

COMMONWEALTH OF VIRGINIA

Ronald W. Thomas
Director

Thomas M. Gouldin
Deputy Director



Mailing address:
P.O. Box 1197
Richmond, VA 23218
Telephone: (804) 371-9051
Fax: (804) 371-9911

STATE CORPORATION COMMISSION DIVISION OF SECURITIES AND RETAIL FRANCHISING

October 4, 2012

Submitted electronically to rule-comments@sec.gov

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

RE: Proposed Amendment of Rule 506
Release No. 33-9354 (File No. S7-07-12)

Dear Ms. Murphy,

As the individual charged by the State Corporation Commission (“SCC”) to protect Virginia investors, in accordance with applicable state law, I write to express my concern with the United States Securities and Exchange Commission’s (“Commission”) proposed amendment of Rule 506 to allow the general solicitation of accredited investors. While I recognize that the JOBS Act requires the Commission to remove the ban on general solicitation, I encourage the Commission to do so in a way that will minimize the harm to investors in the Commonwealth of Virginia.

Rule 506 offerings have been a frequent and steady source of investor complaints to the SCC. During calendar years 2010 and 2011 enforcement actions were taken against 24 such offerings totaling \$12,000,000.00 in investor losses.

Of course, Rule 506 has also been used by legitimate small businesses as an important source of capital, and I want those businesses to be able to thrive and create jobs without unnecessary regulatory impediments. However, a healthy private placement marketplace requires investors who feel adequately protected. Therefore, even though the Commission is

required to ease restrictions in Rule 506, it is important for the Commission to adopt logical and reasonable safeguards for investors.

In the new rule, the Commission should establish specific steps that an issuer could take to verify that an investor is accredited. The Commission should also require the filing of a Form D in advance of any public advertising and place reasonable restrictions on the advertisements. In addition, the Commission should finalize the bad actor disqualifications in Rule 506, as mandated by the earlier Dodd-Frank Act. These recommendations are discussed more fully in a comment letter submitted by the North American Administrators Association, Inc. (NASAA), of which I am a member.

The proposed amendment to the rule, which merely repeats what is in the JOBS Act, places additional burdens in applying the provisions of the Virginia Securities Act to protect Virginia residents. In fact, the proposed rule would complicate enforcement efforts by making it difficult to know whether an issuer is complying with Rule 506. As your partner in enforcement against fraudulent and abusive Rule 506 offerings, I urge you to reconsider the proposed rule and strengthen it to protect all investors.

Thank you for the opportunity to provide comment on this important issue. Please contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Ronald N. Thomas". The signature is written in a cursive style with a long, sweeping underline that extends to the right.

Director