12,13 86:18 115:9 164:20 177:6 exemptive
--	---	--	---	---

103:18 104:5	experienced	137:19 149:17	fashion 152:1	147:8
exercise 92:6	145:24 159:1	176:16	fast 49:17	filer 50:11,18
137:7	experiment 98:6	facilitating 22:4	favor 111:13	51:7
exercised 124:4	123:8 127:3,8	39:7 56:13	113:16	files 30:22 63:4
140:1	experimentati...	114:6	favors 114:18	63:7
exercising 137:6	123:18	facility 177:13	FD 59:21	filing 18:10
exhaustive	experimenting	fact 8:17 16:18	fear 65:5,22	27:13 38:24
163:8	129:9	57:24 61:6	features 73:10	39:2 41:2
exhibit 27:12	expert 146:4	66:3 72:25	94:17	43:24 48:21
38:11	expertise 10:12	96:6 99:9,12	February 38:4	54:22 64:3
exhibits 27:19	11:24	99:14 107:11	federal 11:3	65:23 67:2
67:2	explain 44:9	107:22 119:20	85:20 90:17	68:2 69:11
exist 23:17 93:21	50:11 60:1	137:24 147:6	93:19 94:2,7	filings 14:19,21
96:17 117:3	174:22	153:3	95:2,10 96:5,6	16:13 19:8
135:14	explanatory	fact- 173:16	96:9,16 97:20	20:25 30:14,16
existing 15:4	42:22	fact-specific	97:23 98:3	38:13 39:25
17:24 19:12,15	explore 69:13	165:19 173:19	103:6,6,16,23	40:25 41:16
23:13 25:7,13	100:8	factor 66:24	106:11,14	42:15,20 47:21
26:25 28:4,7	express 161:24	99:15 104:6	144:13 150:10	49:23 52:22
29:4 38:19	expressed 77:25	126:22,25	154:20 157:24	54:15 55:2,14
43:15 72:14	153:15	factors 45:5,9	fee 90:22 144:19	55:20 59:17
113:8,9,10,12	exquisitely 40:8	52:14 60:14,16	145:3,4 148:16	65:4 67:21
114:23 177:13	extend 160:12	68:16 71:20	163:16	69:19
exists 124:9	extensions 23:9	140:16	feedback 10:20	filling 175:24
expand 8:15	extensive 32:6	Factory 29:20	10:25 16:6	Fin 53:8 135:22
31:7 59:3 60:1	extent 21:3	facts 153:17	49:8	final 6:22 95:7
80:18 83:6	54:14,23 55:14	FactSet 47:2	feel 5:12 45:6	96:18 152:2
136:11	58:10 93:7	fair 22:3 61:10	153:4	finalize 6:4 81:2
expanded 37:13	109:16 126:20	61:11,11 73:5	feels 41:13 45:21	finalized 7:23
expanding 42:4	126:21 139:24	74:8 105:13	fees 71:8,8 150:7	finalizing 78:8
expect 33:2	158:17 167:11	124:12,13	150:9 157:6	finance 4:7 9:2
41:22 65:17	171:6	132:18 177:22	fellow 29:15	9:20 11:13
142:7,12	extents 171:11	fairly 71:4	34:5 75:13	13:6 19:2
expectation	external 26:3,10	124:11	fend 138:9 167:6	78:18 152:14
61:23 62:11	47:6 50:13,22	fall 176:4	fervor 24:15	160:6
167:8	extract 122:19	falls 173:1	fewer 146:14	financial 14:18
expectations	extremely 61:19	familiar 90:6	fiat 93:24	14:18 17:13,17
65:15 90:15	166:18	91:17	field 24:7 28:5	30:12 43:18
expense 23:8,23		famous 144:22	28:24 78:21	47:5 50:1
41:24	F	fan 63:3	166:25	51:12 60:6
expenses 26:19	F 1:24 3:7 49:15	fantastic 98:18	fields 50:16,19	64:5 67:9 73:4
51:13	113:24	far 20:4 30:2	51:6	80:3 81:14
expensive 38:10	face 32:4,4 36:7	67:2 102:13	figure 31:1	93:11 95:14,15
67:6	40:9	128:17 130:16	52:25 162:10	144:5 147:10
experience	facilitate 6:18	153:3,12	170:21	financial/acco...
11:23 21:12	9:7 98:21	160:14	file 18:24 54:19	27:25
22:23,24 31:22	109:25 114:24	far-reaching	55:11 156:22	financials 25:17
58:18 102:14	115:3,18 119:3	34:8	179:5	49:16
143:14,20	119:6 135:24	FASB 18:6 37:1	filed 53:20 64:2	find 5:10 10:6

30:19 33:19 41:2,9 46:11 46:11,21 48:21 63:5,23 64:6,7 64:7 69:7 75:10 104:11 132:24 143:8 145:21 147:3 159:7 162:11 174:19 177:10 finder 144:6,19 148:3 150:2 152:11 158:4 161:14 166:18 167:11 finder's 142:24 143:9 finders 4:16 6:24 150:19 155:21 156:21 163:7 166:10 170:17 171:25 174:17 finding 163:9 fine 43:15 156:19 FINRA 115:8 144:17,18 147:21 150:8 152:5,9,13 153:3 155:17 157:9 158:11 160:5,19 161:6 161:12,18 162:2,3 164:25 165:1 169:23 175:9 FINRA's 161:20 firm 31:8,17 70:24 145:9 157:19 160:24 firms 51:1,1 69:21,21,22 133:10 152:15 first 9:17 12:19 13:10 14:15 15:8 21:10,24 39:6,16,17,21 39:21 46:3	52:7 79:8 82:12 84:4 95:5 99:20 100:23 101:1 101:15,19 104:20 114:2 116:19 128:12 131:7 136:15 149:21 150:14 155:18 156:22 160:18 161:5 161:21 172:1 first-year 39:3 firsthand 21:12 fiscal 166:23 fit 24:2 34:14 fits 133:4 five 78:22 170:18 fix 70:17 149:3 flat-fee 69:22 flaunting 149:8 flavor 59:16 82:14 flesh 99:20 flexibility 37:10 139:24 float 28:20 29:23 38:16 74:25 117:14,25 134:16 floated 160:7 Florida 89:16 flow 42:4,5 60:19 focus 8:9 14:13 19:21 22:6 51:8 54:9 84:6 88:4 89:12 98:24,24 104:13 105:18 109:15 120:10 122:11 177:24 focused 8:17 17:2,12 18:12 40:7 54:1 100:24 114:14 focusing 54:3 79:1 105:17	folks 19:5 90:6 143:23 164:8 164:14 167:25 171:19 follow 5:18 33:15 48:5 68:1 72:23 follow- 39:16 follow-on 39:3,6 39:11,17 65:24 follow-ons 39:21 40:1 follow-up 72:5 following 6:6 76:21 125:19 food 80:7 83:5 footnote 49:12 49:19 59:24 60:2 footnotes 49:16 49:24 50:2 for-profit 114:18 forced 33:15 forefront 40:19 foreign 27:19,20 forever 47:13 forget 74:12,12 74:13 forgot 28:14 form 8:12 19:15 21:11 39:1,4 65:3 80:21 81:9 142:14 156:21 formalize 6:5 112:4 formalizing 177:3 formation 5:24 22:4,8 23:4 28:2 39:7 40:12 56:12 74:11,16 79:3 79:4 87:5 88:5 107:3,24 110:1 126:8 149:17 151:1,6 155:6 164:10 165:11	176:16 formatting 38:10 former 31:6 102:4 153:7 forming 66:3 forms 8:9 52:15 107:9 formulation 111:9 forth 85:3 107:19 forum 150:25,25 151:12,14 152:1,2 174:8 175:2,4 forward 8:1 9:12 10:3,22 10:25 11:3,9 12:3 16:6 26:22 38:25 49:17 61:1 65:18 77:21 81:7 99:1 112:3 158:2 159:21 166:19 170:21 176:21 forward- 74:22 forward-looking 59:19 foster 123:21 fostered 121:1 fostering 108:24 found 153:12 founder 142:25 168:11 four 71:18,20,21 78:22 frankly 9:14 30:11 31:19 104:4 fraud 27:2 62:10 117:18 134:17 157:23,24 free 62:7,8 145:13 freedom 48:8 freely 136:13 137:3,4	frequency 27:6 frequently 33:4 friend 143:4 friends 80:17 front 5:23 20:13 70:8 141:3 fronts 8:3 frown 169:8 fruit 61:13 fruitful 36:19 full 5:8 7:5,17 63:18 127:24 151:20 158:12 full- 173:3 full-service 152:20 fully 6:16 80:23 124:24 fulsome 83:13 function 118:19 fundamental 34:8 funding 145:23 162:5 170:2 fundraising 24:25 funds 47:11 107:4 148:2,16 152:17,21 156:9 funny 79:25 82:19 further 69:13 88:18 136:12 145:5 177:19 future 65:15 81:8 97:16
G				
G 5:1 GAAP 18:4 41:11 game 33:18 gap 74:8 Garnett 3:5 12:8 13:4,9 16:9 53:25 68:9 72:11 gathering 13:16				

151:2 166:22	74:1,14	95:11 97:15,16	gotten 19:23	177:21
GE 23:16 70:5,6	go 16:17 23:23	98:1,3 99:1	20:3 64:22	grand 71:8,9
gear 157:15	25:2 30:4	102:25 103:3,3	governance	123:22
geez 48:22	39:22 40:24	105:6,8 106:25	18:16 37:20	grandfathering
general 14:13	47:17 50:14	107:17,17	46:10 162:6	157:1
22:22 49:8	52:25 53:1,20	108:5 114:2	government	grant 123:24
86:16,19,21	55:11 63:11	127:10,21	62:7	126:16
97:8 99:24	65:24 66:7,25	128:22 133:22	Government-...	granular 17:24
100:6 106:8	67:5 70:3	136:12 139:14	150:25	graph 30:15,17
153:17 166:21	77:14 79:16,19	139:16 141:22	graduated 8:23	30:19
generalities	84:10 90:18	141:25 144:24	112:18	graphs 35:4
45:13 77:24	92:3 99:12	145:1,18	Graham 2:3 5:2	gravitate 44:20
generalizable	101:4,22 102:1	147:19 153:1	5:5 7:11 10:15	gray 149:13
36:18	102:24 106:3	154:6,24	11:11 12:18	171:11 177:14
generally 43:14	124:19 133:2	156:22 161:15	21:8,23 33:25	177:14
55:23	142:24 153:2	161:20,25	40:20 43:13	great 11:22 13:9
generated 119:5	159:21 160:14	163:14 164:24	44:11 48:25	16:20 19:23
generic 42:8	167:2 169:16	168:18 169:24	51:15 55:25	35:22 37:7
geographic 87:6	170:4,21,22	170:22 171:2	57:15 61:4	40:20 45:13
Georgetown	173:21	171:12 174:13	62:17 63:16	50:25 58:10
112:21	goal 35:25 41:17	golden 160:11	64:14 66:18	59:7 65:8
getting 17:19	41:22,23 66:16	Gomez 3:6 5:4	67:14 69:14	69:12 82:17
30:7 33:8 37:5	152:8 170:2	12:5 99:4	70:21 74:19	94:4 95:1 98:3
74:14 90:7,8	goals 25:20 40:6	163:18 164:2	76:16 78:5	98:6,16 108:3
101:20 133:20	42:1,16,19	good 5:5,5,6	88:2,25 89:3,7	118:24 146:25
139:1 143:15	goes 19:1 32:12	7:15 8:2 11:16	89:10,14 91:1	147:11 148:14
155:13 156:1	70:18 94:10	13:23 19:2	91:13 92:7	151:8 159:12
162:22 167:18	113:2 137:1	20:3 21:24	94:13,19 97:17	166:3 168:10
169:9 172:10	164:19,22,25	24:10 30:4	100:9 101:24	169:5,5 171:19
173:5	going 6:23 7:5	31:17 34:4	104:24 105:13	171:21
give 11:17 12:16	11:1 12:1,17	57:13 68:10	106:17 108:10	greater 6:19
13:3,18 23:2	14:15 22:6,19	71:17 80:14	109:7 110:9,11	23:14 99:2
29:18 40:24	25:23 26:22,23	82:11,20 83:16	110:14,16,23	118:1,2 121:17
58:14 66:10	29:6 34:17	89:16 92:6	111:1,4,10,12	122:7 123:18
80:19 82:14	44:8,21 48:7	94:14 99:19,20	111:15,17,23	131:9 132:14
101:6 124:16	52:19 53:1	106:2 107:15	112:10 113:1,6	141:5 142:15
126:3,4 135:5	56:24 57:1	109:21 110:22	113:14,25	green 80:22
168:5	58:25 59:3	112:16 113:14	124:21 125:3,8	Greene 2:10
given 24:23	60:2,9 61:10	125:1 131:24	125:11,13	22:22 29:8
46:13 48:8	63:8,12,13	132:1 137:5	126:20 128:1	71:2,15,25
69:6 72:9	64:16 65:17	140:18 149:9	130:8 134:23	greet 49:6
117:23,24	66:8 67:25	150:12,21	139:17 158:15	Greg 7:1 57:16
133:13 139:21	68:1 71:23	151:9 154:18	158:21 159:23	61:4 69:17
142:3 172:10	75:17 76:9	155:5 157:3,4	159:25 161:10	89:14 143:8,11
173:15	81:7 82:1	158:6,9 164:8	163:24 166:1	158:15 159:24
gives 55:18	83:16 86:19	165:2,6 167:22	167:24 169:16	159:25 163:25
glad 10:8	88:14 93:1	168:5 169:20	170:6 171:1,17	164:3,12 166:3
glance 46:19	94:4,6,11,16	174:19 175:3	173:24 174:25	169:16 174:25
global 48:10	94:17,22 95:8	goodwill 26:14	175:18 176:23	Gregory 2:18

grocery 75:12 82:18 83:1,2	guys 7:13 67:19 98:15,18	101:21 136:22 138:17 159:21	Heinz 80:8	139:3,11,14
groomer 82:19	107:23 155:10	177:8	held 137:2	high 73:18 82:23
gross 45:13	164:1 171:8	harder 71:15	154:16 179:12	124:11 132:19
ground 11:5	172:5,12	harm 23:4 37:4	help 6:21 7:3	146:2
group 10:23		harmed 27:22	11:24 16:3	high-growth
16:20 17:2	H	harmful 24:10	30:6 43:11	168:3
18:14 20:17	hair 82:20	harming 38:21	59:15 63:4,6	high-tech 168:3
21:2 37:21	half 39:18 71:7	harmonize	65:3 76:8	higher 23:23
74:16 104:3	73:16 82:1	36:25	97:16 98:20	95:15,17 96:1
155:2 162:6	111:19 135:8	harms 24:5	115:19 143:4,8	96:4,8 99:16
175:15	137:9	Hawks 144:24	144:11,25	106:12 146:15
groups 20:18	halfway 167:19	hazard 39:23	148:6,15 151:5	highest 81:16
63:22 146:7	hammer 31:23	HDAC 168:12	155:1,11	highlight 83:9
162:4	Hampshire 87:8	head 12:5	159:11 160:24	highlights 82:5
grow 25:22	87:8	141:12 174:14	163:15 166:16	hire 143:4
32:23 46:2	hand 56:15 59:6	headed 64:20	166:17,17	hired 31:8
59:15 80:18	handful 95:25	heading 12:10	169:21 170:2,9	historic 24:10
growing 41:10	handle 162:25	headquarters	176:2,15	29:1 59:1
46:9	handled 23:21	104:21 110:21	helped 30:4	historical 35:4
growth 24:12,25	handling 121:3	headset 134:6	153:1 159:9,11	69:11 79:8
25:19,21 26:9	hands-on 95:18	health 26:12	helpful 5:14	historically
28:6,22 34:13	Hanks 2:11 63:2	71:6	6:15 13:24	146:7
34:15 36:2,5	104:25 171:2	healthy 90:11	46:5 60:3	history 25:18
37:24,25 38:8	haphazard	hear 21:11,15	65:10,11 73:11	52:12 79:19
38:21,25 39:9	170:14	48:19 84:4	99:5 113:13	140:2
40:13 42:3,5	happen 11:7,8	85:4 86:9,22	158:5,6 172:23	hit 31:24 169:17
45:25 46:2	58:25 148:19	91:7 93:4,16	helping 16:8	177:8
72:17 82:23	169:25	115:19 116:16	40:19 61:2	hockey 144:23
guarantors	happened 48:24	118:18 128:11	80:18 146:10	145:1
17:16	80:4 133:14,14	166:22 172:23	147:2 153:19	hold 152:21
guess 12:22	160:17	172:23	155:24 157:18	156:8
39:24 67:7	happening	heard 36:6 37:6	158:8 174:18	holding 148:2
71:4 72:6	108:1 143:22	83:17 112:16	176:5	hone 91:14
98:13 111:20	149:4 150:24	114:11 115:7	helps 31:2 33:9	honest 147:6
131:1 137:9,22	177:9,11	128:6,9 137:5	67:12	167:17
138:5 142:4	happens 163:1	137:14 139:19	Hempill 2:12	honesty 167:8
156:11	happy 13:11	141:20 146:19	69:15 101:25	honorable
guidance 39:8	15:23 50:22	hearing 9:13	102:10,20	167:18
165:16	93:15 108:9	87:17,24	113:7 171:18	honored 7:8
guide 35:18	116:12 124:19	174:10 179:15	172:19	hoops 105:11
40:19 105:16	176:21	hearkening	hiccups 166:8	hope 14:23
176:5	harbor 5:25	138:23	Higgins 3:7 4:7	18:16 20:11
guided 105:15	8:21 84:5	heart 89:8	11:12,16 13:22	24:23 142:9
guides 36:23	103:17	Heather 163:20	42:24 43:8	158:3,12 160:2
39:8	hard 9:20 10:24	175:11	55:6 63:14,18	hopeful 14:5
guiding 35:16	34:25 57:20	heavy 47:5	72:23 73:19	50:2 61:21
guy 31:23	58:22 59:11	heightened	103:9,20 104:2	6:9 12:23 55:6
159:12	71:17 78:2	117:23	136:15,24	97:21 124:18
			138:5,14,21	

