CCA

March 31, 2025

Chairman French Hill
Ranking Member Maxine Waters
Members of the House Financial Services Committee
U.S. House of Representatives
Washington, D.C. 20510

Dear Chairman Hill and Ranking Member Waters,

We write in strong support of the legislation before the House Financial Services Committee aimed at expanding access to capital through investment crowdfunding. These bills—particularly the *Improving Crowdfunding Opportunities Act*, the *ACCESS Act*, the *SEED Act*, and the various efforts to modernize the accredited investor definition—represent practical and data-backed steps that can expand entrepreneurship, drive innovation, and create jobs while maintaining strong investor protections.

Our team at Crowdfund Capital Advisors (CCA) played a foundational role in the creation of this industry. We co-authored the original framework for investment crowdfunding, working directly alongside Representative Patrick McHenry throughout the legislative process. We spent more than 460 days in Washington D.C. lobbying for the JOBS Act, testifying in both the House and Senate, and were honored to attend the bill signing ceremony at the White House in 2012 when President Obama signed the JOBS Act into law.

Importantly, the JOBS Act was one of the most bipartisan pieces of legislation in recent Congressional history—passing the House with 407 votes and the Senate with 73. That same bipartisan spirit should guide today's enhancements to Regulation Crowdfunding. These are not partisan ideas; they are practical improvements to an already successful framework that continues to empower entrepreneurs, protect investors, and strengthen local economies.

Since then, we've remained the industry's data authority. We created and maintain the only 100% complete and continuously updated dataset on Regulation Crowdfunding. In fact, our CCLEAR database is more robust than what is available at the SEC. It tracks:

- Every transaction in the investment crowdfunding market
- Deal performance over time, including revenue growth and valuation changes
- Issuer demographics, including flags for women- and minority-led firms
- Geographic data, allowing granular analysis of urban vs. rural impact

In short: no organization has a deeper or more data-driven understanding of how this industry operates and the role it plays in democratizing access to capital. More than anyone, we can show—conclusively and factually—why this industry is working, why these legislative enhancements are urgently needed, and even more so, what else Congress should be doing to empower entrepreneurship and job creation through regulated investment crowdfunding.

The 2025 Annual State of the Industry Report: Facts, Not Fear
To complement our direct policy engagement and global expertise, Crowdfund Capital Advisors publishes the most comprehensive research on the market: the 2025 State of the Investment Crowdfunding Industry (https://crowdfundcapitaladvisors.com/2025-investment-crowdfunding-report-the-future-of-private-market-investing-is-here/). At over 210 pages, this annual report serves as the definitive source of performance data, policy insight, and market analysis. Built on the CCLEAR (www.cclear.ai) dataset, it includes fraud trends (virtually non-existent), investor activity, issuer outcomes, and capital distribution across geographies and demographics. We strongly encourage lawmakers and stakeholders to use it as a factual resource to shape policy grounded in evidence—not speculation.

Global Perspective & Deeper Insight: INVESTOMERS
Our insights are not limited to the U.S. Over the past decade, we've worked with regulators and ecosystem leaders in 43 countries, shaping crowdfunding frameworks and supporting entrepreneurial finance globally. These experiences have been distilled into our definitive 400-page book, *INVESTOMERS: How Customers-Turned-Investors Are Shaping the Future of Early-Stage Finance*. (https://www.amazon.com/Investomers-Customers-Turned-Investors-Shaping-Early-Stage-Finance/dp/B0DXD74PXX/). This book outlines how investment crowdfunding not only democratizes access to capital but aligns investors and issuers in a way that transforms customers into committed stakeholders. We encourage Members of Congress and their teams to review *INVESTOMERS* as a companion to the data in the Annual Report.

Why This Industry Works — Grounded in Data, Built for Resilience
Investment crowdfunding under Regulation Crowdfunding is no longer an experiment — it is a proven, transparent, and inclusive capital formation mechanism that is fueling small business growth across America.

- Nearly $3 billion has been raised by startups and small businesses since Reg CF went live in 2016.
- Over 8,100 unique companies have participated in the market across nearly 10,000 financing rounds, seeking more than $10.5 billion in aggregate capital.
- More than 2.1 million investor checks have been written —demonstrating strong investor sentiment in spite of broader macroeconomic volatility.

- The average individual investment is $1,150—a clear sign that investors are taking a measured, rational approach to investing in high-risk early-stage companies, not risking their life savings.

