

February 29, 2012

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20515

The Honorable Mitch McConnell
Minority Leader
United States Senate
Washington, D.C. 20515

Dear Majority Leader Reid and Minority Leader McConnell:

As you well know, America's small businesses and start-ups account for the lion's share of job creation and innovation in our nation. Unfortunately, small business owners and entrepreneurs continue to lack the capital they need to hire, invest and grow. Capital formation is central to a dynamic and healthy entrepreneurial sector. Without adequate sources of capital, the economy will continue to underperform, and the recovery will remain less than robust.

Of particular concern is the state of start-ups in the U.S., which historically have accounted for most of the new jobs according to the Kaufman Foundation. A recent Christmas, Grey & Challenger survey found that start-up activity was significantly depressed in 2011. In fact, the start-up rate was at its lowest point on record since the firm began publishing such data a decade ago. The Bureau of Labor Statistics also reported that the number of self-employed dropped by 172,000 in 2011. The number of currently self-employed Americans is 8,587,000 - one million less than its peak in 2006. Healthy entrepreneurship requires access to capital, yet funding streams remain cautious, locked or tentative. Entrepreneurs need solutions that will create options for accessing capital.

Our organizations were very pleased to see the U.S. House come together to advance an important bill that will provide entrepreneurs access to new pools of capital. The "Entrepreneurs Access to Capital Act," H.R. 2930, updates antiquated securities laws to enable crowdfund investing platforms. On these platforms, investors will dynamically engage with other investors to vet business ideas and fund those businesses that have significant promise. Crowdfund investing will allow entrepreneurs who lack access to funding networks the opportunity to bring their business ideas directly to investors. Americans will have the opportunity to invest in small businesses in their local communities, or support entrepreneurs in rural areas where business formation is critical to sustaining those communities.

Crowdfund investing platforms will be open and transparent, and operate under a new regulatory framework. The platforms will protect investors by utilizing proven technologies and tap into "the sunshine" of social media. This is what has made gift-based crowdfunding so successful, and why crowdfund investing has been a major success in other parts of the world. Entrepreneurs looking to raise capital will be required to provide significant financial

information to potential investors, as well as withstand the scrutiny of the crowd in regards to the feasibility of their business plans and models.

Unlike many other issues making their way across Capitol Hill, support for crowdfund investing legislation is strongly bipartisan. H.R. 2930 passed the U.S. House 407-17. President Obama issued a Statement of Administration Policy for H.R. 2930, and in his Startup Legislative agenda called for "a national framework that allows entrepreneurs and small businesses to raise capital through 'crowdfunding.'" Of course, two bills have been introduced in the U.S. Senate, and we believe a consensus is achievable for advancing legislation that enables effective crowdfund investing platforms for small businesses while protecting investors.

Capital is the lifeblood of our economy, and without it small business owners and entrepreneurs simply cannot generate the new jobs, breakthrough innovations and economic impact that are necessary for bringing our nation back to sustained growth. Our organizations were very pleased to hear the recent announcement that the Senate Banking Committee will conduct another hearing the week of March 5th on the package of capital access bills that passed the House on a bipartisan basis. We urge you to continue to work together to bring crowdfund investing legislation to the Senate floor for a vote so that the legislative process can quickly move forward on this critical issue.

Thank you for your leadership, and your support of America's small business owners and entrepreneurs.

Sincerely,

Harry Alford, President & CEO, National Black Chamber of Commerce
Kristie Arslan, President & CEO, National Association for the Self-Employed
Roger Campos, President & CEO, Minority Business Roundtable
Allen Gutierrez, National Executive Director, The Latino Coalition
Barbara Kasoff, President & CEO, Women Impacting Public Policy (WIPP)
Karen Kerrigan, President & CEO, Small Business & Entrepreneurship Council
Todd McCracken, President, National Small Business Association

cc: Members of the United States Senate