Dear Honorable Commissioners,

In 2000 our Board at the University of Florida Center for Entrepreneurship and Innovation led by Professors Arnold Heggestad and William Rossi determined through an informal survey of startups, CEOs, Founders and growth businesses that reducing the cost and complexity of raising capital was essential to spur economic and job growth. In 2006 we founded the public policy institute The Entrepreneurship Party www.entrepreneurshipparty.com and began working on this goal with the kind help of former Florida Governors Jeb Bush and Charlie Crist. We later joined forces with Empact, The Startup America Partnership, The U.S. Chamber of Commerce, PopVox, Crowdsourcing.org, Grant Thornton and other organizations to help support the Small Company Capital Formation Act and The McHenry Crowdfunding Bill which passed through the house 421 to 1 and 407 to 17 respectively. We were honored to be with the President for the signing ceremony April of 2012 at the White House Rose Garden.

I accepted the role of official Spokesperson for the JOBS ACT and Crowdfunding for Startup California www.startupcalifornia.org a region of the Startup America Partnership in 2012. Since then I have given over 40 speeches up and down the state on the subject and have participated in numerous debates and on many panels.

It is well understood that the SEC is concerned, with proper justification, with protecting crowdfunding investors against loss particularly from fraud. Here are a few comments in that direction...

1. Right now anyone can invest in a 506D offering under the 35 non-accredited investor exemption. The PPMs are difficult to read for any prospective investor and are handled in closed doors with little support services and easily accessible comparison data to put the information provided in context.
2. Crowdfunding will provide the financial justification for infrastructure for many support services to help investors reduce their risk and their costs.
a. Fraud detection software such as that available from EarlyIQ in San Diego should help reduce risk for investors.
b. Average valuations for angel rounds and VC rounds for every type of company will be published on nearly every crowdfunding portal. It will be clear if an issuers valuation is an outlier. This information is currently not

included in 506D offering documents to non-accredited investors. The crowdfunding law does require a valuation rationale.
c. Good portals will take great care in whom they list on their sites because they know their reputation is the success of their brand.
d. Widespread crowdsourcing of information about a management teams reputation or the potential for a technology to succeed or fail should help reduce risk for investors. Right now 506D offerings to 35 non-accredited investors does not provide this risk reducing tool.
e. Index funds will arise that spread the risk of investing in early stage enterprises.
f. Crowfunding will promote local investing which by nature has a number of built in mechanisms to reduce risk such as knowing the management team in person and being able to physically view the business.
g. A lot of crowdfunding will be customers investing in businesses they know well, often in their own community, such as restaurants. This is classic advice from the Warren Buffet school of investment risk reduction - invest in what you know.
h. Business accelerators will crowdfund in an index fund like arrangement the best of the best of their graduating classes. This high level selection and mentorship support combined with a spread of risk across a portfolio should help reduce risk for investors.

Below is a blog essay I published on the Title II proposed lift on the ban on general advertising to accredited investors. Less than 1% of the U.S. population qualifies as accredited investors and this number dropped 15.8% just last year alone. Most of this small elite group of 1 percenters is not interested at all in investing in startup businesses or local businesses, particularly in those where they do not personally know the founders. Because the old rules of financing companies limited offerings to accredited investors since the 1930's, this group, especially the small sub-sector with any interest at all in investing in seed stage investments with people they do not know already personally, is already highly over shopped. Opening up general solicitation limited only to this very elite group of 1/10th of 1 percenters in the USA is of not much help in spurring economic and job growth. We need Title III implemented as soon as possible.