hoping 49:21 164:2	illiquid 122:16 122:23 123:10 125:16 130:22	57:6 60:15,20 62:19 66:4,8 66:14,16 69:8 69:8 77:14 108:6,8,11 109:13,25 134:13 156:20 157:17 169:12 171:5	includes 27:2,15 117:3	individual 32:19 73:13 81:15 94:12,12 95:16 105:25
host 66:24	imagine 169:2		including 8:10 10:4 24:15 37:9,17 116:23 143:22 150:4 152:16	individuals 131:13 168:22 174:19
hosts 150:24	immediate 26:15		income 26:14	individuals' 141:17
hour 71:11	immediately 77:8,11,11 83:17 137:8	importantly 128:6	inconsistent 45:21 46:6	indulge 130:10
hour-plus 95:22	impact 20:23 33:5 116:14 118:15 120:3 121:19	impose 127:19 130:6	inconvenience 85:6	industry 36:23 39:8,9 46:23 52:16 56:15 161:1,2 162:5 162:11 168:12 169:8
hourly 71:11	impactful 37:4	imposed 24:17	incorporate 38:7 67:25 85:7,10 102:3,5	
house 32:1 136:25 147:10	impaired 118:18 124:12	impossible 33:19 105:21 170:25	incorporated 60:18 103:12 118:22	inextricably 24:14
huge 63:3 70:6 159:19	impairing 118:19	impression 33:8	incorporating 102:14	influenced 133:16
humbly 177:3	impediment 84:7,15 85:5 92:17 99:2,8 101:10	improve 9:3,21 14:7 15:4,7 20:24 35:1 69:25	incorporation 39:1 52:13 100:17 102:2 109:17 147:8	inform 16:8
hundred 74:7 119:1	impediments 6:18 74:11 83:19 86:9 89:9 91:7 98:2 99:1 100:12 101:2 125:5	improved 14:1 34:18 60:8 79:7	improvement 32:23 59:3 120:18 121:9 126:14 142:13	information 13:16 14:19,21 16:12,24 17:13 17:17,20 18:2 18:3,9,24 19:8 19:14,17,18,25 20:24 22:17 35:12 43:18,23 52:23 54:24 55:1 56:9 58:11 61:6,15 62:10 63:24 64:1 66:11 68:15 69:6,7 97:10,24 119:5 119:9 123:3 137:16,17,20 137:25 138:1 138:19 139:1,6 139:7 147:10
hundreds 64:24 171:12,12	imperative 37:22	improvements 14:24 132:4	improving 21:18 37:14 40:6	
hunt 60:22	implement 46:12 78:9 129:8,13 152:5	in-house 23:21	inability 85:6	
hurdle 28:3 124:11 133:21	implementation 25:3 128:22	inadvertently 173:22	inadventently 173:22	
hurt 156:5	implemented 86:11 96:18 128:21,23 129:19 135:2	incentive 45:17 69:25	incentive 45:17 69:25	
hyperlinks 37:13 69:11	implicated 154:5	incentives 45:18 114:16	incentives 45:18 114:16	
	import 35:5	incentivize 70:4 70:10	incentivize 70:4 70:10	
I	importance 29:16 33:13 34:9 101:7	incentivized 66:1	incentivized 66:1	
ice 80:2,2 141:23 142:7	important 22:5 22:10 29:19 35:20 36:13 38:6 56:19	include 15:17 17:15,15 30:17 38:15 41:7 43:22 109:1 116:22 130:20	include 15:17 17:15,15 30:17 38:15 41:7 43:22 109:1 116:22 130:20	
idea 54:18 55:4 59:18 62:24 63:3 98:7 99:10 109:21 123:7,14 124:17 131:22 141:10 143:3 150:12 177:23		included 9:4 38:5 59:24 72:22 82:9 150:16	included 9:4 38:5 59:24 72:22 82:9 150:16	
ideas 6:18 40:23 59:8 79:6 115:17 122:21 126:1 128:25 151:3,10				
identified 14:13 42:25 74:15				
identify 10:6 68:15 116:9				
identifying 74:10				
III 2:7 93:8,14 93:23 94:2,17 106:15				
IKE 79:11 95:5				

154:10	interactive 38:9	93:20 94:5	173:10,23	39:12 52:10
initially 18:12	interdependent	intrigued 168:13	investor's	95:18 100:25
initiative 5:17	106:4	intrinsic 36:10	151:18	103:23 147:2
9:20 13:3	interest 10:2	introduce 11:13	investors 5:14	148:11 155:23
81:22 86:25	16:20 29:13	12:13 163:19	7:4 9:22 10:7	155:24 164:22
87:10 120:18	52:3 53:1 54:6	166:1	14:2,8 15:10	165:1 170:11
121:9 122:1	103:23 114:7,9	introduces	16:12,16,16,25	175:21,22
160:6 161:5	117:20 127:12	75:13	17:20 18:8	176:12
initiatives 8:14	132:16 144:8	introducing	19:13 20:23,24	involvement
79:4 82:5	146:9	12:4 164:3	21:19 22:3,21	96:7
119:3 121:12	interested 6:1	introduction	23:1 24:18	involves 27:24
innovation	17:19 20:1	12:6 144:20	25:18 26:16	114:19 153:23
34:17 64:21	55:24 58:3	Introductory	28:1 30:19,25	IPO 25:20 28:13
input 9:12,23	68:19 87:17	4:5	31:2 32:3,5	35:5 39:18
10:3 17:19	144:25	intuitive 174:23	33:7,9 34:11	52:7 124:3
19:4,23 20:2,9	interesting 16:5	invest 33:7	34:23,24 35:3	139:25
104:2	44:19 45:5,9	43:21 56:13	35:6,12,17	IPOs 29:4 34:18
inquiry 167:9	52:5 88:1	79:10 155:22	37:5 40:7 41:9	39:2 114:14
inside 39:19	140:23 166:20	168:19 169:19	42:11 52:25	issue 6:24,25
inside-owned	168:11	invested 145:4	55:1 58:3,16	20:18 22:9
75:2	interests 126:8	investees 17:15	58:24 60:11,12	32:8 47:13
insight 108:12	164:10	investigating	61:16 63:4	53:15 56:22
insights 11:24	interexchange	81:6	65:16 66:2,11	61:24 65:16
insignificant	131:2	investing 23:8	69:6,7,9 79:2	68:3 78:12,15
106:10	intermediaries	28:12 42:5	81:17,19,20,21	85:4 91:9 92:5
instance 67:1	105:11 148:6	56:25 80:15	82:23 83:8	103:1,4 104:8
96:8 136:5	149:6 158:7	90:8 117:24	98:17 104:20	107:25 118:6
instances 177:14	intermediary	investment	117:19 118:4	118:11,11
institute 64:22	144:5 148:4	15:11 31:3	121:14,15	120:3 124:20
institutional	154:12	34:12 35:6,13	126:9,10,13,16	142:24 143:9
16:16 34:21	internal 25:15	35:16 40:15	131:10,19	143:11 144:13
42:11 47:10	26:4,8 32:9	44:10 67:4	132:2,6,19,21	145:19 153:20
121:15 150:20	33:2,9 50:12	81:15 95:16	134:13,21	159:14 162:15
152:25	50:23 71:10	114:15 157:5,7	135:17 136:6,9	163:3 170:19
institutionally	internet 8:19,25	171:6	136:11,13	175:11,15,19
29:25	84:7,22 94:7	investor 7:25	137:11,25	175:20
institutions	151:3	21:16 27:1	138:8 143:5,8	issued 150:15
32:16,18	interstate 103:1	34:19,21 42:13	148:18 149:22	153:9 154:13
131:12 135:6	103:15	47:9,17 53:2	151:17 152:25	issuer 8:24
136:11 153:2	interval 124:3	53:14 56:8,19	153:5 156:5,15	53:16,21 84:12
insurance 26:5	139:25	57:6,10,11	164:12 165:11	86:2 90:9
26:12 71:6	interview 124:2	65:4,10,14,16	167:16,19	91:11 98:17
73:20	intrastate 4:10	66:5,8 75:2,14	174:9,13	99:22 104:14
integrity 176:1	5:22 6:3 8:12	91:3 92:11	investors' 67:4	138:7,10,25
intend 23:1 42:2	8:16,22,25 9:5	134:20 136:17	invests 56:17	139:2,5 150:5
intended 145:6	11:2 78:7,11	136:19,20	invitational	151:16,18,24
intends 42:1	79:21,23 85:1	137:15 146:11	174:2,9	155:24 157:20
intensive 62:3	85:8,12 86:18	149:18 162:7	involve 161:18	158:9 167:6,7
intent 124:4	88:20 91:2	169:20 171:4	involved 20:15	167:7

issuers 5:14 6:1 8:16,22 16:25 31:13 35:2 52:9 55:11 85:17 90:1 91:8 95:25 97:25 101:20 104:16 118:3 132:7,11 144:8 151:11 164:11 167:2	73:25 112:9 Javier 2:20 Jerry's 79:23 jewel 79:4 Jo 2:23 4:5 7:8 Joann 163:21 165:24 job 12:3 23:10 28:3 36:5 59:13 62:19 69:11 71:4,17 97:12 108:23 151:8 168:2	jurisdiction 103:6 jurisdictional 103:15 jurisdictions 94:21	107:15 108:11 109:22 111:9 125:5 128:9 135:5 138:19 140:9 148:17 158:18 161:13 168:9,21 169:2 169:8 171:21 171:23 174:14 174:16,18 175:23 176:1,3 176:4,7,12	90:12 91:6,20 92:11,17,20,21 92:23 93:25 94:4,8,13,15 94:23 95:2,7 95:20 96:22,23 97:5,6 98:10 98:11 99:25 101:2 102:10 102:13 103:2,4 103:22,24 105:14 106:13 107:16 108:2 109:24 113:9,9 118:21,23 120:6 125:4 133:25 134:7 135:1,2 136:22 141:11 142:1 142:12 143:20 145:21 147:7 148:8,11,19 150:23 161:4,5 161:9,21 163:12,21 165:14,20,20 165:24 167:3,7 167:9 168:10 169:14 171:7 172:6,19 176:24 177:1
issuers' 167:15	97:12 108:23 151:8 168:2	<hr/> K <hr/> K's 58:14 Kansas 79:10,11 96:23,25 98:10 98:11 Kara 2:25 Karen 3:5 12:8 12:13 13:4 21:8 36:15 49:3 53:6 67:15 76:11 keep 34:22 35:20 48:17 83:2 126:11 147:8 keeps 76:9 Keith 3:7 4:7 11:11,13,15 12:18 13:22 41:14 54:17 64:17 74:1 104:8 139:16 141:15 167:5 Keith's 44:12 151:9 Keller 83:24 99:25 Ken 107:5 kept 147:7 174:6 174:10,21 key 24:24 39:9 40:11 45:15 164:18 kick 5:18 kind 14:14,20 17:12 21:16 42:9,22 45:3 46:19 48:18 61:8,14 64:21 66:23 77:9,21 88:14,16 92:14 92:25 102:1,11	kinds 57:5 75:4 75:8,15 168:23 know 5:16 7:22 10:1,19 11:3 11:12 12:23 16:6,19 17:2 18:14 20:9 21:13,19 26:5 31:4 32:3 41:14,25 43:19 44:1,4,7,19,20 44:21 45:1,2,3 45:7,13,14,16 45:23,24 46:1 46:2,5,7,8,17 46:19,22,23 47:8,15,18 49:18 50:23 51:2,3,4,6,10 52:12 54:5,7 56:19,22 58:5 58:14,24 59:4 59:13 60:23 61:4,14,14 63:10,18 64:2 64:6,18,19 65:20 67:22 68:7,20 69:8 69:15,24 70:4 71:12 72:1,17 72:18 73:7,15 75:6,16 77:12 77:17 78:7 82:12 83:15,20 83:21 84:24 88:2,4,13,20 88:21 89:10	105:14 106:13 107:16 108:2 109:24 113:9,9 118:21,23 120:6 125:4 133:25 134:7 135:1,2 136:22 141:11 142:1 142:12 143:20 145:21 147:7 148:8,11,19 150:23 161:4,5 161:9,21 163:12,21 165:14,20,20 165:24 167:3,7 167:9 168:10 169:14 171:7 172:6,19 176:24 177:1
issues 10:5 11:25 15:5 16:4 21:13 22:14,18 26:11 46:10 62:21 83:22,24 83:25 84:14 85:13 87:2 114:13 115:4 116:10 120:7 121:24 124:17 126:11 133:17 133:18 134:8 151:3 158:1 159:17 164:7,7 164:8,16,17,23 165:2,4 170:2 172:20,20 173:12 175:12 176:6	jobs 8:5,8 22:14 24:23 25:1,22 26:17,24 28:1 28:9,13 29:1 30:3 34:16 35:22 38:19 39:14 72:24,25 73:10 74:5,9 76:8 95:6,7 169:6 Joe 163:21 165:24 John 2:7,12 51:16,17 69:14 101:24 113:6 130:8 145:15 161:5 170:6 171:17 join 13:7 152:4 152:9 joining 11:14 jour 25:20 Journal 70:9 JP 134:4 JPMorgan 23:16 judge 42:19 judgment 51:4 Julie 3:4 12:6 153:11 jump 105:11 jumping 161:20 June 1:11 81:21 174:2,4,5 179:6 junior 69:24	jurisdiction 103:6 jurisdictional 103:15 jurisdictions 94:21	107:15 108:11 109:22 111:9 125:5 128:9 135:5 138:19 140:9 148:17 158:18 161:13 168:9,21 169:2 169:8 171:21 171:23 174:14 174:16,18 175:23 176:1,3 176:4,7,12	90:12 91:6,20 92:11,17,20,21 92:23 93:25 94:4,8,13,15 94:23 95:2,7 95:20 96:22,23 97:5,6 98:10 98:11 99:25 101:2 102:10 102:13 103:2,4 103:22,24 105:14 106:13 107:16 108:2 109:24 113:9,9 118:21,23 120:6 125:4 133:25 134:7 135:1,2 136:22 141:11 142:1 142:12 143:20 145:21 147:7 148:8,11,19 150:23 161:4,5 161:9,21 163:12,21 165:14,20,20 165:24 167:3,7 167:9 168:10 169:14 171:7 172:6,19 176:24 177:1
item 6:22 9:17 12:19 15:15 35:8 37:3,8 38:11 151:21 157:15	item 6:22 9:17 12:19 15:15 35:8 37:3,8 38:11 151:21 157:15	jurisdiction 103:6 jurisdictional 103:15 jurisdictions 94:21	107:15 108:11 109:22 111:9 125:5 128:9 135:5 138:19 140:9 148:17 158:18 161:13 168:9,21 169:2 169:8 171:21 171:23 174:14 174:16,18 175:23 176:1,3 176:4,7,12	90:12 91:6,20 92:11,17,20,21 92:23 93:25 94:4,8,13,15 94:23 95:2,7 95:20 96:22,23 97:5,6 98:10 98:11 99:25 101:2 102:10 102:13 103:2,4 103:22,24 105:14 106:13 107:16 108:2 109:24 113:9,9 118:21,23 120:6 125:4 133:25 134:7 135:1,2 136:22 141:11 142:1 142:12 143:20 145:21 147:7 148:8,11,19 150:23 161:4,5 161:9,21 163:12,21 165:14,20,20 165:24 167:3,7 167:9 168:10 169:14 171:7 172:6,19 176:24 177:1
items 18:16 46:24 60:8 99:3	items 18:16 46:24 60:8 99:3	jurisdiction 103:6 jurisdictional 103:15 jurisdictions 94:21	107:15 108:11 109:22 111:9 125:5 128:9 135:5 138:19 140:9 148:17 158:18 161:13 168:9,21 169:2 169:8 171:21 171:23 174:14 174:16,18 175:23 176:1,3 176:4,7,12	90:12 91:6,20 92:11,17,20,21 92:23 93:25 94:4,8,13,15 94:23 95:2,7 95:20 96:22,23 97:5,6 98:10 98:11 99:25 101:2 102:10 102:13 103:2,4 103:22,24 105:14 106:13 107:16 108:2 109:24 113:9,9 118:21,23 120:6 125:4 133:25 134:7 135:1,2 136:22 141:11 142:1 142:12 143:20 145:21 147:7 148:8,11,19 150:23 161:4,5 161:9,21 163:12,21 165:14,20,20 165:24 167:3,7 167:9 168:10 169:14 171:7 172:6,19 176:24 177:1
<hr/> J <hr/> J 2:7,16 74:20 93:5 103:9 J&J 23:16 Jacobs 2:4 21:22 21:24 33:24 46:25 47:8 48:4 63:13 71:20 72:3	<hr/> J <hr/> J 2:7,16 74:20 93:5 103:9 J&J 23:16 Jacobs 2:4 21:22 21:24 33:24 46:25 47:8 48:4 63:13 71:20 72:3	jurisdiction 103:6 jurisdictional 103:15 jurisdictions 94:21	107:15 108:11 109:22 111:9 125:5 128:9 135:5 138:19 140:9 148:17 158:18 161:13 168:9,21 169:2 169:8 171:21 171:23 174:14 174:16,18 175:23 176:1,3 176:4,7,12	90:12 91:6,20 92:11,17,20,21 92:23 93:25 94:4,8,13,15 94:23 95:2,7 95:20 96:22,23 97:5,6 98:10 98:11 99:25 101:2 102:10 102:13 103:2,4 103:22,24 105:14 106:13 107:16 108:2 109:24 113:9,9 118:21,23 120:6 125:4 133:25 134:7 135:1,2 136:22 141:11 142:1 142:12 143:20 145:21 147:7 148:8,11,19 150:23 161:4,5 161:9,21 163:12,21 165:14,20,20 165:24 167:3,7 167:9 168:10 169:14 171:7 172:6,19 176:24 177:1
<hr/> L <hr/> L 2:10,13 labor 109:5 lack 46:13 133:16 144:8 146:17 laid 155:16	<hr/> L <hr/> L 2:10,13 labor 109:5 lack 46:13 133:16 144:8 146:17 laid 155:16	jurisdiction 103:6 jurisdictional 103:15 jurisdictions 94:21	107:15 108:11 109:22 111:9 125:5 128:9 135:5 138:19 140:9 148:17 158:18 161:13 168:9,21 169:2 169:8 171:21 171:23 174:14 174:16,18 175:23 176:1,3 176:4,7,12	90:12 91:6,20 92:11,17,20,21 92:23 93:25 94:4,8,13,15 94:23 95:2,7 95:20 96:22,23 97:5,6 98:10 98:11 99:25 101:2 102:10 102:13 103:2,4 103:22,24 105:14 106:13 107:16 108:2 109:24 113:9,9 118:21,23 120:6 125:4 133:25 134:7 135:1,2 136:22 141:11 142:1 142:12 143:20 145:21 147:7 148:8,11,19 150:23 161:4,5 161:9,21 163:12,21 165:14,20,20 165:24 167:3,7 167:9 168:10 169:14 171:7 172:6,19 176:24 177:1

