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To: Mary Jo White, Chair
Elizabeth M. Murphy, Secretary
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From: Jason Coombs, Co-Founder and CEO
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Re: Release No. 33-9416; Release No. 34-69960; Release No. IC-30595; File No. S7-06-13

I would like to comment on the letter from Catherine Mott, Chair Emeritus, Angel Capital Association.

http://www.sec.gov/comments/s7-06-13/s70613-448.htm

This letter from Chair Mott is one of the best letters submitted to the Commission so far regarding these JOBS Act Proposed Rules. After reading every single prior letter that has been submitted to date, and providing my own comments and responses to many of those other comment letters, it is Chair Mott's letter that I think the Commission should give the most weight in its decision-making process presently. Not for the reason that Chair Mott is correct by asserting “one size fits all” is the wrong way to regulate but because of the clarity that Chair Mott's letter brings to the entire issue. **One size clearly does fit all.**

Like Chair Mott, I also am not a securities attorney, but I have advised attorneys for 15 years as expert witness and forensic analyst. More directly related to the subject matter at issue here, I have personally attempted to comply with Federal and State Securities Regulation for the last decade, and since 2006 in a capacity as CEO/Chairman of a small public startup company whose shares trade Over-The-Counter.

In advising other startups and complying with Securities Regulations, myself, there are three things that became clear to me over time that are already clear to the Commission or to securities attorneys, while apparently not being clear to most other people, including Chair Mott. First of all, a Demo Day or Pitch Competition that occurs solely in a single State is, by definition, not subject to Federal jurisdiction. The Proposed Rules do not, will not, strictly speaking, even apply to such events. Even in the case where a Federal Safe Harbor such as Rule 506(c) is elected by an issuer, and freedom to speak publicly is thus asserted under Federal authority, when the speech has no inter-state nexus or purpose and involves no cross-border commerce or Offering of any kind, the issuer takes a substantial risk of liability under law in the State in which the potentially-illegal public speech occurs. It has never been clear to me why the concept of Demo Days or Pitch Competitions has been viewed by anybody as being lawful securities Offering activities, prior to introduction of Rule 506(c) and the JOBS Act. To my knowledge, every State securities regulator prohibits unregistered general solicitation, by law or by Rule. Some States have relatively-simple and low-cost methods of State securities registration, such as California. But the cost to register securities in a State prior to attending a Demo Day or Pitch Event where those securities are Offered publicly is still in the tens of thousands of dollars, so nobody ever bothers with registration.

Strictly-speaking, Rule 506(b) never provided anyone, in any State, with the authority to speak publicly about unregistered securities Offerings at Demo Days or Pitch Events. People did this anyway, because

in practice the Commission did not have jurisdiction to stop it and State regulators usually ignored it. The fact that State securities regulators have ignored public offerings of unregistered securities within their jurisdiction more or less across-the-board unless and until fraud occurs (or is alleged by investors) and the fact that State securities regulators have ignored sales of unregistered securities by issuers to all comers, including to buyers with whom the issuer has no "substantive pre-existing relationship" which is the standard of prior business or personal relationship required for compliance with Rule 506(b) due to the statutory prohibition on "offers" or "sales" to members of the general public (irrespective of the buyer's accredited status), was always, in effect, just a loophole through which billions of dollars of capital flowed to issuers, annually. A Rule 506(b) issuer could assert Federal jurisdiction for the Offer and receive near-automatic exemption from State securities regulations just by filing Blue Sky notices in the States in which sales occurred, even if the sales only occurred in a single state, and the issuer would be ignored by regulators based on the idea that "offers" were simultaneously being made to persons in other States. The imminent possibility that out-of-state sales may occur during the term of the Rule 506(b) Offering, together with a presumption that at some point the issuer placed a call to a friend or a family member outside their home state and discussed the Offering, invoked Federal law.

However, Blue Sky exemption and Federal Rules for the offer and sale of unregistered securities never previously permitted Demo Days and Pitch Events nor did they permit sales to members of the general public with whom the issuer did not have a pre-existing substantive relationship. In practice, everyone simply ignored this inconvenient truth so as to avoid the requirement to register securities prior to sale.

Rule 506(c) has finally restored sanity and legitimacy to Demo Days and Pitch Events, and removed all of the doubt about whether offers and sales of unregistered securities are lawful in a particular State in a particular circumstance. This is, to my mind, profoundly important and valuable to everyone, issuers and investors alike. It is now legal, and will continue to be legal under the Proposed Rules, pursuant to Rule 506(c) and the JOBS Act, for anyone, anywhere to attend a Demo Day and Pitch Event and to offer to sell unregistered securities, even before actually incorporating a legal entity that can issue such securities, provided that the Demo Day or Pitch Event venue takes the simple step of webcasting the offers, publicly, so that the offers are available to the general public in other States and/or countries.

