



PUBLIC STARTUP COMPANY, INC.

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July 10, 2014

To: Mary Jo White, Chair
Elizabeth M. Murphy, Secretary
Charles Kwon, Office of Chief Counsel,
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE, Washington, DC 20549-1090

CC: rule-comments@sec.gov

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

JOBS Act legislation URL <http://www.gpo.gov/fdsys/pkg/BILLS-112hr3606enr/pdf/BILLS-112hr3606enr.pdf>

Current “Accredited” definition: if you're a billionaire or millionaire you're in a less-regulated category.

Proposed “Accredited” definition: if you're not at least a multimillionaire you're no longer “in the club” and therefore from now on you must invest by crowdfunding with the rest of the non-Accredited serfs.

Out of the estimated 8.5 million households which currently qualify as “Accredited” only a few tens of thousands choose to participate in funding startups through websites like Angel List and SeedInvest.

The low rate of participation in "Angel" investing by Accredited investors is a national disgrace.

Angel investing is an abysmal failure. I believe it should be stopped. A more reasonable path to capital formation for startup companies that are required to be “public startups” in a sensible, cost-effective fashion **with appropriate regulatory compliance obligations** scaled down to meet the small amount of capital that is at risk should clearly replace the existing broken model which exists around Rule 506.

It is mysterious to see organizations like SeedInvest advocating for the expansion of a form of investing that does not work. At 15,000 users, SeedInvest has managed to successfully attract at most two tenths of one percent (0.1764% to be precise, do the math, 15,000 divided by 8,500,000) of the Accredited households in America, if one presumes that all 15,000 users of SeedInvest are American investors. Angel List and other competing members-only website venues for Accredited investors likewise are demonstrating clearly, from low participation rates, that this entire model is broken and must go away.

Somehow, mysteriously, for reasons nobody who has submitted an SEC Comment Letter has been able to adequately explain, the United States is the envy of the world for creating new startup companies that bring to market disruptive, important and transformative new products and services worldwide.

THIS ECONOMIC MIRACLE IS OBVIOUSLY NOT THE RESULT OF MERELY 15,000 INVESTORS INVESTING ANNUALLY IN STARTUPS UNDER THE EXISTING ACCREDITED INVESTOR RULE!

As a case in point, Google might not be here today if not for the 1,406 **non-Accredited** investors who were illegally permitted to invest or to whom shares were issued for services prior to its IPO.

See: http://news.cnet.com/Google-may-have-issued-shares-illegally/2100-1030_3-5297673.html

Google also might not be here today if not for the millions of people around the world who became its early customers and goodwill supporters. Google is the potato salad guy of startups. It was able to form an ad hoc crowd of backers for something of dubious value: pay-for-placement ads provided in search results which circumvented their "Page rank" thus eliminating the need for people to work hard to become well-known and widely-supported by the community in order to be ranked at the top of the Google search results. What Google and potato salad guy both did, expertly, was to show everyone what is possible when a large number of people agree to support a small number of people, and inspire people to open their wallets and pay for something. This is a core power of modern civilization and economics – it is the core ability to elevate a small number to positions of great wealth and power as a celebration of what humanity has accomplished, and to encourage everyone everywhere to participate.

Blatant non-participation or hostility toward civilization is now considered synonymous with terrorism.

In my view, supporters of "Angel" investing are terrorists who take advantage of non-participation by their potential competitors in order to enrich themselves. "Angels" appear to actively disparage better ways of raising capital or running small public companies, and they discourage reasonable changes to regulations that would achieve a true economy of scale for startup capital formation. I strongly support raising the threshold for qualification as "Accredited" in order to put these terrorists out of business.

99.8% of Accredited investors do not participate in "Angel" investing, based on the Comment Letters submitted to the Commission by SeedInvest and Angel List. This is something everyone who has ever tried to raise capital for a startup already knew, but it is nice to see this confirmed by these companies.

If the 0.2% of Accredited investors who use SeedInvest cannot bring the other 99.8% into the market to actively support startups, then reducing the number of investors who are "Accredited" by 50% does not appear problematic to me. Existing "Angel" investors aren't solving startup funding problems as it is, or they perceive material benefit from keeping the other 99.8% of Accredited investors out of the market!

I strongly support the immediate regulatory extinction of this "Angel" capital marketplace in favor of the proper, reasonable replacement mechanisms legislated into existence by the JOBS Act. When the SEC finishes finalizing the Title III and Title IV JOBS Act Rules, and includes in these final Rules the preemption of State Securities Regulation that the Commission's Proposed Rules contemplate, nobody will need to align themselves politically with "Angel" groups or Accredited investor-only website clubs in order to actively participate in the critically-important process of helping startups get off the ground.

I would prefer to see a regulatory regime around the JOBS Act which requires every startup that raises capital from the general public through JOBS Act crowdfunding, Title II, Title III, or Title IV, to apply to a self-regulatory organization such as FINRA for approval to initiate an Over The Counter quotation. My company, Public Startup Company, Inc., would apply to the SEC to become one new competitor to FINRA in order to support the emerging "public startup" ecosystem for which the JOBS Act was meant to provide additional resources and regulatory support. There is no reason for FINRA approval to take as long or be as complicated as it now is before free-trading unregistered securities can be quoted Over The Counter. When everyone, everywhere is deemed eligible to issue and sell securities which become part of the Over The Counter market with SEC filings via Edgar and easy periodic minimum alternative reporting standards for remaining in good standing as JOBS Act-reporting unregistered public company issuers, then the best parts of American culture, our idealism and exceptionalism and strong defense of liberty and equality, true opportunity for all based on merit rather than birthright, will become the heart of our future economic and political system. It is clear there are very large and powerful entrenched economic and political interests which are strongly opposed to the expansion of these liberties. I hope they are defeated by good people refusing to remain silent. Apologies for miscalculating America's age in my prior letter. America is 238 years old not 237. Rushing to enjoy fireworks with my family I erred.