I am an inventor of over 21 patented devices for treating heart and cardiovascular disease including one of the leading stent graft systems for aortic aneurysm repair without surgery. We have developed the first stem cell recruiting heart pacemaker and many other inventions with high potential to treat heart failure and other cardiovascular diseases. Heart failure is the single leading economic drain on Medicare in the USA and we believe we can cut these costs in half and save millions of lives. Our inventions already on the market in leadership positions have helped save the lives of over 200,000 people to date. All my adult life my greatest struggle has been in financing the 5 to 15 year road to get these products through the FDA to market. The hardest part has always been to get the seed financing when a new invention is yet unproven. The limit to only 35 non-accredited investors in 506D private placements which usually only bring in $1000 each or $35,000 total with a $20,000 legal bill is not effective in financing the seed stage of new potentially life saving inventions. VCs, super angels and angel groups have all migrated to later stage investments often demanding companies already have substantial revenues before they will invest. As the recession has deepened early stage healthcare innovation companies are now chasing a shrinking pie of angel investors and VCs and we are competing with other investment choices that were not present in better economic times such as distressed real estate property purchasing. The time to get through the FDA has lengthened which makes the choice of investing with us implantable cardiovascular device and biologics innovators even more difficult to swallow. VCs in the USA only financed about 50 seed stage PMA approval type cardiovascular device and biologics companies in the entire USA last year. This is falling woefully short of funding innovation in the USA and the resulting reduction in the cost of healthcare, job creation and economic growth. These innovations needed to be funded. It is not only jobs at stake it is millions of lives at stake. Heart failure as an example is on path to kill 25 million people worldwide in just the next 5 years if better new therapies are not brought to market. These innovations are stuck at the starting line because the seed stage financing to prove out feasibility is not available. It is time to implement Title III.

Kindest Regards,
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JOBS ACT Title II for Accrediteds NOT MUCH HELP for Entrepreneurs

POSTED BY HOWARD LEONHARDT 201.60PC ON JULY 10, 2013 · FLAG

By Howard J. Leonhardt

The number of accredited angel investors in the USA declined 15.8% to 268,000 in 2012*. Less than 35% of these 268,000 potential investors or 93,800 have any interest in seed stage investments.   Of these 93,800 potential seed stage investors less than 33% of these have any interest to invest in a company where they do not personally know the founders. This leaves 30,954 for the all the startups in the USA to chase with the enactment of the JOBS ACT Title II permitting general solicitation. Of this remaining 30,954 61% of their investments will go into healthcare, software and biotech. If you are not in these limited categories then you are down to chasing 12,072 potential pre-qualified angel investors nationwide.

This very limited exclusive group of angel investors interested in seed stage investments, open to investing in people they do not know personally already, is perhaps the most over-shopped group of people in the history of planet earth. Every distressed real estate deal is already coming their way. Every artificially depressed value pink sheet public company that fell off of NASDAQ is coming their way. Every angel group has already recruited them to join their mailing lists. They receive probably two dozen emails a day with offers already. Opening THIS small group up to yet MORE general solicitation advertisements is going to do absolutely nothing to improve the funding of our startup enterprises.   We need full fledged crowdfunding to be implemented, as passed by the house with overwhelming bi-partisan support 407 to 17 in November of 2011, and the Senate shortly thereafter. Equity crowdfunding was signed into law by the President in April 2012 (I had the honor to be with him in person in the Rose

Garden for the occasion). This law passed with an overwhelming landslide expression of the will of the people of the United States was accompanied with a strict mandate by the congress and the President that the SEC implement it by no later than December 31, 2012. This law of the land, passed with unprecedented bi-partisan support for good reason, will upon full implementation open up entrepreneurs to access millions of new investors which is exactly what is needed for economic and job growth.

SOURCES:

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The old rules of financing clearly established a good ole boys network. The 1933 dated rules said you had to have a substantial pre-existing relationship with people with over $1 million in assets excluding their home & vehicles or who made over $200,000 a year the past three years in a row. This was essentially the golf country club crowd of aging grey haired white males. Far less than 1% of Americans qualify as accredited investors. Data shows in the past decade 95% of all venture financing has gone to men owned firms with only 5% to women. If you were a minority woman less than 1%. There was an exemption for 35 non-accredited investors - also had to be substantial pre-existing relationships with no advertising. The average non-accredited investor could usually afford to invest about $1000 in his friend's new company. That would bring in $35,000 total. The legal bill for doing a non-accredited financing often reaches $20,000 (which is higher than an accredited only offering) which left about $15,000 to build a business from scratch - unless you happened to be in the golf country club crowd of 1 percenters.

Equity crowdfunding is destined to finally break the locks the good ole boys network have had since the 1930's on accessing capital to fund new enterprises with a truly democratic method of financing.

The Association for Enterprise Opportunity published a report recently stating the if just 1 in 3 microbusinesses in the USA just hired 1 employee we would be a full employment in the USA. Crowdfunding can be instrumentai in making this a reality.

The CrowdFund IQ Study http://www.slideshare.net/fullscreen/earlyiq/crowdfundiq-benchmark-study/1 published this data on equity crowdfunding...