Importantly, over 60% of today's Reg CF issuers are post-revenue, indicating the market has matured significantly. These are not just idea-stage startups—they are operating businesses with customer traction, revenue streams, and market-tested models. This evolution directly supports the rationale for expanding capital limits and streamlining regulatory pathways.

In total, companies raising capital via Reg CF now represent $14.7 billion in unrealized enterprise value. As IPO and M&A markets reopen, we expect tens of thousands of retail investors to realize returns that were once only available to institutions and the wealthy. This is equity ownership and wealth creation for the many—not the few.

Transparency and Trust at the Core
This is the most transparent segment of the private capital markets. Every offering is:

- Conducted via a registered funding portal or broker-dealer
- Publicly disclosed via Form C filings with the SEC
- Tracked in real-time through transaction-level data
- Subject to ongoing annual reporting requirements

With the aid of AI-powered compliance tools, issuers today can now more easily and affordably meet their disclosure obligations, including annual report filings—lowering costs and improving the quality of filings for regulators, investors, and researchers alike.

Virtually No Fraud
Across nearly a decade of activity, and billions of dollars transacted, the industry has demonstrated de minimis fraud. This is due to:

- Regulatory oversight by the SEC and FINRA
- Platform-level due diligence
- Public transparency and community-driven accountability

The market itself acts as an early screening mechanism, and the structure of Regulation Crowdfunding ensures that **bad actors are filtered out** before reaching investors. This stands in sharp contrast to other private exemptions with far fewer investor protections.

A Jobs Engine for the American Economy
We estimate that since the launch of Reg CF, issuers who've raised capital through this mechanism have created or supported over 430,000 direct and indirect jobs. These jobs are not concentrated on the coasts—they're spread across all 50 states, with particular impact in:

- Distressed communities
- Emerging startup cities
- Rural areas traditionally overlooked by institutional capital

This is one of the clearest examples of a federal policy delivering grassroots economic impact—exactly as the JOBS Act intended.

Investor Protection & Public Narrative: Setting the Record Straight
Some opposition to the legislation—including recent testimony from the Center for American Progress and written submissions from NASAA—leans heavily on fear, uncertainty, and outdated assumptions rather than data. These arguments, while well-intentioned, fail to reflect the real-world operation and maturity of investment crowdfunding and, in doing so, risk stalling much-needed innovation in U.S. capital markets.

Misinformation vs. Market Reality
Critics claim that these bills will open the floodgates to fraud, enable wealth transfers from unsuspecting retail investors to bad actors, and erode investor protections by diluting disclosure standards. These assertions overlook clear facts:

- Investment crowdfunding is the most transparent private market exemption in existence. All Reg CF offerings must be filed publicly via Form C, include detailed disclosures on business plans, use of proceeds, financials, management, and risks, and are conducted exclusively on FINRA- and SEC-registered intermediaries. NASAA's claim that these reforms reduce investor protections simply does not reflect the actual structure or operation of Reg CF.
- Investor risk is minimized, not magnified. As our data shows, the average investment is $1,150—hardly a sign of investors gambling away their life savings. In fact, this industry is one of the best examples of rational investor behavior in a high-risk asset class, made possible by small-dollar participation and high disclosure.
- Fraud is de minimis. Across nearly 10,000 offerings and $3 billion in capital formation, fraud has been statistically negligible. This is a sharp contrast to other private market channels, such as Rule 506 of Reg D, where NASAA itself has reported a significant proportion of its enforcement activity stems from unregistered offerings.
- AI is enhancing—not diminishing—disclosure compliance. The use of AI-powered tools is now streamlining the creation, filing, and ongoing maintenance of required disclosures (e.g., annual reports), making it easier for issuers to stay compliant while lowering costs and improving accessibility.
- Secondary trading is essential to investor liquidity. Opponents argue that allowing secondary trading increases risk, yet their alternative is to trap retail investors in illiquid securities for 7–10 years. Enhancing the legal certainty and functionality of secondary trading under Reg CF is an investor protection measure, not a threat.

Evidence-Based Oversight, Not Theoretical Objections
The annual *State of the Industry Report* provides overwhelming evidence—based on data, not anecdotes—that this market is functioning as intended. It's generating jobs, driving entrepreneurship, promoting economic growth, and operating with strong compliance and oversight.

