

Small Business Capital Markets Regulation: A New Paradigm

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■ SUMMARY

With unemployment remaining stubbornly high, the United States must create millions of jobs to bring employment numbers up to a healthy level. Historically, small business – not big business – has been the nation’s prime job creation engine. Yet even in good times, small businesses struggle to launch, grow and create jobs. And raising capital is often at the heart of that struggle.

Unfortunately, capital markets for small businesses, difficult even in normal economic times, are drying up, prompting intensified calls for reform of government regulation that exacerbates the problem with rules and regulations geared towards large businesses that are counterproductive for small companies.

Currently that is the responsibility of the Securities and Exchange Commission (SEC) and its proxy, the Financial Industry Regulatory Authority (FINRA). When Congress established the SEC, it authorized it to designate independent, non-governmental organizations as “SROs” tasked with performing certain activities on behalf of and under the auspices of the SEC.

FINRA is such an SRO. However, neither the SEC nor FINRA adequately understand the needs of small business. Inertia and entrenched thinking further prevent these agencies from crafting the new solutions that would help small businesses grow and create jobs.

We are therefore calling for the establishment of a new SRO, parallel and equal to FINRA, tasked with regulation and oversight of the capital markets related to small businesses, one that would take over a subset of the activities currently performed by FINRA. This new organization would be built from a broad cross-section of appropriate parties from the small business community, who intimately understand the needs of that community and who can develop the needed solutions.

The SEC could independently define the mandate of such a new entity and authorize its formation. However, a faster and more effective approach is through a Congressional mandate, crafted in conjunction with representatives from the small business community.

This document spells out what needs to be included in that enabling legislation and defines what this new entity would be empowered to do and how it would carry out its mandate. It also addresses the nature of the biggest problems with respect to current regulations and defines the top priorities of this new SRO.

Finally it looks at where this new organization will be headquartered and why, how it would begin its operations, who would be involved, and what the SRO would do to rapidly respond to the needs of the small business community and the nation.

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■ INTRODUCTION'

Almost 50% of American jobs and almost 100% of new job creation² can be attributed to small and medium sized enterprises (SMEs), in other words, Main Street, not Wall Street. However, the SME community has had a very limited voice in Congress compared to big business, and as a consequence, federal entities such as the Securities & Exchange Commission (SEC) and the Financial Industry Regulatory Authority (FINRA) tasked with oversight of the capital markets for SMEs tend to focus their attention and resources on big business and Wall Street.

SMEs are often treated as smaller versions of Wall Street companies (they are anything but) and are usually subject to many of the same rules and regulations that work for big business but for them are counterproductive. Neither the SEC nor FINRA appears to adequately understand this community and certainly is unresponsive to its needs. This is especially the case when it comes to the capital markets for small business.

And since small businesses are the nation's only real hope for job creation, fundamental changes are necessary in how this community's capital markets are regulated so that these companies can get on with the job of creating jobs.

However, expecting the SEC or FINRA to make the substantive changes needed to better support this community is unrealistic. Too many elements are too deeply ingrained in their structure, culture, regulations and attitudes. Theorist and futurist R. Buckminster Fuller supplies the solution: "You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete."

Common sense dictates an entire new approach to achieving the goals of rapid, meaningful and appropriate change. Fortunately the mechanism can be found in existing SEC laws and regulations that allow the SEC to designate an independent third party, non-governmental entity (like a non-profit corporation) as an SRO authorized and tasked with implementing any regulatory activities assigned to it by the SEC.³

FINRA is such an SRO. What is needed is a new SRO explicitly mandated to develop rules and regulations concerning capital formation and capital markets for SMEs, and to provide the regulatory oversight over those companies, their securities activities and the activities of those who participate in those capital markets. This new entity would need to re-

ceive a "carve out" from the SEC and FINRA of all the jurisdictional elements needed to serve this community. Such an organization would need to be parallel to and on equal standing with FINRA, only focused on the SME securities marketplace.

It would best be organized and managed primarily by representatives from the SME community such as lawyers and accountants, private equity funds, securities broker/dealers, lending institutions, entrepreneurs, individual investors, foundations, educational institutions and community economic development entities, all of whom focus on the small business community, as well as representatives from federal, state and local government.

■ WHAT DOES AN SRO DO?

SROs carry on a government-like regulatory role

■ WHAT IS AN SRO?