> 58% of all adults in the USA are interested to participate in Crowdfunding.

> Average investment will be $1300.

> 61% said they will invest 1 to 2 times a year.

> 20% said they will invest 3 times a year or more.

> 69% of those making >$75K a year will participate in crowdfunding @ $1980 per investment level x 3 times a year.

> 48% of those making less than $75K a year will participate in crowdfunding @ $1150 per investment level x 2.5 times a year.

> 55% of respondents have fraud as their number one concern with crowdfunding.

> Confidence in a company's management team is the number one driver to invest (aided by local investing meetings where investors meet management eye to eye).

> 3rd party review of potential investment opportunities is important to potential investors increasing investment potential confidence by 400%.

There are approximately 80,000,000 wage earners in the USA. Less than 1% make more than $200,000 qualifying as accredited. 5% of them make more than $100,000 annually. 10% make more than $75,000 annually. The balance of 90% of the 80 million wage earners make less than $75K.

> 99% of financial advisors advising people with > $1 million in assets advise them against investing in seed stage startups with the logic they have already made their fortune and now they need the most conservative investment tools possible to preserve their fortune. Only those the defy the advice of their financial advisors choose to go forward with investing in seed stage startups.

> So by the above CrowdfundIQ report stating 69% of the those making > $75K or will invest $1300 x 3 = $3900 x 10% of 80 million people = 8 million = $31.2 billion.

> 48% of those making less than $75K will invest $1150 x 2.5 = $2875 x 90% of 80 million people 48% which are crowdfunders = 34.5 million = $99 billion

This compares to $20.1 billion from all ACCREDITED angel investors in the USA. Most of which went into mature late stage companies with substantial revenues. Most went into follow-on financings not seed or early stage.

VCs put $26.5 billion in just 3698 companies in 2012. Very few of which were seed stage (388 to 617).

- In 2012 First-time financings in biotechnology and medical devices saw some of the biggest decreases in funding, with the lowest number of deals since 1995
- Dow Jones VentureSource reported that U.S. seed financings by venture capital firms increased from 173 in 2009 to 388 in 2012, and the amounts invested in such financings increased from $119 million to $287 million during that period.
- CB Insights reported that venture capital investment in seed deals increased from 143 deals in 2009 to 617 deals in 2012.
- 56 to 79% of all Senior Liquidation Preference Deals by VCs caused "bad deal" down rounds for the entrepreneurs in 2010 to 2012.
- A total of 2,277 private tech companies from around the globe were acquired last year.
- The most reliable path for anyone to rise from poverty to become a millionaire is through business ownership.

in 2012 venture capitalists funded just 3,800 of the 27.5 million companies in America.

> Side note on the above quote of VCs financing 3800 companies in 2012 - Of which only 388 to 617 were seed stage deals financed by VCs out of 552,000 registered new employer firms, 3 million+ innovations not incorporated and 27.5 million U.S. companies in total.

Read more: http://www.entrepreneur.com/article/226741#ixzz2YgyS7pmN

Conclusions:

A. VCs only finance 388 to 617 seed stage deals are year. Crowdfunding is needed for the other 1 million starups a year and 27.5 million existing U.S. businesses to grow.

B. 61,900 companies were financed by angels in 2012. Most of them informal angels not formal angel groups.
C. $25 billion was invested by U.S. angels in 2012 down from peak of over $65 billion in 2000. Most of this investment was informal friends and family investments not angel groups.
D. The top 800 formal organized angel groups invested $1.1 billion in 2012 or 4.4% of the total angel investment in the USA.
E. Over $1.3 trillion annually or $13 trillion in new investment dollars is awaiting U.S. companies over the next decade upon implementation of the equity crowdfunding without restriction for accredited millionaires.
F. Far less than one half of 1% of the U.S. population are accredited investors interested in investing in startups founded by people they do not know personally.
G. 69% of people making more than $75K a year are ready to participate in crowdfunding.
H. 48% of the people making less than $75K a year are ready to participate in crowdfunding.

VCs and angel groups are not enough. Accredited angels are not enough. We need crowdfunding for all the people.

It is time for the law passed in November 2011 and signed into law by the President in April 2012 legalizing equity crowfunding to finally be fully implemented into practice. The U.S. economy is starving for the capital necessary to ignite job creation, innovation and exports.

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