165:5	50:15,17,21	166:6 170:24	94:12 96:10	65:12 75:23
Lancaster 169:3	51:5 143:10	171:21 172:14	123:22 124:1	little 13:12,18
Landreth	175:8 176:11	174:15	125:17,21	14:25 17:11
153:21	leading 13:6	letters 20:4,11	135:17 149:16	28:14 29:19
language 83:12	113:11	20:16 37:5	149:22 152:1	35:5 42:22
lard 70:18	leads 157:8	47:22 48:13,14	152:14,16	49:9 52:18
large 23:19,21	159:12	153:16 157:3	154:19 155:8	56:21 61:22
24:15,16 29:24	learn 65:2	163:13	156:3 160:6,6	68:9 71:23
32:16 46:18	Leather 29:20	letting 105:9	161:7,13,16,17	75:5 79:8,19
55:7 57:23	leave 60:22	level 17:24 24:7	164:20,24	82:14 88:16
131:20	87:14 109:22	28:5,23 36:8	166:19 171:23	103:24 135:5,9
largely 34:20	led 22:14	44:22 51:3	174:17	141:16 147:6
102:6	leeway 177:5	55:16 56:23	limits 81:11,12	153:8,11 154:3
larger 51:1 70:5	left 158:18	65:17 93:25	96:4 127:1,7	155:15 160:16
71:21 78:24	legacy 170:12	94:5 96:5	line 31:19 35:8	160:24 162:19
120:11 121:14	legal 26:10	100:2,24	37:3,8 131:19	168:10 169:13
126:3 131:11	41:15 63:9	106:11,15	150:10 164:5	174:18 176:1
146:24 168:24	85:17 100:25	108:1 109:2	lines 84:10	177:5
largest 23:15	112:4 147:4	176:6,17	102:17 113:4	live 22:18 31:16
102:7	175:12	levels 88:13	154:20 175:5	87:7,8 171:6
Lastly 24:13	legally 147:9	110:1	link 47:3 59:2	lively 5:19
late 118:22	legislation 8:13	leverage 76:3,4	66:5,6	living 106:3
laughter 48:3	78:10 81:1,4	levity 75:5	liquid 129:12	lo 159:2
63:15 71:13	89:17 120:12	Leza 2:13 91:2	132:15	loans 76:4,6,8
79:15 80:5	129:3 140:6	104:18	liquidity 6:19	lobbyists 56:24
115:25 139:15	legislative 86:1	liabilities 159:17	10:10 115:18	local 23:11
141:19 142:17	123:21 124:4	liability 159:19	118:10 121:20	48:11 75:18
142:23 160:2,3	139:22 140:2	liable 102:8	122:8,17,19	80:15,16 83:1
164:1,4 175:6	legislature 89:18	license 144:16	125:15 127:4	83:5 91:22
law 8:23 37:21	legitimate 120:7	163:15	127:15,17	96:15,21
62:5 69:21,21	121:15 162:7	licensed 144:16	128:5,5,13,16	103:14,22
69:22 102:7	175:23	163:2,14	133:16 141:7	104:3,10 106:7
112:18 144:13	legitimize	licenses 154:8	142:10,15	167:12
144:14 155:4	176:12	lieu 87:18	list 26:24 27:2	local/state
laws 8:17 79:9	lend 37:7	life 131:25	27:24 74:12	108:25
85:11 101:14	lengthy 45:15	143:17	127:2 145:2	local/state-bas...
148:8 154:5	lesser 173:7	lifeblood 37:25	155:21	95:9
lawyer 48:18	let's 47:16 67:20	lifetime 158:4	listed 99:3 120:1	locate 7:4
52:8 57:20	78:6 91:18,19	lighter 86:4	124:1 130:2	located 84:24
75:22 148:25	93:4 105:5	120:21	132:25 148:18	88:9 105:12
160:24 163:14	135:17 142:24	Lightning	listening 56:3	109:20
lawyers 19:1	177:25	144:23	57:7 130:11	location 93:3
47:19 60:21	letter 37:16	limit 86:10 96:8	listing 116:25	179:7
69:16 148:6	47:24 59:25	161:16	117:8,10,22	locked 119:18
159:4 163:13	61:9 65:21,22	limitation 81:18	122:22,23	logical 36:17
layer 161:20	75:21 144:22	limitations	123:8	43:23 141:6
laying 43:6	153:10,10,14	90:14 135:8,14	lists 83:10	160:20
LD 49:5 174:1,8	154:13,23	limited 14:24	lit 93:14	long 6:25 13:16
lead 27:1 35:11	157:4 165:20	81:20 90:21	litigation 60:21	20:14 30:12

63:9 95:22	164:3,4 168:6	126:15 134:16	102:5	122:25,25
114:13 117:17	168:18	134:16	manage 137:13	123:2,5,8,9,16
151:25 178:6	looks 97:8 145:9	lower-cost 69:23	management	124:9,13
long- 75:18	159:15 167:21	Luna 2:14 49:2	32:4,22 41:23	125:18,24
long-term 55:3	Los 49:5	49:3 67:15	42:12,18 44:3	126:6 127:7,10
140:4	lose 59:16	91:14 105:23	45:15,25 47:14	127:18,19,22
look 8:1 9:12	107:21 108:4	128:2 129:18	57:4 58:9	127:23 128:14
10:3,22,25	134:19 163:14	173:25	management's	129:2,6,15,17
11:9 12:24	losses 24:17	lunch 6:4 111:18	51:4	131:11 132:14
14:17 16:6	lost 92:2	113:20	managing 71:4	134:10,16,18
17:4 41:3 43:3	lot 10:19 20:6	luncheon 113:22	mandate 35:22	135:11,13,19
43:20 44:9,24	35:7 40:25	Lynch 161:8	90:5,10,24	136:10,18
46:14 49:22	41:7,21 43:3		123:21	138:2,6,14
61:1 63:14	46:1,14,20,21	M	mandated 34:7	140:9,12,14,22
65:5 77:2,13	49:6,13 51:8	M 2:3,4,25	35:15 43:24	141:9 142:14
85:16 92:25	52:8 54:5	M&A 23:8	151:7	143:24,25
95:5 100:1	57:23 58:21	26:10 150:19	mandates 8:4	146:24 149:13
101:21 105:17	59:12,20 60:13	153:10 157:3	mandatory 27:8	152:22
107:8 121:23	61:6 62:21,21	165:20 166:6	manipulation	marketplace
126:11 130:1	68:10 70:8	167:21 171:21	117:19 118:1	127:15
131:19 134:18	75:1 76:19	172:14	134:17	markets 6:20
148:22 149:2	77:25 82:21	M.D.'s 64:21	manner 16:15	22:4 37:18
155:18 156:16	94:15 98:5	main 98:24	24:9 68:14	115:22 117:1,6
158:13 163:13	101:3 109:13	110:21 161:4	manufacturing	117:15 118:23
163:17 169:24	118:15 125:21	mainstream	46:9 72:2,4	119:18 121:8
looked 53:12	133:10 137:14	133:22	March 7:21	124:12 126:14
68:4 83:22	137:18 144:7	maintain 123:4	114:4	129:24,25
91:10,16,20,24	145:16,20	123:5 152:21	margin 45:14	130:16 132:10
looking 9:3 12:3	147:22 148:5	maintaining	margins 42:4	132:15,18
14:1 15:5,12	148:13 164:8	22:3	mark 118:6,8	140:18 148:1
15:19 16:9,10	164:13,19	major 14:14	markers 155:16	163:19,21,23
16:18,25 17:12	165:2 166:24	166:8	market 4:14	171:8
17:18,23 20:1	169:6,10,11	majority 81:9	6:16,19 9:23	Mary 2:23 4:5
21:18 41:19,22	170:13,15	maker 122:25	10:10 22:13	7:8
43:6 44:1	171:7 172:7	123:3 129:2	23:13 25:8	Maryland 98:9
54:10 55:24	175:5	makers 122:8,25	28:16,17 29:22	matches 71:6
63:21 67:16,21	lots 58:8 60:7	125:18 127:19	32:13 33:21	material 24:1
68:11,19 70:10	143:2 151:9,9	128:14 132:14	39:23 40:4	27:14 35:15
72:13,14,15	153:25 158:1	making 19:16	55:9 64:25	38:12,22 40:15
74:23 82:24	173:5	31:3 40:2,7,7	71:23 74:3,7	46:20 48:20
83:5 102:22	love 41:25 74:5	52:21 55:7	74:24 107:2,18	67:22
105:4 114:12	172:4	56:13 67:5	114:3,18 115:6	materiality
116:10 123:20	low 86:10,14	104:18 125:19	115:15,18,20	15:19 35:17
124:18 131:11	low-hanging	127:22,23	116:4 117:4,12	40:8 67:19
135:1 139:23	61:13	134:20 148:1	117:14 119:6	68:4,18,21,21
142:9 143:9	lower 106:14	152:22 158:13	119:14 120:1,2	materially 68:5
144:3 145:21	116:25 117:8	161:6 162:21	120:4,17	materials 13:21
145:25 155:2	117:10,15,21	177:24	121:20 122:1,7	54:18 148:24
159:5 163:25	117:25,25	malpractice	122:20,22,23	math 26:22

matter 6:6 19:9 29:2 30:25 59:14 94:19 118:13 119:20 171:4 177:12 179:3	med 52:7,11 media 39:10 44:6 84:8,9 median 27:10 39:20 meet 32:18 49:5 87:1,3 108:18 109:3 117:17 meeting 4:4 6:7 6:13 7:7,19,21 10:14 13:10 37:11 48:17 75:6 76:21,25 112:1,2 114:5 114:11 115:22 155:16 178:9 179:3 meetings 44:3 53:9 58:8 95:21,21 114:8 117:9 143:21 152:10 member 2:19,20 11:20 144:18 147:20 150:8 163:10 members 2:2 21:12 29:16 34:6 57:18 157:13 membership 157:9 162:9 mention 116:11 158:25 mentioned 10:22,23 23:20 38:1 46:17 60:8,14 67:1 95:4,10 99:8 100:12 101:9 101:10,15 102:11 117:9 120:8 129:19 156:6 158:16 167:5 170:10 176:3 mentioning 126:2 mentions 113:8	Merrill 161:8 mess 168:20 170:25 messy 168:13 met 32:4 metrics 42:18 59:11 100:23 metropolitan 168:25 Mic 176:25 Michael 2:19,24 89:15 100:10 102:1 104:2 155:1 micro 49:5 108:1 174:2,8 micro-cap 32:12 mid-sized 38:4 midday 129:13 middle 25:11 28:14 74:17 168:6 169:3 Mike 5:21 7:12 11:1 78:12,14 97:19 98:13 99:4 162:20 166:2 million 9:8 23:14 25:9 26:1,7,9,12,13 28:16 29:22,24 38:16,17 55:8 55:16,17,21 70:25 71:7,7 71:18 73:15,15 73:16,23 74:4 74:7,25 76:4,7 76:7 81:13,14 81:23,24,25 82:1 86:11,13 95:13,14 96:9 96:10 99:8 106:9,10,15,21 107:19 112:14 112:25 135:8 137:14 141:9 145:25 146:1,2 146:23,24 151:23 153:1	millions 64:24 Milton 2:9 61:17 mind 12:25 34:22 35:21 48:17 62:23 82:8 93:22 126:12 130:20 132:4 mindful 20:16 minds 49:20 mindset 66:9 mine 46:25 minerals 27:9 31:1 46:7 minimizing 33:12 minimum 71:12 121:2 126:3,3 126:14 128:11 128:18 140:25 141:4 143:7 minor 62:15 102:11,13 minus 26:14 minute 25:6 48:20 minutes 52:6 115:24 misconceiving 128:4 misconception 118:15 misconceptions 116:16 124:16 128:3 misperceptions 116:8 mission 22:2 132:17 missions 22:5 Mississippi 85:24 Missouri 98:11 mix 45:14 120:22 model 51:13 96:24 114:18 131:14,16 157:4 161:18	162:8 166:6 modeled 48:6 models 122:19 123:9 166:7 modern 87:7 modernization 9:10 18:25 19:5 55:4 63:19 64:3 98:14 modernize 14:23 15:22 35:23 36:22 37:12 102:22 109:10 modernized 63:23 85:17 88:23 modernizing 109:24 110:7 mold 78:2 Molinari 6:13 114:13,23 mom 47:12 75:9 moment 18:22 86:1 122:12 money 30:17 56:24 57:1 64:23 80:16 83:3 88:10 95:24 96:2 109:19 137:7 143:15,19 144:25 146:16 147:3,16,16 148:15 149:5 159:3,6 168:3 168:14,24 169:9,10,19 170:9 174:13 monopolies 120:13 monopoly 123:23 126:4 126:16,18 129:1 130:5 month 122:4 128:20 155:2 months 39:5,18 39:20 147:18
---	---	--	---	---

