



The CrowdFund Intermediary Regulatory Advocates
20-22 W. 12th Street
Cincinnati, OH 45202

October 4, 2012

Re: Rule 506 and 144A Offerings: SEC Proposed Rule Eliminating the Prohibition against General Solicitation and Advertising

Ladies and Gentlemen:

We are the CrowdFund Intermediary Regulatory Advocates (“CFIRA”). We wish to thank you for your work in producing the proposed rules on Title II of the Jumpstart Our Business Startup Act (JOBS Act). Though in its infancy, the crowd funding industry which is helping small businesses to raise capital is pleased that the rules allow for the continuation of the existing offerings under Rule 506 offerings that do not use general solicitation; now referred to as Rule 506(b). This enhancement supports the goal of the JOBS Act, Title II for job creation and allowing capital formation for startup and emerging businesses.

CfIRA appreciates that the Commission recognizes that there are a wide variety of circumstances for offerings that use general solicitation and advertising under Rule 506(c), and provides flexibility in determining “reasonable steps to verify” the accreditation status of investors by issuers. Leaving what constitutes “reasonable steps” open, allows for progression in verification methods over time.

Even so, CfIRA respectfully requests some clarification as to what constitutes “reasonable steps” in 506(c) offerings. We feel that a safe harbor standard on which issuers (and broker-dealers) may rely on when using Rule 506(c) would be highly desirable. We believe that by not clarifying the application of “reasonable steps”, the Commission and the public may garner results that were not intended, thereby stifling economic growth and job creation opportunities for startup and emerging business in our nation.

CfIRA believes the lack of a set of safe harbors would reduce 506 funding of new companies because:

1. Safe harbors are needed for companies and investors to act with confidence. Without safe harbors for 506(c) offerings, issuers will not know the requirements needed to satisfy the “reasonable steps” standards. Issuers and investors will not be clear on liabilities or how rules will be enforced.
2. Given concerns about lack of safe harbors for issuers under 506(c), it may actually become more difficult for many deserving businesses to raise the capital they need to finance operations and grow.

CfIRA respectfully recommends the SEC address concerns for the crowd funding industry by establishing rules that would create consistency between Reg. D offerings where general solicitation is used and crowdfunding regulations. In addition to including such safe harbor rules in the “reasonable

steps” criteria, we encourage leniency from an onerous process which may yield prohibitive cost and limited time constraints in order not to trigger unintended consequences of a constricted marketplace.

As the crowd funding industry matures there may be a reasonable cause to distinguish the proof of Accredited Investor status should these investors be excluded from the category of "natural persons" and thereby released from the legislated investor yearly maxima.

CfIRA recognizes that recommendations for safe harbors were previously suggested in comment letters submitted by the Angel Capital Association (ACA) and others. We recommend the Commission consider including multiple examples in a final Rule in order to provide additional clarity and ensure robust participation for the crowd funding industry. We encourage and endorse taking advantage of existing resources, such as public data and minimum investment size as a presumption of accreditation.

The members of CFIRA remain available for further discussions relating to defining “reasonable steps” and we continue to be available to work with the Commission in developing industry standards and best practices that will balance the need for healthy ecosystem and capital formation, ensuring investor protection whenever possible.

We look forward to continued dialog between all parties as the rulemaking process progresses.

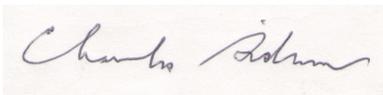
Respectfully,



Kim Wales, Founding Member, CFIRA



Scott Purcell, Founding Member, CFIRA



Charles Sidman, Founding Member, CFIRA



Luan Cox, Founding Member, CFIRA

CROWDFUND INTERMEDIARY REGULATORY ADVOCATES