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Startup Exemption

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Tell the SEC: Change the 78-year old laws that restrict small businesses/startups from crowd-funding capital

2 Mar

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How risky is Crowd Fund Investing (CFI)? Capital Flow & Investor Protection

26 Mar



Crowd Fund Investing is probably less risky than public companies because the crowd has access to more, and easier to understand, information about the entrepreneur and his company. In CFI, no one is forced to make an investment. Quite the contrary, people typically won't make an investment unless they feel comfortable about an idea and the entrepreneur behind the idea. His executive summary will discuss the idea, how it will make money and why people should invest in him. Since CFI is an "all or nothing" platform, if an entrepreneur doesn't hit his funding goal because he didn't have a winning idea or he asked for too much money, then the investors don't fork over their cash.

Doing nothing isn't an option because if we don't get capital flowing to entrepreneurs/startups, then they won't create the jobs that will spur the economy. Since the banks aren't lending, credit cards are charging exorbitant interest rates and the private equity folks are only concerned about the next Facebook, someone has to help the little guy.

Crowd Fund Investing is based on groups of individuals giving small amounts of money, \$50, \$100, \$500, to entrepreneurs to help them start their businesses. While we suggest a \$10,000 limit to each investor, based on the way crowd funding works, we highly doubt individuals will be making singular, large investments like that. Another way, we reduce risk by limiting exposure.

On top of this, in our proposal, entrepreneurs will be limited to raising no more than \$1M. Most entrepreneurs, however, will not be looking for \$1M, so defrauding people of a lot of money will be limited and second, anyone who wants to take advantage of an investor has to manipulate many small investments; hardly enough, we believe, from warranting a crook from coming up with a Madoff-type scheme to take advantage of a bunch of little investors. At that, he better be good because the crowd's going to ask him a lot of questions about his business model. We suggest the entrepreneurs raise capital in "rounds." Each round should be limited in scope and the entrepreneur should be required to meet milestones before moving on to successive rounds. Communicating with the crowd and meeting milestones will create credibility with the crowd for future rounds or the entrepreneur won't be able to raise any more money.

With the internet the way it is today, you can't open your mouth anymore without someone having something to say about it. So as for investor protection we think there's something to be said about crowd vetting. Because no one is holding a gun to the crowd's head, individually, they will have a voice in whether or not they decide to invest. The crowd can also research information about an entrepreneur online, see his approval rating on websites like ebay, see peer reviews on linkedin or see what he's tweeting about. We also think the entrepreneurs should be willing to provide their credit

information to either show their credit worthiness or explain why the investors shouldn't be concerned.

The platforms that have the most success when this legislation passes will be the ones that have mitigated risk for the investor, developed tools to hold the entrepreneur accountable and have transparency for all. There's only so much you can do. Commonsense rules like the ones we have presented provide a framework from which to make this happen. There is so much of our lives that is unregulated, like going to Vegas and gambling \$500. When it comes to little sums like this that can mean the world to a startup, we need to rethink these antiquated laws.

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Whoopi and Neiss in the WSJ

23 Mar

Today the [Wall Street Journal picked up the story](#) of the startup exemption. As more people hear about this exemption being pushed forward the more people that realize it is a tangible solution to getting money flowing in our economy.

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The US Takes Steps to Improve the Economy by Focusing on Startups

23 Mar



Senators John Kerry, D-Mass., and Richard Lugar, R-Ind. are leading the way to ease immigration requirements for foreign entrepreneurs with their [“Startup Visa” bill](#). There are many different requirements to qualify for the Startup Visa, but most importantly the foreign entrepreneur must directly create jobs for Americans. Essentially, what this is saying is that foreigner entrepreneurs will be allowed to come and work in the US if they have a direct and major impact on the US economy.

These visas will not effect the overall immigration quotas in the US, they will simply be using unused visas. Entrepreneurs, small businesses and startups are the way we are going to grow our economy to get out of this recession. The UK has already realized this and have passed a [Startup Visa of their own recently](#). It is important to note that the crowd funding exemption we are talking about here at Startup Exemption is already allowed in the UK. If the US does not move fast we are going to get left behind while entrepreneurs, money, and jobs flow overseas to the UK and other more forward thinking countries.

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Miami Beach Entrepreneur & Whoopi Goldberg Team up to Help Entrepreneurs Access Capital

18 Mar



Want to know how we are going to kick start our economy? Follow successful entrepreneur and Miami Beach resident, Sherwood (Woodie) Neiss and you'll see.

Woodie is another one of those "Type-A, I can do anything I put my mind to" personalities. He is an ambitious entrepreneur who just won Miami's "Startup Weekend" with an idea to use smartphones for instant polling. He was also in the June, 2006 INC cover story "From the Heart" where he helped start and grow a 3-time, INC 500 company that solved the problem of getting kids to take yucky tasting medicines. (He successfully exited from that company in 2007).

According to Neiss, the traditional means of startup and growth capital are no longer available to entrepreneurs. "This capital is critical for startups and small businesses to grow and hire Americans," he says. While government is focused on trying to fix the current system, he thinks the solution goes back to our roots. Roots? Yes indeed, but not the kind you find on vegetables.

"You see," says Neiss, "when our Nation was born there weren't big corporations, large banks or even private equity & venture capital. For example, there were businesses like the blacksmith and his customers who needed tools. Customers purchased his products, which paid for his employees and helped fund his growth. And they were his neighbors. Only today do we identify a problem; then come up with a solution (aka product) and think, "ok now let's find some Venture Capital."

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Hong Kong Invests in US companies where Americans can't

9 Mar



American companies are having a very difficult time raising the money they need to grow their businesses. It's not because the money is not there but rather because it is not flowing from the people who have it to the people that can use it to grow our economy. One of the things that has always made America great is our ability to innovate. Unfortunately, innovation is currently being stifled by overly strict SEC regulations. These regulations however are not stopping other countries from innovating and riding off the coat tails of US entrepreneurs.

GrowVC, a Chinese company, has now launched with its intention to fill this funding void by collecting money from investors (including Americans). They already have successful cases of US Startups raising capital from them. What does this mean? First, by being offshore they just worked around the entire SEC process. And second, the future success stories of the USA as well as their technology, Intellectual Property and future profits will be owned/shipped overseas. The one major

loophole in these regulations is that if you are not an American or an American company, you are not regulated by these security laws. Clearly, these outcomes were not the intention of the Securities law however it is exactly what is happening. I personally don't feel that selling our nation's entrepreneurs to foreign countries is in anyone's best interest.

By making common sense amendments to the 1933 and 1934 Securities laws we can stop this mass export of US entrepreneurs and get back on track to recovery and innovation.

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US companies look to China for investment

1 Mar

Small businesses and startups in the United States are having an increasingly difficult time raising the money they need to expand their businesses. During the recent economic downturn funding has become increasingly difficult to find. Banks have stopped lending, credit card companies are tightening up their lending requirements, and there is substantially less Venture Capital and Private Equity available.

The money is out there but there but it is simply not flowing from the people who have it to the people that need it. Making this problem worse is the stringent investment regulations that the SEC imposes on small businesses. Entrepreneurs and small businesses are starting to look outside the US for the capital they need to expand their businesses.

A [recent article in the WSJ](#) highlighted just such a situation. A small manufacturing business in Riverside California, has been desperately searching for capital so it can hire more workers and expand its operations. "During the downturn, we went on the hunt for capital, but after 44 presentations we came up short," says Mr. Williams, 56 years old. [Continue reading →](#)

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