November 7, 2026

To: U.S. Securities and Exchange Commission

Re: Opposition to Increasing the Regulation Crowdfunding Offering Limit from $5 Million to $20 Million Without Additional Investor Protections

Dear Commissioners:

I am writing as an individual equity crowdfunding investor who began investing in startups through crowdfunding platforms in late 2017. I strongly oppose increasing the Regulation Crowdfunding (Reg CF) offering limit from $5 million to $20 million without first examining the actual financial outcomes experienced by retail investors and implementing meaningful investor protections.

I am not opposed to startups raising capital, nor am I opposed to crowdfunding itself. I believe crowdfunding can provide valuable opportunities for entrepreneurs and investors. However, after approximately nine years of personal experience, I have serious concerns about whether the existing regulatory framework adequately protects ordinary investors.

Before entering equity crowdfunding, I had approximately 25 years of experience investing in stocks, commodities, put options, and private startup ventures as an angel investor. I understood that startup investing involved substantial risk, that many companies would fail, and that investments could remain illiquid for years.

What I did not anticipate was how difficult it would be for even successful crowdfunding companies—including those that achieved initial public offerings—to generate meaningful returns for their retail investors.

1. My Actual Investment Experience: Diversification Has Not Produced Adequate Returns

Between 2017 and 2022, I made a three-digit number of investments in startups through equity crowdfunding. My final investment was made in 2022.

I deliberately diversified my investments because I understood that many startups would fail. The premise of diversification was that substantial gains from successful investments would compensate for losses from unsuccessful ones. That has not been my experience.

My actual exit results provide a clearer measure of the risks than a hypothetical return calculation:

Actual Exit Results

Total exit events: 19, including 14 initial public offerings (IPOs).

1. IPO exits: 14 of 19 total exits.

2. Aggregate result of the 14 IPO investments: A net loss based on proceeds from shares sold and the depressed current values of approximately four IPO positions I still hold.

3. Individual profitable IPO investments: Some generated gains, but those gains did not offset the capital lost on other IPO investments.

4. Other exit events: Five non-IPO exits, including mergers, acquisitions, or other transactions. Taken together, these five exits also failed to return my invested capital.

5. Overall portfolio: The IPO losses are in addition to the risks and losses associated with startups that failed without an exit and investments that remain illiquid.

The essential distinction is between making money on particular IPO investments and making a profit across the entire group. Although some IPO investments generated gains, the proceeds from shares I sold, together with the current estimated values of approximately four IPO positions I still hold, are less than the total capital I invested in these 14 IPO companies. My aggregate IPO position therefore represents a net loss, including both realized losses and unrealized declines.

I have experienced 19 exit events, 14 of which were IPOs and five of which were non-IPO exits. These exit events do not include companies that simply failed or ceased operations without achieving an exit. My 14 IPO investments, considered together at their realized proceeds and remaining market values, have failed to return my invested capital. Separately, I did not even break even on the five non-IPO exits considered together.

The benchmark for success should not be the number of IPOs a crowdfunding investor experiences. It should be whether the profits from successful IPOs outweigh the losses from unsuccessful IPOs. In my case, they have not.

After approximately nine years, I remain nowhere near breaking even. Neither the 14 IPO exits nor the five non-IPO exits, considered as separate groups, have returned the capital I invested in them. My experience demonstrates that even numerous exit events do not necessarily produce a positive return for a diversified crowdfunding investor.

The concern is not merely that some startups fail. That is expected. The concern is that the successful exits that are supposed to compensate investors for those failures have not generated sufficient returns to do so.

2. My Experience Is Not Entirely Isolated

I have discussed these concerns with another experienced crowdfunding investor who has made more than 200 startup investments. This individual founded a startup that was subsequently acquired and now is an executive in a crowdfunding startup that assists investors by analyzing startups raising funds. In other words, this is someone with direct experience in the startup industry, not simply an inexperienced retail investor.

Despite that background and a highly diversified crowdfunding portfolio, this investor has reported similarly disappointing financial results. We invested in many of the same companies, so our experiences are not independent samples. Nor do I suggest that two investors' experiences establish industry-wide investment performance.

Nevertheless, these experiences raise legitimate questions about whether the financial outcomes of crowdfunding investors are consistent with the risks they assume. I believe those questions warrant independent investigation by the SEC.