It is time to move past theoretical objections rooted in a regulatory framework designed nearly a century ago. These bills do not remove the government's role—they modernize it, enabling smarter, technology-assisted, and more efficient oversight of an industry that is already operating at a high standard.

We urge lawmakers to evaluate the facts, recognize that federal preemption in narrow areas like Reg CF secondary trading does not eliminate state collaboration, and act to enable—not inhibit—modern, equitable capital formation.

Legislative Action: Why These Bills Matter
We strongly urge the Committee and the full House to advance the following bills, which together represent a cohesive and well-calibrated modernization of U.S. private capital markets—one that improves access to capital, expands inclusion, and enhances investor protection:

- *The Improving Crowdfunding Opportunities Act* – Raises the Reg CF funding cap from $5M to $10M and opens the door to regulated secondary trading, investment company participation, and improved legal clarity for platforms. However, we strongly recommend that Congress go further and raise the cap to $20 million.

  As our data shows, many Reg CF issuers are increasingly mature businesses with proven traction and strong customer bases. These are not speculative concepts or untested ideas—they are operating companies with real revenue, repeat customers, and regional or national brand loyalty. Raising the cap to $20 million will enable these more established, less risky companies to tap into their existing communities, turning loyal customers into engaged investors. This alignment significantly enhances investor protections by reducing adverse selection and supporting businesses that already have market validation.

  A $20M cap would also better accommodate inflation-adjusted capital needs and keep Regulation Crowdfunding competitive with other private capital exemptions. This is not a deregulatory leap—it is a logical step forward based on how the industry has evolved, the sophistication of platforms, and the safeguards already in place.

- *The ACCESS Act* – Raises the threshold for reviewed financials from $100K to $250K for crowdfunding issuers. This change preserves investor transparency while meaningfully reducing compliance costs for small issuers—especially in underserved markets and early growth stages. It eliminates a disproportionate burden that often deters businesses from raising capital online. This makes Reg CF more accessible, especially for minority-, rural-, and women-led businesses who tend to raise smaller amounts.

- *The SEED Act* – Establishes a new micro-offering exemption for very early-stage capital raises. By reducing regulatory friction and costs associated with mandated disclosures, this act provides a compliant on-ramp to Reg CF. It allows founders to test ideas and gain traction before scaling into larger rounds. This is critical to encouraging entrepreneurship at the grassroots level, particularly in non-coastal regions where formal investor networks are sparse.

- *The Restoring Secondary Trading Market Act* – Preempts state Blue Sky laws for off-exchange secondary trading of securities issued via Regulation A and Regulation Crowdfunding. This act unlocks liquidity for retail investors while reducing legal uncertainty and fragmentation across states. Investor liquidity encourages more participation, and the resulting transparency and price discovery improves market function. It brings Reg CF one step closer to parity with public markets—without sacrificing investor protection.

  In connection with this, Congress should formally recognize GUARDD (www.guardd.com) — the industry's first and only compliance tool designed specifically to facilitate safe and transparent secondary trading. GUARDD provides a standardized framework for ongoing financial disclosures from private issuers, ensuring that investors can make informed decisions even in the absence of traditional public filings. GUARDD works in conjunction with the National Securities Manual which has already been adopted or acknowledged by the overwhelming majority of U.S. states as the required disclosure mechanism for secondary trades of exempt, unrestricted, unregistered securities. Congressional recognition of GUARDD would harmonize compliance expectations and further protect investors in this emerging market.

- Modernizing Accredited Investor Bills – These bills (including the *Fair Investment Opportunities for Professional Experts Act*, *Equal Opportunity for All Investors Act*, *Investment Opportunity Expansion Act*, and *Accredited Investors Include Individuals Receiving Advice from Certain Professionals Act*) shift away from arbitrary income or wealth thresholds and toward knowledge-based qualification. This approach acknowledges that financial acumen isn't tied to net worth and aligns with how platforms already educate investors. These reforms are essential to building a more inclusive and dynamic capital ladder, allowing Reg CF investors to participate in larger private offerings (e.g., under Reg D) as they gain experience.

- *The Unlocking Capital for Small Businesses Act* – Provides a long-overdue exemption for certain "finders" from broker registration. Many early-stage businesses rely on trusted personal and community relationships to raise capital. This bill reflects the real-world mechanics of fundraising in underserved and non-institutional communities and reduces unnecessary regulatory risk for those acting in good faith.

