



# Congress of the United States

House of Representatives

Washington, DC 20515

May 8, 2014

The Honorable Mary Jo White  
Chairman  
U.S. Securities Exchange Commission  
100 F Street NE  
Washington, D.C. 20549

Dear Chairman White:

We write today to express our concern regarding the implementation of Title II of the JOBS Act, lifting the broad ban on general solicitation. Specifically we want to express our concern with final Rule 506, as well as proposed rules regarding Regulation D and Form D. We believe these rules are ambiguous, costly, and impose additional burden on issuers, impairing capital formation and these small business' ability to create jobs.

Capital formation for small businesses and start-ups is often a major hurdle impacting the growth of early stage companies in the United States. In the past businesses' efforts to raise funds were bogged down by outdated securities laws, which warranted the passage of the JOBS Act in 2012. The legislation aimed to ease and remove these barriers to capital formation in order to help our small businesses and start-ups grow and thrive, and we are concerned that the rules propagated by the SEC are running counter to the intent of the legislation.

In particular, we are concerned with the SEC's interpretation of requirements in the JOBS Act that issuers under Rule 506(c) "take reasonable steps to verify" that any investor exposed to "general solicitation" qualifies as an accredited investor. We see two major problems with this interpretation. First, the SEC does not define "general solicitation," and fails to outline exemptions for practices that small businesses and start-ups undertake in order to increase their exposure to the public, such as "demo days" and business plan competitions. Second, the SEC fails to define exactly what kind of "reasonable steps to verify" must be taken, instead saying that these steps will be determined on a case-by-case basis. Though there are several non-exclusive "safe harbor" verification methods outlined by the SEC that issuers may rely on, we believe that the large amount of detailed personal financial information required to take advantage of some of these safe harbor methods are costly, onerous, and may threaten the privacy of those involved. We believe that verification through self-certification, which is currently an industry accepted practice used under current rules, may be a viable safe harbor alternative. Also, the SEC has not addressed whether investments from non-accredited friends and family, a vital

source for early funding for start-ups, would preclude an issuer from using a 506(c) exemption. These issues could have a significant negative impact on the ability of small businesses and start-ups to raise funding using Rule 506(c).

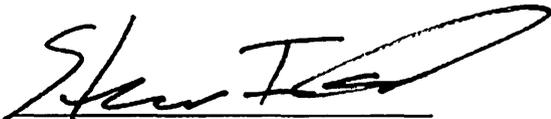
Additionally, we have concerns about the SEC's proposed rules for Regulation D and Form D. These proposed rules would impose new filings and severe penalties for 506(c) issuers who miss specific filing deadlines, prohibiting them from using any Rule 506 offering for an entire year. We urge the SEC to reconsider this penalty, the severity of which we believe runs counter to the congressional intent of the legislation.

Finally, we are concerned about Proposed Rule 510T, which would require issuers to submit solicitation materials for the next two years. These requirements are overly broad and burdensome, and we believe they should be narrowed and the definition for what types of materials need to be submitted should be clarified.

We hope that the SEC will ensure that any regulations issued seek to advance capital formation and spur job creation, and work with investors across the country to ensure that these regulations are not unduly burdensome and meet these goals.

Thank you for your attention to this matter and we look forward to your response.

Sincerely,



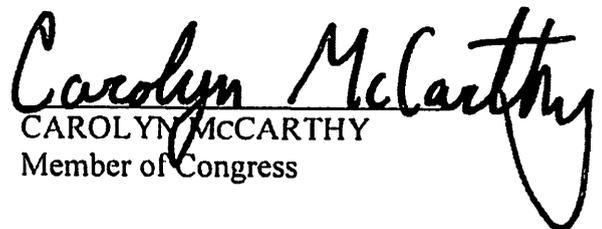
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