The second thing that is clear to me, from extensive experience, is that it is not hard to comply with the SEC rules, and the cost of compliance is negligible or zero, when offering and selling my unregistered securities. The cost of compliance under the Proposed Rules will be nearly identical to the cost under the prior Rule 506(b) – even if I am required to pre-file a Form D and comply with Rule 509 plus a new Rule 510T that imposes a mandatory pre-filing requirement for my general solicitation materials. In the last month I have submitted numerous general solicitation filings to the SEC, voluntarily, via sec.gov:

https://www.sec.gov/forms/rule506c

However, after sales of unregistered securities it can be hard to comply with State securities regulators' Blue Sky filing requirements, and most States charge filing fees whereas there are never fees charged by the SEC for filings related to unregistered securities offerings. Form D is free to file, and other than the initial requirement for a notary seal on the Form ID filing required to obtain website credentials to file with EDGAR, which can cost $10.00 if your bank doesn't provide you with notary service for free, there are no other indirect hard costs. The time requirement is limited to a few minutes to submit forms with a web browser, plus the one visit to your bank/notary to file the initial Form ID. By comparison, to file Blue Sky exemption notices with a State securities regulator is typically very burdensome and costs money just for the filing fee. In addition, each State requires a Form U-2 consent to service of process, a copy of the Form D filing submitted to the SEC, and possibly other information, which I have had the experience of trying to provide repeatedly only to be told repeatedly by a State that I did not provide it! The burden and cost of State Blue Sky compliance notices is a real problem that needs a new solution.

Under current Blue Sky regulations, no permission is required from any State securities regulator for a Rule 506(c)-compliant general solicitation, including Demo Days and Pitch Events, unless and until 15 days from the date of first sale of securities to investors who reside in the State. This is the optimal way to conduct general solicitations, to rely on Federal Rules that expressly permit general solicitation, on condition of simple, low-cost Federal regulatory compliance. To address the potential cost burden of a sale of securities to a single investor in a particular State, issuers can require more than one investor in a given State before the first sale occurs there. This helps to protect investors because issuers are likely to ask a would-be lone investor in a particular State to go find a friend or neighbor who will invest also.

The third thing that became clear to me in my years of navigating these State and Federal Securities Regulations is that in this case **one size does fit all**, provided that everyone is willing to tell the truth and comply with the letter and the spirit of the law. The issue that self-described "Angel" investors seem to be complaining about, primarily, is that they want to be able to self-certify as "accredited" in the way that they did previously, **when they were habitually violating securities regulations** by their illegal "private" investing activities in which they would learn, publicly, about an investment and then choose to invest despite having no "substantive pre-existing relationship" with the unregistered issuer.

SEC Registration is not as complicated as most people believe. The JOBS Act substantially increased the mandatory registration threshold. Forthcoming crowdfunding rules will allow non-accredited public investors to buy shares in public startups *without counting those public investors* toward the mandatory registration threshold. This is analogous to the current distinction between "street name" shares which are held with a broker and do not count toward mandatory registration threshold, vs "certificate holder" investors who possess physical certificates as evidence of security ownership. The JOBS Act reduces the likelihood of SEC registration by issuers in the future, especially smaller issuers and new startups, despite the low cost of registration. Chair Mott is fundamentally mistaken when she asserts that "larger commissions are needed" when Wall Street is "helping the company go public." There is, in fact, no difference between an initial public offering of unregistered securities under the JOBS Act Rules and a registered IPO brokered by Wall Street. Filing audited financial statements is a simple administrative and accounting step, and preparing Forms for filing with the SEC is only as complicated as the issuer and its various "helpers" choose to make it. There are legal risk exposure differences such as SARBOX but the key difference is one of ***SCALE***. When people such as Chair Mott assert that there should be a double standard, one for Wall Street and one for Main Street, they miss a real opportunity to dispel a common misconception about what Wall Street and its cadre of "helpers" actually do for issuers who try to raise capital **"at scale."** The Commission should continue to minimize the costs or complexities involved in registration of securities, and expand legal protections of fundamental freedoms involved in offers of unregistered securities, but in a singular, sensible, cost-free standardized manner across-the-board. It is often said "**there are no stupid Kings, only stupid Subjects.**" When so-called "Angel" investors assert that the King is doing something to harm them, I respond that in fact these people are just being willfully-stupid Subjects – as a group they are refusing to learn how and why unregistered securities investing is different from registered securities investing, so they can invest intelligently.

No study of financial impact that the Commission could ever conduct would ever reveal that imposing the same simple Form D filing burden for small unregistered issuers as for large registered issuers will cause undue harm or impose an undue expense to the small unregistered issuers. Delaying rulemaking procedures while the Commission conducts such a "small business issuer" study would be ridiculous. Likewise, imposing Rule 509 and Rule 510T filing requirements on both small unregistered issuers and large registered issuers, identically, one-size-fits-all, will obviously not be unduly burdensome nor will it cause any harm at all to small unregistered issuers. What does cause harm is stupidity and ignorance! The Commission must be sensitive to the ***reasons*** so-called "Angel" investors are disgruntled or upset.

I hope everyone enjoys the freedom to try to raise capital from the public. It is our constitutional right.