

I normally do not get involved with politics nor governmental regulations but the crowd funding topic is worthy of my time and effort. Firstly, I would like to applaud the President and Congress on having the foresight to identify one of the most important problems which we are presently encountering, raising capital for start-ups and small businesses. I also congratulate them on passing the Jumpstart Our Business Startups (JOBS) Act on April 5, 2012. A day that is near and dear to my heart, because it is my birthday. Although, JOBS was a step in the right direction allowing general solicitation of accredited investors, the regulations are still too restrictive to sufficiently stimulate needed quantities of financial influx for start-up companies and small business growth in order to fuel the economy providing long term economic growth, which was the intent of the Act.

In accord with Entrepreneur Magazine, they have discovered the following relevant facts:

1. Less than 0.5% of the U.S. population which qualify as accredited investors are interested in investing in startups founded by unknown persons.
2. Approximately 69% of persons earning over \$75,000 a year are interested in investing in start-ups.
3. Approximately 48% of persons earning under \$75,000 a year are interested in investing in start-ups.
4. Venture Capital only finances 388 to 617 start-up companies per annum. Additional sources of capital infusion are desperately needed for the other 1 million start-ups a year and 27.5 million existing U.S. businesses to grow.
5. In 2002, approximately 61,900 companies were financed by Angel Investors. Interestingly, most of the funding came from unknown Angel Investors, not Angel Investor Groups with years of experience and proven track records.
6. In 2012, approximately \$25 billion was invested in start-ups which is a fraction from the peak of over \$65 billion in 2000. Most of this investment was derived from friends and family investments, not Angel Investor Groups.
7. Approximately \$1.1 billion (i.e. representing only 4.4%) in 2012 was invested by the top 800 Angel Investor Groups.

There is a much needed demand of over \$1.3 trillion annually or \$13 trillion in new investment dollars required during the next decade. Unfortunately, it is statistically impossible to derive this amount of money from the limited accredited investors in the United States. Therefore, either the Government will have to change their normal and customary policy and provide these funds similar to China's business development or an alternative source of equity must be established.

Recently a study was performed by slideshare.net that revealed many people believe that the most reliable path to rise from poverty to become a millionaire and live the “American Dream” is through owning a business. They also discovered the following information:

- A. 58% of all adults in the U.S. are interested in investing in a start-up company or helping expand a small business.
- B. Average investment would be approximately \$1,300.
- C. 61% will invest 1 or 2 times per annum.
- D. 20% will invest 3 or more times per annum.
- E. 69% of investors earning over \$75,000 per annum are interested in investing an average of \$1,900 per annum in a start-up company or helping expand a small business.
- F. Investors earning over \$75,000 would invest 3 times per annum.
- G. 48% of investors earning under \$75,000 per annum are interested in investing in a start-up company or helping expand a small business.
- H. Investors earning under \$75,000 would invest an average of \$1,150 per annum.
- I. Investors earning under \$75,000 would invest 2.5 times per annum.

The “American Dream” was founded on the basic principal that if a person works hard and wisely in the United States, they will have the opportunity to financially prosper. Our fore fathers founded our country on the basic principal that Government was established to serve the people not to control them. In my home State, Mayor Bloomberg has failed miserably trying to imposed rules and regulations on people’s fundamental rights under the guise of improving health such instructions concerning circumcision of Hassidic Jews and drinking large soda. The citizen’s backlash did not arise from whether the rule or regulation was meant to improve health but was a result of the Government circumventing their free will to manage their own lives without intervention. I personally am tired of people criticizing the Government or other third parties without proposing a solution to the problem. I believe that if you do not participate in the solution, you are part of the problem at hand.

Based on the facts that the number of Accredited Investors in the U.S. is not adequate to infuse the required capital needed to stimulate start-up companies and increase economic growth of small businesses, I propose the following solution which will provide access to necessary money as well as adequately inform the investor of the risks associated therewith. Government should adhere to the requirement of education not protection of investors. Broker dealers and registered securities sales representatives should bear the burden of both educating and protecting investors.

1. Create a new regulation called Regulation J (for JOBS) which consists of the following:
  - a. Investors earning over \$75,000 in annual income and over \$75,000 in assets excluding primary residence are able to invest a maximum of \$7,500 per annum in one or more companies.
  - b. Investors earning under \$75,000 in annual income and over \$75,000 in assets excluding primary residence are able to invest a maximum of \$5,000 per annum in one or more companies.
  - c. Investors earning under \$75,000 in annual income and under \$75,000 in assets excluding primary residence are able to invest a maximum of \$2,500 per annum in one or more companies.
  - d. A prospectus needs to be furnished to all investors with questionnaire that MUST be signed by each investors that he/she acknowledges:
    - i. My total income last year was [ ] Under \$75,000 [ ] over \$75,000
    - ii. I expect my total income for this year to be [ ] Under \$75,000 [ ] over \$75,000
    - iii. My total assets, excluding the value of my home, is [ ] Under \$75,000 [ ] over \$75,000
    - iv. I acknowledge that I have read the prospectus associated with this investment.
    - v. I acknowledge that the investment described in the prospectus is highly risky and I may lose all the money that I have invested.
    - vi. I acknowledge that the investment described in the prospectus is illiquid which means that I may never have any way of selling my investment.

- vii. To date, since January 1, 2013, I have invested the total sum of \$\_\_\_\_\_ in other types of investments having similar high risk and illiquidity.
  
- e. SEC waves their long review and approval of Reg. J Prospectus and simply checks for all necessary components (I.e. Topics: Risk, Use of Funds, Directors etc.). SEC puts burden on Broker Dealer (BD) to review Prospectus for proper sufficient content.
  
- f. SEC adopts the present relaxed advertising standard of the JOBS Act permitting General Solicitation which must be truthful, transparent and forthright.

As I previously stated, I applaud the efforts of President and Congress for attempting to solve the equity infusion problem and hope that my suggestions help them achieve their goal of stimulating start-up companies and increasing economic growth of small businesses to preserve the “American Dream”.

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