

Re: Public Comments for SEC

Dear SEC,

I have spoken to some of your staff folks there who pointed me to the public comments for the JOBS Act. After reading a substantial number of postings, my public comment is essentially as follows:

Get the &%\$# outta my way!

I beg your pardon for my somewhat melodramatic pronouncement. I was talking in “engineering speak”. However, I believe that this expresses the spirit of the JOBS Act as opposed to any rules that the SEC may eventually put into place.

While reading the public comments, I liked to look at the credentials of the authors and who they worked for. Here’s a selection:

- Chair, Federal Regulation of Securities Committee, Business Law Section, American Bar Association, Washington, District of Columbia
- CFA Institute, Charlottesville, Virginia
- McCarter & English, LLP
- North American Securities Administrators Association (NASAA)
- Founding Member, Crowdfund Intermediary Regulatory Advocates
- The LeGaye Law Firm, P.C., The Woodlands, Texas
- Crowdfunding Intermediary Regulatory Advocates
- Regulated Funding Portal Industry Association, Long Beach, California
- Sklar Law, P.C., Los Angeles, California

Does anyone see a trend here? My point is that the majority of the opinions I read on the SEC comments page were from bureaucrats, bean counters, and lawyers. Once in a great while, there is a comment from someone like myself, who has an idea and needs money to make it happen. This is very depressing to someone who is a technician with an idea and not a bureaucrat, bean counter, or lawyer.

My biggest fear about the JOBS Act is that our esteemed entrepreneurial colleagues, the bureaucrats, bean counters, and lawyers, will force the creation of an enormous amount of red tape that will cost a fortune to manage and be the greatest barrier to entry for any entrepreneur who is not a bureaucrat, bean counter, or lawyer – or has a Harvard pedigree.

I have been associated with numerous startups during my professional career in the computer industry. I can tell you that I *don't* want Angels or Vultures investing in my ventures.

Two of the dot bombs that I was associated with were destroyed because the People with the Money were clueless about how to get the business off the ground. In one case, our Angel was reluctant to spend any money on marketing; therefore, nobody knew about us or our services. The other was a self-funded project that fell on its face because the “owner” knew what he wanted, but wouldn’t let his staff do their jobs without micro-managing them to death. I also interviewed with the Chief Technical Officer of Pets.com, a boy less than half my age, who was less than thrilled about my “old-fashioned” methods of developing software. (Pets.com ceased operations about a year later. Who knows how many small investors lost their money in that deal; I’ll bet the market makers on Wall Street didn’t!)

In my vision for a new venture, I would like to democratize the raising of capital so that as many people can participate in the success of the business as possible, regardless of whether they work for the company or not. The model I have envisioned is the inverse of the work of Muhammad Yunus in microfinancing; i.e., before crowdfunding became all the rage, I began working on an idea where many people would “loan” the new venture \$100, \$200, or even \$1000. One advantage to this finance plan is that investors would not need to commit themselves to an amount that would endanger their own financial stability. Another advantage to this strategy is that the company would then not be heavily indebted to any single large investor and therefore would be able to conduct business in the manner its management saw fit.

I was elated when the JOBS Act was passed – by both parties, no less! However, I was very disappointed when I saw this prominently displayed on the SEC website:

On April 5, 2012, the Jumpstart Our Business Startups (JOBS) Act was signed into law. The Act requires the Commission to adopt rules to implement a new exemption that will allow crowdfunding. *Until then, we are reminding issuers that any offers or sales of securities purporting to rely on the crowdfunding exemption would be unlawful under the federal securities laws.* (Italics are mine!)

So what does this mean? It has stopped me in my tracks. In radio and TV news programs, I heard that the SEC was to issue its “rules” for crowdfunding on August 22, 2012. When I did not see the rules posted on the SEC website, I spoke to SEC personnel that day to find out what the status of the crowdfunding “rules” was. I was told it is a “complicated process”, and that there was no definitive timeframe for the issuance of the rules.

This is not acceptable.

These rules are supposedly intended to prevent innocent investors from being defrauded by unscrupulous businessmen. That is not possible. It’s a simple matter of economic law and human nature. Greed will overcome any rules that may be established by the SEC or any other governing body. As an unpleasant example and

reminder, Bernie Madoff was a licensed and certified financial advisor. He was even Chairman of the Board of Directors and on the Board of Governors of the National Association of Securities Dealers (NASD), the industry's regulatory agency. It was his possession of these credentials that allowed him to perpetrate the largest investment fraud in history. The SEC and the NASD gave him the legitimacy that fostered the trust of his victims. The SEC also ignored warning shots for decades based on his history of success and credentials. Where is he now?

The SEC cannot stop fraud. Only the investor can stop fraud by not participating. Therefore, I have my own set of rules that I recommend to my own potential investors:

1. If you can't afford to lose all of the money you are considering "investing" (i.e., wagering), then don't do it.
2. If you don't believe in the venture you are considering investing in, don't do it.
3. If you don't trust the management's honesty or competency, don't do it.

These are the rules that I recommend that the SEC adopt immediately. It is *not* complicated. Only when small-minded bureaucrats, lawyers, and bean counters get involved, does investing become complicated. Complex rules do not help investors, only those who know how to bend or even break the rules and escape unscathed.

In addition, in reference to preventing fraud and deceit in investing, to further illustrate how powerless the SEC has been to prevent fraud and theft in the "legitimate" stock markets such as the NYSE and NASDAQ. I, for instance, had my pocket picked to the tune of \$800,000 by licensed and certified financial advisors who recommended the purchase of assorted, essentially worthless, equities and funds during the Internet Boom and subsequent Bust. I still have nearly \$200,000 in "toxic assets" on my books that I can do nothing with. Has the SEC helped me with that situation? No. Has the IRS helped by offsetting my losses on my taxes? Only by \$3,000 per year. How many lifetimes is that? There are perpetrators of that Internet Fraud that are still walking the streets, blogging online, and showing up on financially themed television and radio programs going about their business as if nothing had happened -- and the SEC is either unable or unwilling to do anything about it.

I will admit that I am still upset about my losses in the Internet Bust of 2000. However, I have been diligently working to rebuild my life and my finances. One of the ways I am rebuilding is to educate myself in the ways of business. Another is to create my next enterprise on the World Wide Web. Therefore, I repeat my admonition at the beginning of my comments:

Get the &%"\$# outta my way.

And do it quickly. I don't have time to waste on non-sense.

Respectfully,

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