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September 24, 2019

Ms. Vanessa A. Countryman, Acting Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090
rule-comments@sec.gov

Re: Concept Release on Harmonization of Securities Offering Exemptions
File Number S7-08-19

Dear Ms. Countryman:

The Startup Practicum at the University of Miami School of Law is a leading startup legal clinic that serves entrepreneurs creating solutions for markets in the United States and around the globe. We thank the Commission for the opportunity to provide input on how harmonizing securities offering exemptions can fuel growth and innovation while also maintaining critical investor protections.

Because Miami is our headquarters, our comments center on opportunities we see to positively impact our region, often referred to as South Florida and comprising Miami-Dade, Broward, and Palm Beach counties. Miami is a strategic hub of international commerce. It was rated the number one region for startup activity by the Kauffman Foundation in 2017[1] and Small Business Administration lending in Miami reached approximately $1.35 billion in 2018.[2] Miami is without a doubt an entrepreneurial city on the rise. Substantively, our comments focus on micro-offerings and crowdfunding, which we believe can specifically support Miami's growth as an entrepreneurial center.

[1] https://www.kauffman.org/kauffman-index/reporting/startup-activity/~/media/c9831094536646528ab012dcbd1f83be.ashx
[2] https://www.sba.gov/offices/district/fl/miami/lender-reports/sba-south-florida-lending-fy-2018-oct-1-2017-sept-30-2018

Micro-Offerings

In harmonizing securities offering exemptions, we suggest the SEC support expansion of micro-offerings. The success of micro-lending, particularly in small business communities driven by predominantly immigrant populations, is evidenced by programs like Accion and the expansion of Grameen, the global microfinance institution, to the United States. Grameen America, launched their operations in Miami after identifying women-led and immigrant-run businesses were an ideal target for microfinance.[3] Expanding microfinance will give small businesses alternatives to traditional seed stage investors, which are often missing in new entrepreneurial communities like Miami. Micro-offerings could be addressed in many ways, including through crowdfunding regulations.

For example, an aggregate offering limit of $250,000 in a 12-month period would provide an alternative to crowdfunding offerings that focuses on small-scale financing. Investors can be protected by limiting the amount invested in any offering to $25,000. Financial sophistication requirements may impose too much of a barrier for nontraditional capital sources. Thus, they would be discouraged. Disclosure requirements would likewise be too burdensome to be justified at the micro-offering level. Like Reg CF, micro-offerings could be required to take place through a registered intermediary, such as a funding portal. The CF funding portals have proven to be successful and effective methods for raising capital in emerging markets, like the well-known Kiva[4] platform. Issuers should be free to advertise the micro-offerings as advertising can be instrumental in sourcing capital from crowds.

For eligibility, the SEC should permit issuers and investors that may not otherwise be eligible for private offerings. Here in Miami, and in Florida more broadly, we have seen increased activity and advocacy for the formerly incarcerated populations. We believe entrepreneurship is one of the few viable pathways available for former felons who may be defined as bad actors under the Securities Laws. Successful programs like Inmates to Entrepreneurs[5] and the Prison Entrepreneurship Program[6] are ideal examples of this investment thesis. In short, micro-offerings will ensure broader access to capital for emerging and small businesses that need alternative financing options and are currently underserved by the traditional banking system.

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[3] https://www.miamiherald.com/news/business/article176731926.html
[4] https://www.kiva.org/
[5] https://inmatestoentrepreneurs.org/
[6] https://pep.org

Crowdfunding

The current state of Regulation Crowdfunding has and is accelerating growth in startups and diversity among investors many of whom would not be able to invest in startups prior to the legalization of crowdfunding. As Regulation Crowdfunding currently stands, the ability for non-accredited investors to invest in start-ups and early-stage businesses has excelled the growth in Miami, especially among minority investors. A fitting example of a local Miami startup is Caribu, whose investors are 40% percent women and 35% people of color. Caribu launched a successful crowdfunding campaign through the platform WeFunder and reached the $1.07 million funding limit. Caribu had previously received funding from national companies, such as AT&T and Toyota, prior to going to crowdfunding as a source of funds. As Caribu is still in the funding stage, they represent the ability of a startup business to operate in compliance with Regulation Crowdfunding to augment earlier rounds from national funds and angels.

The limitation on the amount an investor can invest in a Regulation Crowdfunding offering can help mitigate downside risk. As crowdfunding is open to non-accredited investors, whom usually lack the appropriate net worth and financial expertise, frameworks that minimize potential losses help bridge sophistication gaps. While limitations on non-accredited investors should not change, accredited investors should have a higher upper limit or cap than non-accredited investors. An increase in the amount a startup can receive from a single investor can lead to an increase in the number of successful crowdfunding campaigns.

A change in advertisement of crowdfunding offerings outside of funding portals can increase the number of investors and capital available for startups. As advertisements allow investors to learn more about startups raising money, it can lead to an increase in the number of investors willing to provide capital and a more robust competitive landscape. Currently, the ban on advertising outside of funding platforms does not further startups accessibility to capital. For example, an investor that is unaware that startup is conducting a crowdfunding offering will lose out on the opportunity to invest in the startup, and the company loses out on potential for capital from the investor. As such, changes in the limitation on investors and advertisement of offerings can lead to an increase in capital raised for startups and the number of investors participating in private offerings without eliminating any investor protections.

Thank you for your time and consideration of these comments.

Sincerely,

Daniel Ravicher, Director
Wifredo Fernandez, Student Associate
Osaro Qualis, Student Associate