CROWDFUND CAPITAL ADVISORS

8354 Northfield Blvd Building G, Suite 3700
Denver, CO 80238

July 19, 2018

The Honorable Jay Clayton
Chairman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Dear Chairman Clayton:

We compromise the largest online crowdfunding platforms and industry influencers in the United States. Given the positive early results since 2016 for both entrepreneurs and investors, we believe the time has come to raise the maximum amount an issuer can raise via Regulation Crowdfunding (Reg CF) from US$1M to US$20M. Please keep in mind that during the 2 years of this new exemption there has been no fraud and very limited regulatory issues.

Since the launch of Regulation Crowdfunding[1]:

- Over 1,000 companies have filed with the SEC to raise money on online platforms that are registered with FINRA to facilitate capital formation.
- Over $137M has been committed to these issuers. 95% ($130.4M) of that capital was funded and invested into 715 companies (68.5% success rate).
- These 715 companies are supporting 4,172 jobs and producing over $249M in revenue.
- Issuers have filed in almost every state in the Union.
- Issuers have been funded in 80 industries (according to Morningstar's Global Equity Classification Structure).

The cap should be adjusted because:

- There has been zero fraud, competent issuers have been able to raise serious capital from investors that believe in their products or services, and retail investors (for the first time in recent history) have a transparent, systematic way to back companies they believe in.
- Successfully funded companies are supporting and creating valuable jobs and providing substantial economic activity in a broad range of locally important industries all around the United States.
- The initial cap of US$1M was meant to be adjusted. Only once since the launch of Regulation Crowdfunding has this been adjusted and at the time only by $70,000. Such de minimus adjustments do not fully allow meritorious issuers to fully benefit from this new form of online finance nor expand the opportunity for issuers seeking to raise in excess of $1M.

[1] Data is provided by CCLEAR – The CCA Regulation Crowdfunding Database that collects, cleans, analyzes and reports on trends and analysis in the Regulation Crowdfunding industry. CCLEAR publishes daily reports via http://crowdfundcapitaladvisors.com/data

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- The current $1M level is now far below what startups and SMEs need for seed stage capital. May 2018 data[2] indicates that the median sized funding round for Angel or Seed stage companies in the US is $2M. This means that even for the smallest funding round the current limits do not allow an issuer to raise their entire round via Regulation Crowdfunding. This dramatically increases costs and time spent on raising capital by US businesses. This reduces the number of American innovators and job creators in the United States.
- While the "funding gap" that Regulation Crowdfunding was meant to address is filling the void. The funding "opportunity" really comes from those small/medium firms that are seeking to raise up to $20M. Raising funds under $20M has become increasingly challenging as Venture Capital/Private Equity has moved upstream over the past decade. Raising the cap will allow issuers that wish to utilize this form of online finance the ability to raise in excess of $1M and tap their local investors without having to deal with the costly, time consuming process of either filing a full prospectus with the SEC or spending hundreds of thousands of dollars on a private offering.
- Many companies forego Regulation Crowdfunding in favor of Reg D, 506(c), because of the low Reg CF limit. This has the effect of reduced disclosure to investors, since Form D provides less information even than Form C. In addition, ordinary investors are cut out of some of the most attractive deals that have already attracted institutional funding, which seems unfair and counter to one of the goals of Reg CF.
- Both the United Kingdom and Germany have adjusted their caps to 8M EUR (US$9.4M). The United States should not be a follower but a leader

In a FINRA live chat with Robert Cook you said, "I continue to worry that retail investors do not have access to as broad a slice of our capital markets as I would like them to have. Said another way, you have private capital and public capital. Retail investors can really only participate in the public capital, and to the extent private capital has become so robust, you've shrunk opportunities. That bothers me a bit. If that trend continues, a much more select group is participating in the growth of the economy."

We believe increasing the caps on Regulation Crowdfunding will address your concerns and invite more retail investors into a systematic, transparent part of the private capital markets that is creating jobs and providing valuable economic stimulus.

We kindly urge you to adjust the maximum amount an issuer may raise to $20M.

Sincerely,

Sherwood Neiss, Crowdfund Capital Advisors
Doug Ellenoff, Ellenoff Grossman & Schole
Youngro Lee, CEO NextSeed
Tyler Gray, COO Microventures
James Dowd, Managing Director North Capital

[2] http://www.alleywatch.com/2018/06/the-may-2018-nyc-and-us-venture-capital-and-early-stage-funding-report/2/

Kendrick Nguyen, CEO Republic
Ryan Feit, CEO SeedInvest
Karen Kerrigan, Small Business and Entrepreneurship Council
Ron Miller, CEO StartEngine
Nick Tommarello, CEO Wefunder