Wikipedia defines an SRO as "...an organization that exercises some degree of regulatory authority over an industry or profession. The regulatory authority could be applied in addition to some form of government regulation, or it could fill the vacuum of an absence of government oversight and regulation. The ability of an SRO to exercise regulatory authority does not necessarily derive from a grant of authority from the government..."

...In United States securities law, a self-regulatory organization is a defined term. The principal federal regulatory authority—the Securities and Exchange Commission (SEC)—was established by the Federal Securities Exchange Act of 1934...On July 26, 2007 the SEC approved a merger of the enforcement arms of the NYSE and the NASD, to form a new SRO, the Financial Industry Regulatory Authority (FINRA)...

...The National Association of Realtors (NAR) is an example of an SRO that fills the vacuum left by the absence of government oversight or regulation. The NAR sets the rules for Multiple Listing Services and how brokers use them. Another example is the American Medical Association which sets rules for ethics, conflicts, disciplinary action, and accreditation in medicine."

although they are not government organizations. Often they are a form of non-profit organization, formed and incorporated under state law. A government organization like the SEC would not normally set up an SRO; this would be done by individuals and organizations from the industry or sector to be regulated (like realtors, doctors, attorneys, etc.). Normally they would not need to seek any government sanction or authority to establish the rules by which they would govern their members' behavior, with the exception of the securities industry, which by law is required to obtain its authority from the federal government.

This would be the case for this new entity. A non-profit corporation called Small Business Capital Markets Inc. (SBCMI) has been formed to carry out this role. Where it has been formed and why is covered in the last section.

This SRO will differ from most in that it has to seek its authority specifically from the federal government to carry out its objective of providing regulatory oversight for the securities industry related to SMEs. That would normally mean the SEC, but approval could also come from Congress.

The SEC itself was established by an act of Congress under the Securities and Exchange Act of 1934, and under the description of the '34 Act found in Wikipedia, we find this further description of SROs: "Self-regulatory organizations (SRO) - In 1938 the Exchange Act was amended by the Maloney Act, which authorized the formation and registration of national securities associations, which would supervise the conduct of their members subject to the oversight of the SEC. That amendment led to the creation of the National Association of Securities Dealers, Inc. - the NASD, which is a Self-Regulatory Organization (or SRO). The NASD had primary responsibility for oversight of brokers and brokerage firms, and later, the NASDAQ stock market. In 1996 the SEC criticized the NASD for putting its interests as the operator of NASDAQ ahead of its responsibilities as the regulator, and the organization was split in two, one entity regulating the brokers and firms, the other regulating the NASDAQ market. In 2007 the NASD merged with the NYSE (which had already taken over the AMEX) and the Financial Industry Regulatory Authority (FINRA) was created, which is now the only SRO."

The SEC has established jurisdiction over quite a number of SROs (see the SEC website section "Self-

Regulatory Organization (SRO) Rulemaking and National Market System (NMS) Plans.") Further, Congress has authorized a number of other SROs not under the jurisdiction of the SEC. Congress also has the authority to require the SEC to grant SRO status to any entity Congress designates and to define to the SEC what rights and jurisdiction it should be granted.

Given the SEC and FINRA's lack of understanding of the needs of the SME community, it would be problematic to have either agency attempt to define what this new SRO should be empowered to do and to try to craft the relationship between it and themselves. That definition would best come from Congress working in conjunction with representatives from the SME community, resulting in new enabling legislation that would establish the framework, objectives and mandates for this new SRO and require the SEC to implement that legislation.

SBCMI will petition Congress to be designated as this new SRO, parallel and equal to FINRA. That designation, along with all its rights and responsibilities will be covered in an enabling bill.

■ THE ENABLING LEGISLATION

The problems related to current securities regulations have already been analyzed and we can turn to those analyses to inform us as to what needs to be done.

We have assembled a number of research papers, law journal articles, newspaper articles and other writings on securities regulations and related topics on the Commonwealth Group website at www.commonwealthgroup.net/regulations. Those works drill deeply into the current problems, especially with respect to SEC rules and regulations that get in the way of SME businesses and their goals of efficient capital formation and orderly implementation of secondary securities trading, all while providing appropriate and necessary investor protection.

However, most of those writings address the current environment and do not contemplate the creation of a new SRO that could take a fresh new look at this arena and formulate new solutions without regard to the old frameworks. It would be as though the SEC and its securities regulations related to SMEs were to be written for the first time today, in the light of current economic, social and technological conditions, and not in the context of the world of the 1930s

when the framework of today's regulations was crafted. That is what this new legislation must accommodate, in addition to fixing the problems inherent in the old paradigm.