155:3	167:21	131:10 151:19	non-GAAP 41:7	numerous 32:20
Morgan 23:16	NASAA's 166:7	Net-net 24:18	41:11	33:17
134:4	NASD 157:13	never 24:6 31:4	non-insiders	nutshell 124:15
Morgans 134:5	NASDAQ 22:23	48:8 72:9	75:7	NYSE 141:23
morning 5:21	29:21 120:1,14	102:2 107:17	non-preferred	
7:9,15 11:16	135:10	147:11 155:9	81:17	O
21:24 22:15	national 23:11	never-ending	Non-voting 2:19	O 4:1 5:1 113:24
31:12 34:4	93:9 94:2	48:15	2:20	113:24,24
51:18 62:2	116:24 117:7	new 22:24 23:8	noncontrovers...	object 154:24
76:20 141:15	131:2	23:10,10 24:2	110:2	objective 43:12
145:23 146:20	native 79:12	25:25 26:17	normally 56:9	obligated 121:4
174:5	nature 83:6	27:6 36:3	127:13	obligation 45:6
mosaic 44:7	96:15	37:25 44:24	North 91:25	66:10
motion 112:8	near 81:8 88:10	50:21 55:20	92:1	obligations
113:20 177:19	neat 151:1	64:21 70:17	note 7:20 12:21	123:5 127:19
Mott 2:15 56:2	necessarily 42:7	82:3,10 83:4	35:20 39:12	130:6
66:19 67:7,12	43:22 46:3,4	84:25 86:25	67:16	observation
167:25	49:24 58:2	87:1,7,8,10,10	noted 164:7	174:1,5,21
move 11:3 24:24	63:25 66:22	98:8 102:3,6,7	172:22 175:3	observed 116:6
28:13 78:6	109:14	120:13,20	notice 27:24	observer 106:20
105:14 111:7,8	necessary 46:18	123:1 129:11	41:16	obsolete 40:23
112:2 122:5,13	134:19	130:1 135:1	notion 88:19	61:12
131:9,17	need 11:7 15:10	142:8 144:2	109:18	obviously 8:9
moved 112:9	22:21 25:14	148:21 153:9	novel 55:19	9:1 12:6 49:12
146:16	34:22 45:11	156:18 157:15	November	53:17 56:7
movement 79:21	48:13 49:24	169:7 177:13	150:24 152:2	73:3,7 84:10
80:11	64:2,23 107:2	newer 51:2	nuance 41:21	88:4 91:25
moving 114:17	130:25 131:16	news 19:3	number 5:12	168:16 170:8
125:5,7 128:10	135:23 136:17	150:21	6:23 8:13 22:6	172:17
143:2	137:6,7 138:10	nexus 87:20	32:18 38:5	occur 61:21
multiagency	143:2 154:7	104:11 108:19	51:11,23,24	126:17
150:18	155:8 156:17	109:2	52:11 61:5,15	occurring 62:13
mutually 152:11	164:21 169:7	nibble 61:22	72:23 77:4,6,7	119:16
	177:19	nice 28:24	78:10 79:22	occurs 127:13
N	needed 115:10	Nicholas 179:9	80:6,12 81:19	October 13:22
N 4:1,1 5:1	171:16	nickel 122:6	82:2,9 84:13	93:17
113:24,24,24	needle 24:24	128:11,18	87:11 89:24,25	offense 107:12
N.E 1:24	needs 12:6 31:20	night 143:1	92:10,12	offer 55:19 84:6
naive 41:22	35:15 66:6	nine 80:25 97:8	112:15,16,19	84:11 95:3
name 52:12	98:20 160:19	97:9	112:23 114:21	96:14 110:8
73:14 179:18	negative 31:12	NMS 115:9	115:5 119:13	122:24 127:22
narrative 59:23	33:5 121:19	118:18,20,21	142:18 143:9	130:3 171:15
60:1	130:6	118:21 119:4	154:22 179:5	offered 79:24
narrower 131:1	neglected	119:21,21,22	numbers 34:17	151:17
narrowing 92:15	163:18	119:24 121:7	41:11,11 70:24	offering 8:25 9:5
NASAA 78:25	negotiation	non-34 130:20	95:17 100:23	39:17 55:13
83:9 91:16	155:25	131:5	106:12 109:18	79:23 80:1
152:4,9 155:1	neighbors 80:17	non-DTC 133:5	146:21,22,23	81:13,21 82:13
155:3,17	net 58:17 84:18	non-F 52:2,5	159:22 174:24	83:3 84:8,19

85:8,12,19	111:10,17,23	132:14	outline 77:22	70:19,19
86:3,3,7 87:23	112:10 113:6	opportunity	outlines 175:10	paid 45:16,19
89:25 90:5	113:14,15,15	58:6 66:10	outset 22:20	59:10 145:3,4
91:15 95:22	113:25 116:1	74:15 78:19	outside 23:25	155:12 169:9
99:16 101:17	131:24 135:15	88:8 112:7	30:23 31:8,10	pain 172:9
101:18,23	139:16 142:23	125:17 136:9	58:5 69:20	painful 31:15
104:3,4,10	161:23 162:8	140:10 157:23	71:24 83:22	Painting 24:4
107:6 143:25	162:23 163:24	160:12 169:6	103:17	pan 141:22
144:5 155:24	169:19 170:22	opposed 66:10	outsource 69:20	panacea 88:7
157:18 159:8	172:2 173:24	76:25 111:15	outstanding	paper 50:14
170:23	176:23 178:5	113:18 127:23	32:15	83:24 100:1
offerings 6:1,3	old 123:1	133:22	outweigh 40:2	111:6 138:4
8:16,22 9:8	older 63:8	optimistic	over-interpret...	par 137:11
39:3,7 55:18	omission 38:12	142:14	160:15	parameters
82:8,11 86:18	onboard 154:25	option 81:7 90:9	over-the- 124:8	123:5 149:19
88:20 93:21	160:13,20	90:25	over-the-coun...	parent 107:10
95:19 96:25	once 47:23	optional 90:1	117:4 124:7	parochial 102:2
97:9,9,13	116:12 137:1,2	options 6:14	127:7,25 129:6	part 6:23 20:2
103:5,14 115:3	145:13,16	127:12 137:6	overall 66:15	27:14 35:22
144:2,3 166:25	170:16,18,19	order 4:4 31:9	74:18 131:10	55:3,7 60:16
offers 105:18	one- 114:17	31:19 64:1	131:18 132:16	65:2 67:17
159:18	one-off 166:12	86:15,21 93:21	overhaul 78:25	72:11,21 73:22
office 12:5,7	onerous 36:1	121:3 130:24	overlap 18:4	78:24 80:1
90:20,21 106:5	73:24 93:20	133:8 135:24	46:21	81:21 92:1
110:21 115:20	ones 11:10 90:12	138:25 139:4	overlapping	110:18 113:11
157:11 163:22	133:11 152:25	orderly 22:3	36:25	118:9 119:2
offices 110:21	163:9 175:4	124:12,13	overload 35:12	140:15 141:13
offset 99:11	ongoing 97:14	132:18	52:23	148:10 149:1
offshore 148:18	online 84:23	orders 121:5,6	overregulate	149:18 161:1
oftentimes 44:13	89:24 90:2,5,7	organically 11:8	174:20	167:1
66:3 67:2	90:8 95:3	46:4	override 129:4	PARTICIPANT
96:24 136:2	171:6,13	organization	overview 13:4	111:11,21,22
137:6 163:9	open 21:9,10	78:25 106:6	13:18 87:13	142:17 176:25
170:11	40:21 87:14,23	157:10	128:2	participants 2:1
oh 21:22 105:4	135:16 145:1	organizations	owned 30:1	3:1 9:24 161:2
148:14 159:10	opening 7:13	61:2 167:13	32:16	participate
159:10	153:4	original 179:13	owners 143:15	120:16 140:11
okay 5:6,6 7:11	operate 154:17	originality 52:19	ownership 162:1	140:12 158:8
7:13 12:18	operating 96:16	originally 80:1		participated
21:23 33:25	operation 84:20	originating	P	151:5
40:21 45:2	operations 12:9	120:12 132:10	P 5:1	participating
55:25 57:15	13:5	132:11,12	p.m 113:22	178:8
59:19 62:17	opinion 113:8	OS-0603 179:5	178:9	particular 10:2
66:18 67:7,12	113:10,12	OTC 117:6	Pa 169:3	21:3 27:18
74:19 76:16	141:24 170:24	Ottawa 145:1	page 4:3 83:10	28:11 67:21
78:5 88:2,25	opportunities	ought 78:3,3	113:4 152:24	68:13 81:12
89:7,7,14	14:6 15:21	157:25 161:3	pages 49:15,16	87:21 92:23
96:13 103:17	35:7 36:22	outdated 18:1	49:18,18,19	93:3 172:12
109:7 110:15	66:13,14 72:9	36:24	52:2,4,5,24	particularly

5:14 13:24	81:4	144:4 151:18	54:1 63:11	108:16 112:17
21:1 30:16	pendulum 50:23	percentage	Philadelphia	123:14 127:14
34:13 35:24	Pennsylvucky	92:14 106:2	168:8	128:17 157:3
36:1 37:17	168:9	110:20 146:15	philosophical	161:22 170:15
43:1 82:19	Pennsylvania	percentages	61:23	172:5 177:23
83:19 86:12	168:7 169:13	91:20 146:25	phrase 158:4	placement
126:25 136:2	penny 130:23	percents 103:24	pick 15:24 69:17	148:23 149:16
partner 31:18	132:24 140:20	perfect 19:3	74:7 112:15	150:20 151:15
102:4	140:25 148:20	109:10	142:18 170:20	152:7
parts 91:20	people 32:7	perfectly 170:14	177:4 178:1	placements 7:4
party 151:22	33:10 51:12	perform 42:19	picked 112:24	10:7 105:17
passed 81:1	56:4 58:18,21	performance	141:3	136:5 151:16
83:14 89:17	60:21 70:15	24:10 27:7	picking 111:18	156:10
passing 111:24	75:8 77:13	29:2 30:15	picture 109:17	places 165:6
paste 168:17	83:16 87:7	59:11	piece 41:5 138:4	plan 6:4 42:17
pasting 68:6	98:4,11 105:9	period 27:7 39:4	153:11 155:15	75:19
patchwork	108:22 109:13	69:4,4 78:1	176:19	planes 178:5
94:20	116:21 134:2,5	124:5 128:22	pieces 101:22	planning 129:13
path 7:24 77:21	136:3 137:6	140:3 144:4	170:20	plans 59:10
105:6	143:13 145:4	periodic 18:13	Pieciak 2:19	119:24,25
Paul 2:16 93:6	145:16,19,24	54:2,9 69:19	5:21 11:1	plants 23:10
94:24 96:3,13	146:3,9 148:11	70:11 123:12	78:16 79:16	72:4
96:22 97:5	148:17 149:8	127:9 129:9	80:6 88:22	plate 64:11
102:25 103:19	149:25 151:2	periodically	89:1,6,8,13,23	platform 171:7
104:1 110:5,10	155:23 156:8	54:21	90:17 91:6,24	platforms
110:12,15	156:12 157:7	permission	94:25 96:11,14	171:13
134:24 135:12	157:23 159:20	138:24 139:1	97:4,7,20	play 33:17,18
135:15,23	162:11 163:2	permit 38:12	98:23 99:19	94:17 115:7
136:22 137:22	164:13 166:14	116:18 118:11	100:13,16,19	127:21 128:8,8
138:13,18,22	167:3,8,13,18	permitted 17:1	101:5,8 102:9	playing 24:7
139:9,13,15	169:9 170:8,23	150:7	102:19 104:7	28:5,23
144:22,25	172:25 173:13	person 32:19	104:23 106:14	please 22:20
161:11 163:6	175:7,20,25	150:5 151:2	166:3	175:8
176:24 177:1	people's 87:24	157:18 159:2	Piggybacking	pleased 7:20
pause 15:23	175:16	160:20 168:16	10:21	13:7,11 16:1
pay 26:18 27:5,6	perceive 60:24	personal 57:5	pike 172:15	78:14
27:6,6,10 31:9	percent 26:10,15	141:24	pile 25:12	plenty 155:10
32:10 56:18,20	28:15,17,19,20	personally 102:8	pilot 128:19	plus 80:24 82:6
73:6 137:7	29:25 32:15	141:21	141:13	176:19
155:22 159:13	47:9 52:14	persons 150:9	pipes 45:3	pockets 169:11
paying 141:4	62:1 73:23	perspective	Pittsburgh	point 15:24 21:7
payment 157:6	75:1,2 76:5	13:25 29:18	168:7	21:16 25:23
pays 108:22	84:15,16,17,18	34:3 62:18	Piwowar 2:24	32:2 39:11
PCAOB 27:12	87:18 91:12,16	87:16	7:12 10:15,16	41:25 43:25
31:10,14 50:7	91:23 92:20,20	pervasive	97:17,18	44:12 45:7
50:22	92:24,24	149:11,13	place 8:18 25:15	47:12 50:4
pen 111:6	100:21 104:13	pesky 103:1	48:6 64:4,5,6	52:6,18 53:25
penalized 28:10	106:2 108:15	Ph.D.'s 64:20	85:8 96:17	54:9 57:3 62:6
pending 27:9	109:18 130:2	phase 18:17	101:19 104:14	63:9,20 69:2