3. Retail Crowdfunding Investors Do Not Receive the Same Economic Terms, Access, or Influence as Venture Capital Investors

Before I began equity crowdfunding, I recall reading that venture capital investors were achieving annual returns of approximately 29%. I cannot independently substantiate that historical figure, and I do not offer it as a verified industry benchmark. Nevertheless, the perception that venture capital could generate substantial long-term returns contributed to my interest in startup investing.

What became increasingly apparent is that investing in startups through crowdfunding is not economically equivalent to investing through a professionally managed venture capital fund.

Venture capital firms frequently negotiate preferred shares, liquidation preferences, anti-dilution provisions, board representation, information rights, and other contractual protections that are generally unavailable to ordinary crowdfunding investors.

But the differences extend far beyond financial terms. Venture capital investors are often actively involved with the companies in which they invest. They may have direct access to founders, CEOs, chief financial officers, and other senior management personnel. They may receive regular financial reports, participate in strategic discussions, hold seats on boards of directors, and influence major corporate decisions.

Depending on their ownership interests and contractual rights, venture capital investors may even have sufficient influence to advocate for or participate in replacing a CEO or other senior executives when a company is underperforming. In other words, venture capital firms are often deeply involved in the operations, governance, and oversight of the startups they finance.

Contrast that with the position of an ordinary crowdfunding investor. I have invested in companies where I cannot obtain a meaningful response from management. In some cases, I do not have a direct email address for company executives, do not know whom to contact, and have no practical way to determine what is happening with my investment.

I cannot demand a meeting with the CEO, require management to explain its decisions, obtain financial information beyond what the company is legally obligated to disclose, or

influence the company's direction. If management stops communicating, I may have no effective means of obtaining answers.

Venture capital investors may have the financial protections, access to information, relationships, and governance influence necessary to monitor their investments and intervene when problems arise. Retail crowdfunding investors often have none of these advantages, despite investing in the same inherently risky startup environment.

These differences can be decisive when a company is struggling, raising additional capital, considering an acquisition, replacing management, or preparing to go public. Two investors may invest in the same company and experience very different financial outcomes—not only because of the securities they hold, but also because of their ability to obtain information, influence decisions, and protect their interests.

I believe the SEC should examine whether retail crowdfunding investors are being adequately informed of these fundamental disadvantages and whether additional protections are necessary to compensate for their lack of access, oversight, and influence.

Retail crowdfunding investors should not be expected to assume venture-capital-level risks while receiving substantially fewer financial protections and virtually none of the access or influence that sophisticated institutional investors may possess.

4. Even IPOs—the "Holy Grail" of Startup Investing—Have Produced Losses

Of my 19 actual exit events, 14 have been initial public offerings (IPOs). In the startup investment world, an IPO is often regarded as the "holy grail" of startup investing—one of the most highly anticipated outcomes for early investors. Yet my 14 IPO investments have produced a net loss in the aggregate, counting the shares I sold and the sharply diminished value of approximately four IPO investments I still hold.

THE CENTRAL PROBLEM: THE PROFITS FROM MY SUCCESSFUL IPO INVESTMENTS HAVE NOT EVEN BEEN ENOUGH TO OFFSET THE LOSSES FROM MY UNSUCCESSFUL IPO INVESTMENTS. After 14 IPOs, I am still waiting for a single IPO that is successful enough to compensate for the combined losses from my other IPO investments alone—before even considering the additional losses from startups that failed without an IPO or another exit.

Despite reaching the public markets, the IPOs in which I directly purchased stock have not delivered a profitable overall result. Some positions have been sold at realized losses, while others remain unsold at sharply reduced values.

This is particularly significant because my disappointing investment results cannot simply be attributed to an absence of successful exit events. Many of the companies actually reached the public markets. The problem is that their IPOs did not translate into profitable outcomes for me as an early retail investor.

By contrast, the only IPO-related investments from which I realized profits originated from Simple Agreements for Future Equity (SAFEs). In one instance, I held both directly purchased stock and an investment originating from a SAFE in the same company. The SAFE-derived investment produced a profit in connection with the IPO, while the directly purchased stock resulted in a loss.

I do not suggest that SAFEs are generally superior to stock. Rather, this example illustrates how the particular security and its terms can materially affect an investor's outcome, even within the same company.

