

**MEMORANDUM**

**TO:** File

**FROM:** Shaheen Haji  
Attorney-Adviser  
Office of the Chief Counsel, Division of Trading and Markets  
U.S. Securities and Exchange Commission

**RE:** Meeting with representatives from crowdfunding portals

**DATE:** April 20, 2012

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On April 20, 2012, Commission staff met with representatives from “crowdfunding” portals to discuss issues regarding the implementation of Title III of the Jumpstart Our Business Startups Act.

The following Commission representatives were present: David Blass, David Shillman, Kathy England, Joseph Furey, Richard Holly, Nancy Burke-Sanow, Leila Bham, Chris Grobbel, Shaheen Haji, Ignacio Sandoval, and Timothy White, from the Division of Trading and Markets; Lona Nallengara, Tamara Brightwell, Lillian Brown and Jennifer Zepralka from the Division of Corporation Finance; and John Polise, Mark Donohue, Michael Hershaft, and Christine Sibille from the Office of Compliance Inspections and Examinations.

The following representatives from crowdfunding portals were present: David J. Paul and Chance Barnett of Crowdfunder.com; Sherwood Neiss and Jason Best of StartUpExemption; Candace Klein of SoMoLend; David Drake of LDJ Capital; Vincent Molinari of GATE Technologies; Nikhil Bhargava of Motaavi, LLC; Brian Meece and Alon Hillel-Tuch of RocketHub; Brian Tsuchiya and Shane Fleenor of Vim Funding; Richard Swart of Grow America Ventures; and Douglas Ellenoff of Ellenoff Grossman LLP .

The crowdfunding portal representatives’ meeting agenda is attached.

Attachments

## SEC and Crowdfunding Portal/Industry Representative Meeting

### AGENDA

1. Introductions
  - a. Reduction of fraud through crowd intelligence
2. Investor protections
  - a. Clarity, transparency and oversight
  - b. Due diligence/Disclosures
    - i. Credit checks
    - ii. Securities checks
    - iii. Criminal background checks
  - c. Self-policing
    - i. Collective crowd-review of issuers
3. Infrastructure/operational issues
  - a. Portals
    - i. Obligations of portals – checklist of requirements for accreditations for portals - CAPS
  - b. Issuers
    - i. 21-day “cool-off”
    - ii. Screening of offerings - investment advice clarification
    - iii. Financial statement requirements
      1. Specific data requirements for issuers
      2. “New business” exemption – owners’ financial data clarification
      3. Director and Officer financials (standardized)
    - iv. All Or Nothing requirement vs. Milestone clarification
    - v. Clarification of use of social media to promote crowdfunding offerings
  - c. Investors
    - i. Investor Reps and Warranties (Reg D sufficiency clarification)
      1. Crowdfunding “funds”
    - ii. Rescission period clarification – oversubscription
  - d. Compliance
    - i. Escrow/Clearing
    - ii. Structuring of investment advice – informational clarification
      1. Checklists for investors and issuers
      2. Underwriting (debt) clarification
    - iii. Database maintenance and responsibility
    - iv. BAD ACTORS (sharing of information/banning)
    - v. Unique ID’s (i.e. EDGAR, CUSIP)
    - vi. Lead generation (third party providers and compensation)
    - vii. Ability for portals to crowdfund themselves
4. Ongoing governance
  - a. SRO
  - b. Existing Organizations/Associations
  - c. Hybrid solution
5. Reg D offerings (July, 2012)