74:14,18 86:24 93:22 94:15 99:4,21 102:25 103:7,9,20,21 104:18,25 113:14 132:22 133:1 136:15 138:3 145:8 177:7,22 pointing 18:12 106:9 points 51:8 61:5 62:25 77:18 94:14 99:25 103:21 127:16 130:9,11 169:17 176:19 policies 27:11 Policy 12:6 policy-makers 24:6 policy-making 16:8 political 108:8 175:12 pop 75:9 pops 47:12 popular 6:22 population 28:17,24 62:1 74:4 90:4 portal 89:21 90:2,9,14,19 portals 89:24 90:6,13,24 94:11 97:24 105:10 position 6:8 84:12 104:9,10 112:6 121:21 122:15,18 126:5,12 130:5 134:8 possible 6:17 10:9 115:16 140:9 155:7 177:8 post- 124:2 post-Enron	22:12 24:13 post-IPO 124:2 post-SOX 26:4 posterity 113:4 postpone 177:3 postponed 25:3 potential 10:7 32:21 33:1 37:7 49:21 82:23 98:16 99:8 107:16 117:23 118:1,4 125:21 126:17 128:7 129:21 171:15 potentially 11:5 36:17,19 38:5 38:23,24 39:3 39:8 84:12 123:18 126:15 127:3,16 practicality 173:13 practice 34:12 113:9,12 practices 113:10 162:6 practitioners 83:18 150:21 pre-tax 26:14 preamble 113:2 precious 23:6 precise 45:2,7 45:22,23 46:18 precision 51:3 predated 95:6 predominant 101:2 preempt 96:6 preempted 96:6 96:12 preemption 96:19 prepare 153:5 prepared 10:17 153:11 prescriptive 97:23 110:24 presence 92:23	93:2 present 8:19 16:12 19:8 30:14 34:6 49:17,23 presentation 6:15 11:2 19:17 36:15 47:20 100:11 115:13 156:7 160:4 165:5 166:4 presentations 6:12 42:13 47:17 58:16 61:19 174:4 presented 115:17 presenting 30:9 30:11 44:5 preserve 154:8 press 41:6 44:3 58:7 pressures 69:21 presumably 103:13 108:24 138:6 presume 47:3 pretty 5:8 21:6 54:7 56:18 63:9 67:24 71:17 74:20 82:11 84:1 86:5,14 90:11 90:23 101:16 106:10 131:24 132:23 133:21 134:25 141:21 146:22 147:5 150:12 152:12 155:13 156:1 157:4 175:7,14 prevent 43:5 58:21 62:12 117:18 prevents 119:16 129:9 previous 105:2 previously 38:2	price 35:4 117:14,25 119:10,17 120:15,16 121:1,8 122:3 137:7 142:10 prices 121:3 pricing 27:20 primarily 120:13 132:12 primary 55:18 85:8 87:22 104:15 135:18 138:2,6,22 151:19 principal 104:14 106:5 108:16 136:25 160:13 principle 33:14 35:17 36:9 40:14 principles 37:8 40:18 67:18 105:15 152:5 principles- 16:9 68:11 principles-bas... 15:6,9,18 37:9 67:17,23 68:2 68:12,14,17 prior 8:18 53:9 53:9,10 68:1 95:7 117:9 priorities 8:6 prioritize 77:10 private 7:4 10:7 51:25 57:6,11 105:17 107:3 114:6 135:10 136:4 143:19 148:22 149:15 149:23 150:20 151:15,16 152:6,17 153:19 156:10 156:12 privately 154:16 privilege 129:5 privileges	123:25 124:3 140:1,5 pro 16:2 proactive 65:19 proactively 64:18 85:15 probably 41:21 45:8 50:5 53:3 61:13 63:19 64:2,9 66:13 73:19 79:3 82:23 85:5 90:11,23 91:10 97:5 101:20 103:2 112:13 113:2 114:8 132:10,11 135:21 136:20 139:21 142:24 145:5,14 146:1 147:23 154:21 176:13 177:22 problem 42:25 59:22 70:3 77:9 101:3,3 137:12 140:25 147:1 148:9,10 149:5,6,10 153:25 158:21 158:23 160:9 160:10,12 170:12 172:2 problems 69:18 93:7 148:19 procedure 42:21 42:22,23 proceedings 179:11 proceeds 84:18 84:25 85:2 process 7:5 9:24 13:16,19 14:4 20:3,12,13,15 37:16 47:4 52:19 56:7 64:23 65:23,23 67:5,18 70:19 76:13,14 82:13 86:1,4 95:25
--	--	---	--	--

105:25 111:24 114:25 115:8 120:16 147:18 150:19 160:16 176:5 178:1	55:3,23 63:19 69:13 72:6,21 73:7,20	protections 8:1 118:2 134:20 173:11,23	12:20 16:23 17:16 20:2,3 21:14 23:15,22 23:25 24:8,19 24:23 25:2,10 25:13,15 26:2 26:14 28:10,12 28:13,15,18,20 29:20,21,23 30:5,6 32:3,13 33:15,18,20 34:9,17 36:10 36:14 37:24 38:4,16,19 39:16 44:5,10 47:19 50:3,8 51:24,25 52:1 52:11 55:14 56:8,9,14,17 57:12,22 58:19 59:7 60:11 64:25 74:25 75:16 107:25 117:14,19,25 134:16 137:20 143:25 146:20 152:14 153:5 156:10,11	pursuing 172:12 push 69:23 pushed 121:17 put 6:7 8:1,18 27:4 42:12 47:20 50:16 57:9 60:19,19 66:7 69:21 70:7 75:20 76:18,21 84:8 84:11 95:1 96:17 97:2 106:25 111:5,6 112:2 121:18 122:18 133:6,7 137:10 143:11 144:11 161:15 168:17 174:18 176:21 177:5
processing 128:10	proliferation 126:21,24	prove 30:23 37:3	59:7 60:11 64:25 74:25 75:16 107:25 117:14,19,25 134:16 137:20 143:25 146:20 152:14 153:5 156:10,11	putting 16:3 18:21 80:16 106:1 121:21
product 23:9 45:14	prominent 116:7 117:11	proved 122:4	publicly 49:6 84:8 121:4	<hr/> Q <hr/>
productive 5:9 7:7 10:13 178:7	promise 148:14	proven 53:18	published 95:8 148:24 152:3	QIBs 135:17 136:13 137:11 137:13,13
profession 166:11 176:13	promising 170:5	provide 7:24 14:21 17:1,17 19:4 26:23 27:14 37:10 38:9,20 55:1 62:9 78:11 132:14 139:6 155:1 156:4 157:7	pull 44:18	QTP 119:24
professional 153:2	promote 5:23 120:9 122:8,19 139:20	provided 14:7 14:19 27:24 28:9 74:13 97:25 114:16 142:11 155:15 161:2 165:16	pulled 52:3	qualifications 156:19
professionalism 168:4	promoted 84:9	provider 128:13 128:16	punished 24:14 62:11	quality 55:10 102:17 108:19 149:25 150:2
Professionals 37:20	promoting 79:2 114:22	providers 47:6 69:23 118:10 125:15 127:4 128:5,6 141:7	publicly 49:6 84:8 121:4	quantify 140:9 158:18,25 177:11
professions 163:6	prone 134:17	provides 7:25 83:13	published 95:8 148:24 152:3	quantitative 116:25 117:13
profit 125:22 141:5	Proposal 113:16 149:19 167:21	provinces 91:25 92:3,4	pull 44:18	quantities 167:14
profitability 59:4 122:7 140:8,15,21	proposed 90:17 95:7 114:20 145:3 155:4 166:7,8	providing 14:3,9 16:24 22:17 28:5,5 40:8,14 144:20	punished 24:14 62:11	quarterly 152:10
profitable 36:4 59:16 115:10 160:23	proposing 153:3	provision 142:15 154:15	punishment 62:4	question 31:4 47:10 49:7
profitably 46:3 132:15	proposition 122:24 125:23 127:20 130:4	provisions 72:12 72:14,24 119:4	purchase 138:2 138:11	
profits 82:24 121:19 125:18 126:3,14	prospective 15:20	provocative 169:22	purchased 80:8	
program 128:19	prospectus 52:2 52:4	proxy 18:15 27:8 59:7 64:8 105:7	purchaser 139:7	
programs 31:9	prospectuses 64:7	prudent 36:17	purchasers 156:14	
progress 165:21 178:2	protect 22:21 117:19	public 4:8 5:13 5:15 9:18,21	purpose 35:11	
prohibiting 116:18	protected 134:14 165:12 165:13		purposes 108:24	
Prohibition 171:22	protecting 22:3 23:1 79:2		pursuant 119:23	
prohibits 144:14	protection 53:15 107:24 136:16 149:18 164:11 171:4,5		pursue 42:2	
project 12:11 13:15 14:12 18:18,25 19:5 19:7 20:5,10 49:4 54:1,8,14				

51:10 54:12	148:9 172:16	74:15 116:9	125:22 128:25	112:5 113:8
56:2 62:14	175:16	118:6,11,11	129:25 131:2	150:17 151:14
63:2 67:15	raise 8:2 39:25	120:3 121:24	131:20 133:8	152:2,3 175:1
69:3,5 70:23	64:23 81:24	124:17 125:5	141:22 142:3	175:3 176:18
72:5 73:25	82:1 83:3 96:2	125:14 133:11	143:17 144:21	176:20,22
91:9 98:13	106:22 137:7	147:12 149:4	145:20 146:17	177:25
99:19 100:11	144:25 149:5	154:2 159:5	147:7 148:3,7	recommendati...
103:13 108:15	151:16 159:3,6	160:9 175:11	150:21 151:1,8	9:25 12:22
113:7 116:19	170:9	175:19	151:25 152:23	13:17 14:10
131:7 137:12	raised 78:12	real- 25:23	152:23 153:14	17:10 18:15
156:21 160:5	81:23 99:5	real-life 108:11	154:17 155:8	20:14,17,20,22
161:11 162:1	105:1 121:16	real-world 22:16	156:4,21 157:3	38:2 40:18
169:22 171:20	143:19 168:14	27:22	157:17 158:3,6	74:12 77:15
172:1	raises 88:15	realistic 66:13	158:20 160:17	149:14 151:12
questioning	175:11	realistically	161:4,9 163:25	161:7 177:4,17
131:9	raising 7:25	160:14	164:8 165:2	recommended
questions 15:3	99:13 152:18	reality 41:4	168:9,13,19,19	150:17 175:4
17:9 53:7	156:18 168:2	134:15 141:1	169:20 170:13	recommending
69:12 70:22	169:9,9	realize 19:9	171:5,9,20,24	112:3
72:20 75:5,9	ramble 29:10	32:17 66:5	171:24 172:4,8	reconsider 77:15
75:15 87:15	ramp 19:6 51:14	93:13 131:8,14	172:16 173:25	reconvene
88:3 92:8	range 9:23	realizing 38:14	realm 73:11	113:21
106:18 109:8	127:24 146:1	really 8:7 12:3	reason 25:1	record 179:12
111:12 115:5,7	152:16	12:22 13:23	92:15 95:16	recording
116:13 121:15	ranks 24:22	15:8,9 16:5	107:8 176:6	179:15
129:16 130:18	rant 29:10	18:18 19:3,23	reasonable	records 109:4
160:8 166:4	rarely 58:13	20:2 34:25	45:17 77:21	147:7,8
173:5	147:10	35:5 41:1,4,17	87:4 99:22	recurring 6:15
quick 49:2 67:15	rate 26:9,18	45:15,18 51:8	123:4 125:20	redacted 52:12
102:6 106:19	71:11	51:19 53:14	125:25	reduce 39:2
quickly 51:20	ratio 27:10	54:3 55:21	reasonably	54:22 65:9
65:2,5,6	rationalize	57:20,21,24	130:13 142:7	121:13 122:2,3
quite 9:16 32:14	36:24	59:1,7,14,19	142:12 166:17	122:12
60:22 84:2	re- 130:14	60:3,4,10,15	recall 111:25	reduced 106:13
104:4 108:5	reacting 75:17	61:21 62:14,22	receive 20:24	reducing 14:8
116:16 117:6	reaction 89:11	63:4,6 66:10	received 20:6,17	16:22 35:25
129:25 138:15	89:11 92:13	66:15 67:3	37:6 39:25	37:22 39:5
144:2	read 41:2 44:24	69:3,12 70:1,8	recess 113:22	66:15 121:20
quorum 5:3	57:8 59:6	73:12 74:4	recognition	139:20
quote 61:8 123:4	112:7 129:11	78:20,24 79:18	131:20	redundancy
quotes 119:14	152:23	80:10,15 82:12	recognize 30:8	59:21 61:11
125:20,24	reader 44:19	82:21,21 83:7	recommend	redundant
128:15	readily 16:15	83:16,21 85:13	154:14 176:10	40:23
quoting 126:4	18:2 119:17	87:17,25 88:23	177:18	reestablish
<hr/>	reading 29:12	95:4 96:19	recommendati...	124:13
R	41:13 113:7	101:18,21	4:12 6:8 76:18	reference 32:9
R 5:1 113:24	ready 40:3 53:20	110:2 113:2	76:22 77:2	39:1 60:18
R&D 23:8	real 51:10 53:15	119:10 120:10	109:9 110:6,19	68:1
radar 109:14	60:24 65:22	122:1 123:11	111:5,9,24	referenced 71:3

96:23	143:6 144:9	164:21,24,25	157:21	reporting 17:3,8
referred 37:6	147:18 149:24	173:4,6 176:14	relative 71:5	30:9 35:3 38:6
reflects 112:6	157:7 160:3	regulations	101:7	38:14,15 49:13
reform 35:19	registering	22:12,18 23:5	relatively 32:14	51:12 54:2
36:11,19 37:3	149:15	23:15 25:4,12	108:20 116:5	55:16 72:16,25
37:8,8 38:3	registrant 17:14	26:24 33:14	116:21 117:4	73:3,5 74:3
40:17 66:14	registrants 14:3	35:8 70:17	122:15 124:5	119:24 179:14
160:9	112:20	85:20 91:19	160:7	reports 18:14
reforming 37:14	registration 7:6	94:16 97:21,24	relaxed 25:1	41:6 60:6 64:7
reforms 36:17	10:6 53:16,16	105:8 115:6	26:25	70:11
40:11	54:4,12,19	116:11,13	release 153:3	represent 27:4
Reg 36:21,22,23	55:8,10,13	120:8 149:3	releases 41:6	28:18,21 57:23
67:16 110:16	86:4 90:19,20	regulator 31:18	44:3 58:7	88:7
115:9 118:18	99:11,18 100:5	87:22 104:15	relevant 4:15	represented
118:20,20,21	103:16 150:19	126:23 144:17	29:14 35:15	81:1 163:7
119:4,21,21	152:12 154:15	160:25	38:22 40:7,14	representing
120:20 121:7	154:21 159:16	regulators 25:17	41:9 46:11	157:20
135:4,6,18	161:19 165:18	25:19 28:8	65:10 67:3	represents 11:19
136:4,14	165:23 173:4	48:10,11 50:23	77:17 104:6	28:12,17 80:22
143:24 144:2,3	173:15	regulatory 24:15	114:3 116:11	requested 155:3
146:13 159:7,8	registrations	24:20 28:3	reliable 167:17	requests 139:7
regard 35:24	112:19	34:9 37:23	relied 6:1	require 36:3
37:15 42:20	regs 48:5	40:9 52:16	relief 25:11,14	86:4,6 89:24
44:14 109:15	regular 40:4,25	53:19 95:11	30:9,13 38:21	90:19 105:10
regarding 77:15	142:11 143:16	116:3 119:2	74:8 173:16	129:3 151:21
115:13	152:10 160:23	120:18,21	reluctance 167:2	required 18:3,13
regardless 93:1	regularly 116:16	121:9 149:9	rely 8:22 70:15	31:7 66:23
regime 9:22 34:9	regulate 62:8	157:10 162:8	remain 35:15	100:3,3,5
35:1,23 67:10	104:9 177:11	162:17 165:7	125:20	121:7 125:21
120:21 152:11	regulated 154:1	171:14 172:5	remainder 15:24	requirement
165:7	158:7	173:3	remains 8:9	27:13 68:16
regimen 52:22	regulating 96:20	reincorporate	remarks 4:5	92:21 165:18
regimes 53:19	130:15	101:13	7:13 10:17	requirements
region 87:6	regulation 7:22	reiterate 77:18	12:16 20:23	14:17 15:4,6,9
96:21	14:16,17 15:2	reiterating	36:7 54:17	15:13,14,14,20
regional 9:7	15:7,13 17:11	93:14	remember 25:14	15:22 16:10,11
11:5 86:13	17:16 24:2	relate 37:2,14	remind 106:19	16:19,21 17:13
87:3 88:19,22	27:10 46:12	61:5	reminded 61:8	17:22,25 18:5
94:8 98:7,21	78:11 80:4	related 26:8	reopened 24:24	18:8,21 20:8
99:7	82:10 92:9	49:16 76:22	repeat 36:4	21:17 29:5
regions 87:11	103:16 106:13	151:22	39:23 55:2	36:21,24 38:3
94:12,21	114:23 115:3	relates 34:10	repeated 83:23	38:9,11,24
register 90:21	118:15 120:4,4	65:6	repeatedly 84:4	54:2,4,4,14
99:15,23	143:23 150:10	relating 38:13	repetition 46:22	68:13,22,23
156:24	151:22 152:12	relation 166:5	report 36:20	120:2 165:24
registered 9:8	154:3 155:8	relationship	75:21,21	requires 17:16
53:22 86:15,21	157:2,16,25	31:13,16	119:23 149:12	84:16 103:12
99:10 130:25	158:2,5,19	151:21	149:14 150:16	139:22 158:10
131:3,4,5	163:1,11	relationships	150:16 151:10	requiring 77:12