■ THE PROBLEM WITH THE BAN ON "GENERAL SOLICITATION"

Nonetheless, a review of some of the most common complaints about the current rules will allow us to establish our baseline as to what this new legislation and its enabled SRO must address. Perhaps the number one issue raised by those concerned about this space is the omnipresent ban on "general solicitation" found in most of the regulations pertaining to capital formation by small companies, particularly under the section in the SEC rules generally referred to as Regulation D.^{4,5}

In essence small companies and their managers are prohibited from making any kind of open solicitation to the general public, whether through advertising, broadcast media, Internet promotion, mass mailings and the like, to invite the public to purchase securities (equity or debt) from the issuing company.

Instead, those companies and their managers are required to navigate complex and very restrictive rules to ensure that they only make such offers to a small group of financial elites (approximately 2% of the population) who in the eyes of the SEC are financially capable of fending for themselves. The SEC calls this group "accredited investors" and has set strict rules as to who qualifies as an accredited investor. The SEC considers all others too vulnerable and largely bans companies from pursuing them.

Thus the SEC, in its drive to protect the public from potential harm, effectively blocks legitimate companies from seeking funds from the other 98% of the public – those who don't have the kinds of financial resources represented by the 2%, but who nonetheless could be a very viable and valuable source of funds. This means that the huge amount of potential capital controlled by this segment of the population is not available to Main Street companies, but could be with a more common sense approach.

Rather than developing such common sense solutions, the SEC has put in place some alternative mechanisms (to Reg D) that do allow for public solicitation. Yet where the SEC has attempted to provide the means for seeking funding from the general population, such as under Regulation A,⁶ it failed to

safeguard that option for the issuing companies by not including a key nationwide "preemption" element that would have enforced uniformity across all states. As a consequence we find that state regulators have, through the implementation of local state rules, largely eviscerated the option of using Regulation A for general solicitation of investment from the public, thereby nullifying its potential benefits in most cases.

Any new solution crafted by Congress has to not only provide for a resolution of this general solicitation ban, but also ensure that it is preemptively enforced nationwide. More than any other single change in the existing regulatory environment for SMEs, this rule change would have huge positive consequences.

■ CROWDFUNDING

The need for such a change, coupled with advances in technology, has led to a dramatic rise in the demand for a type of public solicitation known as "crowdfunding." Crowdfunding is a means by which a small company can reach out via social networks to reach large numbers of potential funders. In an article entitled SEC Boots Up for Internet Age highlighting the interest in crowdfunding and demands for the ability to do general solicitation of investors, the Wall Street Journal observed that the SEC is being dragged into the Internet age.

Websites such as IndieGoGo, Kickstarter and Sellaband offer young companies a means to raise funds via crowdfunding, but given current securities laws, all existing approaches to crowdfunding prevent the companies from actually selling equity in the company. Instead they skirt around the laws by such approaches as having the companies seek donations, pre-sell product or offer some form of reward.

Many are demanding that the SEC change its rules to legally allow the use of crowdfunding to actually sell ownership interest in the company (i.e., stock). Sites like <http://www.startupexemption.com/> have a petition drive underway to encourage the SEC to authorize crowdfunding, stating prominently, "Tell the SEC: Change the 78-year old laws that restrict small businesses/startups from crowd-funding capital."

This demand, along with the topic of "general solicitation," has already reached SEC Chairman Mary Shapiro, who has been compelled by at least one Congressional Committee to respond. Shapiro wrote a 26-page response to Rep. Darrell Issa (R-Calif.), Chairman of the House Oversight & Government Re-

form Committee, specifically addressing those issues and others related to capital formation by small companies.

Her testimony before the committee made clear, however, that the SEC cannot be expected to address these demands within a timeline that would satisfy the SME community – and the country that needs these changes now. Therefore, the SME community and Congress must be proactive and address the problem directly.

The highest priority of SBCMI will be to develop rules to enable general solicitation on a much wider basis while still preserving the investor protections that cause the SEC to move so slowly on this issue. Thus any enabling legislation calling for the authorization of this new SRO has to make provision for SBCMI to be fully empowered to authorize general solicitations, including crowdfunding.

■ ELEMENTS TO BE INCLUDED IN THE LEGISLATION

The following elements will be incorporated in the proposed legislation that establishes SBCMI's authority and obligations.

1. SBCMI will be responsible for regulating capital markets for small and medium sized enterprises (SMEs) and ensuring that the investor public is adequately protected in the process.

SMEs shall be defined as public or private companies whose market cap is less than \$250 million, provided they are not an SEC reporting company.

