

Faith,

I wanted to put into writing my thoughts about the new crowdfunding law. As you know, I am the CEO of Quimper Mercantile Company and we availed ourselves of the Direct Public Offering in order to start our Community Owned Corporation. I believe my experience is particularly relevant as is my background in business start up and the private equity funding circles.

What's good:

- 1) It appears that a business will be able to use this method to fund as a private equity raise. That is a distinct difference from the current Direct Public Offering.
- 2) In doing so the rules mimic the Federal law in terms of who can invest and how much as well as delineates the necessary tests for compliance.
- 3) The funds are not a debt.

Concerns:

- 1) Equity raises are, for the most part, not suited to small businesses with less than \$5 million dollars in sales or a track record of less than 3 years. Valuation of an offering is difficult at best.
- 2) This is somewhat mitigated through the ability to make it a private raise of capital. Valuation is still difficult but no worse than a valuation exercise conducted by angels and venture capital firms at this point in time.
- 3) There is no ability to raise funds through debt which I believe is provided for in the Federal legislation, currently stalled at the SEC.
- 4) While debt has to be repaid, it allows the owners to continue to hold 100% of the equity in their business. Giving up equity at an early stage of growth is a very fast way to lose control of your company.
- 5) Providing this level of financial detail is necessary but it will scare away business owners who don't wish to be so transparent in such a public way. Unavoidable but an issue.

Suggestions:

- 1) Attracting investors is a full time job for any business builder. Quimper had an altruistic sales message which proved extremely effective. As I was doing road shows I kept thinking to myself that, if I were raising funds for my own business, the DPO process would have been much more time consuming and difficult. If there were a way to create an exchange, a Kickstarter-like web site to advance these offerings, it would help tremendously. While I know there are thousands of such sites in existence, awaiting the Federal rules, this legislation is out ahead of that effort. In order to truly make this as good as it can be as quickly as it can be, some level of online sales support is required. The State could provide a very simple directory if nothing else.

I hope this is helpful.

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