



February 14, 2017

Representative Jeb Hensarling
2228 Rayburn HOB
Washington, DC 20515

Re: Improve Crowdfunding with the Financial CHOICE Act

Dear Congressman Hensarling,

We are writing to request that provisions be included in the Financial CHOICE Act to give job-creating businesses greater access to crowdfunded capital.

Title III of HR 3606 (the Jumpstart Our Business Startups Act or "JOBS Act") currently places a \$1 million cap on the amount that any business can raise in a 12-month period when using the crowdfunding exemption set forth in Section 4(a)(6) the Securities Act of 1933. We recommend that the Financial CHOICE Act be used to **increase the company cap to \$10 million**. Title III also places a \$100,000 cap on all individual investors including those that qualify as accredited investors pursuant to the definition set forth in Rule 501 of Regulation D. We recommend that the Financial CHOICE Act be used to **remove the individual cap on accredited investors**.

The purpose of the bipartisan JOBS Act was to increase capital access and reduce capital costs. Unfortunately, some businesses remain reluctant to pursue a Title III fund-raise because the \$1 million cap appears too low to justify the overall application effort. We strongly believe that increasing the company cap will generate greater use of the crowdfunding exemption as a fund-raising tool for small and medium sized businesses that have traditionally been underserved. Ultimately, helping these entrepreneurs access capital is the best way to create jobs and contribute to economic growth:

"The importance of small businesses to our economy is indisputable. They make up 54 percent of the private-sector economy and create about 70 percent of all new jobs." - Sen. Jim Risch and Rep. Sam Graves
(Washington Post, February 2014)

Increasing the crowdfunding cap to \$10 million poses little additional risk to investors based on the robust protections that already exist within Title III of the JOBS Act and the resulting SEC rules, including: extensive disclosure requirements compelling each company to file a Form C publicly which is signed by the principal executive officer with notice that intentional misstatements or omissions of facts are a federal crime (17 CFR §227.201), an explicit obligation to deny crowdfunding access to any company that presents the potential for fraud (17

CFR §227.301), the provision of plain-language educational material designed to communicate the risks associated with purchasing securities (17 CFR §227.302), and disqualification provisions for any company that has officers or board members that meet the definition of “bad actors” (17 CFR §227.503). For some companies, raising the company cap to \$10 million may actually reduce risk by further diversifying the company’s investor base.

Non-accredited investors that require the most protection should remain subject to the individual cap on the amount that they can invest in crowdfunding annually. Keeping the cap for non-accredited investors in place would ensure that after increasing the company cap to \$10 million there would be no increase in the number of committed dollars that a non-accredited investor could have at risk. However, we believe that accredited investors have enough knowledge and experience in evaluating and investing in securities that each accredited investor is capable of evaluating the merits and risks of an investment and has the capacity to protect their own interests. **The SEC has already determined that accredited investors do not need the same protections as non-accredited investors: neither Regulation D nor Regulation A+ subjects accredited investors to any individual investment caps.** Based on how the other securities exemptions treat accredited investors, it is peculiar and arguably unnecessary that individual investment caps would be put in place for Title III crowdfunding.

Increasing the company cap to \$10 million will not only provide businesses with access to more capital to grow, it will also provide businesses with access to more investors to have as advocates, brand ambassadors and increasingly loyal customers. Increasing the cap would directly translate into more people having the ability to join a crowdfunded offering and this has the potential to translate into more accurate “wisdom of the crowd”. Having more people participate means more perspectives for scrutiny, more diligence questioning through communication channels and overall more opportunities to reveal weaknesses in a company’s offering to ensure that only the best companies are getting funded. The logic is simple: the wisdom of the crowd grows with the number of participants, and increasing the crowdfunding cap makes room for more participants.

The internet continues to change the way that people connect and crowdfunding perfectly leverages this technology to help businesses raise substantial amounts of money through small contributions from a large number of people. There is simply no reason to limit the amount that these job-creating businesses can raise when the risk is distributed across such a large group. Consequently, for the benefit of these job-creating businesses, we urge you to increase the Title III company cap to \$10 million and to remove the individual accredited investor cap in order to give the JOBS Act the potential to contribute more to our country’s economic growth.

Thank you for considering this request and as a funding portal registered with the SEC, we would welcome the opportunity to speak with you in order to provide additional perspective on how to increase the impact of crowdfunding on job creation.

Sincerely,



Ken Staut
CEO, GrowthFountain
SEC File #007-00028