



The Honorable Tom Emmer
House of Representatives
315 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Emmer:

On behalf of the National Small Business Association (NSBA), the nation's first small-business advocacy organization, with more than 65,000 small-business members representing every state and every industry across the country, I commend your leadership for introducing the *Micro Offering Safe Harbor Act* (H.R. 2201) as it will have an immediate and direct impact on small businesses looking to raise capital. NSBA has long supported the kind of simplification this legislation would bring for small businesses.

Capital is the lifeblood of any small business, and often small-business owners need capital at various stages; some at their startup and others later when they are looking to expand. Despite this ongoing need, small-business lending from banks has decreased over the last decade and many small businesses have few options for obtaining capital. According to NSBA's 2016 Year-End Economic Report, small-business access to capital remains stubbornly unchanged since the previous year, with just 69 percent of small firms reporting they are able to get adequate financing. This drop has real-world implications: 41 percent said lack of capital is hindering their ability to grow their business or expand operations, and 20 percent said they had to reduce the number of employees as a result of tight credit.

Therefore, raising capital through securities is an attractive alternative option for many small-business owners. However, the current regulatory requirements are quite onerous for small businesses, often requiring expensive specialized counsel for even very small securities offerings.

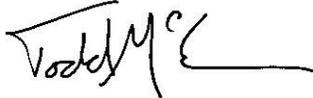
NSBA supports this targeted legislation that creates a safe harbor for small securities offerings which meet requirements clearly identified in the legislation. Under the legislation, these exemptions include offerings in which each purchaser has a substantive pre-existing relationship with the owners, where the issuer has less than 35 purchasers utilizing the exemption in the preceding 12 month period, or where the total amount raised during the preceding 12 month period is less than \$500,000. By creating three safe harbor exemptions for "non-public offerings," businesses can operate with clarity and a clear conscience knowing that they would be exempted from registering with the Securities and Exchange Commission (SEC). Additionally, the legislation also exempts transactions meeting the specified requirements from state registration requirements, commonly referred to as "blue sky laws."

Raising capital for small businesses from friends and family already takes place on a regular basis, except those transactions often lack the legal protections and structure of securities law. In addition to

expanding access to capital for small businesses, this legislation will bring those transactions under a recognized legal framework, and make resolving disputes that arise much more efficient. Finally, bringing these existing transactions under an existing legal framework will provide a sound legal basis for subsequent larger offerings requiring registration with the SEC.

Access to capital continues to be one of the most pressing issues facing the small-business community. All small businesses need an injection of capital at one point or another, unfortunately in the past several years it has become difficult for small businesses to get the funds they need to grow and expand. NSBA is pleased to support the *Micro Offering Safe Harbor Act* as it will help small businesses around the country expand and create new jobs in their communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Todd McCracken". The signature is stylized with a large, sweeping initial "T" and "M".

Todd McCracken
President & CEO