

Congress of the United States
Washington, DC 20515

September 25, 2014

The Honorable Mary Jo White
Chair
U.S. Securities and Exchange Commission
100 F Street, Northeast
Washington, DC 20549

Dear Chair White:

We continue to monitor the Securities and Exchange Commission's (SEC's) proposed rules for Title IV of the JOBS Act, commonly referred to as "Regulation A" or "Reg A+."

While maintaining states' oversight and enforcement authority, the proposed rules would institute Tier II offerings under Reg A+ that not only enhance disclosure requirements but also preempt costly and onerous state Blue Sky registration and qualification requirements.

As you know, preemption of state registration is judicious and necessary for Reg A+ to meaningfully modernize our capital markets and level the playing field for American early-stage enterprises. Specifically, preemption for Reg A+ securities provides for a consistency of regulation for national offerings. As a result, small and medium-sized businesses would be able to undertake Reg A+ offerings while avoiding the prohibitively expensive complexities of complying with up to 50 different state regulators and associated regulations. Thus, we urge the Commission to extend preemption beyond Tier 2 and to all Reg A+ securities.

The objective of Reg A+ is to equip small businesses with efficient means to raise capital through "mini-registrations" that are exempt from full registration requirements of the Securities Act of 1933. Additionally, the Commission must regularly ensure that exemptions balance both investor protection and capital formation to promote fair access to capital markets for enterprises of various sizes and sectors.

Unfortunately, the costs and severe delays of meeting state registration requirements – in addition to SEC review – have rendered the existing Regulation A exemption ineffectual. As a result, millions of entrepreneurs and businesses are annually robbed of an exemption intended to serve as a competitive channel of capital and economic growth.

As the Government Accountability Office noted in its July 2012 study of Regulation A, the costs and complexities associated with Blue Sky laws have effectively made Regulation A an entirely unattractive option for small firms that seek to raise capital. In 2011, only one U.S. business successfully qualified an offering under Regulation A. Moreover, for the past decade, the number of Regulation A qualified offerings failed to exceed 20 in any single year. The Commission's proposed rules represent an opportunity for Reg A+ to live up to the spirit of the JOBS Act: to transform the rules of entrepreneurial capital formation, while preserving state regulators' authority to combat fraud.

Moreover, although we recognize the recent and well-intentioned efforts of state securities regulators to streamline state registration, any such design still fails to sufficiently provide issuers with a timely, cost-efficient, and reasonable process to raise capital. Furthermore, the existence of state merit review unnecessarily adds material uncertainty that hinders the objective of the JOBS Act and, altogether, may deter small enterprises from pursuing a Reg A+ offering.

With that stated, we would like to remind the Commission that it has ample and clear authority to define "qualified purchaser" as it has been defined in the proposed rule, thereby preempting state registration requirements. Specifically, the National Securities Markets Improvement Act states that "qualified purchaser" shall be defined by the Commission "consistent with the public interest and the protection of investors." Additionally, Section 2(b) of the Securities Act provides that when the SEC considers whether a regulation is "in the public interest, the Commission shall also consider, in addition to the protection of investors, whether the action will promote efficiency, competition, and capital formation." Congressional intent clearly expresses that the Commission must advance a new, economical exemption that early-stage enterprises can employ to access capital markets.

The Commission's Title IV rule proposal has potential to "promote efficiency, competition, and capital formation" and balance capital formation and investor protection considerations.

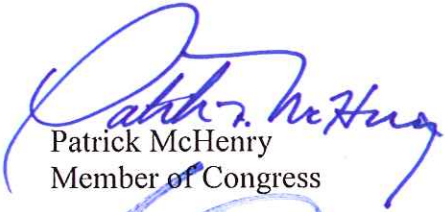
By preempting state registration requirements with respect to Reg A+ securities, the Commission is upholding its mandate to serve the public interest of competitive and evenhanded capital markets. Section 18(b)(3) of the Securities Act further provides that "the Commission may define the term 'qualified purchaser' differently with respect to different categories of securities, consistent with the public interest and the protection of investors."

A failure by the SEC to preempt state registration requirements would effectively eliminate Reg A+ as an option for small businesses that seek to raise capital.

The bipartisanship of the JOBS Act was founded on a universal ambition to unlock access to capital for small businesses. The SEC took a step in the right direction to meet Congress' objective in the proposed rules for Title IV.

Thus, we urge the Commission to exercise its delegated authority by including the preemption of state registration requirements for Reg A+ offerings, specifically for both Tier I and Tier II, in the final rule.

Sincerely,

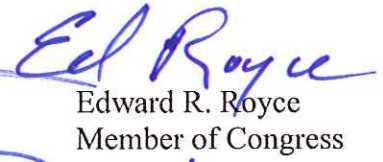

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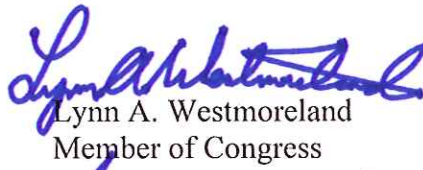

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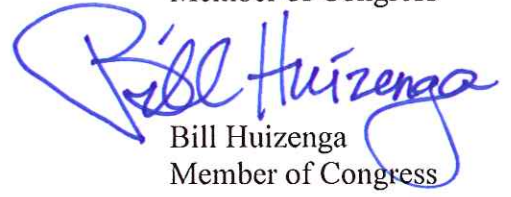

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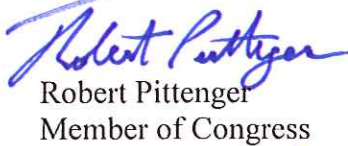

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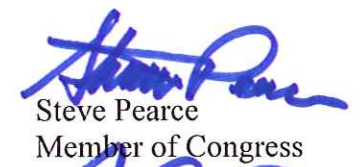

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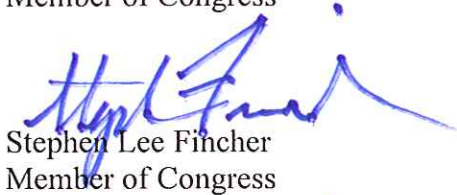

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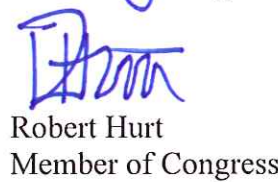

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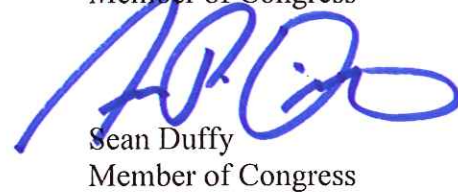

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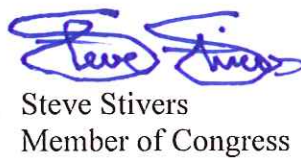

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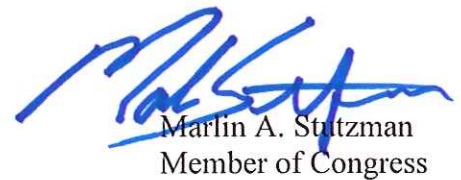

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