Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: Temporary Relief for Regulation Crowdfunding

Dear Secretary Countryman:

We would like to express our appreciation for the Temporary Relief from certain provisions of Regulation Crowdfunding issued by the SEC to provide some regulatory support during the ongoing COVID-19 pandemic. NextSeed team has been communicating the Temporary Relief to many small business owners considering their financing options during this time, and virtually all who were seriously considering Regulation Crowdfunding were very happy to hear about the SEC action. We have already worked with a few businesses to utilize these temporary relief rules, and more are preparing to start fundraising before the August 31, 2020 deadline.

In this context, we respectfully urge the SEC to consider extending the Temporary Relief for a longer period of time considering the ongoing impact of Covid-19, which is still causing significant economic harm to countless small businesses across the country, especially in communities where government orders have legally forced the closure of people-centric businesses such as restaurants. We would also request the SEC to consider making the Temporary Relief provisions into permanent provisions of Regulation Crowdfunding – perhaps as an **initial framework for a micro-offering exemption applicable for small business debt offerings under $250,000**.

The two major aspects of the Temporary Relief that have made Regulation Crowdfunding more approachable for businesses are (1) the ability to raise up to $250,000 without need for CPA-reviewed financials and (2) ability to close a campaign without a fixed 21-day requirement. Fundamentally, the process of engaging a CPA to complete reviewed or audited financials even for a relatively small offering had always made Regulation Crowdfunding prohibitively expensive and time-consuming for a small debt offering. As noted in previous comments, even banks and SBA does not require CPA-reviewed/audited financials in a standard loan process, and no such burdens were required in PPP applications as well.

Furthermore, there are other provisions in the Temporary Relief that could theoretically be helpful to issuers (e.g. locking in investor commitments after 48 hours) but have likely not been used much, because no online investment platforms that facilitate Regulation Crowdfunding have actually invested in developing the substantive technology and systems to support such mechanisms. We do not believe online investment platforms will spend any meaningful amount of time and effort on developing new technologies and systems to facilitate processes that are only valid for on a temporary basis. In practice, Regulation Crowdfunding is possible because online platforms are spending an extraordinary amount of time and effort in trying to facilitate Regulation Crowdfunding in a legally compliant manner – and if these

platforms decide not to adapt certain features, their clients (both issuers and investors) will not be able to utilize them even if such is permitted under Regulation Crowdfunding.

We also wanted to highlight a couple specific issues that could better serve the presumed intent of the Temporary Relief. The current Reviewed Financials requirement takes the aggregate 12-month offering limit into account on whether a business can utilize the Temporary Relief. This means that any business that previously utilized Reg CF may not be able to utilize the Temporary Amendment rules if its aggregate amount raised went over $250,000. In addition, the rules still require most issuers that are utilizing Regulation Crowdfunding multiple times to have audited financials. While tech-oriented and startups that raise larger amounts of growth equity may not be as affected, and there may be clear investor protection benefits of required more stringent financial disclosures backed by CPAs, these requirements negatively impact most Main Street small businesses that have raised smaller amounts of debt, and for whom the Temporary Relief would have benefited the most.

The Temporary Relief, much as is the case with Regulation Crowdfunding generally, still seems to be assuming that the potential harm to investors could be significant when small businesses can raise capital easier from the public. As we believe should be clear from the actual real-life data presented to SEC to date, main street small businesses raising smaller amounts of debt (e.g., under $250,000) is an extremely different case than growth-oriented, early-stage startups looking to raise equity capital. The risk profile of a cashflow-positive business raising smaller amounts of debt and can begin making payments shortly after a successful offering is fundamentally different than a pre-revenue early-stage startup looking to raise equity capital and whose investors will likely only profit upon a complete sale of the business after a significant period of time. More importantly, vast majority of small businesses are family-owned, lifestyle businesses that provides income for their families – these businesses actually do NOT want to raise equity from outside investors as they never intend to sell their businesses – they simply need better access to capital, which is not coming from the traditional financial systems in the US.

In sum, we believe that the current economic crisis negatively impacting small businesses provides the SEC with a unique opportunity to thoughtfully expand the benefits of US capital markets to a much broader audience of issuers and investors than ever before. Historically, Main Street small businesses that could not afford expensive counsels and service providers have *never* been able to raise capital from outside investors in a systematic and efficient manner. So while Regulation Crowdfunding has no doubt been an important first step for SEC to support Main Street small businesses, for the SEC to truly transform how capital markets can be utilized to support our new economy, we believe there should be rules that directly take into account the realities of the Main Street small business ecosystem, rather than forcing small businesses to adhere to traditional Wall Street and Silicon Valley standards. Expanding the Temporary Relief into a micro-offering exemption under Regulation Crowdfunding, specifically designed for the millions of small businesses in the US that cannot secure sufficient credit from traditional financial system, would be a great next step.

Thank you very much for your consideration and the continued support for Main Street businesses.

Regards,

Youngro Lee
CEO, NextSeed Securities