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March 26, 2026

**The Honorable Tim Scott**

Chairman, Committee on Banking, Housing, and Urban Affairs  
United States Senate  
Washington, D.C. 20510

**The Honorable Elizabeth Warren**

Ranking Member, Committee on Banking, Housing, and Urban Affairs  
United States Senate  
Washington, D.C. 20510

**RE: HR 3339 and 3383 – Recommended Investor Protections and IPO Reforms to Safely Deliver Main Street Wealth Access, U.S. Capital Formation, and Stronger Public Markets**

Dear Chairman Scott and Ranking Member Warren:

The number of U.S. public companies has collapsed by 50% – from approximately 8,000 in the mid-1990s to roughly 4,000 today<sup>1</sup> – with public offerings/retail access delayed from four to 14 years after founding. This decline has locked everyday investors out of early-stage wealth creation, fueling the U.S. wealth divide, and triggering liquidity and capital formation crises that threaten the U.S. economic growth engine. I urge the Committee to restore the accessibility of capital markets safely by taking the following actions:

- Pass HR 3339 – Equal Opportunity for All Investors Act of 2025
- Pass HR 3383 INVEST Act – Incentivizing New Ventures and Economic Strength Through Capital Formation Act
- Include IPO allocation and harmonization of Regs CF/A communication regulations to restore functional IPOs and lower liquidity and valuation risks to private investors
- Add genuine investor protections to protect from a repeat of 2008:
  - Greater transparency
  - Portfolio allocation limits
  - Allow retail integration into VC and PE funds via SPVs (vs. only secondary access)

Together, these pieces of legislation can deliver economic benefits for all Americans seeking to grow their retirement savings, regardless of size, while delivering much-needed capital formation and helping to restore private equity liquidity with robust investor protection. **Correcting IPO dysfunction is imperative for private market investing success. Private markets are an interim solution that does not function well without public market liquidity and exit pathways. HR 3339 and 3383 need complementary IPO harmonization to deliver their intended benefits.**

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<sup>1</sup>World Bank, "Listed domestic companies, total –United States," <https://data.worldbank.org/indicator/CM.MKT.LDOM.NO?locations=US>. See also: SEC, "Access to Capital and Market Liquidity," August 2017, (updated with 2025 data).

The last quarter century has seen a disruption and breakdown in the former, standard pattern of slow-and-steady, long-term wealth creation that included ordinary investors through broad and deep public markets. In the late 1990s, the capital markets experienced profound structural changes (noted below) that skewed the markets' small-cap IPOs executed at around four years after founding to today's 14-year, mega-sized issues, accessible only to large institutions managing funds for the wealthiest investors.

- **Large bank IPO industry consolidation** shifted economics to large-sized deals and buyers
- **Loss of public markets' sales and marketing infrastructure, especially for small cap IPOs** (e.g. loss of stockbrokers, small bank coverage, market-making, etc.) skewed IPOs and public markets to mega-sized deals and funds, disenfranchising retail investors
- **Shift to Short-term trading institutional buyers** from previous long-term investing-focused mutual funds, retail investors, founders, employees, boutique banks, and smaller VC funds
- **2001's Decimalization** dramatically decreased stockbroker economics, forcing a shift into wealth management that abandoned smaller retail investors
- **Sarbanes-Oxley's higher costs** made IPOs prohibitive and often unsustainable for smaller issuers unable to overcome the lack of post-IPO marketing infrastructure

These forces created and burst the Internet Bubble, disenfranchised retail investors, and progressed us to today's reality: only 0.05% of startups raise venture funding<sup>2</sup> and only 1-3% of those will IPO<sup>3</sup> – slowing economic growth, blocking PE/VC fund liquidity and retail investor wealth access.

For ten years in the 1990s, I managed four technology companies' IPOs, investor relations, and corporate development, with retail investors comprising approximately half of our shareholder base – often with 20% or more included in the IPO allocation. The shift from retail to institutional domination accelerated rapidly after Sarbanes-Oxley (2002) and related regulation drove small-company IPOs from 70% of all offerings in 1999 down to 46% by 2004. The annual number of IPOs fell by over 60% from 1990s levels<sup>4</sup>, as rising compliance costs and the redirection of retail savings into institutionally managed 401(k)s and IRAs fundamentally changed who owned – and how they traded – newly public companies.

