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On the challenges of entrepreneurs managing their businesses

Opinions Abound at Capital-Access Forum

SCORE Gets Funding Boost

MARCH 23, 2011, 1:41 PM ET

## Whoopi To SEC: Let Small Firms Raise Capital

Article

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By Angus Loten

She's had the ear of Mother Superior, Captain Jean-Luc Picard and even the walking dead. Now Whoopi Goldberg is hoping a tougher crowd is listening: The Securities and Exchange Commission.



The View co-host and Ghost actor recently joined an effort to allow start-ups to raise capital by selling small amounts of debt or equity without facing [costly and time-consuming securities regulations](#), including hefty fees for registering and filing a public offering, among others.

Since most of these costs are fixed, they tend to cut into a larger portion of funds raised by smaller firms, compared to large corporations.

The exemption would allow start-ups to offer a return on investments raised through so-called [crowdsourcing](#), where cash is typically raised through small online contributions without returns beyond a token gift, such as a t-shirt or a mug.

Sherwood "Woodie" Neiss, a Miami Beach entrepreneur who is leading the effort, says start-up investments under the plan would be limited to \$10,000, or 10% of an investor's adjusted gross income from the prior year, to keep people from "gambling their savings."

"We want to work within the spirit of the law while allowing start-ups to raise capital from the crowd," Neiss says.

He says Goldberg is an advocate for the little guy who got involved to help spread awareness of the difficulties smaller firms face in raising capital.

"She understands that while everyone is talking about 'small business as the creators of the jobs that will get us out of this recession,' no one is going anywhere unless capital is flowing," Neiss says.

A petition calling for the start-up exemption has been posted on Goldberg's Facebook page and is also available [here](#).

Financing, SEC, small business

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America's entrepreneurs are executives who build companies from the ground up. In Charge provides news, analysis and in-the-trenches commentary about small-business management. Produced by Colleen DeBaise, Sarah E. Needleman, Emily Maltby and Angus Loten, with contributions from the Wall Street Journal staff and others. Have a comment or tip? Write to [incharge@wsj.com](mailto:incharge@wsj.com).

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5:44 am March 24, 2011

**Arthur Henrie** wrote:

Interest rates are being held low thus making real estate loans unattractive to banks. Banking regulations are very strict, limiting the banks ability to make loans on mortgages. It would seem the government or those in politics would address this issue and find a realistic solution which would restart the buying and selling of homes. I am aware of many situations where people not being able to sell a home has prevented their further investments, purchases, or spending. It appears that a solution to this issue would greatly stimulate the overall economic activity.

8:17 pm March 23, 2011

**Mary Sandal** wrote:

I think this is the best idea I have heard yet to get cash flowing in our economy again. If we don't do something we are going to get left behind by other countries. Crowdcube.com allows citizen in the UK to crowd fund invest startups. But what is more disturbing is organizations like GrowVC (a Chinese/Hong Kong company). It seems they purposely formed offshore to circumvent the SEC rules and market the ability to crowd fund in the USA. (We have already given a large chunk of our manufacturing jobs to China, do we really want to give them the ownership of our entrepreneurs as well?) Was that the intention of the law? If we make crowd fund investing legal and within a framework that mitigates risk/fraud (we all know there will always be fraud), then the benefit to startups, and our country as a whole, far outweigh the risks.

8:03 pm March 23, 2011

**adam templer** wrote:

Frank, you raise some good points. In addition to what you said I think it is very important to note that social media has made things MORE transparent not less. The cloud self regulates. Look at Wikipedia as an example of this. Startups having this many people vet their idea will help to keep them more accountable and honest, not less.

7:55 pm March 23, 2011

**Frank Glaser** wrote:

Having just read the petition and suggested framework, I see that they have taken fraud into consideration. First, they suggest limiting the amount an entrepreneur can raise (that limit is \$1M but from what it looks like in blog postings they suggest that this money would be raised in "rounds" and that if an entrepreneur doesn't live up to his obligations in the "first" round (which they estimate to be from \$5k to \$50k) they wouldn't be able to get any more money from the crowd because everyone would know the entrepreneur didn't meet their milestones. Also, I see that they've put a limit on how much an investor can invest at \$10,000 or 10% of their AGI. So if you make less than \$100,000 per year you are limited on the maximum you can invest. (ps - I highly doubt that many of these people would be investing up to the 10% limit anyway ... the

foundations of crowd funding show that these people will be making small (probably in the hundreds of dollars or less) investments). I like it. Kudos to Whoopi and Neiss for thinking outside the box!

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7:47 pm March 23, 2011

**Michael K.** wrote:

@ Cautious- I don't understand the connection between small startups and Goldman Sachs. Goldman Sachs, Enron, and the other major corporate scandals got away with what they were doing because they paid millions upon millions of dollars to hide it from the SEC. The shoe-string entrepreneur startup most of the time doesn't even have enough money for food let alone for the countries top accountants. Currently people are raising millions of dollars every week through crowd funding donations on sites such as kiva.org and kickstarter.com. These platforms have been around for years and we have yet to hear of any major scandal. We need ways to free up the flow of capital in our economy and this is the best and most tangible solution I've heard to date.

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