Current SEC rules state that a company with more than \$10 million in assets (on its balance sheet) and more than 499 shareholders of record in any one class of stock must be a reporting company. That definition would be changed under this bill so that a company will be required to be an SEC reporting company only if it meets two conditions:

- Its market cap, as determined by the aggregate value of all classes of stock, is equal to or greater than \$250 million, wherein the value of each class of stock is calculated by multiplying the most recent value of an individual share in each class by the total number of shares issued in that class.
- There are more than 5,000 shareholders of record for any one class of stock.

If one or both of the above conditions are not present, the SME would be subject only to the report-

ing requirements established by SBCMI, based on its size, number of shareholders and/or any other criteria established by SBCMI.

There are circumstances, however, where a SME would have to be an SEC reporting company, even if one or both of the above conditions were not present. For example, if a SME lists on a national stock exchange, it would, as is currently the case, be required to report to the SEC as a condition of listing, and would then be under the direct regulatory control of the SEC and FINRA.

Investment companies, including mutual funds, ETFs and other collective investment entities that invest in SMEs, would be explicitly exempted from the requirement to be an SEC reporting company or register with the SEC as an investment company under the terms of the Investment Companies Act of 1940, provided that at least 50% of their holdings are in SMEs. If exempted, they would be subject only to the reporting requirements established by SBCMI.

Likewise, local and regional stock exchanges formed to advertise and promote SMEs and SME investment companies, their offerings, secondary trades and other services, would be exempt from registering with the SEC as stock exchanges or ATSS under the terms of the Securities and Exchange Act of 1934, provided that they limit their activities exclusively to supporting SMEs and SME investment companies.

2. The jurisdiction granted SBCMI shall include at a minimum new issues and secondary trades of securities issued by SMEs; brokers, dealers and agents who deal in SME securities; investment companies that invest primarily in SMEs; collective trading systems for SME securities such as ATSS and stock exchanges; and investor protection for all parties.

This authority shall preempt all state securities regulations, and SBCMI shall be empowered to establish rules that are enforceable in all states. It must also be authorized to empower the individual states to expand on, and experiment with, their own intra-state securities activities, provided that they do not interfere with the interstate activities under SBCMI's jurisdiction. The following is a partial list of some specific areas of jurisdiction that would be covered by SBCMI:

- All private placements under sections 3(a)(10)-Rule 147, 3(b) and 4(2), including all of Regulation D, SCOR placements under Rule

504, and public placements under Regulation A.

- Resales under Rule 144, 144A and 145.
- Secondary trading of SME securities.
- Regulation of broker-dealers whose sole activity is raising private equity capital for SMEs and/or managing secondary trades in SME securities.
- Regulation of SME M&A specialists.
- Regulation of publicly traded issuers with less than \$250 million market cap.
- Regulation of public offerings (IPOs and secondary offerings) of issuers with market cap of less than \$250 million.
- All state “Blue Sky” regulation of securities transactions under any of the foregoing regulatory areas.

3. SBCMI’s board composition should broadly reflect the entire SME community to ensure comprehensive representation and balanced solutions.

- SBCMI will be required to establish governing and advisory boards that incorporate a comprehensive representation of the SME community. It will also be directed to use working groups and task forces to analyse the problems with existing regulations and develop recommendations for improvements.
- The governing and advisory boards shall include, but not be limited to: lawyers and accountants, private equity funds, securities broker/dealers, lending institutions, private equity funds, entrepreneurs, individual investors, foundations, education institutions and community economic development entities that focus on the SME community, along with representatives from federal, state and local government.
- The governing board can be composed of a subset of that community, provided that they take guidance and input from the advisory board, its working groups and task forces. SBCMI will be required to formulate its own democratic process (probably via bylaws) for the selection of the governing and advisory boards to ensure that they truly reflect their particular constituency and its interests.

4. SBCMI must prioritize investor protection as fundamental to its mandate.

- SBCMI shall be required incorporate appro-

priate investor protections with respect to all new rules and regulations promulgated by SBCMI, that shall be equal to or greater in level of protection of the investor public than those afforded by current SEC rules and/or those in place under the individual states.

- SBCMI shall be the sole determiner if its new rules and regulations are equal to or greater in investor protection than those covered by existing statutes, except where the SEC or individual states can provide statistical data to prove that investors have been harmed by the new rules and regulations in a manner that is more frequent than found under the old rules.
- If the SEC or any individual state can provide such statistical data, then SBCMI shall be required to modify the identified rule or regulation so that it yields a result that is statistically equal to or better than under the old rules and regulations.

