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May 26, 2020

Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Response to Capital Formation Proposal, "Micro-offering" Tier of Regulation Crowdfunding; File No. S7-05-20

To Whom It May Concern,

We are writing in support of the SEC's Capital Formation Proposal, with specific support for the proposal for the creation of a "micro-offering" tier of Regulation Crowdfunding for "offerings of debt securities conducted through an intermediary, but with no specific disclosure requirements."

Crowdfund Better provides crowdfunding education, assessment and coaching to assist crowdfunding project creators in designing and implementing a campaign plan poised for success with a particular focus on bringing the crowdfunding opportunity to women, minority and rural entrepreneurs. In our work over the last eight years, we have noticed a missing rung on the capital formation ladder that could be addressed by the creation of a "micro-offering" tier of Regulation Crowdfunding, specifically for debt raises up to \$100,000 where reporting obligations and accounting, legal and other costs are significantly reduced.

For many of the entrepreneurs we encounter, capital infusions of between \$20,000 and \$50,000 are that missing rung, but as it stands, the legal and compliance costs of raising up to \$50,000 via Regulation Crowdfunding or through Reg D are exorbitant - costing up to half or more of the capital that is raised. It is also incongruent to require GAAP financial compliance, a standard that was created for publicly reporting companies, for companies looking to raise debt capital. It would make more sense to require these companies to disclose financial documentation in line with the financial statements and projections required by banks and other institutions for loan products, especially since many of these businesses turn to alternative capital tools like investment crowdfunding after being turned down for traditional lending products and will have these financial documents in hand.



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As for investor protections, we support harmonizing the rules for the "micro-offering" to the proposed Regulation Crowdfunding harmonization rules and the rules currently used by most states (i.e. 10% of the greater of either net worth or gross income) rather than limiting the number of unaccredited investors to 35.

Most of these small debt offerings will be for community-based businesses or businesses with a large group of loyal customers, as is the case on platforms like MainVest and Honeycomb Credit. Investors for these offerings will be from the known networks of these businesses and fall in line with the classic crowdfunding definition of "small amounts of capital from a large number of people," rather than a few larger investments from a handful of investors. Based on our experiences with our clients, we have found that these types of smaller debt offerings are less attractive to accredited investors who can find better financial returns elsewhere, but are very attractive to customers and community members who, in addition to direct financial return, realize indirect financial return via the existence of the business in their community and the availability of the services the business provides. These unaccredited community investors are also more likely to invest small amounts of capital, and therefore, limiting the number of unaccredited investors could be a serious detriment to these offerings reaching their financial goals.

As to the risks to the investor of such a "micro-offering," we can look to the historic data of crowdfunded loans on platforms like Kiva for some comparables. Kiva's loans have primarily been made to businesses that are considered unbankable and yet have only an average 22% default rate in the U.S. for their 0% crowdfunded loans of up to \$10,000. Other industry data for microloans of up to \$50,000 also support a finding that smaller loans have lower default risks.

Thank you for the opportunity to comment on the proposed rules. We hope that our perspective will be useful in your decision-making process.

Sincerely,

A handwritten signature in cursive script that reads "Kathleen Minogue".

Kathleen Minogue
Founder & CEO
Crowdfund Better