My IPO Losses Include Both Realized Losses and Shares I Cannot Practically Sell

I want to clarify that my IPO losses include realized losses on shares I sold and substantial unrealized declines on approximately four IPO investments that I continue to hold. I have sold shares when I was legally and practically able to do so, but not every IPO investment has been liquidated.

My experience with crowdfunding IPOs has been remarkably consistent: share prices have fallen sharply after public trading began. My practice has been to sell on the earliest day I am legally and administratively able to do so, when a viable market and brokerage route are available. Approximately four IPO positions remain in my portfolio because their shares have deteriorated to penny-stock levels or I have encountered other practical obstacles to selling.

I sold shares when their public-market values were falling rapidly in an effort to preserve capital. The positions I still hold illustrate an additional problem: a public listing does not necessarily mean an early investor can actually liquidate an investment. For example, one company was acquired by a Canadian cannabis-related company. Despite my efforts, I have been unable to locate a brokerage firm through which I can sell the resulting shares, apparently due to restrictions or brokerage policies associated with cannabis regulation in the United States. That position has declined approximately 85% in value. I cannot say that a sale is legally impossible, only that I have not found a viable way to complete one.

In every one of my IPO investments, the company's stock is now trading below its initial public-market price, to the extent that the company remains publicly traded.

Several of these companies are no longer listed on their original public exchanges—not because they achieved successful exits, but because their stock prices collapsed to penny-stock levels, ultimately resulting in delisting or the loss of their original exchange listings.

These were not successful IPOs followed by profitable exits. They were companies that entered the public markets, experienced devastating declines in shareholder value, and, in some cases, failed to maintain the share prices necessary to remain listed on a major stock exchange.

My decision to sell the IPO shares I could sell was an effort to preserve what remained of my investment. The approximately four positions I still hold are not evidence of a willingness to wait indefinitely; they reflect severely depressed share prices or practical barriers to executing a sale.

Selling My IPO Shares Actually Preserved Some of My Investment Returns

My decision to sell IPO shares when I was legally and practically able to do so helped preserve some investment value. Nevertheless, approximately four IPO positions remain unsold, and their depressed values contribute to my aggregate IPO loss.

Based on the subsequent performance of these companies, I believe that continuing to hold all my IPO shares instead of selling when I could would have made my already negative aggregate IPO result even worse. My early sales preserved some value; they did not turn the 14 IPO investments into a profitable group.

In other words, **my already disappointing investment results would have been even worse had I followed the conventional advice to remain patient and hold my shares for the long term.**

This is an especially troubling outcome for early-stage investors who have already waited years for a liquidity event. The IPOs that were supposed to reward their patience instead became events in which selling as quickly as possible was necessary to avoid even greater losses.

The subsequent stock-price performance and delisting of several companies reinforce my concern that these businesses may have entered the public markets before achieving the financial stability and commercial maturity necessary to sustain their valuations.

I urge the SEC to examine not merely whether crowdfunding companies successfully complete IPOs, but what happens to their share prices afterward, how many remain viable public companies, and what financial returns their original crowdfunding investors actually realize.

A company that completes an IPO but subsequently experiences a prolonged stock-price collapse, delisting, or business failure should not automatically be counted as a crowdfunding success story simply because it reached the public markets.

5. Reverse Stock Splits, Premature IPOs, and the Financial Disadvantage to Early Crowdfunding Investors

Every crowdfunding company in my portfolio that has gone public has undergone a reverse stock split, in some cases as substantial as 1-for-15. I believe this is one of the most significant and overlooked problems facing retail crowdfunding investors.

To illustrate the financial consequences, suppose an investor purchases 1,000 shares in a crowdfunding startup at $3 per share, for a total investment of $3,000. Before its IPO, the company executes a 1-for-5 reverse stock split. The investor now owns only 200 shares, with an effective original cost basis of $15 per share.

If the company subsequently goes public at $8 per share, the investor's entire position is worth just $1,600—representing a 46.7% loss relative to the original investment. With a 1-for-15 reverse stock split, the investor's effective cost basis would rise to $45 per share. At the same $8 public-market price, the loss would exceed 82%.

The investor has waited years for the company's supposedly successful IPO, only to discover that the shares are worth substantially less than the amount originally invested.