5. FINRA shall cede authority to SBCMI for any element under its current jurisdiction that pertains to the SME community.

That means that the boundaries for the SME community as defined above are distinguished from those related to companies larger than \$250 million market cap and/or reporting to SEC, which continue to be covered by FINRA (i.e., FINRA retains all areas not defined as related to SMEs). Current SEC reporting companies that fall below that \$250 million market capitalization threshold need to be granted the right to voluntarily switch jurisdictional control to SBCMI, provided that they are not listed on a national stock exchange regulated by the SEC. Companies larger in market cap than \$250M or who voluntarily elect to become reporting companies with the SEC shall then become subject to the jurisdiction of FINRA and all existing SEC rules and regulations.

6. The authority for SBCMI must include the support institutions and individuals who work with SME companies

This includes broker/dealers, investment bankers and fundraisers/finders, trading platforms, investment companies and individual investors. This broadly translates into FINRA having jurisdiction over Wall Street companies and related parties, and SBCMI having jurisdiction over Main Street companies and related parties. Given the potential for real or perceived overlapping jurisdiction, both SROs need to

develop a cooperative system for dealing with such overlap. Where the parties cannot agree, SBCMI shall have the right to make the final determination as to how to proceed, as the nurturing of SMEs has to take precedence, including over the desires on the part of FINRA to retain jurisdiction.

7. SBCMI and its participants would be subject to default compliance with existing SEC rules and regulations, except where SBCMI determines that a new rule/regulation is required.

In that case, SBCMI's new rules shall take precedence over the old rules and the SRO and all that it regulates need to be exempted from compliance under the old rules and instead be subjected to compliance with the new rules. That way the system can realize an orderly transition to SBCMI without all the parts needing to be in place.

At a minimum these exemptions would apply to, but not be limited to any element in the 33 Act, the 34 Act, the Investment Companies Act of 1940, Sarbanes-Oxley, Frank-Dodd, etc.

8. SBCMI shall be authorized to define the requirements that SMEs and their participants would have to abide by.

These requirements address offering securities to a limited group of investors (usually called private placements) or to any public offering via general solicitation, as well as the resale of securities, whether done as private, one-on-one transactions, or through collective resale mechanisms like ATs and stock exchanges.

9 In no case may SBCMI enact a rule that impairs or negates the authority of the SEC or the states to enforce anti-fraud and other prohibited behavior.

All parties would continue to be subject to those current and future anti-fraud provisions.

10. SBCMI shall be authorized to create new forms of collective investment companies.

This includes mutual funds, ETFs and local community investment funds, which invest primarily in SMEs. SBCMI shall also be authorized to create new forms of stock exchanges and other trading platforms structured to conduct transactions in SME securities, and be empowered to create other new systems, structures or performance requirements for any party associated with the SME community, whether known or contemplated today, that it deter-

mines are needed to better facilitate the securities industry related to SMEs.

11. As the regulator over the SME securities industry, SBCMI shall be empowered to establish its own form of training and certification.

This covers all participants, including broker/dealers, agents and advisors. It may use any existing FINRA/SEC programs and certifications for authorizing its own participants. For example, it may accept any current FINRA-recognized broker/dealer. It may also create a pathway for new broker/dealers to be recognized under this new environment, who may or may not be recognized by FINRA in their corresponding area of jurisdiction. Where participants like a broker/dealer wish to be involved in both Wall Street-related securities activities and SME-related securities activities, they have to establish parallel business entities to separate those activities with their corresponding regulatory oversight via the appropriate SRO, to avoid conflicting jurisdictional problems.

12. SBCMI shall be empowered to discipline its members for violations of its rules and SEC rules, and provide for dispute resolution.

These functions are analogous to the types of activities performed by FINRA. In general, it needs to be empowered to perform any other functions currently performed by FINRA, only with respect to the SME community.

13. Finally, as SBCMI would be similar to FINRA, it would be structured similarly from a revenue-generating standpoint.

SBCMI will collect fees from the parties it oversees. For example, FINRA oversees broker/dealers and requires each to apply for FINRA "membership" and pay an assortment of fees. SBCMI will do the same for its broker/dealer network and others. In addition, it is anticipated that SBCMI will be designated as a non-profit corporation under IRS rules for 501(c)(6) tax exempt organizations. Although it would not be eligible for donations and grants to provide it with additional resources, it could receive such funds from other non-profit corporations and the government.