## THE PROBLEM: INTERIM SOLUTION CANNOT BE PERMANENT

Private markets are not a substitute for a broken IPO system, as the venture capital liquidity crisis of 2022-2024 proved. The “Private Market Movement” launched with the first platform (InsideVenture, which I founded at the request of VC leaders) was intended as an interim solution for “the IPO Crisis”, creating an IPO on-ramp supporting smaller-cap IPOs (recognized as Pillar 2 of the National Venture Capital Association's 2009 4-Pillar Plan to Restore Liquidity in the U.S. Venture Capital Industry<sup>5</sup>; now the Nasdaq Private Market). However, the original public market exit and liquidity focus was replaced with short-term, secondary/ private market liquidity. Without resolving the long-term public market and IPO facilitation challenges for small cap stocks, today's liquidity crises were inevitable.

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<sup>2</sup>Meredith Wood, "Raising Capital for Startups: 8 Statistics That Will Surprise You," Fundera Ledger (Fundera by NerdWallet), February 3, 2020, <https://www.fundera.com/resources/startup-funding-statistics> (page discontinued; citing Entrepreneur).

<sup>3</sup> AVC Blog, "There Aren't Many Venture Backed IPOs," AVC.com, June 23, 2011, <https://avc.com/2011/06/there-arent-many-venture-baced-ipos/>.

<sup>4</sup> Lerner, J., Leamon, A., and Hardyman, F., "The Decline of the Small IPO and What to Do About It," Harvard Kennedy School, Mossavar-Rahmani Center for Business and Government Working Paper No. 86, [https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/working\\_papers/86\\_final.pdf](https://www.hks.harvard.edu/sites/default/files/centers/mrcbg/working_papers/86_final.pdf)

<sup>5</sup> National Venture Capital Association, "4-Pillar Plan to Restore Liquidity in the U.S. Venture Capital Industry," April 2009, Slide 19. Pillar II ("Enhanced Liquidity Paths") <https://www.slideshare.net/slideshow/nvca-4pillar-plan-to-restore-vc-liquidity/1460223>. See also: NVCA Yearbook 2024 for updated venture capital industry liquidity data, <https://nvca.org/research/nvca-yearbook/>.

**These structural failures demand not only expanded private market access, but fundamental reform of the IPO process itself – beginning with access and proper protections.**

## **LESSONS FROM 2008: WHY PROTECTIONS MATTER**

Expanding retail access to private market investments is important for wealth access today – but only with proper protections. We must not allow Main Street investors' 401(k)s and IRAs to be gouged with overvalued, illiquid private market investments that have minimal chance of delivering returns without functioning exit markets.

In the first decade of this century, Wall Street packaged risky mortgage products and sold them throughout the financial system, ultimately devastating American homeownership and triggering the Great Recession. The pattern is recognizable: when sophisticated financial players face a liquidity crisis, they seek retail capital to absorb their risk. Private equity and venture capital face such a crisis today. Without a well-functioning IPO market, investments cannot exit. Without exits, funds cannot return capital to LPs. Without returns, they cannot raise new funds. **Opening retail access without fixing the underlying IPO dysfunction simply transfers the liquidity problem – and the losses –from institutional investors to retirement accounts.**

As the Committee reviews the INVEST Act and weighs the twin priorities of retail investor protection and retail investor wealth creation, I respectfully submit that HR 3339's new education-based support for retail investors is a key protection and core to correcting the 25-year retail investor disenfranchisement from U.S. wealth creation. HR 3339 will transform the definition of Accredited Investor from "being wealthy enough to safely lose their investment" to "being educated enough to safely invest and grow wealth" – a historic shift long overdue, and especially critical in light of August 2025's Executive Order 14330: Democratizing Access to Alternative Assets for 401(k) Investors.

The INVEST Act offers many important improvements, but without IPO reforms, it remains insufficient. Regulatory harmonizations for IPO communication and allocation rules are needed alongside private market reforms. Four complementary actions would constitute a permanent fix.

## **CURRENT REGULATORY PARADOX**

Compounding the capital markets' structural problems, our more than a decade of SEC reforms intended to deliver capital formation and retail wealth access have inverted investor protection: now the *riskiest* offerings receive the *most* permissive retail treatment, while the *safest* offerings (IPOs) impose the *most* restrictive rules:

- **Regulation Crowdfunding** (minimal disclosure, highest risk): Unlimited retail solicitation
- **Regulation A+** (moderate disclosure): Full retail solicitation, pre-filing 'testing the waters'
- **Traditional IPOs** (comprehensive SEC review, audited financials, ongoing reporting – *the safest offering*): Retail communications prohibited, allocations restricted, 'testing the waters' for institutions only