- *The Regulation A+ Improvement Act* – Increases the Reg A cap from $50M to $150M and adjusts it for inflation. This expansion is vital for Reg CF issuers who've proven their model and now seek growth capital. By enabling Reg CF graduates to stay within a compliant framework, it allows for capital continuity without the compliance leap to a full IPO. It also makes U.S. capital markets more competitive globally by keeping scale-ready companies in the regulated ecosystem.

A Missing Piece: Tax Incentives to Encourage Investor Participation
While we strongly support the bills currently under consideration, we urge Congress to recognize that the United States is still missing a critical component present in other successful crowdfunding ecosystems around the world: tax incentives and investment credits for retail investors.

In jurisdictions like the United Kingdom and Canada, tax relief programs such as the Seed Enterprise Investment Scheme (SEIS) have proven remarkably effective in reducing investor risk, attracting capital to startups, and accelerating economic growth. The U.S. should adopt a similar model—tailored for the Regulation Crowdfunding market.

We propose the introduction of a new federal policy: the Early-Stage Investment Tax Incentive for Crowdfunding (ESTI-CF). This initiative aligns tax policy with entrepreneurship, directing capital to small businesses—especially in economically distressed, rural, or underserved regions—while rewarding long-term, responsible investment behavior.

Key features of the ESTI-CF concept include:
- A federal income tax deduction of up to 50% of an investor's contribution to qualified Reg CF offerings (up to $250,000 annually).
- Full deductibility for investments in businesses located in distressed, rural, or opportunity zones, helping funnel capital to regions most in need of revitalization.
- Capital gains tax exemption for investments held five years or longer, encouraging patient capital and long-term alignment with issuers' growth trajectories.
- Eligibility limited to companies with valuations between $10M–$25M and verified revenue—ensuring participating businesses are viable and positioned for scale.
- Annual reporting requirements for participating issuers to maintain transparency and investor confidence.

- Institutional partnership incentives that allow local development agencies or VC firms to act as sponsors—providing professional oversight and due diligence, especially in regions lacking established financial infrastructure.

The ESTI-CF initiative would not only drive broader investor participation—it would also pay for itself through job creation, local economic stimulus, and business growth. In fact, investment crowdfunding has already delivered over $27.1 billion in economic stimulus nationwide. A targeted tax incentive would amplify this impact significantly.

In short, to truly unlock the full potential of Regulation Crowdfunding, Congress must pair smart regulatory modernization with targeted tax-based encouragement for everyday investors. Doing so would democratize access to capital and wealth creation even further—while reinforcing America's position as a global leader in entrepreneurial finance.

Conclusion: This Industry Is Working — Let's Strengthen It Further
Regulation Crowdfunding is no longer theoretical—it is a proven, data-driven policy success story. It is working exactly as Congress envisioned when it passed the JOBS Act: opening new doors to capital, driving innovation, expanding ownership, and fostering job creation in all 50 states. These businesses are generating momentum not just in tech hubs, but on main streets across America—in places like Arkansas, Colorado, and Wisconsin.

It bears repeating. Since its launch, investment crowdfunding has enabled:

- Over $3 billion in capital raised
- More than 8,100 companies funded through nearly 10,000 offerings
- An estimated 430,000 jobs created or supported
- $14.7 billion in enterprise value built
- And more than $27.1 billion in total economic stimulus

These are not projections—they are real, measurable outcomes grounded in real-time data and a transparent regulatory framework.

The legislation currently under consideration is vital. It updates outdated rules, reduces unnecessary costs and friction, strengthens investor protections through smarter tools and disclosures, and makes the U.S. capital markets more inclusive and competitive. But to truly maximize the potential of this ecosystem, Congress must also take up the next logical step: incentivizing investment through policies like the Early-Stage Investment Tax Incentive for Crowdfunding (ESTI-CF).

Other nations have shown that pairing regulatory innovation with tax incentives dramatically increases participation and spreads the benefits of ownership more widely. The U.S. should lead—not lag—in making entrepreneurship and investment accessible to all.

We urge the Committee and the full House to advance this package of legislation and to consider additional tools like ESTI-CF that will unlock broader participation, stimulate underserved economies, and solidify Regulation Crowdfunding as a cornerstone of American economic policy for the next decade and beyond.

We stand ready to support these efforts with additional data, research, and implementation expertise. Thank you for your leadership and your commitment to building a stronger, more equitable, and more innovative American economy.

Sincerely,
Sherwood Neiss

www.CrowdfundCapitalAdvisors.com
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