

To: rule-comments@sec.gov

Re: File Number S7-09-13

To: The Honorable Mary Jo White, Commissioner Luis A. Aguilar, Commissioner Daniel M. Gallagher, Commissioner Kara M. Stein, Commissioner Michael S. Piwowar, and Title III Team (Sebastian Gomez Abero, Jessica Dickerson, Division of Corporation Finance, and Joseph Furey, Joanna Rutkawski, Leila Bham, Timothy White and Carla Carriveau, Division of Trading and Markets):

Thank you for your time and energy working on rules for JOBS Act legislation. You were given a monumental job, with no additional funding, making a complex task even harder. While I know creating a new asset class is not easy, I am writing this letter today to let you know that I am seeing a good deal of issuers and platforms ready to use these laws once they are released.

I thought a letter was appropriate, as there has been so much negative talk in the media about no one using Title III, due to a number of issues, such as overwhelming costs. I am an active member of the crowdfunding industry and principal of a PR firm that does a good deal of work in the space. As such, I can tell you there are many issuers and platforms that will be using the proposed rules (as amended during the comment period), once they are released.

While there are congressional mandates that make the rules less than perfect, they are a starting point that can have a major impact on our economy. I realize this has been a great labor for you and that you have spent countless hours trying to find solutions to create workable rules. However, the industry has come out with solutions that will reduce costs and solve many of the problems, such as congressionally mandated audit requirement costs.

Finally, I'm writing to urge you to please seize this opportunity and schedule the vote to finalize Title III. My clients and colleagues are just few examples of the thousands of platforms, issuers and investors that are waiting on this groundbreaking initiative.

Chair White has mentioned that Title III will be finalized before the end of the year. As an industry, we are eager and hopeful this will be the case. In addition to my comments above, I wanted to mention several reasons why the industry is ready to solve congressionally mandated issues that you could not address in the comment period.

- 1) Financial reviews and audits are far less expensive than often stated
 - Almost everyone agrees it is important to have third party verification of historical financial reports to improve honesty, consistency and reliability.
 - The challenge is that audits and reviews usually cost tens of thousands of dollars, thus rendering a Title III offering unworkable from a cost benefit perspective.
 - The factual fallacy in this argument is that existing fee structures are based on audits and reviews for larger, highly complex companies. Additionally, the proposed rules wisely recognized that PCAOB scrutiny drives costs even higher.
 - It is virtually guaranteed that the audit industry will evolve to meet the requirements of Title III. In fact, it already has.
 - One new CPA audit and review entrant, www.crowdfundcpa.com, provides audits and reviews typically in the range of \$1,500 to \$10,000 for smaller, newer companies. This new breed of CPA firms will emerge—ones that are efficient, focused, technologically advanced and cost conscious.

- The reduced overhead and efficiency of these firms allow them to operate at lower billing rates and complete high quality reviews and audits in a fraction of the time of larger firms.
 - The bottom line is that there are already market solutions to provide CPA audits and reviews at a price that make sense for Title III crowdfunding.
- 2) The proposed rules give balance to a capital market against investor protection
- No set of rules—especially first-time rules—is perfect.
 - Markets and/or legislative initiatives will adjust to proven realities.
 - New products and services will be created to fix congressionally mandated provisions that could not be amended.
 - Publishing final Title III rules now best serves economic and legislative objectives.
- 3) Inconsistent state level crowdfunding laws create market chaos and inefficiency
- State law differentiation is inconsistent with the nature of the Internet.
 - State law differentiation is inconsistent with the needs of investors to have equal access.
 - State law differentiation is inconsistent with the needs of issuers to raise sufficient capital to meet their goals.
 - Regulatory efficiency and decreased risk to investors will be achieved with a consistent federal structure.
 - Given the pace of state level adoption of crowdfunding laws, now is the best time for the SEC to publish final rules.
- 4) Issuers agree that disclosure requirements, including tax, financial and employee information are workable
- There are many low cost services that are emerging to help issuers with ongoing reporting and disclosure requirements.
 - IP can still be protected under current proposed rules.
 - IP protection services such as www.tracklight.com have been created to address IP challenges with crowdfunding.
 - Potential Title III issuers understand the disclosure requirements, and they value the opportunity to raise capital, even if it involves disclosures.
 - Issuers see advantages to using Title III that go way beyond the ability to raise capital. Turing loyal customers and fans into investors can have a major impact on a business that goes beyond dollars raised but cannot happen until Title III rules are released.
- 5) Reporting requirements under proposed rules are reasonable
- New companies are already developing products to help issuers comply with post-funding compliance requirements.
 - For example, see www.capschedule.com.
 - Highly efficient accounting support services specifically designed to support Title III compliance requirements have developed.
 - For example, see www.tempcf.com.
- 6) The current \$1 million year cap is sufficient to fund most Title III companies
- In angel and tech investing, companies often have several rounds of capital *below* \$1 million.
 - Congressional intent and regulatory objectives of spurring innovation and creating jobs is served with the current \$1 million market cap.

- No evidence exists that actual issuers find it unworkable to launch Title III campaigns with the \$1 million cap—in fact, thousands of companies have raised less than \$1 million on gift/donation portals.
- Regulation D crowdfunding platforms like www.equitynet.com, which has helped nearly 25,000 entrepreneurs raise more than \$240 million in capital, have found that the [average amount](#) of capital sought by crowdfunding companies is \$1.7 million, with over 50 percent of those companies seeking less than \$500,000.
- Thousands of companies are waiting and preparing to launch Title III offerings, even with the \$1 million cap.
- A large number of Title III investors for each offering will prove that there is a market for the issuers' products or services.
- Follow-on angel or venture capital investors will also be more inclined to invest in companies with proven market traction. (i.e. Title III investors).
- Therefore, the \$1 million cap is sufficient for issuers to prove their model and raise additional capital.

7) Unaccredited does not mean unfit

- Evidence supports the proposition that unaccredited investors will not take wild risks against their net worth.
- The likely investment range will be between \$50-250 per investment.
- Investors are ready, willing and able to comply with limitations set forth in the proposed rules.
- Congress and the SEC proposed rules lay out reasonable investor protections.
- Not every investor is looking for the next Facebook. Many businesses will never have amazing exits—but they bring cash flow. They are small businesses that have one successful location that are looking to have their affinity bases invest in second locations. I personally think these businesses, which are the backbone of America, will have the best success using Title III.

8) Fraud is not inherent

- There is a preconception that equity crowdfunding is inherently tied to fraud. Yet, available data from markets where equity crowdfunding currently exists says otherwise.
- The UK, Australia and the Netherlands all already have equity-based crowdfunding markets, and no accounts of fraud have been reported. (http://www.huffingtonpost.com/victoria-silchenko/crowdfunding_b_2275160.html)
- Fraud is prevented through well-thought-out screening processes set forth in the proposed rules, and crowdfunding itself is inherently based off social media, the most powerful tool for weeding out fraud. (<http://crowdfundcapitaladvisors.com/resources/26-resources/120-crowd-detects-fraud.html>)
- Existing disclosure and due diligence requirements will ignite an entire industry of high integrity background check companies, such as www.crowdcheck.com.

Thank you so much for taking the time to read my comments. I believe that Title III will cause a major shift in not only how companies fund themselves but also how people think. Pride of ownership will fundamentally change how people interact with businesses in their communities, giving businesses a base of support that will help reduce failure rates, increase jobs and bond communities together. Businesses, investors and the crowdfunding community are all eagerly awaiting your vote!

Thank you.

Joy Schoffler
Principal
Leverage PR