94:18 119:14	restrictions	41:20 47:25	room 62:15	117:17 118:22
rescission	90:13	49:16 52:7	69:16 123:17	119:13,14,18
159:18 170:23	restrictive 138:3	53:5 54:5,11	123:22 143:13	119:19 121:3
171:15 176:3	restructuring	58:10 62:23	146:3	123:23 157:24
research 64:22	152:18	63:6,21 67:12	rotation 27:8	161:6
92:6	result 136:3	71:22 72:3	roughly 39:14	run 72:1 170:16
resell 135:19	137:13 146:12	74:9,15 84:5	76:5	running 32:7
residence 136:25	167:23	89:10,10 92:12	Roundtable	57:25 81:10
151:19	resulting 15:9	92:14 98:10	37:19	85:19 129:15
residency 84:6	24:19	103:19 104:7	route 101:23	176:24 177:1
100:24	retail 16:15 53:2	104:11 106:15	RPO 22:13	runway 28:6
resident 91:3	72:1 121:14	110:14,23	rule 4:11 5:25	
105:3	retailer 72:1	111:20 116:2	6:2 7:23,23	S
residents 79:25	retire 63:12,13	123:24 128:11	8:20,22 9:3,4,6	S 2:19,24 4:1 5:1
resides 115:24	64:13	129:4,5 132:3	9:9 10:22,24	113:24,24,24
resolution 6:6	return 37:22	132:3,20	11:4 27:12,18	S-1 39:1,3,25
176:7	revenue 25:5,7	135:12,15,16	64:10 78:7	52:8,10 53:20
resonates 88:11	26:1,7 29:22	136:15 137:12	79:24 83:20	65:23,24 66:6
resource 83:10	50:10 71:2	138:5 139:3,19	84:5,16,16,20	66:6,7
resources	73:15 74:6	141:3 143:13	84:21 85:22,23	S-1's 35:5
125:19	91:4 140:10	144:4 153:24	85:24 86:1,2,3	S-3 39:5 53:13
respect 93:24	revenues 38:17	160:19 164:13	86:6,8 88:14	53:21,25 54:10
109:19 117:2	59:3 71:3	164:15,18	89:9 91:12	55:17
131:7 133:6	84:17,23 92:20	165:9 167:23	92:15 96:15	S-K 14:16 15:2
162:4	108:21 146:24	169:25 172:13	98:15,19,19,24	15:7,13,25
respite 12:16	reverse 64:1	172:16 173:13	99:3 100:21	17:23 35:8,24
respond 42:24	review 13:7 31:8	174:7	101:22 102:22	36:21,22 54:14
94:25 109:9	36:20 58:12,13	rights 123:23	109:10,24	67:17
responding	69:20 111:2	126:5,17	119:16 157:6,6	S-K's 48:21
167:8	reviewed 59:25	127:23 129:1	166:6	S-X 14:17 17:11
response 47:16	111:25	170:23	rule- 158:12	17:16,23 36:23
111:16 113:19	reviewing	rising 175:15	rulemaking 8:4	Saade 2:20
124:22 135:3	159:16	risk 27:12 28:12	8:7,8 73:20	106:19
142:21	revise 35:1	28:21 39:6	81:2 129:3	sacramental
responsible	revised 109:3	45:5,9 52:14	rules 4:14 6:16	171:23
164:24	revising 38:6,11	60:14,16 65:12	8:2,13,17 9:14	sacrificing
responsive 68:16	38:24 63:8	66:23 68:16	15:17 18:1,4	149:18
responsiveness	revisit 50:6	75:23 100:25	23:2,14 25:1,4	safe 5:25 8:21
171:10	rewarded 56:5,6	100:25	26:25 27:3,4	84:5 103:17
rest 11:14 47:18	rewarding 5:10	riskier 134:16	33:14,18 38:7	safety 58:17
48:21 74:13	rewards 107:10	risks 60:25	43:3,5,11 48:5	sake 46:2
restatements	RFPs 63:11	100:21 117:24	53:14 58:21	salaries 26:8
26:2	RIA 161:18	126:9 134:21	69:1 78:8	salary 45:17
restrict 124:8,14	Richard 2:13	144:9 147:3	81:12 83:19	sale 84:7 136:20
140:4 156:14	74:20 91:1	road 66:4	90:17 91:18,22	136:21 153:22
restricted	rid 103:3 104:13	101:11	93:19 95:7,8	154:6,9,10,15
122:22 123:19	right 14:15	robust 82:12	96:18 104:19	sales 70:13,13
restricting 124:7	18:19 20:5	roll 89:5,5	114:3,21	149:21 154:4
restriction 131:5	28:1,13 41:4	rolodex 145:2	115:16 117:16	salon 82:20

salutary 153:18	screen 109:14	115:21	135:4,6,11,18	160:25
sanctioned	172:16	SEC-only	136:4,14 137:2	sell 53:21 75:4
150:1	screw 58:19	157:12	137:14,18,20	110:8 128:15
Sara 2:11 63:1	170:3	sec.gov 19:16,19	140:21 141:1	136:9,18 137:3
64:13 104:24	seamy 148:12	63:24	142:11 144:15	137:8
170:6 171:1	search 19:17	SECO 157:12	148:2,7,13	sell-side 44:4
172:6	searchable	second 54:12	149:24 151:17	seller 136:16
Sara's 105:23	19:18	101:18 104:21	152:21 154:5	138:17,18,19
Sarbanes-Oxley	season 55:11	111:10,11	156:9,23	138:20
26:6 33:3	144:23	112:10 118:14	168:16 179:11	sellers 136:5
sat 174:4	seasoned 138:4	135:13	securities-based	161:15
satisfy 138:10	seat 106:20	secondary 6:19	78:9	selling 107:13
Saturday 153:13	seats 114:1	10:10 114:6,24	security 53:16	136:7,24
savings 46:24	Sebastian 3:6	115:18 116:22	75:24 123:25	sells 84:22
saw 70:5 83:25	5:3 10:23 12:4	118:17 135:19	125:19 153:24	Senators 145:1
saying 43:13,22	98:13 111:23	136:10 138:3	see 9:16 10:8	senior 12:7
59:22 67:9	151:8 163:25	138:13,14	14:10 43:19	sense 7:2 29:3
75:22 96:3	SEC 2:22,23,24	secondly 160:11	45:9 56:23	36:18 45:10
107:8 131:22	2:25 3:3 5:16	Secretaries	58:7 60:23	61:25 62:7
139:20 145:9	11:7,14 14:19	37:20	71:20 77:16	72:19 77:10
171:22	14:21 16:12	section 4:13 6:5	79:6 80:22	87:5 90:4 91:3
says 11:19 59:2	18:5 20:24	10:4 33:3	82:17,22 89:9	92:18 101:6
73:1 75:13	34:5 36:25	37:21 49:25	91:7 110:3	107:5 109:10
107:5 155:21	41:2,4,5 42:15	60:17,17 67:21	111:5 122:6,12	113:12 115:12
162:8 169:24	42:20 43:10,22	111:19,19	122:21 125:3,5	141:8,9 156:8
SBA 106:20	47:21 49:12	sections 44:21	142:10,14	157:14 169:10
151:4	57:17 59:16	sector 64:20	155:19 167:16	176:15
scalability 50:5	61:24 62:12	175:19	168:2,4 169:7	sensible 38:3
scalable 76:14	68:2 70:12	sectors 39:9	169:11 171:25	sensitive 20:25
scale 12:22	72:6 85:15	secure 143:5	176:10 178:2	sent 52:9 153:11
16:18,21 17:1	108:2 109:22	securities 1:1,23	seeing 8:1 11:4	sentence 150:17
17:6 24:1 36:9	115:8,13	4:11 8:20 9:6	16:6 122:18	151:25
38:3,19 48:11	141:18 143:21	49:21 53:18,21	171:7	separate 60:17
50:24 72:12,14	150:14,18,24	53:23 55:20	seeking 8:15	96:18
77:16 141:22	150:25 151:7	86:15 92:1,9	104:2	September
156:2	151:11,15	105:19 114:25	seen 61:15 81:11	144:1,1 178:4
scaling 22:10	152:4 153:7	115:2 116:24	88:6,7 105:1,4	serious 131:9
schedules 27:15	154:12,23	117:5,8,24	170:10 172:7	158:13
38:12	157:11,15	118:24 119:22	segment 121:20	seriously 33:16
scheme 162:9,17	158:10 159:15	119:23,25	142:16 155:19	156:13
school 8:24	161:19,24	120:6,10,11	SEIDEL 164:6	serve 113:3
112:18	162:10,13,15	121:25 122:23	172:17,20	131:19 176:19
Schwab 53:3	162:21,23	123:11 124:14	self- 69:9 157:9	services 47:3
133:7	163:13,16	125:16,25	self-certification	161:1
Schwabs 134:4	174:16 175:8	127:5 129:12	105:24	session 5:7 53:9
scientific 67:8	176:11 177:17	130:2 131:3,4	self-certify	114:2 115:11
scientists 64:20	SEC's 5:25 6:20	131:22 132:15	105:9	set 6:13 12:22
scope 31:11 37:9	11:12 13:3	132:21 133:12	self-regulator	91:22 115:4
scoping 17:6	22:2 77:3	133:24 134:21	144:17 160:22	119:19 174:17

sets 124:18 153:17	129:23 130:24 132:1,8 134:7	simply 18:1 19:16 27:4	25:7,25 27:4 27:13,21,23	84:8,9
setters 37:1	135:9,13,21	45:5 58:21	28:7 30:5 32:2	Society 37:19
setting 136:25	139:23 140:13	65:19 94:9	32:3,14 38:3	sold 153:19,22 159:13
settlement 134:9	140:24 141:11	98:21 155:11	38:19 47:11	solely 151:17
seven 74:7 175:5	141:14,19	177:18	57:22 74:2,4	solicitation 86:16,19,22 99:24 100:6 166:21
severe 62:4	142:1,6,18,20	simultaneous 129:15	74:23 76:6	solicited 133:3 152:15
Shannon 2:10 21:11,21 22:19 22:20,22 29:7 33:25 36:6 43:9 47:8,18 57:24 59:22 70:24 146:22	165:8	sin 110:12,12,13 110:13	80:12,18	solicitor's 157:6
Shannon's 47:12	shoes 57:10	single 18:10 48:7 69:9	107:20 108:5,6 114:14,20	solution 7:3 49:21 91:15 100:1 114:19 128:9 155:7
shape 147:11 177:6	short 19:21 31:25 42:20 124:5 138:5 140:2 145:9	sir 139:16	116:22 117:5 117:24 118:17 120:6 121:17 121:24,25 122:20 124:9 124:14 125:16 126:8,25 127:2 130:17 131:15 131:17 134:6 134:12,15 141:1 143:14 145:20,22 147:3,17 148:4 150:13,25 151:5,11 154:3 158:2 159:3 164:11 169:13 171:12 175:12 179:3	solutions 128:7 128:17 129:18 129:21
share 25:23 29:19 46:4 62:18 110:5 117:14,25 140:21 150:7,9 151:3 166:9	shortcuts 27:25	sit 61:24	141:1 143:14	solve 77:9 137:11,21 160:9,10,12
shared 110:4	shortened 176:1	site 32:4 107:10	145:20,22	solved 93:7 100:23 101:3
shareholder 29:24 46:1 47:16 52:13	shortening 39:4	sits 29:24	147:3,17 148:4	somebody 62:4 105:3,12 144:19 148:19 153:18 155:21 162:3 167:9 169:24
shareholders 41:20,24 42:3 45:19 62:10 75:10 102:8 112:20	shorter 61:9	sitting 112:24	150:13,25	someone's 112:24
shares 29:20 30:2 79:24 135:13 136:3,7 136:10	shot 47:20 50:10	situation 88:17 106:4 143:1 173:22 176:4	151:5,11 154:3	somewhat 114:22
sharing 26:19	show 46:14 66:4 75:8 124:11 166:24	situations 159:20	158:2 159:3	son 79:12
sharper 177:24	showed 107:7	six 147:18	164:11 169:13 171:12 175:12 179:3	Sonia 2:14 49:3 51:21 67:14 91:13 105:22 128:1 173:24
sheet 50:16,17 50:21 51:5	shows 12:15	size 24:1,9 29:1 87:6 107:16 121:6 128:11 128:18 140:8,9 140:14,22 143:24	171:12 175:12 179:3	soon 97:21 166:17
shelf 53:14 55:17	side 65:14 75:4,4 75:24 147:10 148:13 168:7	size-fits-all 114:18	smaller 17:3,8 21:13 30:4,9 36:10 37:23 38:6,8,14,15 49:6,13 50:3,8 51:8 53:12 55:15 59:8,12 69:19 72:7,16 72:25 73:2,5 88:5,8 114:6 114:16 115:10 122:6 144:7 146:20 156:4 174:19	sooner 64:12
shelf-eligible 39:19	sidelight 166:15	sizes 140:18	151:5,11 154:3	sophisticated 52:25
Shillman 3:8 6:19 115:20 116:1 125:1,7 125:10,12,14 126:24 128:12	sides 34:11	SK 151:22	158:2 159:3	sophomore 112:21
	sight 107:22 108:4 134:19	skeptical 141:21	164:11 169:13 171:12 175:12 179:3	sorry 85:22
	significant 8:8 37:15 38:20 92:22 93:2 176:16	skills 19:1	171:12 175:12 179:3	
	similar 8:14 20:18 70:24 79:14 86:5,9 89:20 90:13 100:4 129:25 139:8,11 142:7	skinny 55:12	171:12 175:12 179:3	
	Similarly 126:16 127:18	skull-and-cros... 133:2	171:12 175:12 179:3	
	simple 57:13 59:12 61:6 62:15 104:16	sky 79:9	171:12 175:12 179:3	
	simpler 61:23	slate 43:18	171:12 175:12 179:3	
	simplified 149:15	slide 80:19	171:12 175:12 179:3	
	simplify 35:23	slightly 120:22	171:12 175:12 179:3	
		slow 65:22	171:12 175:12 179:3	
		small 1:8 5:7,15 11:25 12:5 21:18 22:11 23:4,5,7,13,18 23:22,25 24:4 24:5,8,13,19	171:12 175:12 179:3	
		smart 34:19 164:8	171:12 175:12 179:3	
		so-called 6:24 111:19	171:12 175:12 179:3	
		social 39:10 46:10 82:25	171:12 175:12 179:3	

