

November 23, 2009

Via U.S. Mail, Fax and Email

U.S. Senator Patty Murray
173 Russell Senate Office Building
Washington, D.C. 20510

U.S. Senator Maria Cantwell
511 Dirksen Senate Office Building
Washington, D.C. 20510

Re: Protecting the Way Technology Startups Safely Raise “Seed Financing”

Dear Senator Murray and Senator Cantwell:

We are writing to bring to your attention language in Senator Dodd's “Restoring American Financial Stability Act of 2009” that would be harmful to technology innovation in Washington State. If Senator Dodd’s draft legislation, as currently drafted, were to become law, it would be harder for entrepreneurs in our State – and indeed, throughout the nation – to launch startup companies.

Section 928 of Senator Dodd’s draft legislation would repeal the existing federal preemption of state regulation over “accredited investor” securities offerings. This would end the uniform, national set of rules for financing that currently makes capital raising for technology startups so safe and so efficient. By gutting something that is working, Senator Dodd’s draft legislation would expose technology startups to a potentially Byzantine system of patchwork, state-by-state regulation, resulting in higher costs, greater legal risks and pervasive uncertainty. Nothing would be gained from this change: no additional protection would be provided to the types of investors who truly need protecting, and there would be no benefit to the national financial system or to the economy.

The startup ecosystem in Washington State, comprised of entrepreneurs and the “angel” investors and professionals who support them, is one of the “spawning” pools from which tomorrow’s great American companies are born. In our State, as well as in other regions of innovation in our country, technology startups are funded by (a) the entrepreneurs who start them, (b) the friends, networks and family of those entrepreneurs, and (c) experienced “angel” investors who have a taste for startups and a passion about supporting entrepreneurs. This community depends upon the uniformity, clarity and certainty of federal exemptions, which substantially ease the costs and legal risks of raising critically needed seed capital.

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The persons named below are entrepreneurs, angel investors and lawyers who found, fund and work with technology startup companies in Washington State. (Our signatures follow on counterpart signature pages to this letter.) We ask you to look into this matter and to take action to protect the technology startup ecosystem, for the sake of the entrepreneurs and startups of Washington State and for the sake of innovation throughout our country.

Sincerely,

Keith Baldwin, Attorney
Bill Bromfield, Attorney
Bill Bryant, Investor
Marcelo Calbucci, Entrepreneur
William Carleton, Attorney
John Clyman, Entrepreneur
Stuart DePina, Entrepreneur
Heidi Drivdahl, Attorney
Geoff Entress, Investor
Sonya Erickson, Attorney
Jim Ewel, Entrepreneur
Daniel Fine, Entrepreneur
Jeremy Freeland, Attorney
Joe Harb, Entrepreneur
Matt Heaton, Entrepreneur
Mark Hoffman, Attorney
Brian Myers, Attorney
Joe Snell, Entrepreneur
Mark Spangler, Investor
Matt Springer, Entrepreneur
Jason Thane, Entrepreneur
Tandy Trower, Entrepreneur
Joe Wallin, Attorney
Jon Washburn, Entrepreneur
Joe Whitford, Attorney

*You may direct questions or follow up regarding this letter to the attention of either:
William Carleton, 600 University Street, Suite 2700, Seattle, Washington, 98101, phone
(206) 467-1816; or Joe Wallin, 1201 Third Avenue, Suite 2200, Seattle, Washington
98101, phone (206) 622-3150.*