Although the reverse stock split itself proportionally adjusts the share price, it reduces the number of shares held by the investor. If the eventual public-market price is substantially below the investor's adjusted cost basis, the resulting investment loss can be devastating.

My actual IPO investment results demonstrate the seriousness of this problem. My directly purchased IPO stock has not produced a profitable overall outcome: shares sold generated losses, and approximately four IPO positions remain with sharply reduced values or limited practical liquidity. The only IPO-related investments from which I realized profits originated from SAFEs.

This distinction is particularly troubling. In the case of my direct stock investments, reverse stock splits substantially reduced the number of shares I held, while the eventual public-market prices were insufficient to recover my original investment. Other factors, including the companies' financial condition, lack of commercial maturity, and subsequent stock-price performance, may also have contributed to those losses.

I am not suggesting that SAFEs are inherently safer or more profitable than stock. Their terms vary considerably, and they carry substantial risks of their own. However, **the fact that every one of my directly purchased stock investments associated with an IPO lost money, while my only profitable IPO-related investments originated from SAFEs, raises serious questions about how different crowdfunding securities perform when companies enter the public markets.**

Are Crowdfunding Companies Going Public Before They Are Financially Mature?

Many established companies that pursue traditional IPOs have developed commercial products, substantial revenues, recognizable brands, or demonstrated business models. Not all are profitable, but they may have reached a level of commercial maturity that helps support their public-market valuations. By contrast, I am concerned that some equity

crowdfunding companies pursue IPOs before achieving comparable financial or operational maturity.

A reverse stock split can help a company achieve the per-share price necessary to satisfy certain exchange-listing requirements, but it does not improve the company's underlying financial condition, revenues, profitability, or business prospects.

My concerns about premature IPOs are reinforced by the subsequent performance of these companies: every one of my IPO investments experienced substantial post-listing price declines, and several companies subsequently deteriorated to penny-stock levels and lost their original exchange listings.

Are some crowdfunding companies pursuing IPOs primarily because going public provides access to capital and liquidity opportunities, rather than because their businesses have matured sufficiently to support sustainable public-market valuations?

I am also concerned about the potential differences between the financial incentives of company executives and early retail investors. Founders and executives may hold substantial equity positions acquired at very low original cost bases. Depending on their compensation arrangements, ownership interests, and applicable selling restrictions, a public listing may eventually create opportunities for significant personal wealth even when crowdfunding investors are experiencing substantial losses.

I do not suggest that every executive benefits financially from an IPO or that pursuing an IPO before profitability is inherently improper. However, the possibility of substantially different financial outcomes for insiders and crowdfunding investors deserves regulatory scrutiny.

A company should not be considered a successful crowdfunding investment merely because it achieves an IPO, particularly when the early investors who financed its development enter the public market with substantial losses.

I urge the SEC to investigate:

1. How frequently crowdfunding issuers implement reverse stock splits before public listings, including the magnitude of those splits.

2. The effective post-split cost basis of crowdfunding investors compared with the initial public trading price.

3. The financial maturity of crowdfunding issuers at the time they go public, including revenues, profitability, cash reserves, and operating history.

4. Whether crowdfunding companies are pursuing public listings primarily to obtain additional financing despite continuing financial difficulties.

5. The subsequent share-price performance, frequency of penny-stock valuations, delistings, bankruptcies, and business failures among crowdfunding companies that go public.

6. The compensation, equity ownership, and realized financial benefits of founders and executives compared with the actual returns received by crowdfunding investors.

7. Whether additional disclosure or investor protections should be required when a crowdfunding issuer proposes a reverse stock split or public listing.

8. Whether crowdfunding investors who purchase stock directly experience systematically different IPO outcomes from investors whose securities originate as SAFEs, taking into account conversion terms, dilution, and other contractual differences.

The SEC should examine whether the current framework creates incentives for companies to celebrate an IPO as a successful exit even when the financial results for their original crowdfunding investors are overwhelmingly negative.

6. Transfer Restrictions and Administrative Delays Can Prevent Investors From Selling Shares

One of the most frustrating experiences I have encountered involves the difficulty of obtaining and transferring shares following an IPO. Even when the applicable legal holding period has expired and the shares are no longer subject to a contractual lockup, retail investors may encounter substantial administrative obstacles.