The SEC has already determined – three times – that retail solicitation is consistent with investor protection (Reg CF 2015, Reg A+ 2015, Rule 506(c) 2013). **The policy judgment has been made. What remains is consistent application.** Meanwhile, since 2012, Emerging Growth Companies (EGCs) have represented approximately 87% of all IPOs, with 68% utilizing “testing the waters” as a standard practice<sup>6</sup> – giving institutions early access to shape pricing and secure allocations while retail investors are excluded from equivalent communications. A healthy IPO market with smooth transitions from private to

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<sup>6</sup>JOBS Act § 5(d), codified at 15 U.S.C. § 77e(d) (2012). Solicitations of Interest Prior to a Registered Public Offering, Securities Act Release No. 33-10699 (Sept. 26, 2019). See also: Latham & Watkins, “The JOBS Act After Five Years,” (2017).

public ownership is the only path to U.S. wealth equity and capital formation. Both can be achieved with four complementary solutions, summarized below.

## **FOUR REFORMS: ONE UNIFIED SOLUTION**

### **1. HR 3339 – Education-Based Private Market Access**

Protect retail investors by requiring demonstrated competency, not wealth-based exclusion. HR 3339's education pathway is genuine investor protection. Education-based qualification ensures investors understand: long holding periods, limited information, no public market pricing, and dependence on IPO or M&A exits that may never come. A sophisticated investor who understands these constraints is better protected. The new Accredited Investor Exam should be rigorous to ensure everyone's protection, just as driver exams are designed to protect all drivers, pedestrians, and property.

### **2. IPO Allocation Reform – Fair Access at Offering Prices**

The "P" in IPO stands for the Public, but current regulations and the disappearance of stockbroker retail support have ensured that IPOs have nearly 100% institutional buyers with the majority of the allocation sold in the first 48 hours, capturing an initial price "pop" often exceeding 25%. IPO issues could offer retail investors greater regulatory protections when compared to Reg A+ or Reg CF offerings. Retail investor participation alongside sophisticated institutional buyers offers additional protection. In return, retail investors can offer stability and improved performance – as demonstrated by Airbnb's (2020) and Reddit's (2024) IPOs that included their consumer customer bases as IPO retail investors.

Mandate 20-25% retail allocations at the IPO (as required in UK, Hong Kong, India<sup>78</sup>), eliminate wealth barriers, and restore the retail shareholder base for smooth transitions from private to public ownership.

### **3. IPO Communication Harmonization –Equal Information Access**

Amend Rules 163B and 169 to permit retail "testing the waters" for IPOs, matching treatment already given to riskier Reg CF and Reg A+ offerings. Apply the SEC's existing policy judgments consistently.

### **4. Essential Investor Protections for Private Market Access**

As Congress opens private markets to retail investors, three additional structural protections are essential:

- **Greater Transparency.** Public market investors benefit from SEC-mandated disclosures, audited financials, and real-time pricing. Private market investments should also offer standardized disclosures including fund performance reporting, fee structures, valuation methodologies, and conflict-of-interest disclosures. Without transparency requirements, education alone cannot protect investors from information asymmetries that currently favor institutional participants.
- **Portfolio Allocation Limits.** Private investments are illiquid, difficult to value, and may take a decade or more to return capital. To prevent over-concentration, retail investors should face prudent allocation limits on private market holdings as a percentage of their total portfolio – analogous to existing concentration limits in other regulated investment products. This is especially critical for 401(k) and IRA accounts, where overexposure to illiquid assets could jeopardize retirement security.

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<sup>7</sup>UK: FCA rules and London Stock Exchange guidance on retail offers. Hong Kong: HKEX Listing Rules require minimum public offer tranche (typically 10-25%). India: SEBI mandates minimum 35% retail allocation for IPOs.

<sup>8</sup>SEC, Office of the Investor Advocate, "Report on Activities: Fiscal Year 2024," for current data on EGC and testing-the-waters usage, <https://www.sec.gov/files/investor-advocate-report-on-activities-fy2024.pdf> (updated with 2024 data).

- **Retail SPV-LP Integration into VC and PE Funds.** Current secondary market platforms offer retail investors only the ability to purchase resold positions – often at additional fees, with limited information, and without the governance protections that institutional investors receive. Retail investors should also be integrated into funds, possible through Special Purpose Vehicles (SPVs) protected by the same fund economics, fiduciary obligations, and governance protections that institutional LPs receive rather than relegating retail participants to less-protected secondary positions only. This structural integration – not merely secondary market access – is how retail investors meaningfully participate in early-stage wealth creation, and provide meaningful capital formation.

The bipartisan foundation with which HR 3339 and 3383 passed the House provides an opportunity for the Senate to act decisively (HR 3339 passed the House Financial Services Committee 49-2; HR 3383 passed the Committee 41-10 and the full House 302-123, with 87 Democrats joining all Republicans in support of INVEST).

