

Securities and Exchange Commission
100 F Street NE
Washington, DC. 20549

REF: Comments S7-09-13
Regulation Crowdfunding

January 27th. 2014

After reading several times over that 585 page Preliminary *Regulation Crowdfunding*, we were happy to see that the Commission kept most of Congresses' intent intact.

We would welcome the proposal that the million dollar limit be NET to the issuers. Conservatively estimated, a 9% over the limit would be able to accomplish that.

As it appears now, from the Platform's point of view, the Commission still needs to clarify if Institutional and Foreign investors will be able to participate, since one using Employer Identification numbers and the later has none, in lieu of Social Security numbers.

If Institutional investors (not addressed by Congress) would be able to invest up-to \$250,000 per issue, that would enhance the funding process and the final outcome of the funding process immensely.

The proposed rules would exclude an issuer to merge with an unidentified company. We feel if an issuer merges even with an identified company or use the proceeds to purchase Real Estate, neither would create jobs but rather eliminate them, and would be against the spirit of HR3606 Act to create jobs. Therefore they should be entirely precluded from relying on the Section 4(a)(6) exemption.

Target offering amounts below one million dollars should be limited to 20% over funding. Early investors will be reluctant to invest if the value of their shares will be diluted at the end.

We firmly believe investors' Right to cancel should be no less that 72 Hrs before the closing date. If a large investor pulls out in the last minute, it will be hard to replace it in a short time, therefore jeopardising the success of the funding. If the issues falls short, an issuer will lose all its efforts, months of several people's hard work and all the money already invested.

If an investor can't make up his/her mind during that previous 3 weeks period, one more day will not make any difference, unless it's a hostile competitor playing a dirty game.

To improve investors confidence in the issue, and eliminate fraud, disclosing owner's and executives current compensation is paramount.

Should material changes occur with the issue or issuer, investors has a proposed 5 days to withdraw their subscription to the issue. That should be also reduced to 72 hrs. The proposed regulations also require investors to re-confirm or the funding portals must refund the investor's fund. That requirement would add to the Back-Office's and escrow company's nightmare and would create hardship on the intermediaries. If we looking at the donation and rewards based portals records, a 28% funding rate: if we collected 10,000 credit cards a month, 7,200 already has to be refunded ! If we add to that nightmare, an intermediary won't be able to find any card-processors to support this program or at best, issuers will pay an outrageously high fee for the processing.

We propose to eliminate the requirement to re-confirm. Investors still have the option to cancel til the last two or three days ! Lets keep this business clean and straightforward.

Issues \$ 500,000 and over require Audited Financial Statements.

First; a TWO years audit would cost an arm and a leg and a huge burden on the issuers. Considering this is a small amount by Wall Street standards and the limited amount an investor be able to invest, a one year audited financial statement should be sufficient to judge the issuers financial condition.

For Regulation D, *under rule 502 (b)(2)(B)(1)-(2), if an issuer can not obtain audited financial statements without unreasonable effort or expense, then only the issuer's Balance Sheet must be audited.* A similar provision should be included in the final rules. If this provision is working for five million dollar issues, it definitely would work and should be acceptable for much smaller issues.

Auditors conducting an audit would be required to be a members of AIPA or PCAOB for 3 years according to the proposed rules.

To increase the pool of available reasonable priced auditors, this requirement should be reduced to one year. If an auditor was not able to learn the ropes in one year, he/she never will !

Since funding portals are constantly updating the status of the issue, any update by issuers to investors would be out of date and just an unnecessary burden on the issuers.

To require intermediaries to post each issuer's Annual Reports on the funding portal's site long after the campaign closed, would not accomplish anything. In a couple years there would be hundreds of reports for investors to weed through. A better place for it is on the Issuer's website.

That requirement should be eliminated.

"Associated persons should be more defined and those are not making policy decisions or not in charge of enforcing the rules should be eliminated.

The proposed rules would require an intermediary to disclose its charges when establishing an account for an investor.

All through its not critical, but it would be more convenient if it was included in the "terms of use" section. That way one don't need to sign-up to find this out.

Collecting more demographic data than required by the IRS and SEC should not be required to be collected. It would add to the sign-up process and discouraging to investors, already hesitant to provide the minimum personal information.

This definitely would limit the investors' pool and the issuer's ability to complete the funding process.

To keep the Forum (communication channel) open after the Stock Certificates has been issued and received, would not accomplish anything. To keep monitoring the Forum by intermediaries, after all is done and completed would just add to the issuers' expense. Since an intermediary are not allowed to making comments by law, a better place to communicate between investors and issuer is on the issuer's website. Just for the record: any concerned investor still could communicate with the funding portal through eMail, phone or chat programs.

The Commission should make it clear that checks must be cleared by the banks before refunds required to be made. This especially important from overseas checks from Third World countries.

If the issuer reaches the target offering amount prior to the deadline the current proposed regulation require a funding portal to give a 5 days notice to investors of the new closing date. Since funding portals have no crystal balls, this process needs to be more narrowly defined.

Should the offering be closed from accepting more funds or keep accepting commitments til the 5 days expired, even if we go over the limits ?

If multiple websites are allowed under one/same registration, then it should be limited to a maximum of three or four, to eliminate renting them out to none qualified parties and ruin the industry.

To accommodate reasonable limitations or denying access, the proposed safe harbor would permit a funding portal to apply objective criteria to limit the offering on its platform without being deemed to be providing investment advise. However some of the statements in the regulations are conflicting with this, therefore the Final Regulations should indicate that *a funding portal at its option may limit any offering on*

its platform which it feels does not meet the criteria of its investors. That way we eliminate many lawsuits and hundreds of complaints to the SEC. Keep in mind, if one funding portal thinks the issuer is selling *snake-oil*, there are 40 more portals the issuer can shop its offering to.

The proposed rules require that funding portals comply with certain AML provisions. Although funding portals are monitoring the investors' registration but since funding portals are prohibited by statute from handling the funds, portals have no way to know where the funds are coming from. An investor's address could be local, but his check might be coming from Lagos. Escrow companies would be in a better position to monitor these activities, and it is already apart of their business.

Finally, not part of the proposed regulations but some commenter is pushing to include in the regulations a requirement of "third party wetting" of investors. I would be very offended if Nordstrom's would tell me that I need to take a course before I can buy a new tuxedo in their store !

Respectfully submitted by:

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founder

Regulated Funding Portal Industry Assoc.

RFPIA.org

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