These can include direct registration system (DRS) procedures, transfer-agent requirements, incomplete shareholder records, missing documentation, and delays involving issuers or intermediaries. In some cases, investors may be unable to transfer their shares into a brokerage account and sell them while the public trading price is declining.

By the time the administrative issues are resolved, the opportunity to sell at a favorable price may have disappeared. This is particularly troubling when the investor is legally entitled to sell the shares but cannot practically do so because the issuer or its agents have not completed the necessary arrangements.

Given my experience with rapidly declining IPO share prices, these administrative delays can have substantial financial consequences.

I recommend that the SEC require issuers approaching an IPO to establish and verify a workable process for retail shareholders to receive, register, and transfer their shares before public trading begins, subject to applicable legal restrictions. Investors should not bear substantial financial losses merely because an issuer was administratively unprepared to accommodate its crowdfunding shareholders.

7. Mergers and Acquisitions May Produce Little or No Return for Retail Investors

An acquisition is frequently described as a successful startup exit. However, the financial outcome for retail investors depends upon the company's capital structure, the purchase price, outstanding debt, liquidation preferences, and the contractual rights of different classes of securities.

It is entirely possible for a company to be acquired while common shareholders receive little or nothing. Founders, preferred shareholders, lenders, and other stakeholders may receive distributions or other benefits while retail crowdfunding investors suffer losses. This is not necessarily a violation of law or contract. It may simply reflect the rights attached to the securities.

This is not merely a hypothetical concern in my portfolio. In addition to my 14 IPOs, I have experienced five non-IPO exit events. Considered together, those five exits did not even return my original invested capital. In other words, I have not broken even on my non-IPO exits as a group, just as I have not broken even on my IPO investments as a group. An announced exit is not the same as a profitable exit for the retail investor.

I have also encountered a handful of merger, acquisition, and other corporate transactions that have not resulted in a clean or practical exit. In some cases, I have been unable to determine clearly what is happening with the company or my investment after the transaction. In others, even where shares or an ownership interest remain, I have struggled to identify a viable means of transferring or selling them, including through direct registration system (DRS) statements, transfer agents, brokerage accounts, or other available procedures. These are not necessarily completed, liquid exits from the standpoint of the investor.

A CORPORATE EVENT IS NOT THE SAME AS A CLEAN, REALIZABLE INVESTOR EXIT. An IPO, merger, or acquisition should not be treated as a successful exit merely because the transaction occurred. Investors must be able to understand what happened to their securities, establish what they own or are entitled to receive, and have a practical way to collect proceeds or sell transferable holdings.

I recommend that the SEC examine the distribution of acquisition proceeds among different classes of investors and require clearer, more accessible disclosures explaining the practical consequences of liquidation preferences and other senior rights. The SEC should also consider requiring meaningful post-transaction reporting of the amounts actually distributed to crowdfunding investors. The SEC should also investigate post-merger and post-acquisition transferability, shareholder notifications, DRS and transfer-agent processes, broker acceptance, and whether retail investors can actually obtain proceeds or liquidate their resulting holdings.

8. Companies Can Stop Communicating, and Crowdfunding Platforms Have Limited Accountability

Another serious concern is the lack of meaningful ongoing communication from some crowdfunding issuers. During fundraising campaigns, investors are often encouraged by optimistic business projections, frequent updates, and direct responses from management. After the offering closes, however, some companies provide little or no meaningful information about their operations, financial condition, or prospects.

In my experience, platforms such as StartEngine and Wefunder may have limited practical ability to compel issuers to communicate with investors after a campaign has ended. This creates a troubling situation in which investors have contributed capital but cannot obtain basic information about what is happening to their investment.

Over time, I have sometimes been unable even to identify the current chief executive officer or other members of a company's senior management team. The crowdfunding platform through which I originally invested may no longer have reliable contact with those executives, particularly when the issuer has moved to a different fundraising platform or otherwise changed its business arrangements. I should not have to conduct my own investigation merely to learn where the company went, who is now responsible for it, or how to ask a basic question about my investment.

Even when I eventually locate an email address or other means of contacting management, my inquiries sometimes go unanswered. For a retail investor, the absence of a current, reliable contact person can make it impossible to obtain information about the status of an investment, a merger or acquisition, a stock transfer, or the practical steps needed to sell shares.