These reforms would position the U.S. competitively against markets in the UK, Hong Kong, and India – all of which already mandate retail IPO allocations – reversing the flow of companies and capital away from U.S. public markets.

## RECOMMENDATIONS

1. **Pass HR 3339** with its education-based accreditation pathway
2. **Add IPO allocation reform** to the INVEST Act: mandatory retail allocations, elimination of wealth barriers, fair allocation methods
3. **Send oversight letter to SEC Chairman Atkins** urging harmonization of IPO communication rules with Reg A+ and Reg CF, including extending retail “testing the waters” provisions to IPOs, as consistent application of existing policy
4. **Request SEC study** for mandatory private market disclosure standards – including fund performance reporting, fee structures, valuation methodologies, and conflict-of-interest disclosures – and prudent retail portfolio allocation limits on illiquid private market holdings, particularly within 401(k) and IRA accounts
5. **Enable Retail SPV LP integration into VC and PE funds** so that retail investors can participate with the same fund economics, fiduciary obligations, and governance protections that institutional LPs receive – rather than being limited to less-protected secondary market positions

*I have separately submitted recommendations to SEC Chairman Atkins regarding Rules 163B and 169 harmonization (enclosed).*

## CONCLUSION

Opening private markets to retail investors is the right policy, but only with genuine protection through education, and only if accompanied by reforms that restore a functioning IPO market. Without exit liquidity, private investments become traps, not opportunities.

HR 3339's education requirement is the crucial first step for genuine investor protection and greater wealth access. IPO allocation and communication reforms are necessary complements that restore the exit pathway. Together, they represent the permanent fix that 18 years of interim solutions could not provide.

I urge the Committee to include these reforms in markup of HR 3383, and I respectfully request the opportunity to testify. I am also available for staff briefings at the Committee's convenience and can provide supplemental analysis on any of the four reforms outlined above.

## **BACKGROUND, QUALIFICATIONS & CAPITAL MARKETS HISTORY**

I offer these observations from 35 years working in the startup ecosystem. In Fall of 2007, I founded InsideVenture, the first private market platform (now the Nasdaq Private Market), at the request of venture capital leaders seeking liquidity and an IPO on-ramp. Earlier that year, I helped raised CapGen Financial's inaugural \$500M private equity fund in Washington, D.C. Prior to that, I spent ten years in the 1990s managing four venture-backed, Nasdaq-listed tech companies over ten years, through their IPOs, overseeing investor relations and corporate development, with retail investors comprising roughly half of each shareholder base. During that decade, I also authored legislation in Maryland in 1998 that delivered billions in capital formation for innovative, high-growth companies. Today, as Founder and CEO of my fourth startup, Radivision – an AI-media technology platform – we help consumer audiences understand, participate, and prosper in the startup ecosystem through original, curated, and user-content, resources, with startup discovery supported by transparent communications and access. Our goals are to restore capital formation, IPOs, and retail investor wealth access, while increasing protections through educational content, transparency, and broad visibility.

Respectfully submitted,

*/Mona DeFrawi/*

### **Mona DeFrawi**

CEO & Founder, Radivision, Inc.

*Former Founder & CEO, InsideVenture (now the Nasdaq Private Market)*

*Former Director, CapGen Financial*

*Former VP Corporate Development or Director IR: USinternetworking (Nasdaq: USIX); Martek Biosciences (Nasdaq: MATK); Meridian Medical Technologies (Nasdaq: MTEC); Crop Genetics International (Nasdaq: CROP)*

*Forbes 'Most Powerful Women in Technology'; Top 100 Women in Fintech; Silicon Valley Business Journal 'Woman of Influence'*

*Recognized for "Pillar 2" of National Venture Capital Association's 4-Pillar Plan to Restore Liquidity in the U.S. Venture Capital Industry (2009).*

### **Enclosures:**

1. Petition for Rulemaking to Chairman Paul S. Atkins and Secretary Vanessa A. Countryman, U.S. Securities and Exchange Commission: *Petition for Rulemaking – Proposed Amendments to Securities Act Rules 163B and 169 to Harmonize IPO Communication Rules with Regulation Crowdfunding and Regulation A+ Extending Retail "Testing the Waters" Provisions to IPOs*

2. Radivision Infographic: *Restoring Capital Formation, Liquidity & Wealth Access for Everyone*

### **CC:**

The Honorable Paul S. Atkins, Chairman, Securities and Exchange Commission

The Honorable French Hill, Chairman, House Committee on Financial Services

The Honorable Maxine Waters, Ranking Member, House Committee on Financial Services

Senate Committee on Banking, Housing, and Urban Affairs