■ WHERE WOULD IT BE LOCATED?

FINRA has two primary bases of operation, one in Washington, D.C. in close proximity to the SEC and Congress, and the other in New York near Wall Street.

SBCMI will be tasked with oversight over small companies, including raw startups all the way to ma-

ture companies ready for a presence on Wall Street. These are the creative, entrepreneurial small companies that represent a high percentage of the innovation in the today's marketplace.

What place symbolizes new venture creation and innovation? Probably nowhere is viewed more as the iconic center of business creativity than Silicon Valley, so much so that it is used as a descriptor for similar sites worldwide.

Thus we concluded that the logical center of gravity for SBCMI should be Silicon Valley. Like FINRA, it should also have another base in Washington, D.C., close to Congress, the SEC and the other administrative agencies concerned with small business like the SBA, as well as with FINRA in order to facilitate inter-agency coordination.

Given the above, an organizing group led by Commonwealth Group, Inc. has formed a non-profit 501(c)(6) corporation in California called Small Business Capital Markets Inc. to fulfill the role of this new SRO. Its organizers will petition members of Congress to sponsor the needed legislation to authorize this non-profit corporation as a recognized SRO under the auspices of the SEC as outlined above.

■ HOW WOULD THE MANAGEMENT & BOARDS BE STRUCTURED & WHAT WOULD THEY DO?

SBCMI will be led by individuals who have a good grasp of the nature of the small business community, its primary constituents and how best to serve them. Thus the leadership for this organization should come from experienced small business leaders.

Given that Silicon Valley has a long history of nurturing and developing such entrepreneurial talent, it would be appropriate to launch an active recruiting campaign there. The extensive network in the valley also has global ties, so the very best talent should be easy to locate and recruit.

Likewise the governing and advisory boards should have deep experience in the small business space. However here we would suggest that such experience span a wider spectrum than just being personally involved in starting and running small and medium-sized businesses.

SBCMI needs the perspectives of a wider constituency and will include representation from lawyers and accountants, securities broker/dealers, lending institutions, private equity funds, entrepreneurs, indi-

vidual investors, foundations, education institutions, community economic development entities, and all others who focus on the small business community, along with representation from federal and state government.

The governing board will be composed of a smaller group from this constituency, but will take input from a larger and more diverse advisory board composed of a number of active working groups tasked with the ongoing analysis of the needs of this community and crafting appropriate solutions. The advisory board in turn may form working study groups and other means to obtain input from as broad a representation as possible.

Collectively this organization needs to remain a dynamic learning organization that can evolve and grow as market, technology and social elements evolve. This group should provide the organization with the breadth of knowledge, experience and perspective needed to best address its goals and objectives, now and ongoing.

■ WHAT WOULD SBCMI DO & HOW?

As soon as possible after obtaining official SRO status through Congress and with the SEC, the founding members of SBCMI will begin to address the needs of the SME community. To the extent possible, advance work will be done by this group and others recruited to help with the effort.

The first topic that SBCMI will address is crowdfunding. Commonwealth Group is organizing a task force to focus on this specific objective, so that when SBCMI is authorized, it will be able to hit the ground running with this first solution.

Thereafter a lot depends on how much of the management team and boards have been put in place and how much planning and structure building they have been able to do before the Congressional/SEC authorization. As soon as possible, a more comprehensive effort is necessary that can identify needs and priorities. As with the crowdfunding task force, a global task force will be assembled to develop a global strategy, as well as other targeted task forces to address specific areas.

We anticipate that this process will be ongoing as each target area is identified, evaluated, translated into an action plan and executed.

If you are interested in contributing to this effort or would like more information, please contact:

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ENDNOTES

1. See also [“Job Creation In America: How Government Regulations Stand In the Way and What Can Be Done About It.”](#)
2. [“Job Growth in U.S. Driven Entirely by Startups,”](#) Kauffman Foundation study.”
3. Authorized under the [Securities and Exchange Act of 1934](#):
4. This problem is thoroughly reviewed in two articles posted on our website: [“The Impact of Securities Laws On Developing Companies: Would the Wright Brothers Have Gotten Off the Ground?”](#) written for the general public, and [“Capital Offense – The SEC’s Continuing Failure To Address Small Business Financing Concerns,”](#) a law journal article providing a more legal exploration of the problem.
5. [Main SEC rules pertaining to small businesses, including Regulation D.](#)
6. The article [“Regulation A - Small Business’ Search For A Moderate Capital,”](#) explores the problems with Regulation A.