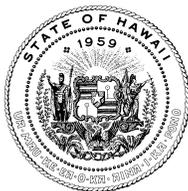


NEIL ABERCROMBIE  
GOVERNOR

BRIAN SCHATZ  
LT. GOVERNOR



KEALI'I S. LOPEZ  
DIRECTOR

JO ANN M. UCHIDA TAKEUCHI  
DEPUTY DIRECTOR

TUNG CHAN  
COMMISSIONER OF SECURITIES

STATE OF HAWAII  
BUSINESS REGISTRATION DIVISION  
DEPARTMENT OF COMMERCE AND CONSUMER AFFAIRS  
335 MERCHANT STREET, P.O. Box 40  
HONOLULU, HAWAII 96810

[WWW.INVESTING.HAWAII.GOV](http://www.investing.hawaii.gov)

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 securities regulator for State of Hawaii, I write to express my concern with the Commission's 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 my state.

Rule 506 offerings have been a frequent and steady source of investor complaints. At the same time, 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 what are already lax restrictions in Rule 506, it is important for the Commission to adopt sensible 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, does nothing to protect investors. In fact, the proposed rule would complicate my enforcement efforts by making it difficult for my staff 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 investors.

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

Very Truly Yours,

Tung Chan  
Commissioner of Securities  
State of Hawaii