INVESTORS SHOULD NOT HAVE TO SEARCH FOR THE COMPANY OR ITS EXECUTIVES AFTER PROVIDING THE COMPANY WITH CAPITAL. Issuers should be required to maintain current, usable company contact information and an identified executive or investor-relations contact, with an email address, telephone number, and clear procedure for investor inquiries. Changes in the CEO, other key officers, company address, contact information, or fundraising platform should be promptly communicated to existing investors and kept accessible through a durable investor-information channel.

I have also encountered difficulties locating historical campaign materials, management statements, and investor questions and answers after offerings have closed or companies have moved between platforms. These materials may contain representations that were important to investors' original decisions. They should not effectively disappear simply because a fundraising campaign has ended.

I recommend that the SEC require permanent, accessible archives of crowdfunding offering materials, issuer updates, management responses, and investor questions and answers. I

also recommend that the SEC consider ongoing requirements for issuers to keep current the identities of their CEO and other key executives, a functioning investor-contact email address, company telephone number, mailing address, and designated person responsible for investor inquiries; to notify investors promptly of leadership, contact, or platform changes; and to acknowledge and respond to reasonable investor questions within a defined period. These requirements should continue as appropriate after an offering closes or a company changes platforms, with meaningful enforcement of applicable obligations.

9. Retail Investors Have Little Practical Legal Recourse and Cannot Easily Find Qualified Attorneys

Although crowdfunding investors may possess legal rights, enforcing those rights can be economically impractical. An individual may invest a relatively modest amount in a startup. If the issuer subsequently fails to provide required information, misrepresents material facts, or otherwise violates an investor's rights, the cost of retaining counsel and pursuing litigation may exceed the value of the investment.

The investor may therefore have a legal remedy in theory but no realistic means of pursuing it.

Difficulty Finding Attorneys With Crowdfunding Experience

There is another serious obstacle that I have personally encountered: finding an attorney who actually has experience representing equity crowdfunding investors.

I have attempted to locate attorneys with specific knowledge and experience in crowdfunding investments and the legal issues that arise between investors, issuers, and crowdfunding platforms. My efforts have been unsuccessful. I recognize that qualified attorneys may exist. However, they are extremely difficult to identify and locate.

Regulation Crowdfunding has existed for only approximately ten years. Unlike more established areas of securities law, there does not appear to be a readily accessible network of attorneys who specialize in representing individual crowdfunding investors.

Crowdfunding investments involve specialized securities, including SAFEs, common stock, preferred stock, and other contractual arrangements. Disputes may involve conversion rights, dilution, liquidation preferences, issuer disclosures, shareholder communications, transfer restrictions, and compliance with federal securities regulations.

An investor may have a legitimate complaint but be unable to determine whether the issuer has violated applicable securities laws, breached contractual obligations, or failed to honor representations made during the original offering.

Even when an investor is willing to pay for legal assistance, finding an attorney who understands these specialized issues can be extraordinarily difficult.

I work in the legal field, and despite my familiarity with legal procedures and the process of locating attorneys, I have been unable to find suitable legal representation for these concerns.

What practical value do investor protections, disclosure requirements, and contractual rights have if ordinary investors cannot obtain the legal assistance necessary to enforce them?

The Economic Impossibility of Enforcing Small Crowdfunding Investments

There is an additional irony inherent in the crowdfunding model that I believe deserves particular attention from the SEC. One of the principal attractions of equity crowdfunding is that ordinary individuals can invest relatively small amounts of money in startup companies. An investor might contribute only $100, $250, or $500. Others may invest $1,000 or considerably more.

For startups, this creates an extraordinary fundraising opportunity. A company can raise substantial capital by collecting relatively small investments from hundreds or thousands of individuals.

However, the very structure that makes crowdfunding attractive to issuers also makes it extraordinarily difficult for individual investors to enforce their rights.

Consider an investor who contributes $500 to a startup. Years later, the company stops communicating, fails to provide required information, or takes actions that the investor believes violate the original investment agreement. What realistic options does that investor have?

Hiring an attorney merely to review the investment documents and prepare a demand letter could cost more than the investor's entire $500 investment. Pursuing litigation would be even more economically irrational. Even if the investor believes there has been a clear violation of securities regulations or contractual obligations, the cost of seeking a remedy may vastly exceed any potential financial recovery.

