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**February 3, 2014**

**Elizabeth M. Murphy**  
**Secretary**  
**U.S. Securities and Exchange Commission**  
**100 F Street NE**  
**Washington, D.C. 20549-1090**

**RE: File No. S7-09-13; Release No. 33-9470**

Dear Secretary Murphy:

The undersigned is founder and Chief Executive Officer of CrowdBouncer, Inc., a software platform that automates compliance processes for securities intermediaries. CrowdBouncer submits the following comments with respect to the above-entitled matter.

### **Investment Caps**

Preliminarily, CrowdBouncer affirms the SEC’s acknowledgment that “Congress provided important investor protections for crowdfunding transactions under Section 4(a)(6), including individual investment limits . . . .” Release No. 33-9470 § I(c). There is perhaps no more important investor protection under the new Crowdfunding Exemption than taking measures to ensure that investors’ risk is capped at reasonable levels.

CrowdBouncer agrees that allowing issuers to rely on the efforts of intermediaries to determine that the Investment Caps have not been exceeded is an appropriate approach as the intermediaries are likely in the best position to police the Investment Caps through use of technology, not the issuers themselves.

Additionally, in identifying the means that can be taken by intermediaries in ensuring that Investment Caps are not exceeded, proposed section 227.303(b)(1) states:

“An intermediary may rely on an investor’s representations concerning compliance with the investment limitation requirements concerning the investor’s annual income, net worth, and the amount of the investor’s other investments made pursuant to Section 4(a)(6) of the Securities Act (15 U.S.C. 77d(a)(6)) unless the intermediary has reason to question the reliability of the representation.”

CrowdBouncer agrees that self-certification of compliance with Investment Caps by investors should be allowed as a means through which this requirement can be satisfied. We do believe, however, that the regulations fall short of appropriately incentivizing intermediaries and issuers to use available technology to generate a more robust and certain safeguard against “over-

investment” by investors.

CrowdBouncer has developed a free database accessible via application programming interface (API) that we offer as a free service to the marketplace. We provide access to this software to broker-dealers and entities intending to register as funding portals with FINRA. The software enables real-time tracking of investors’ investment in a manner that safely and securely guards sensitive investor information.

Accordingly, CrowdBouncer requests that the SEC develop a regulation through which an intermediary would be entitled to a presumption that it had a “reasonable basis to believe” that an investor was in compliance with his or her Investment Cap if a centralized database solution was used in good faith to perform due diligence on the investor in conjunction with the investor’s representations. CrowdBouncer further suggests that basing entitlement to such a presumption on good faith use of a centralized database in which 10 or more intermediaries participate would appropriately ensure that the centralized database provides a meaningful pass of diligence.

As an alternative, CrowdBouncer recommends that the SEC release factors to be considered in determining whether an intermediary has a “reasonable basis to believe” that an investor is in compliance with the Investment Caps and that an intermediary’s use or non-use of available technology be one of the factors considered.

#### **Issuer Disclosure of Tax Returns**

The Crowdfunding Exemption provides that issuers must disclose filed tax returns to investors. CrowdBouncer recommends that the SEC allow issuers to disclose electronic transcripts of filed tax returns to investors via intermediary platforms to meet this requirement. Under new Dodd-Frank regulations requiring lenders to verify the income of mortgage applicants, the IRS Form 4506-T process through which banks can obtain electronic transcripts of applicants’ tax returns has proven efficient for managing this compliance task. Furthermore, by removing the investor from the chain of custody of the electronic tax transcript, the opportunity for falsification of the tax returns is eliminated.

\* \* \*

Thank you for your time and attention to the foregoing matters.

Very truly yours,



Robert C. Carbone  
Founder & CEO

