



U.S. Securities and Exchange Commission

Small Business Capital Formation Advisory Committee

July 11, 2024

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1070

Dear Chair Gensler:

On behalf of the SEC Small Business Capital Formation Advisory Committee, we are pleased to submit the below recommendation approved at the Advisory Committee's May 6, 2024 meeting, where the Committee discussed Regulation Crowdfunding (Reg CF).

Recognizing that Reg CF has been an important source of funding for women and diverse founders and geographically diverse companies, but still accounts for only a small fraction of capital raised under the securities laws, the Committee considered potential changes to Reg CF that could improve the exemption. The Committee's discussion included consideration of (i) the Reg CF landscape and key features of the exemption, (ii) data and policy recommendations from a recent study¹ regarding women and minority entrepreneurs who participated in Reg CF and (iii) various benefits and obstacles to this capital raising pathway.

Our discussion focused in on one of the more expensive elements of a Reg CF offering – preparation of the financial statements. In 2020, the Commission adopted temporary COVID relief providing an exemption from certain Reg CF financial statement review requirements for issuers offering \$250,000 or less of securities in reliance on the exemption within a 12-month period.² The Committee discussed this prior temporary relief, and the recommendation below seeks to address the needs of early-stage businesses for cost-effective capital, particularly when the amount of capital being raised is limited.

The Committee recommends that under Regulation Crowdfunding the Commission increase the offering threshold at which reviewed financial statement are required from \$124,000 to \$350,000. This

¹ See "[Women and Minority-Owned Businesses in Regulation Crowdfunding](#)," Melody Chang PhD, dated May 2024.

² The temporary COVID relief expired on August 28, 2022. See SEC Fact Sheet "[SEC Provides Temporary, Conditional Relief to Allow Small Businesses to Pursue Expedited Crowdfunding Offerings](#)" dated May 4, 2020; SEC Fact Sheet "[SEC Harmonizes and Improves 'Patchwork' Exempt Offering Framework](#)" dated November 2, 2020.

Erica Duignan
Founder and General Partner
Reign Ventures
New York, NY

Sue Washer
Founder and Former CEO
Applied Genetic Technologies Corporation
Gainesville, FL

Jasmin Sethi
Founder and CEO
Sethi Clarity Advisers
Philadelphia, PA

Davyeon Ross
Co-Founder and President
DDSports/ShotTracker
Overland Park, KS

Wemino Abbey
Co-Founder and Co-CEO
Esusu
Los Angeles, CA

Donnel Baird
Founder and CEO
BlocPower LLC
Brooklyn, NY

William M. Beatty*
Securities Administrator of the Washington
State Securities Division
Olympia, WA

Stacey Bowers
Director, Office of the Advocate for Small
Business Capital Formation, U.S. Securities
& Exchange Commission
Washington, DC

George Cook
Co-Founder and CEO
Honeycomb Credit
Pittsburgh, PA

Vincent Cordero
Partner, Co-CEO, and CBO
Mucho Mas Media
Miami, FL

Marcia Dawood
Venture Partner
Mindshift Capital
Charlotte, NC

Gregory J. Dean*
Senior Vice President
Office of Government Affairs
FINRA
Washington, DC

Bailey DeVries*
Associate Administrator for the Office of
Investment & Innovation
U.S. Small Business Administration
Washington, DC

Bart Dillashaw
Founder
Enterprise Legal Studio
Omaha, NE

Herbert Drayton III
Founder and Managing Partner
HI Mark Capital
Charleston, SC

Diego Mariscal
Founder, CEO, and Chief Disabled Officer
2Gether-International
Washington, DC

Laura Niklason
Founder, President, and CEO
Humacyte
Durham, NC

Aren Sharifi
Attorney
Kutak Rock LLP
Denver, CO

Marc Sharma*
Chief Counsel, Office of the Investor
Advocate
U.S. Securities and Exchange Commission
Washington, DC

Dennis R. Sugino
Founder
Kansa Advisory LLC
Huntington Beach, CA

would allow companies that are offering less than \$350,000 in securities within a 12-month period to use certified financial statements and certain tax return information, in lieu of financial statements reviewed by a public accountant that is independent of the issuer. The Committee further recommends that two years after the \$350,000 threshold becomes effective, the Commission review such threshold to consider whether or not to further escalate the threshold above \$350,000.

Respectfully submitted on behalf of the Advisory Committee,



Erica Duignan
Committee Chair



Sue Washer
Committee Vice Chair



Jasmin Sethi
Committee Secretary



Davyeon Ross
Committee Assistant Secretary

CC: Commissioner Hester M. Peirce
Commissioner Caroline A. Crenshaw
Commissioner Mark T. Uyeda
Commissioner Jaime Lizárraga