

TO:

Rule-Comments  
"Jobs Act Title III"  
Securities and Exchange Commission  
Washington, DC.

August 18<sup>th</sup>. 2012

The following is a copy what we sent to FINRA last weekend, although it addresses some of the issues the SEC also needs to address.

Thank you for inviting us to comment on the HR3606 Law's implementation and provide feedback to FINRA's and the SEC's upcoming regulations.

However, it appears that some of the folks were commenting prior to us, did not take the time to read one of the shortest laws: HR3606, Congress has ever created, (28 pages, if one can believe it) especially Title III relating to Crowdfunding Portals.

Although it should not be surprising at all. Anytime there is a *Request for Public Comment*, the lunatics are coming out of woodworks and are just shooting from the hip.

First, we take the liberty and answer the comments and suggestions of those "did not read the law":

FINRA is a self regulating body and is only regulates its members. It does an incredible job and we hope, it will be the only regulating body for the HR3606 Title III Crowdfunding Portals. It has very little to do with Investor's qualifications or Issuers itself. Those responsibilities falls on the SEC. We are well aware that couple organizations are fighting to grab a share of these seemingly lucrative regulating functions.

However they are also the organization for the current Crowdfunders, and if we are looking at that Pie-Chart by Wired magazine, (now it also displayed on our website: [WWW.rfpia.org](http://WWW.rfpia.org)) we must distance ourselves from those unregulated Funding Portals with their dismal performance and from their mostly shady clientele if we want to build Investors confidence in our industry, and make that law a success. Our membership will stay with FINRA. The last thing we need is one more unknown to deal with.

HR3606 strictly prohibits Funding Portals to buy, sell or solicit to buy or sell Stocks listed on their website or provide legal or investment advise. Nor are we permitted to advertize individual Stocks or comment on their merits, handle investor's funds or issue the Stock Certificates. Therefore Funding Portals has no "salesman" as it was suggested, selling to investors, like Stock Brokerage firms employing.

Some organizations would like to eliminate a part of these restrictions, not realizing that it would take an *Act of Congress*, literally, to make any changes to this law.

Funding Portals to get involved with "valuation" of shares would be an investment advise, and is again prohibited by laws.

Accommodating "Investor's Comments" on a Portal's website would open-up criminal minds and a good opportunity to destroy honest competitors while boosting once offerings and promoting itself. There are thousands of other Blogging sites, few of them might even has some entertainment value, to visit one should feel the urge to be entertained.

"Surveying by Funding Portals" would not be any different than Supermarket Surveys: *who ever doing the survey wins !*

We don't see any benefit to a survey. When the stock's value goes up or down, it is a better indicator how a firm is doing than any layman's opinion.

To have a "Representative of Investors" sitting next to my desk, on my payroll is plain insane and does not deserve any more comment.

One of the most important asset any Funding Portal could have is its "Investors List". To make that List public is just as insane as the person proposed it. Not to mention the privacy issues that would raise.

HR3606 Act's letter and spirit of the law is to reduce the cost and requirements to capital access for smaller growing companies and to stimulate our economy and speed up its recovery. All above clueless suggestions would defeat the very intent of that law.

Here are our comments:

INVESTORS:

We could not agree more that "Investor's protection is the utmost importance". SEC carries that responsibility well and does a great job protecting investors of any size and class. Funding Portal employees has no interaction with investors, other than website support. Therefore no further discussions are warranted on this, but since HR3606 addresses only the TWO lower Investor Classes, SEC still needs to address the Accredited, Institutional and Foreign Investors, as to what amount if any they are allowed to invest and how to qualify Overseas Investors.

HR3606 allows investors to change their mind and cancel their subscriptions. We would recommend to limit that option up to THREE Days before the Target Date (*Closing Bell* in our parlance), and put in stiff penalty provisions for Issuers if they abusing that option !

It is well understood that these shares must be held for 12 months. However Investors need to know: after that time, where and how are they allowed to sell their shares.

In case of Credit Card refunds to Investors, PayPal indicated to us in an eMail, that they will waive the percentage part of the charges but not the transaction fees. Since we are not allowed to handle Investors' funds, these transactions will be bypassing us, but

will be a burden on Investors, although a very minor one. However, should Funding Portals require to absorb them it would aggregate to a considerable amount each month considering that for each Issuer we would need a minimum of 300 Investors, and most of them will not reach its target and all moneys held needs to be refunded to Investors by law. Never the less this needs to be addressed.

## ISSUERS:

We have to realize that most Issuers looking for funding through Crowdfunding Portals will not be very sophisticated nor will they have *Game Changing* product or services to offer. Sophisticated once would have no problem to be scooped-up by Venture Capitalists for lot more capital infusion, and management support than we are able to provide or Investment Bankers for a fast IPO.

Therefore, Funding Portals will get those who will require lost of "hand holding" and coaching as to what steps needed to be taken or direct them to qualified sources for legal and financial advise while keeping them away from Valtures and Sharks.

Furthermore, no laws are preventing Funding Portals to provide management advise to improve the operations of their Issuer's business or improve on their product or services prior to listing them on their website just like Venture Capitalists are doing it. Funding Portals should make that a part of their practice also.

Most prospective Funding Portal principals we have talk to so far have years of 'hands on' business management and product development experience, not just academic theories.

As the matter of fact, Funding Portals should be required to interview prospective Issuer or even visit their facilities if practical, prior to listing them on their website, also do their own *due diligence*, focusing on the merit of technology or services offered, in addition to the SEC's. An interview might discover that the alleged Issuer is calling from Nigeria and all the perfect Government supporting documents are just Photoshop.

Funding Portals without stellar reputation and high quality Issuers' offerings will have no Investors flocking to their site, and without Investors, we would not have interested Issuers.

We must keep in mind, that for each Issuer on our Website, we need at least 300 investors !

Funding Portals should bind Issuers contractually to agreeing to be audited for how they spent the Investors funds.

Yes ! This business is not for amateurs or geeks only who prefer to run their Funding Portals on autopilot.

When the SEC does its due diligence on Issuers and anyone holding more than 20% of the shares, it should consider the Issuer's actual dollar investment in the venture, not only the number of shares they have printed for each other. That would make lots of difference to investors' confidence in the issue.

## FUNDING PORTALS:

HR3606 Title III, addressing the new Crowdfunding Portals, and prohibit them to buy, sell, solicit to buy or sell or promote individual stocks displayed on their Website. Other laws are prohibit them to provide legal or investment advise.

Therefore, Funding Portals are Intermediaries and purely just facilitators of transactions, mostly without any personal contact with Investors, other than Website related questions or providing guidance where to locate information on the Internet.

Funding Portals are also prohibited to handle Investor's funds or issue Stock Certificates. Therefore Funding Portals should not be "thrown into the same bucket" as Stock Brokers, as to qualifications, requirements or fees imposed upon them by FINRA or the SEC.

Setting up a Funding Portal requires considerable investments and brand building. Considering the above, after checking out Funding Portal principals for criminal and financial background to keep criminal elements and fraudsters out, the only enforcement action Funding Portals might require is if an occasional employee might drops the ball or gets out of the line.

But that could happen even in the best of families !

We thank you again for the opportunity to comment.  
Looking forward to the final regulations.

T.W. Kennedy, BE  
funder

***Regulated Funding Portal Industry Associations***  
[rfpia.org](http://rfpia.org)