CROWDFUND CAPITAL ADVISORS

1688 West Avenue
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August 18, 2014

The Honorable Mary Jo White
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chair White:

We write to express our strong desire for the Securities and Exchange Commission (SEC) to issue final rules implementing Title III of the Jumpstart Our Business Startups Act, commonly known as the JOBS Act. As you know, President Barack Obama signed the JOBS Act into law on April 5, 2012. It is now 865 days since the bill was signed into law. America's job creators, startups and small businesses, are still waiting for SEC rules that make this important reform a reality for them. Meanwhile, regulators in a growing roster of other nations have already moved forward with permitting crowdfund investing.

Our team, Sherwood Neiss, Jason Best, and Zak Cassady-Dorion first came to Washington in early 2011 to propose the *Startup Exemption*;[1] a 10-point framework to enable crowdfund investing by harnessing the power of the Internet to deliver much needed capital to start-ups and small businesses. We worked hard to advance our framework through the legislative process including serving as invited witnesses before five House and Senate Committees.[2][3][4][5][6] It was an honor to be present at the White House for the JOBS Act signing ceremony and hear President Obama call crowdfunding, the focus of our efforts, "game changing."

We are appreciative of the time that you and the other distinguished Commissioners have spent on this important rulemaking event over the last two years. We are very appreciative of the attention given to these rules by SEC staff, especially their willingness to receive input from Crowdfund Intermediary Regulatory Advocates (CFIRA), a broad-based industry organization that we co-founded to engage in a productive dialogue with the SEC. We understand that staff has taken feedback from our meetings, as well as the letters from our Industry peers[7] and has incorporated that into the pending amended proposed rules.

We realize that no law is perfect, but we believe that the right Title III rules will be a viable starting point for crowdfund investing in America. As developers of the crowdfund-investing framework, we are well aware that you must tackle a multitude of issues in order to fairly balance the interests of entrepreneurs and investors.

1 www.startupexemption.com
2 "Reversing the Decline in Capital Formation," Sherwood Neiss Testimony May 10, 2011. http://crowdfundcapitaladvisors.com/images/1.Woodie%20Neiss%20OGR%20Testimony%20on%20Capital%20Formation.pdf
3 "Crowdfund Investing – A Solution to the Capital Crisis Facing our Nation's Entrepreneurs," Sherwood Neiss Testimony September 15, 2011. http://crowdfundcapitaladvisors.com/images/Documents/Crowdfund_Investing_Testimony.pdf
4 "Equity Finance: Catalyst for Small Business Growth," Jason Best Testimony April 19, 2012. http://crowdfundcapitaladvisors.com/images/best_testimony.pdf
5 "An Analysis of the Proposed Title III JOBS Act Rules," Sherwood Neiss Testimony, October 30, 2013. http://crowdfundcapitaladvisors.com/images/Senate_Testimony_-_Sherwood_Neiss.pdf
6 "SEC's Crowdfunding Proposal: Will it work for small business?" Jason Best Testimony, January 16, 2014. http://smallbusiness.house.gov/uploadedfiles/1-16-2014_jason_best_testimony.pdf
7 The Crowdfund Intermediary Regulatory Advocates (CFIRA), the organization that we co-founded after the bill signing ceremony, submitted 12 letters.

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One of the most exciting possibilities created by crowdfund investing is an increase in market transparency. If Title III is implemented correctly, the SEC will be provided an unprecedented level of transparency and near real-time access to data regarding early stage and Small Medium Enterprise (SME) funding in the US. This transparency will facilitate capital formation, provide insight into the dynamics of the private capital markets, and allow investors to make more informed decisions based on market review and analysis of that data.

To encourage rigorous scholarship into this market data, we co-founded a research program within the University of California Berkeley's College of Engineering in 2012. The Research Program on Innovation in Entrepreneurial and Social Finance is currently building a global database of crowdfunding platforms to pull in transactional data, provide research and analysis into industry best practices, and to lead global research into this area of modern finance.

We must remember that perfection is something that is achieved over time and that the JOBS Act represents a starting point for everyone, including entrepreneurs, investors, crowdfunding portals, and yes - even regulators. It should be understood that changes will be made over time based on data from the crowdfunding industry that can demonstrate what is actually happening in the markets. But it should always be remembered that crowdfunding is an activity that goes back to the beginning of finance. All we have done is to convert an offline, opaque, bureaucratic and costly process to an online, more efficient, transparent, and less costly one.

Our efforts on behalf of regulated, responsible crowdfund investing have spanned over 25 nations. We work with regulators, legislators, investors, financial institutions and entrepreneurs to implement crowdfund investing in a fair, balanced, and functional manner. Other countries look to both the US and the UK models as they build their frameworks for crowdfunding.

We are concerned that the current situation leaves America at a competitive disadvantage. Nations with well-regulated financial markets (e.g. Netherlands, France, Italy and New Zealand) have already beaten us to the starting line, and we are currently working with three other regulators in Asia and Latin America that will launch equity and debt crowdfunding within the next 12 months. The UK, with which we compete for talent, innovation, and jobs, now claims London as the world's crowdfunding capital[8]. They have taken this title because of their data-intensive yet prescriptively light regulatory regime which has delivered serious investor protection and robust capital formation.

We would like to present a few important points to consider as you bring the amended proposed rules to a vote:

- The US can continue to be a leader in incubating and accelerating securities based crowdfunding under the proposed rules through the incorporation of many of the wise suggestions submitted during the comment period, such as:
    - Providing platforms with safe harbors from liability
    - Increasing the investment size that would trigger a requirement for accounting sign-off and full audits
    - Right-sizing compliance requirements so that they scale to the size of businesses that will be utilizing Title III crowdfunding

8 London emerging as world leader in crowdfunding, http://www.ft.com/cms/s/0/8e5be7d0-23c2-11e4-8e2900144feabdc0.html#axzz3Als2xqVE, Jonathan Moules, the Financial Times, August 15, 2014

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- Over the last 3 years, UK citizens have invested about GBP500 million in about 5,000 SMEs in the UK through crowdfunding. Given that the UK population is about 20% of the US population, if we extrapolate those numbers, with securities-based crowdfunding, Americans might be expected to invest over $2B to nearly 25,000 businesses in the US over a similar period of time. That would be an average of 500 businesses per state that could receive funding, hire more employees, increase their sales, and expand the tax base.
- We are currently analyzing the regulatory costs borne by Title II issuers who are leveraging the same portals that will be used for Title III offerings but only currently soliciting investment from accredited investors. Early signals show that costs to issuers are much lower than projected in the proposed rules.
- An entire ecosystem of crowdfunding companies has been created to support issuers, investors and portals seeking to utilize this new funding mechanism. These technologies are standardizing disclosures, facilitating compliance processes, fostering new methods of investor relations, and will eventually be used by the broader capital markets to increase transparency and efficiency. This crowdfunding ecosystem creates jobs and delivers capital to places in the country where it doesn't exist today.

Issuing final rules for crowdfunding this fall would create jobs, and strengthen our economy. There is a pressing need for this marketplace to receive efficient and diligent regulatory oversight. No industry can plan for excellence without regulatory certainty. More importantly, investors need to know the rules of the game so that they can educate themselves before entering the marketplace. We believe that your incorporation of the better compliance suggestions received during the comment period will represent an improvement, which will make the rules workable.

We kindly urge you to work with the industry to resolve any outstanding issues and to move the Title III rules to a vote as quickly as possible.

Sincerely,

Sherwood Neiss

Jason Best
Co-founders, Crowdfund Capital Advisors