Consequently, many small investors have little economic incentive to complain, retain counsel, or pursue enforcement of their rights. They simply absorb their losses and walk away.

Meanwhile, a startup may have raised millions of dollars from thousands of similarly situated investors, each of whom individually lacks a sufficient financial incentive to challenge the company's conduct.

This creates a potentially serious accountability gap. Conduct that might prompt immediate legal action from a large institutional investor may go effectively unchallenged when the same financial harm is distributed among thousands of small crowdfunding investors. The

cumulative harm may be substantial, even though the individual losses are relatively modest.

The irony is that crowdfunding enables companies to aggregate thousands of small investments into substantial amounts of capital, while the investors themselves remain fragmented, economically powerless, and often unable to enforce even basic contractual and regulatory protections.

I am not suggesting that crowdfunding companies are universally violating the law or that existing regulations are legally unenforceable. Rather, I am concerned that the practical mechanisms for enforcing investor rights are so limited that many retail investors have no realistic means of holding issuers accountable.

Investor protections should not become practically unenforceable simply because the individual investment amounts are small.

Recommended SEC Investor Protection Resources

I recommend that the SEC establish or strengthen two complementary investor protection resources.

1. A Dedicated Crowdfunding Investor Complaint and Accountability Program

The SEC should provide a clearly identified process through which crowdfunding investors can report suspected regulatory violations, failures to provide required disclosures, persistent communication problems, unreachable executives, outdated issuer contact information, and other potentially improper issuer conduct.

The program should include mechanisms for identifying repeated complaints against the same issuer, referring appropriate matters for regulatory review, and informing investors about available enforcement and dispute-resolution options. The SEC should also consider mechanisms that allow investors with common grievances to report problems collectively, rather than requiring each individual investor to pursue a separate and economically impractical complaint.

2. A Crowdfunding Investor Legal Assistance Resource Center

The SEC should establish or facilitate a centralized resource through which crowdfunding investors can locate qualified legal assistance. This resource could include:

• Referrals to independent attorneys and law firms with relevant securities-law and equity crowdfunding experience.

• Links to state and local bar association referral services that can help identify attorneys familiar with crowdfunding disputes.

• Information about legal aid organizations, investor advocacy groups, law school securities clinics, and other potentially available sources of assistance.

• Plain-language explanations of common crowdfunding securities, investor rights, reporting obligations, and potential legal remedies.

• Guidance on preserving offering documents, management representations, shareholder agreements, and other evidence relevant to possible claims.

• Information about the SEC's enforcement authority, the limits of that authority, and when investors may need to pursue private legal remedies.

The SEC would not need to provide legal representation itself or endorse particular attorneys. Rather, it could facilitate access to independent resources and help investors identify professionals with appropriate experience.

I also recommend that the SEC consider working with securities-law organizations, state bar associations, and investor protection groups to encourage the development of a more accessible network of attorneys knowledgeable about equity crowdfunding.

Investor protection cannot depend solely upon regulations written on paper. Those protections must be practically accessible and enforceable.

The SEC should specifically examine whether the aggregation of small investments creates a corresponding need for collective investor protection and enforcement mechanisms, since individual investors frequently lack the economic incentive or financial resources to pursue legal remedies on their own.

A regulatory framework designed to democratize startup investing should not inadvertently create a system in which small investors bear the financial losses but have no economically practical means of holding issuers accountable.

I believe addressing this enforcement and legal-access gap should be a priority before the SEC authorizes a substantial increase in the amount of money companies may raise through Regulation Crowdfunding.

10. The SEC Should Study Actual Investor Returns Before Expanding the Offering Limit

The proposal to increase the Regulation Crowdfunding offering limit from $5 million to $20 million would substantially expand the amount of capital that companies could raise under this framework. Before authorizing that expansion, I believe the SEC should conduct an independent, comprehensive study of the financial results actually experienced by crowdfunding investors.

Such a study should examine:

1. The percentage of crowdfunding companies that fail, remain operating, are acquired, or become publicly traded.

2. Actual realized investor returns, including gains and losses, rather than simply the number of successful financing rounds, acquisitions, or IPOs.

3. Investor outcomes by security type, including common stock, preferred stock, SAFEs, and other instruments.

4. The extent to which liquidation preferences, dilution, and other contractual provisions affect retail investor recoveries.