177:1	173:17	stages 36:14	104:10,15,20	statistics 158:16
sort 11:24 13:19	specifically 25:2	stakeholders	104:21 105:3	166:24
15:18 19:6	35:25 37:23	41:18 42:17	108:19 109:3	stature 101:12
20:12 54:19	39:9	stakes 88:16	109:11,17	status 105:10
60:12 83:15	specifics 109:23	stand 6:18	115:6 139:2	162:7 171:14
86:7 87:13,14	specified 152:10	115:16	150:10 155:4	statute 97:23
89:18 97:20	spectrum 162:18	standard 11:17	157:24 168:8	98:3 103:10,10
98:12 102:16	speech 13:22,25	37:1 41:19	state- 80:20 81:9	103:11 173:2
102:21 104:2	54:17 108:8	60:5,23	state-based	statutory 117:18
137:1 148:12	speed 57:8	standards 54:11	78:22,24 79:18	Stay 64:11
154:22 155:19	spend 30:17	116:25 117:8	80:21,23 81:2	staying 130:21
158:19 161:25	31:11 33:5	117:11,13,18	81:6,11 82:5,7	Stein 2:25 7:10
162:21 165:8	85:2 92:13	117:22	82:16 83:11,14	12:15 15:23
166:7 177:13	spending 16:7	standpoint	85:23 97:11	16:1
sorts 98:10	30:23 143:1	44:10 58:4,5	statement 14:18	step 82:12
sought 9:23	spent 40:25 57:1	116:3,4 117:16	55:7 97:8	115:12 121:23
121:8	109:19	167:15	105:25 153:18	153:8 158:2
sound 108:7	spirit 31:20	Stanley 23:16	statements	166:19 176:1
153:6 161:20	split 90:11	Stanleys 134:4	30:10,11,13,14	Stephen 2:3
175:13	101:16	start 5:11 7:20	59:7,19 64:5,8	7:15 11:16
source 107:11	spoken 20:18	13:2 41:17	73:4 74:23	12:13 29:15
sources 144:12	53:8 63:22	43:17 77:10	81:14 95:14,15	78:16 95:10
SOX 23:3 32:8,9	173:15	79:18 82:12	159:16	143:12
space 34:13	spot 97:3	116:15 156:23	states 1:1 5:23	stepping 141:3
39:12 52:7,11	spread 99:16	158:6 159:5	8:10,11,15 9:9	steps 144:20
54:13,16 74:24	121:2 146:23	164:4 165:6,6	11:6 71:21	stereotypical
76:2 91:17	spreads 140:25	173:2,5 177:25	76:6 78:10,19	142:25
148:11,20	141:2 142:10	started 11:17	78:25 80:20,23	Steve 7:16 9:19
175:24	spurred 35:22	19:6 20:22	80:25 81:3,5,9	34:4 38:1
sparked 80:10	squeeze 121:18	79:5 108:2	81:16 82:3,6,9	64:15 108:14
speak 51:19	SRO 160:13	114:1 174:2	83:11 84:25	112:13 148:21
90:18 112:16	stable 75:3	starting 17:12	85:22 87:1,10	stimulate 23:11
129:23 134:8	108:21	41:13 43:25	88:24 89:16,24	stock 22:24
speakers 114:12	staff 3:3 5:16 9:1	157:3	90:1,10,24	25:25 30:15
143:21	9:10,19,22	starts 79:9 154:9	93:10 94:12,18	32:15,21 35:4
speaking 32:14	11:14,18,20	startup 142:25	95:3,13,17	44:19 50:10
43:14	12:4 13:3 18:6	startups 145:20	96:7 97:11	120:14 123:1
spearhead	18:6 23:21	state 23:11	98:4,9 99:23	129:12 130:1
150:18	34:5 36:12,20	80:12 84:10,19	107:18 109:5	131:25 133:4
specialist 131:25	51:12 55:23	85:2,7,8,19	144:14 145:12	142:8 153:23
133:22	57:17 63:3	86:15,21 87:21	149:10 154:2	154:6,9,10
specialists 123:2	65:20 78:18	87:21 91:11	154:22,25	stock's 153:23
130:4,7	115:13 116:9	92:4,17,23	158:11 162:21	stockholders
specific 36:22	122:11 145:6	93:25 94:5,8	164:21 169:11	32:19,20,25
37:2 44:20	145:11 153:9	96:5 97:22	169:14 175:9	33:1
53:10 68:15	155:17 161:24	99:10 100:18	states' 8:19 82:5	stocks 56:18
69:2 76:20	165:16	101:13 102:1,3	96:7 100:2	114:17 116:23
116:13 153:17	stage 36:3	102:6,14,15,16	static 54:20	118:17 121:14
167:20 172:18	124:19	103:5,12 104:9	stating 174:6	121:17 122:6

122:16,20	structured 115:2	sufficiently	suspects 143:16	113:23 136:3
124:9 126:25	structuring 35:8	49:23 103:14	sustained 36:5	takes 33:16
130:23 131:11	155:23 158:8	103:22	swathe 132:21	133:8 144:19
131:15,17,20	struggle 29:4,5	suggest 22:25	swear 179:10	147:18 170:15
132:5,16,24	stuck 7:11 72:7	177:3	swung 50:23	talk 13:11 14:25
133:5,17 134:2	74:17	suggested 98:1,2	system 14:23,24	18:7 21:17
134:12,15	studied 45:21	114:25 177:23	18:24 19:13,15	22:25 47:13
148:20	study 67:19	suggestion 27:2	33:2,9 37:14	48:10 78:19
stop 10:11	128:23	94:23	55:9,17,17	162:9,11
105:17	studying 73:14	suggestions 20:7	58:9,22 60:10	174:11
store 75:12	stuff 48:22 60:23	suitable 134:22	132:17,20	talked 88:13
82:18 83:1,3,5	63:5 68:10	summary 13:23	139:11 149:9	95:23,23
stores 72:2	70:18 130:12	50:17,20 89:16	149:15 150:11	100:22 108:15
stories 65:3	159:13 170:14	summer 78:4	170:4	112:1 145:15
story 64:19 65:1	171:20	super 46:18	systematically	145:23 146:11
66:2 70:14	sub-regime	supersede 94:7	45:21	146:19 166:21
79:25 174:12	161:13	supervision	systemic 28:21	167:3 170:1
174:23	subject 103:6	103:6 115:21	systems 19:25	175:20
strays 35:11	120:2,21	151:9	119:1	talking 31:12
stream 18:23	submitted 12:21	supply 46:13	systems' 117:6	61:7 88:3 99:6
streamline 17:21	83:24	support 59:18		106:23 108:3
18:7	subscription	76:12 93:21	T	135:10 147:15
streamlined	90:22	109:11 119:7	T 4:1,1 113:24	156:9 161:14
150:19	subsequent	169:2	table 52:13	162:19 164:20
streamlining	22:12	supported 112:5	158:18 170:21	165:9 166:11
114:25	substantially	supporting	174:7	167:12
streams 14:14	116:25 117:15	80:16	tables 35:4 67:2	talks 13:25
street 1:24 70:9	121:6 133:16	supportive 77:3	73:2	Tampa 144:23
130:12 132:6	142:13	Supreme 153:21	tailor 16:14	Tandy 29:20
132:13,23	substantive 19:4	sure 5:18 13:14	tailwinds 154:22	tantamount
strict 110:19	95:21 100:2	48:9 58:14	take 6:9,24	102:5
stricter 50:24	subtract 77:20	59:2 66:18	11:23 12:15	taped 71:14
strictly 26:8,11	success 36:8	70:3 80:4	18:17 19:9,15	taskforce 148:22
72:3 130:22	79:6	82:20 89:23	43:17 44:9	149:2,12,14,20
strike 23:2	success- 90:22	92:19,19 94:6	45:12,20 46:6	150:22 151:10
164:18	successful 36:4	101:8 115:23	56:23 62:2,9	152:6
strikes 61:12	53:18 97:9,14	121:3 125:20	85:11 93:23	tax 50:8
92:15 109:24	98:1 146:8,8	128:3 132:17	99:23 107:9	taxpayer 24:18
110:1	155:12,12	132:19 134:10	109:16 113:15	team 13:6 32:22
strong 7:25	159:4 170:4	134:13,20	114:1 122:15	tech 52:7,11
80:11 132:23	succinct 150:17	141:20 144:21	131:1 135:16	technical 18:25
133:8	sudden 99:14	165:11,13	148:16 158:13	19:5,9 65:7,9
structure 4:14	sued 45:8	167:23	162:1,9,16,24	66:9,20 67:8,9
6:16 114:3	suffered 24:16	surely 24:6	173:19 175:8	technology
115:15 116:3	24:16	25:13	176:11	37:12 69:6
120:4,17 122:1	sufficient 31:9	surrounding	take-aways	77:14 105:1
134:11,18	50:21 100:6	10:5	45:24	168:12 169:7
159:11 168:14	101:12 109:2	surveillance	taken 12:24 48:9	174:12
168:21 172:2,5	163:10	118:3	77:11 82:15,16	tee 5:21 7:1

78:14 116:5	13:9 16:2,7	177:13,18	61:10 62:14,18	128:13 129:15
teed 143:13	21:8,25 29:6	things 9:4 10:19	62:24 63:4,18	130:16 131:7,8
telephone 32:19	29:15 33:24,25	10:21 17:25	63:20 64:12	131:13 132:8
76:24 178:1	34:1,4 36:14	18:16,19 19:12	65:5,8,14,24	132:10,12,22
tell 47:24,25	40:19,20 49:3	19:20 21:19	66:1,9,14 67:4	133:13,14,15
64:18 65:1	51:15,17 57:15	23:8,11 35:3,9	67:18,18 68:11	134:9,17,25
66:2 73:14	61:19 66:17	36:6 37:12,13	68:19 69:4,12	135:21 140:3
97:7 105:5,7	67:13 76:15	38:13 48:11,23	69:18 70:6,8	140:24 142:5,7
106:21,24	78:5,16,17	50:2 52:12,14	71:22 72:20,21	142:8,13
111:2 132:8	89:15 100:10	52:17 53:10	73:13,21 74:19	143:12 145:24
174:12,23,23	101:25 108:10	56:16,24 57:2	76:19,24 77:6	146:5 147:25
telling 51:1,5	113:5,21	57:6 58:23	77:8,14,23	152:23 153:7
tells 70:14	124:23 128:2	60:8,20 61:11	78:2,3,3,20	153:11 155:8
ten 102:7 141:23	139:16 142:23	61:22 62:12,22	79:20 81:3	155:17 156:3
141:23	143:12 158:14	63:20 65:7,10	82:11 83:7	156:10,15,19
tend 29:10 44:20	158:15 159:24	65:24 66:2	84:2 86:11	157:2,4,10
44:24 76:3	163:24 178:7	67:5,8,9 70:8	87:16,25 88:15	158:23 160:7
125:16 146:6	thanks 7:15	73:3,6 77:5,6,7	89:3,8 90:10	160:19 161:2
tens 64:24	10:16 11:10,16	77:7,11,13,24	90:23 92:5,6	161:23 162:2
tension 62:21	11:22 12:17	90:16 93:12	92:12,13,24	162:10,12,15
tentatively	29:8 33:22	98:10,22 100:7	93:6,23 94:6,7	162:17,18,19
122:5	48:25 57:17	102:11 105:7	94:9,11,13,15	162:23,25
term 19:21	61:4 76:16	107:13 109:15	95:5,9 96:11	163:10,25
53:10 75:19	97:18 116:1	109:20 112:17	97:15 98:4,5,7	164:16,17,18
173:12	130:9 160:4	118:12 130:13	98:15,23 99:2	165:3,4,4,5,23
terminology	166:3 171:16	133:19 139:4	99:4,20 100:7	166:14,18,20
51:2 115:14	theoretically	146:5 147:24	101:20 102:21	167:11,21
terms 34:17	103:5	150:1,4 154:9	103:20,25	169:10,18
41:15 42:14	thesis 66:5	156:6,20 157:5	104:16 105:8	172:6,7,21,24
44:25 50:12	they'd 131:3	159:21 163:1,5	105:13,24	174:8,10 175:2
54:24 68:25	136:9	163:15 164:19	106:1,3,3,5,8	175:7,10,11
89:21 90:14	thing 13:24 30:4	168:17 169:21	106:11,12	176:14,18
97:23,24 106:2	48:10,13 54:16	177:24	107:15,15	177:7,22 178:6
110:6 140:10	56:11 69:17	think 5:8 12:23	108:11 109:12	thinking 15:20
141:10 157:2	73:4 74:1	13:21,23,24	109:16,17,20	16:11,20 17:9
164:9,12,19	76:11 86:20	14:4 16:3,13	109:21,21	18:5 19:7,11
165:7,17,21	87:16 90:1	18:19 19:2,20	110:17,18,20	34:25 41:1
172:22,25	95:8 98:12	21:6 28:11	111:3,22,25	54:16 55:5
173:16,18	99:20 102:13	30:3,18 32:8	112:5,6,15	56:16 61:14
175:13	102:23 104:12	34:22,24 35:20	113:2 116:2,4	68:24 69:5
test 87:18	107:16 108:1	36:15 41:12,13	116:9,23 117:9	79:13 99:13,17
104:13,16	111:17 113:3	41:21 42:10,20	117:23 118:10	108:19 147:14
109:3,3 137:15	121:16 124:6	42:21 44:12,12	118:14 120:3	165:7 172:15
142:22	125:2 136:18	45:6 50:2 52:2	120:11 121:11	173:2,18
testimony 32:1	137:16 147:9	52:23 53:3,25	121:23,24	thinly-priced
testing 50:15,17	150:8 155:18	54:17 56:2	122:11 124:6	132:5
tests 122:8	157:22 163:18	57:3,13 58:4,9	124:17 125:14	third 14:20,20
thank 7:14	164:14,15	59:17,19 60:9	125:22 126:1	18:23 75:7
10:14,17 12:18	171:9,23	60:13 61:5,6	126:20,24	101:9 146:14

thorny 164:7	tied 59:4 108:23	13:11 16:5	trade-off 126:7	151:23 166:12
thought 29:19	ties 49:20 51:4	22:25 23:17	trade-offs 126:6	174:17
52:19 61:18	tighter 142:10	26:20 29:9,18	trade-through	transcript
67:19 68:21	142:10	34:6 60:8,11	119:16	179:14
82:19 83:15	Tim 70:22	93:18 105:1	traded 49:6	transfer 153:23
90:4 95:1,4	141:14	112:7,17 117:3	127:6	transfers 154:16
99:5 108:14	Timber 153:22	118:23 127:13	trades 119:15	Treasury 151:5
128:9 141:5	time 6:14,25 9:1	129:9 130:23	125:17 128:10	treat 43:1
153:15 164:9	10:12,18 11:23	174:3	trading 6:20	treated 88:20
174:18	13:1,15 16:3	today's 5:6 22:5	28:19 30:1	treating 24:8
thought-prov...	17:4 19:9	29:17 77:13	32:14 53:23	161:8
6:14	21:25 29:11	told 143:23	114:6,24	treatment 4:16
thoughtful	33:20,22 35:25	tomorrow 60:12	115:21 116:22	62:4
61:19	39:17,20 41:1	82:4	116:24 117:5	tremendous
thoughts 9:13	45:10 57:21	top 12:25 103:25	118:17,25,25	40:9 88:8
10:1 40:5	58:6 60:15	133:11 141:11	119:9,16 120:6	133:5
44:15 49:1	61:10 63:16	topic 5:19,22	120:9,13,20,24	trend 46:9
55:25 77:1,19	68:20 70:1	29:14,16 31:11	121:24 122:2	trials 64:23
87:24 93:4	75:6 78:10	32:10 34:7,10	122:14,14,16	trick 125:22
106:17 159:23	84:3,6 106:16	41:12 65:13	122:21 123:7,9	tried 57:8,9
167:20 169:14	107:23 114:13	76:22 78:6	123:10,13,18	75:20 124:16
172:23	115:5 124:5	93:18 114:3,7	123:23,25	130:15 169:18
thread 64:16	127:11 130:10	114:9	124:3,7,8,14	trigger 66:23
152:19	133:11,23	topics 9:13 10:4	126:4,6,14,16	103:16 165:17
three 14:14,25	140:3 141:3	12:2	126:18,21	165:23 173:14
22:2,5 26:4	151:4,5 155:20	total 26:13	127:12 129:1,5	triggering 65:20
30:10,11,14	155:20 166:25	28:17,19	130:2,3,6	trillion 107:18
57:18 61:18	168:1,1,2,2	140:20	132:4 133:13	trivial 61:20
75:8,12 78:2	171:25 176:24	totally 63:23	134:25 137:19	62:25
78:22 81:5	177:2,4,12	touch 51:20	140:1,5 141:5	true 55:14
83:22,23,25	time-consuming	85:21	142:16 147:16	179:13
85:13 88:12	67:6	touched 61:5	148:1 152:22	try 43:21 44:9
99:2 100:11	timeframe 152:9	125:4	163:19,20,22	66:1 69:25
101:7 109:15	timely 9:16	tough 133:11,21	171:8	72:6 76:19,24
141:25 171:3	29:14 78:13	tougher 71:23	traditional	93:18 105:5
three-letter	times 32:20	139:21	117:1,15	115:5 116:8
115:14	33:17 76:4,7	towns 169:13	Traditionally	133:7 138:15
threshold 99:14	82:4 123:12	track 28:2 74:9	81:10	138:17 143:4
thresholds 15:17	170:10,18	tracking 97:12	traffic 7:11	149:17 164:9
17:3,5 50:6	timing 19:3	trade 29:21	train 177:2	trying 10:24
96:1 106:9	27:12 39:5	114:16 123:15	trains 178:6	11:3 18:18
108:17	Timothy 2:17	123:24 125:25	transaction	31:1 33:5 36:7
thrust 120:17	tinkering 88:15	127:5,12,14	119:24 121:13	40:5 41:3
121:8,12	title 93:8,14,23	129:5,6 130:21	147:5 154:11	43:20 44:23
149:13 161:4	94:2,17 106:15	130:25 131:6	166:13	54:7,8 57:3
tick 122:4	today 5:11 6:22	133:25 135:6	transaction-b...	58:14,19 67:7
128:11,18,18	7:17 8:21	136:13 138:25	145:8	76:13 87:24
140:8,14,16,18	11:14,19 12:1	140:20 141:2,5	transactions	89:4,5 93:12
tie 102:16	12:8,20 13:7	162:5	39:11 144:15	97:2 103:7,13

