

These are comments in regards to a petition for rulemaking change.

I fully support the petition for rulemaking File No.4-605 and articulate in the email below why I believe the benefits of this proposal greatly outweigh the risks and would ultimately enable to stimulate the US economy through entrepreneurship but more importantly encourage creative and artistic diversity.

1. Being from a risk advisory/audit background in the financial services industry, I am very familiar with SEC regulations and regulations in vigor in other foreign jurisdictions (FSA in the UK, AMF in France, BaFin in Germany, ASIC in Australia, etc.) who are overall and ultimately responsible for investor protection. I would encourage the SEC to recognise that a number of those regulatory bodies in foreign jurisdiction have started integrating the specific case of "crowdfunding" in their own regulatory framework. A number of players (e.g. Bandstocks.com for instance in the UK) have successfully been granted licenses/authorisation for issuing securities which ultimately finance innovative ideas and small businesses who would have otherwise not been able to survive or exist in the first place. The SEC is in a position where it can observe and benchmark what has been done elsewhere including highlighting the instances where the system has been abused exposing the investor to unforeseen risk (I am personally not aware of any cases in France, Germany or the UK). There is more risk involved in ignoring this phenomenon and leaving the regulation unchanged than there is to recognise that SEC needs to review, assess and make informed decisions on changes required in the current regulation. I would therefore at the minimum urge you allocate resources to perform effective due diligence in relation to this matter as opposed to simply not acknowledging it. Should the SEC not be satisfied by what is put forward (e.g. this petition), it should engineer and propose changes which it believes would effectively integrate this emerging social phenomenon in its regulatory framework.

2. In a difficult economy, it is in the best interest of any country to continue encouraging entrepreneurship and creativity through favourable regulatory framework. I am personally working on an ambitious start-up project which I trust will become the next big thing in music - an innovative software/platform which will unveil the full potential of what web 3.0 is all about and how this is going to change the way we relate to music - from the original creative idea to the final "product" engineered for the fans. I am a French citizen, recently awarded the Australian citizenship as well and currently working from Sydney. Our platform, following detailed market analysis, could be rolled-out to many countries with the exception of the US due to a regulatory framework which surprisingly does not support those kind of ventures highly reliant on emerging technologies and social behavioural breakthrough that those bring including crowdsourcing or crowdfunding. Our platform and venture is one amongst many others which could create a number of job opportunities, generate value, stimulate commerce, encourage arts and creativity in the US as it will in other countries. And more importantly the existing US based ventures, small businesses are simply penalised, limited in growth, and often suffocated by not having access to the much necessary capital to fund their idea/business. There is an opportunity to re-introduce the most basic purpose of any financing system: being the lung of the economy - by enabling this at a smaller scale through changes in regulations where it makes sense. In line with point 1 above, the risks involved for the investor in mechanisms proposed in the petition are small compared to the benefits this change could bring to the whole country.

3. Statistics highlight that when funds are raised through "crowdfunding" - more than 70% of the funds usually come from the first degree social network of the individual/company raising the fund. What this means in practice is that the individuals willing to invest 10, 20 50 or 100\$ knows who they are dealing with (e.g. a father supporting his son first album). This highlights three things which I believe considerably mitigate the risk: 1/ diversification - by definition crowdfunding naturally diversify the risk across a large group of individuals each making a small contribution; 2/ materiality of investment (consistent with the 100\$ cap proposal in the petition) is low and impact therefore low. 3/ the nature of investors who mostly belong to the close entourage. Ultimately the great majority of transactions onto those "crowdfunding" platforms are through credit card and/or Paypal or equivalent payment solutions and provide the consumer with an already very strong layer of protection through charge back. Adding another layer of enforcement at state or federal level simply does not make sense. The nature of investments (mostly artistic or creative ventures) and transactions involved (volume and materiality) as well as existence of

consumer protection regulations highly mitigate the risks involved and should trigger changes in existing securities regulation over those.

4. The entertainment industry and arts industry would greatly benefit from such a change. Taking the very specific example of the Music Industry, the reality for most musicians, bands and singer songwriters today is that they cannot make a living out of their music. I acknowledge this is not as a result of the regulatory framework exclusively but mostly due to the dominant position of multi-national who have always been, up to recently, the main source of capital. Smaller independent players exist and are willing to take the capital risks to fund independent artists which they believe in - however the system has limits and the small to medium size players should not have to bear all that capital risk on their own which threaten their business viability as a whole (if one too many artist within their portfolio struggle to be economically viable the whole business continuity could be compromised). Crowdfunding provides an alternative and some support to most of those fragmented players. Ironically the current legislation sets a framework which results in: a/ investors ability to invest in companies that can afford complying with a constringent legislation such as majors (whose model is biased and are unlikely to optimise value for their shareholders on the long term), b/ investors investing in small or medium size independent companies (who are on the verge of collapsing due to a dysfunctional system where they are led to take very high capital risk), c/ and on the other hand the regulatory framework bans a process which is likely to benefit all players i.e. encourage diversity and creativity and overall originate new business for big players (in the interest of their investors/shareholders), mitigating the unusually high level of risk small and medium independent players are taking (in the interest of their investors/shareholders) and provide capital to all those artists that can't even contemplate access to neither large, medium or small players to fund their project/dreams as the first step in their career and with minimal risks for all other stakeholders involved. And this is, from my perspective the most important point at stake here: creative diversity is what this is all about - a system that protects investors whilst promoting diversity as opposed to letting a few individuals decide what the whole planet should be consuming. This gives SEC an opportunity to contribute initiating those changes which will most likely have a domino effect and address the more fundamental issues that inherently exist in the system. Not too long ago the whole world had to recognise that the financial system and banking system needed to be re-engineered - please consider that similarly small changes of the regulatory framework as proposed in this petition will have unexpected positive effects on the arts industry as a whole (think of the butterfly effect).

Conclusion:

1. leverage on what has been done in other foreign jurisdictions to assess risks involved based on historical data. Review, assess and make an informed decision in relation to this matter. Perform a thorough PEST analysis (Political, economical, social and technological) which will highlight the need for the SEC to recognise that "crowdfunding" is inevitable and think/come up with proposals on how best to integrate whilst overall meeting its duty of care.

2. a more favourable regulatory framework, in line with what the petition proposes, would most certainly result in increased entrepreneurship, encourage creative diversity, improve the job market and overall have positive effect on the US economy

3. The nature of investments (mostly artistic or creative ventures) and transactions involved (volume and materiality) as well as existence of consumer protection regulations highly mitigate the risks involved and should trigger changes in existing securities regulation over those (in line with what the petition proposes.

4. The proposal is particularly beneficial to the entertainment and arts industries and would ultimately stimulate creative diversity. Arts belong to people, belongs to the crowd as opposed to belonging to companies with executives from their Board rooms making decision around what piece of art (music, film, photography, etc) the world is going to consume next!

Thank you in advance for your consideration and feel free to contact me to discuss further,

Regards

Eric SAINT-ANDRE