5. Post-IPO share-price performance and investors' practical ability to transfer and sell their securities.

6. The frequency and consequences of issuer failures to provide required ongoing disclosures.

7. The availability and effectiveness of legal and regulatory remedies for small investors.

8. The distribution of investor outcomes, including whether a small number of exceptionally profitable investments adequately compensate diversified portfolios for widespread losses.

9. The differences in information access, governance rights, and investor protections between retail crowdfunding investors and institutional venture capital investors.

10. Realized IPO investment returns for crowdfunding investors who purchased stock directly compared with those who invested through SAFEs, including the effects of reverse stock splits, conversion terms, dilution, and initial public-market valuations.

11. The financial maturity of crowdfunding companies at the time of their public listings and whether public-market outcomes differ significantly from those of more established IPO issuers.

12. The financial benefits actually realized by founders and executives in connection with IPOs compared with the returns realized by early retail crowdfunding investors.

13. The availability of qualified legal representation for crowdfunding investors, the practical cost of enforcing investor rights, and the feasibility of establishing an SEC-supported legal assistance referral and investor education resource.

14. Whether the aggregation of thousands of small investments creates a structural enforcement gap that warrants collective complaint, dispute-resolution, or regulatory accountability mechanisms.

15. **The extent to which crowdfunding IPO share prices decline after public listing, the percentage that subsequently become penny stocks or are delisted, and the**

differences between investor returns realized through early sales and returns that would have resulted from continued ownership.

I recognize that startups need access to capital and that expanding crowdfunding may benefit entrepreneurs. However, increasing the amount companies may raise should not be evaluated solely from the perspective of issuers and fundraising platforms. The SEC's responsibility also includes protecting investors and maintaining fair and efficient capital markets.

Before expanding the offering limit, the Commission should determine whether the current system is delivering reasonable opportunities for retail investors to participate in startup success and whether existing protections are adequate.

I respectfully urge the SEC not to increase the Regulation Crowdfunding offering limit from $5 million to $20 million without first conducting an independent study of actual retail investor outcomes and implementing meaningful additional investor safeguards.

My experience has been that diversification, patience, and startup exit events have not been sufficient to produce an overall positive return. Of my 19 exits, 14 were IPOs and five were non-IPO transactions. Neither group, considered separately, has even returned the capital I invested in those companies. This is particularly concerning because IPOs and acquisitions are commonly celebrated as successful outcomes. Moreover, several corporate transactions have not provided a clean exit: inadequate information and practical obstacles to transferring or selling shares can leave an investor holding an illiquid position long after an event is announced as an exit.

My 14 IPO investments have produced a net loss in the aggregate, including realized losses and approximately four remaining positions with severely depressed values or practical barriers to sale. My only profitable IPO-related investments originated from SAFEs. Every crowdfunding company in my portfolio that went public underwent a reverse stock split.

After 14 IPOs, I am still waiting for one exceptionally successful IPO whose profits are sufficient to offset the losses from my other IPO investments alone. Until that happens, the IPOs as a group have not delivered a positive investment result, regardless of how many companies reached the public markets.

Selling IPO shares when I could helped preserve some value, but approximately four positions remain unsold. One holding was acquired by a Canadian company connected with the cannabis industry; I have been unable to find a broker willing and able to facilitate a sale, apparently because of U.S. cannabis-related regulatory restrictions. That holding is down approximately 85% in value. I cannot treat these unsold shares as realized losses, but their sharply reduced value and lack of practical liquidity are central to my concerns.

Retail crowdfunding investors are assuming substantial startup investment risks without necessarily receiving the economic protections, management access, or governance influence available to sophisticated institutional investors.

Perhaps most troubling, the very structure that makes crowdfunding possible—aggregating small investments from large numbers of individuals—also makes it economically impractical for those individuals to enforce their rights when problems arise.

Crowdfunding should not become a system in which startups can raise millions of dollars from ordinary investors while those investors have neither meaningful influence over the companies nor a practical means of holding them accountable.

If these experiences are widespread, expanding the amount of money raised through crowdfunding without addressing these problems risks exposing substantially more retail capital to a system whose economic outcomes and enforcement mechanisms have not been adequately examined.

Thank you for considering my comments.

Respectfully submitted,

Niki Moyer

Individual Equity Crowdfunding Investor Since 2017