103:21 104:8 104:11 107:5 127:18,19 135:24 141:8 143:2 144:25 149:5 155:11 164:13,15 165:21 174:14 177:10,10 tsunami 24:20 tug-of-war 107:22 tune 45:11 tuned 64:11 turn 12:12 13:8 33:22 69:22 78:14 80:19 134:3 turns 14:11 TV 70:5 twice 152:15 two 12:23 21:11 30:10 62:20 73:4 75:8,12 77:16 82:21 83:7,8 85:22 88:14 98:22 101:1,15,22 104:19 113:4 114:8,11 128:6 128:23 129:18 131:22 140:3 141:25 142:17 155:3 156:25 two-sided 128:14 type 86:5 90:5 97:10 99:7 104:8 120:20 123:13 142:8 164:20,23 173:2 types 16:25 82:15,21 83:8 131:22 133:19 165:22 typically 45:12 46:17 typos 153:12	U	University 112:21 unlisted 123:24 123:24 124:3 129:5 140:1,4 unnecessary 35:14 37:2 unpack 68:9 unpopular 55:7 unregistered 114:24 115:2 144:10 150:9 159:2 unsure 94:14 143:7 unsympathetic 153:6 unwieldy 60:10 update 5:18,22 7:18 10:24 14:23 15:21 17:21 19:24 20:7 21:6 35:1 35:23 36:22 updated 9:15 17:4 18:20 54:21 updates 13:20 19:16 39:2 upside 147:4 urge 40:16 usage 23:7 100:6 use 8:2,18 17:20 19:19 25:13 29:11 30:23 37:13 38:25 39:4 46:25 47:2 53:13 55:18 58:13 61:25 84:25 89:24 90:2,5,9 90:12 95:24 105:6 110:22 useful 19:13 20:8 30:19 39:8 42:10 43:14 44:12 45:24 59:9 61:7 62:10	66:11 100:8 109:18 usefully 9:15 usefulness 45:1 45:13 users 19:14 47:5 uses 42:18 usually 81:18 151:2 utilize 86:16 utilized 95:6 utilizing 88:23	V	V 2:15 vacuum 176:2 vague 45:12 valuable 56:14 56:17 61:15 value 17:19 32:24 41:19 42:2,17 49:10 51:11 122:24 125:23 127:20 130:4 136:22 142:2,4,19 value- 42:9 variety 20:5 42:6 44:2 81:12 82:18 97:10 118:24 various 8:9,10 68:20 72:12 83:11 93:11 109:5 vary 44:25 vast 25:10 149:12 vehicle 99:7 vendor 30:23 71:24 vendors 23:25 venture 4:15 6:12 10:9 64:22 114:4,5 114:19 116:6 116:17,18,19 116:20 117:3,7 117:12 118:5,6	118:7,8,12,13 118:16,19,20 119:20 120:1,1 120:5 125:8,12 127:1,6,8 130:18 139:18 139:21 140:12 141:21 165:9 venue 116:22 120:21 122:12 122:17 123:18 126:18 venues 118:25 119:9 120:9,15 120:25 122:2 122:15 126:22 126:25 127:25 130:20 verification 105:20 162:6 Vermont 79:12 79:20,25 80:11 81:19 82:9 83:15,18,23 85:10,25 87:9 90:3,18 91:8 95:12,20 96:4 Vermonters 81:24,25 versa 87:9 versus 27:11 42:22 52:24 53:16 62:3,7,7 62:8 94:18 100:21 vetting 118:3 viability 118:16 viable 118:8,13 125:11,11,12 127:3 129:16 vice 87:9 view 21:16 43:10 45:7 71:23 74:14 97:20 110:3,5 145:11 155:14 160:10 viewed 28:25 viewpoint 61:20
---	----------	---	---	----------	--	---

61:25	72:5 73:12,22	19:19 22:25	172:21 175:19	widely 44:25
views 11:19,19	141:15,20	30:23 43:23	176:24 177:1	118:24
43:9 77:25	142:4	45:19 46:17	177:10	wider 140:18
141:16,18	want 7:3 16:2	54:22,25 56:5	we've 117:9	141:2
161:24	29:10 30:4	56:6 58:9	131:13 132:20	widespread 8:18
Vince 6:13	33:7 37:22	60:10 66:3	137:5,14	widest 132:20
114:13,23	41:1 45:16	69:5,7 95:18	142:24 146:5	width 125:25
violates 62:5	47:13,22 50:5	101:17 106:6	166:20	willing 87:15
violating 148:7	51:19 56:10	107:15,21	weak 24:12	125:24 128:15
violation 110:8	58:24 59:4	110:3 111:4	weather 87:2	155:11 156:14
110:8	60:4 62:8	115:17 121:11	website 19:16	win-win 98:16
violations	64:25 69:12	122:12 123:11	64:8 83:10	wine 171:23
154:14	72:20 75:22,24	124:13 126:2	84:9	wineries 171:22
Virginia 98:9	76:18 78:23	127:17 129:7	websites 42:13	winter 87:2
visibility 46:13	83:1 86:2,3	129:25 130:13	Wednesday 1:11	wise 101:20
visited 53:17	90:2 105:23	134:11 136:18	week 83:25	wish 10:13
void 149:7	107:21 108:4	139:20 144:24	129:11 152:3	101:13 161:24
voidable 149:8	111:7,18 128:3	145:9 149:3	weeks 75:13	wishing 25:2
volume 28:19	128:7 132:16	156:3 160:21	weigh 100:20	withdraw 33:20
30:1 32:14	132:19 134:2	161:3,16	weighed 37:17	WKSZ 55:9
130:3 140:20	134:10,19	162:22 167:23	74:20	wonder 166:5,10
141:23	143:4 154:8	170:4,18 172:4	Weird 6:12	wondering 97:6
volumes 115:10	163:15 165:24	176:12,16	114:13	101:1 112:22
142:8,12	166:16 167:17	177:10	welcome 5:2,6	112:24 160:13
vote 112:2	169:20 170:11	ways 9:3,10 14:1	10:1 11:21	172:11
113:15	172:8 173:21	15:7 16:13	21:1,4	words 68:14
voting 35:13,16	177:8	17:6,21 18:7	well-aware	72:8 158:22
40:15	wanted 13:18	24:5 42:6,11	13:14	work 9:20 14:4
VPN 105:6	29:11 64:15	42:14 44:2	well-documen...	14:12,14,15
	69:15,16 73:9	62:18,20 85:16	22:13	18:23 49:3
	75:16 81:25	106:23 115:17	well-known	50:14 51:4
	91:14 95:24	127:3 134:18	55:11 79:22,22	52:9 53:5
wage 71:12	97:19 104:25	we'll 111:5,6	well-taken 44:12	64:19 69:23
102:8 109:21	110:18 135:3	115:19 122:9	went 26:6 28:10	87:8,9 108:22
wages 108:21	160:15 174:8	128:23 141:12	49:14 51:25	110:16,17
109:1 110:20	wanting 47:16	155:9 162:9,9	52:1 60:16	112:3 129:22
Wagner 179:9	48:22 165:11	162:10,11,12	80:9 99:11	131:14 150:11
wait 25:6 31:23	173:11	162:13,24,24	145:5 168:17	167:13 175:8
40:2 48:20	wants 21:20	167:23 178:2	weren't 96:5	workable 149:20
waiting 39:4	57:2,11 85:10	we're 110:24	146:6	worked 121:13
76:25 77:8	162:13	114:2 116:10	West 136:2	130:13 142:25
walk 138:11	Warren 47:24	123:19 124:18	wheelhouse	150:22 164:6
176:7	48:1	131:8,13	55:22	working 10:24
walked 89:18	Washington	139:23 140:14	whistles 175:6	13:3,15,16
95:22	1:25 179:7	140:17 144:20	White 2:23 4:5	14:10 16:22
walking 75:12	wasn't 141:20	150:12,14	7:8,14 10:18	17:9 20:15
Wall 70:9	watched 31:17	155:6 161:14	10:21 34:5	37:21 52:6
130:12	watching 130:12	166:22 168:12	35:10 112:16	57:22 59:13
Walsh 2:17	way 6:18 7:10	168:18 169:24	wide 175:14	69:13 78:8
70:23 71:14				

85:25 87:11	158:20,23	years' 22:22,23	114 4:15	30:6 107:6
98:14,15	160:3,18	yellow 81:4	118 52:2,24	112:23 120:5
168:15 176:11	161:23 163:12	yesterday 41:1	12 4:9 81:3	120:19 123:21
world 8:11	166:14 169:15	York 22:24	12:04 113:22	151:23 152:2
25:24 32:13	169:17 175:2	25:25 82:4	13 92:2 144:4	200 146:23
47:19 48:15	176:21	102:4,6,7	142 4:16	200,000 145:25
53:15 148:14	yeah 105:4	120:13 123:1	144 138:23	2000 80:10
149:4 171:7	109:6 111:4	129:12 130:1	144(a) 135:3,6	2000s 118:22
worry 137:18	134:7,24 135:9	142:8	138:23 139:4,5	2005 80:8
170:22	135:23 139:12	youthful 63:14	139:6	148:24
worse 119:17	139:15 141:11		147 4:11 5:25	2006 150:15
147:6 154:9	141:20 142:6	<hr/> Z <hr/>	8:20,22 10:22	2007 17:4 32:2
worth 18:11	148:14 160:18	Zealand 135:1	78:7 79:24	49:15 52:1
41:12 49:15	167:6 171:18	zero 93:17	83:20 84:5,16	2008 26:20
76:4,8 151:19	172:20		85:24 86:3,6	2009 151:14
worthy 28:25	year 8:7,23 26:3	<hr/> 0 <hr/>	88:14 89:5,9	175:4
wouldn't 62:24	26:3,5,7,9,10	01 61:25	93:12 98:15,19	2010 26:21
89:1 93:22	26:11,12,18,18		98:24 99:3	2011 28:15
139:9 142:2	30:2,24 32:20	<hr/> 1 <hr/>	100:12 101:22	79:10,18 95:6
146:25 149:25	39:19,21 40:2	1 9:8,8 25:5,8	102:22 109:10	96:25 97:1
150:2 152:20	47:24 52:10	28:20 29:24	109:24	2012 24:21
160:11 169:23	54:24,24 55:2	39:5,19 81:23	15 22:22 26:9	144:4
wow 74:14	67:25 68:7	81:24 86:11	73:23 107:6	2013 38:5 39:13
wrap 174:14	69:4,4 71:19	95:13 99:8	120:5,19	39:15 144:1
wrestling 21:13	76:2 82:11	133:1	123:21 133:15	152:4
write 47:23	93:15 94:3	1.1 26:12	15,000 144:2	2014 152:2
written 4:12 6:7	112:17 122:9	1.2 26:8	150 70:19	2015 1:11 26:21
61:9 68:13	137:2 150:23	10 31:15 49:15	150,000 147:19	179:6
112:5 150:3	152:1 153:8	49:18 59:20	16 80:24 82:6	20549 1:25
151:20 157:17	156:25 165:21	70:19 76:3,7,7	17 50:19	206.43 157:6
159:20	166:23	133:15 151:18	18 75:2 169:1	208,000 26:11
wrong 47:25	year's-long 19:7	10-K 18:20	1964 112:21	22 26:1
wrongdoing	years 8:18 12:23	44:20 58:12	1974 8:23	237,000 26:5
26:2	24:21 26:1,4	70:7,18	1982 146:13	24 49:18
wrote 29:9 67:16	30:6,10,11,14	10-K's 43:1	1988 51:24 52:4	25 75:1 95:20
	31:15 39:5	10-K/10-Q's	1991 84:1	175:16
<hr/> X <hr/>	51:23 59:20	41:8	1992 86:11	250 28:16 38:16
X 155:22	63:10 70:19	10-Q's 43:1	1993 29:21	112:14,25
XBRL 27:8	73:4 76:7	58:13	1998 24:21	113:1
30:21,22 32:10	77:16 78:22	10-year 63:19	1999 148:21	26 49:18
38:10 46:25	92:13 97:1	10,000 30:24	1st 174:2,4	28 106:21
47:3,10	105:16 107:6	81:15,17		107:19
XBRL- 47:6	112:23 116:7	100 1:24 26:17	<hr/> 2 <hr/>	29 144:4
	120:5,19	38:17 71:8,8	2 71:11 81:13	2nd 174:5
<hr/> Y <hr/>	123:22 128:23	137:13 141:9	82:1 95:14	
Yadley 2:18 7:1	133:15 141:25	151:2	96:9 106:10	
57:17 77:23	143:9 164:9	100,000 50:9	146:1	
89:15 90:12	165:14,17,17	145:25 147:21	2:00 113:21	3 1:11 22:6 76:4
110:18,24	175:6,16	101 15:15	20 8:11 22:23	76:7 146:2
111:2 143:12		111 4:13		179:6

<p>3(a)(11) 84:5 88:14 103:11 3:38 178:9 30 52:4,24 76:7 112:23 115:24 300 112:20 300,000 76:1 311 167:12 33 38:24 52:22 54:4,13,15 55:12 34 18:14 52:22 54:15 130:22 130:24 131:3 35 32:15</p> <hr/> <p style="text-align: center;">4</p> <hr/> <p>4 26:13 70:25 73:15,23 107:17 4-1 137:1,9 4-plus 97:1 4(a)(1) 111:19 4(a)(1-1/2) 4:13 6:5 10:4 40 20:4 92:20 40,000 26:18 404 33:3 151:22 42 39:20</p> <hr/> <p style="text-align: center;">5</p> <hr/> <p>5 4:4 28:17,19 132:25 146:2 50 76:5 81:20 92:19 94:21 118:25 120:23 153:1 50,000 145:25 500 71:7 146:23 504 9:6 85:22,24 86:3,8,13,20 88:15,23 89:5 93:12 98:19 99:6 100:7 506 166:21 506(b) 166:25 506(c) 156:11 167:1 55 26:15 56 39:15,18,20</p>	<p>566,000 26:6</p> <hr/> <p style="text-align: center;">6</p> <hr/> <p>6 39:5 60 29:25 47:9 601 38:11 637,000 26:3</p> <hr/> <p style="text-align: center;">7</p> <hr/> <p>7 4:7 94:22 7,769 24:21 70 28:15 92:24 700 55:8,16 75 23:14 25:9 29:23 55:16,21 70:19 74:4 147:21 78 4:11 74:24</p> <hr/> <p style="text-align: center;">8</p> <hr/> <p>8- 58:13 8-K's 48:21 8,000 24:22 26:16 30:2 56:4 80 26:1,7 52:14 73:15 84:15,16 84:17,18 87:18 91:12,15,23 92:24 100:21 103:24 104:13 106:2 108:14 109:18 146:24 80s 79:21 85 29:22</p> <hr/> <p style="text-align: center;">9</p> <hr/> <p>9 39:18 107:6 9:32 1:12 90 130:2 91 82:8,11 93:21 107:6</p>			
--	--	--	--	--

