

U.S. Securities and Exchange Commission  
100 F Street NE Washington, DC 20549-1090  
Attn: Ms. Elizabeth M. Murphy, Secretary

RE: Comments on TitleIII: Jumpstart Our Business Startups Act - JOBS Act

Dear Ms. Murphy:

We believe that the main goal of the JOBS Act is to simplify and ease the process for raising equity capital by small companies.

Many comments sent to you are specific to entrepreneurial start-ups that have lofty goals of creating value within their equity for later funding by angels, venture capitalists and later exit strategies. The focus of most comments seems to be on new technology start-ups, software companies, biotech and others that already receive the bulk of angel funding that is provided to entrepreneurial start-ups.

The heart and soul of the JOBS Act should not be focused on the funding the entrepreneurs graduating from top MBA schools. According to Kauffman Institute, these start-up businesses already receive over \$20 billion annually in Angel/VC investments and \$60 billion annually from friends and family.

Please consider when making your rulings the heart and soul of small business start-ups - the more than 500,000 new businesses currently registered each month in our country. (*Kauffman Institute*) We urge you to craft the rules and regulations to help small businesses across our country that serve local communities and create local jobs

The principal(s) in these businesses are known within their community – it is where they live, work, raise families and commune on a daily basis. Inherently this provides more transparency and less risk of fraud

Many of the rules being contemplated and commented on will be onerous and create possible significant additional costs that will eliminate or severely hinder the ability for small local businesses to get started and/or expand.

There are associations and groups that we hope you will work with to make sure the rules created do not restrict the growth of local community based businesses. Living Economies (<http://www.livingeconomies.org/>) is one such group. Working closely with the Small Business Administration will provide insight on how to best help and serve local businesses.

Rural communities across America can build new local based co-operatives similar to the electric and telephone co-operatives for new technologies including but not limited to clean energy, broadband wireless and new farming methods with little risk to their investors, most if not all of which will be from that same local community.

These same businesses have much less risk involved and have better visibility to their possible investors. The principals will work hard to support their investors - many of whom will become, or already are, their loyal customers and supporters within their community.

Following are our direct comments on areas we feel need to be addressed to ease the burden on community based businesses.

Sincerely,

J. Randy Shipley  
Founder  
CrowdFund Connect  
SocialGravity Inc.

## Our Comments

- Sec. 4A(a)(S) requires that an Intermediary reduce the risk to investors by methods, such as a background and securities enforcement regulatory history check on each officer, director, and person holding more than 20 percent of the outstanding equity of every issuer whose securities are offered by such person.

**Comment:** Guidance and clear definition is needed on what constitutes an acceptable "background and securities enforcement regulatory history check." Does this mean a credit check, criminal history check, or both? Clearly the costs of this requirement will be a cost to the issuers, so it is important to control this expense so as not to make the cost of raising capital prohibitive to the issuer.

**Comment:** We suggest that this be worded in such a way as to be compatible with the numerous online sites that currently provide criminal background checks and that only felonies be reported. We suggest that an online database be created for violators of securities laws, similar to the database on sexual predators.

---

- Sec. 4A(b)(1) requires issuers to make certain disclosures, including a description of the financial condition of the issuer.

(D) a description of the financial condition of the issuer, including, for offerings that, together with all other offerings of the issuer under section 4(6) within the preceding 12-month period, have, in the aggregate, target offering amounts of –

1. \$100,000 or less - the income tax returns filed by the issuer for the most recently completed year (if any); and financial statements of the issuer, which shall be certified by the principal executive officer of the issuer to be true and complete in all material respects;
2. More than \$100,000, but not more than \$500,000, financial statements reviewed by a public accountant who is independent of the issuer, using professional standards and procedures for such review or standards and procedures established by the Commission, by rule, for such purpose; and
3. More than \$500,000 (or such other amount as the Commission may establish, by rule), audited financial statements;

**Comment:** The law does provide that the tax return "filed by the issuer for the most recently completed year" be supplied (if any). Further, the provision does not define "audited" financial statements, as required to be provided by issuers of more than \$500,000.

Audited financial statements are actually much easier to provide and less costly for new businesses that have no history than the same statements would cost a local business that has a business history that will require significantly more cost for completing an audit.

We would suggest that:

Item 2. Be changed to

- Add after financial statements "*or a immediately preceding previous year tax return*"

Item 3. Be changed to meet any one of the following requirements:

- For those issuers of more than \$500,000:
  - CPA Audited financial statements and a tax return – ***Strike (if any)*** - for previous year
  - Or any two tax returns prepared by a public accountant who is independent of the issuer with over

\$100,000.00 in gross revenues for two preceding years

- Or immediate preceding year tax return prepared by a public accountant who is independent of the issuer with over \$200,000.00 in gross revenues

**Comment:** We would ask that you create an exemption to allow a business whose sole purpose is to be a franchisee of a regulatory approved franchisor within their state to raise equity needed up to \$1,000,000.00. Franchisors go through strict regulation and review and there are established laws in place to protect investors in a franchise while other laws protect the parent company and the general public. These businesses have significantly less inherent risk for the investors and the principals.

*If franchisees could borrow all the money they need this year, they could purchase over 41,000 new or transfer businesses and create an astounding 333,000 new jobs. “Franchised businesses can be a locomotive of employment and economic growth,” according to a recent report from the Washington-based International Franchise Association (IFA) called “Linking Franchise Success with Economic Growth and Net Job Creation.”*

*According to the U.S. Department of Commerce, 95 percent of franchises are still in business after five years. The likelihood of success with a self-launched business will still be operating after five years is 47 percent.*

---

- Section 4H (iv) how the securities being offered are being valued, and examples of methods for how such securities may be valued by the issuer in the future, including during subsequent corporate actions;

**Comment:** We believe that there are significant costs to properly ascertain future examples and valuations and that this clause only be applicable to C-Corporations whose primary valuation and return on investment is the valuation of the equity itself. Most small businesses are significantly more focused on actual cash flow and cash flow distribution. We believe this section can be easily addressed by simply adding:

*Or providing an operating and management statement that clearly defines capital distributions.*

---

We thank you for the opportunity to provide our comments.