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Ms. Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: Concept Release on Harmonization of Securities Offering Exemptions; File No. S7-08-19

Before we provide comments, we want to reflect our appreciation for the U.S. Securities and Exchange Commission (the "Commission") taking the time to solicit feedback from the various companies actively utilizing these regulations to provide economic value to both entrepreneurs and the large portion of the U.S. populace that, before the JOBS, had no regulatory framework through which to engage in private company investment.

We also appreciate the thoughtfulness and time put into thinking through some of the many unique cases and challenges that have come up in practical use since the regulations have moved from paper into real world application.

When my co-founders and I saw the potential of the Jobs Act, Title III, what most excited us was the ability to utilize the framework to allow for communities to invest in the small, local businesses that drive local economies and form the cornerstones of many main streets and neighborhoods. Historically, these brick and mortar businesses have had limited options in accessing capital from the private market, with venture capital and private equity investors forgoing them in favor of higher risk opportunities with 10-20x potential returns.

We built MainVest to allow for communities to make debt investments into small businesses raising capital to start, grow, and expand their ventures, driving impactful economic development gains on a hyperlocal level. Our platform has a few core differences to the market leaders, who in majority utilize the Jobs Act, Title III for equity raises (with one of the most common vehicle being some variation of the SAFE note, or, simple agreement for future equity).

The goal of our comments is to help further the dialogue on the differences between startup equity raises and debt raises and where we believe the regulations could be further improved to reflect the differences between these securities (e.g. risk profile, timeline to liquidity, historical financial requirements, etc.)

Again, we thank the Commission for the opportunity to be a part of the dialogue for what we believe is a regulatory framework providing a massive opportunity to level the playing field, narrow the wealth gap, and democratize opportunities for economic prosperity across our country.

Before a more detailed response to the questions asked by the Commission, we wanted to address additional major areas of potential improvement to the Regulation Crowdfunding exemption that we have found.

Differentiation between Debt and Equity
Small businesses that are raising debt capital to start or grow a brick and mortar business have a far different risk and potential return profile than a tech startup. For one, the majority of investment into these small businesses come from investors within a close geographic radius of the physical location of the entity. This social validation (being able to walk to the actual location you are investing in) provides a level of fraud prevention to which most digital-based equity crowdfunding opportunities don't have access to. Additionally, the structuring of debt investment vehicles create a clearer path to investment liquidity with repayments starting as the businesses generate revenue, rather than being triggered by a potential liquidity event. Finally, the onus and cost of some aspects of Regulation Crowdfunding diligence can be prohibitive to small business owners, limiting economic growth in local communities across America.

We ask the Commission to make an exemption for businesses that are issuing debt that is non-convertible and has a stipulated return ("Debt Issuers") in the following areas:

1) Remove the the CPA review/audit disclosure requirement. The CPA review/audit is much more applicable to equity issuers where historical financials and capitalization is a key area investors need to analyze. For Debt Issuers, projected revenue and operating cash flow are by far the more important components when making investment decisions. Since projections are not included in a CPA review/audit and since the cost is so high for an issuer, we would recommend to remove this disclosure requirement for Debt Issuers.
2) Remove the ongoing reporting requirements for any Debt Issuers that has made payments in a timeline manner.
3) IRR and APY: In the current framework, funding portals are not allowed to list IRR and APY for issuers. We do believe this is justified for equity investments, since any statement of IRR would be speculation at best, however for Debt Issuers where terms are stipulated, Funding Portals should be able to show potential IRR and/or APY with clearly stated calculations and risk disclosures.
    a) For example: MainVest frequently has Revenue Sharing Note ("RSN") debt offerings on our platform, which has a stipulated cap, revenue sharing percentage, and payment frequency. In addition, these issuers are required to show revenue projections to investors. By combining the RSN terms with revenue projections, we could easily calculate IRR and show this to investors

with proper disclosures. This would help investors make better decisions and compare investments within a platform and across multiple platforms.

4) Fees on repayments: We believe one of the important roles that intermediaries have in facilitating debt offerings is to process repayments on behalf of issuers. Additionally, we believe that Funding Portals should have the clear safe harbor to be compensated for providing these services, not as a primary profit center, but as a means to ensure the continuance of coverage for repayments. In the current framework, there is no clear rules allowing Funding Portals to charge modest fees for facilitating repayments throughout the life of a loan. As such, we ask the Commission to create a safe harbor to allow for Funding Portals to charge fees as a percentage of repayments throughout the life of a loan, as long as these fees are clearly disclosed and agreed to by investors prior to making the investment.

Clarification on Entities investing through Regulation Crowdfunding

Investment Funds, SPVs, etc. should be able to invest in regulation crowdfunding without the same caps and limitations duly imposed onto individual investors. We are currently unclear of the process and entity limits for Investment Funds to invest in regulation crowdfunding. Examples of relevant investment funds are entities like community banks, governmental economic development agencies, and community-driven non-profits looking for scalable ways to deploy capital towards economic development in their regions.

Since many of these entities are specifically established with the goal of deploying capital to entrepreneurs, we believe they should be able to invest in multiple offerings without a rolling 12 month investment cap/limitation.

Regulation D 506(c) offerings conducted by Funding Portals

Due to the investor limitations and complexities of Regulation Crowdfunding, many portals have allowed issuers to conduct side-by-side offerings that allow an issuer to perform a Regulation D 506(c) offering in tandem with its Regulation Crowdfunding offering. This is a great tool for issuers to have, however, for Funding Portals this creates a logistical paradox since Funding Portals are unable to accept transactional based income in 506(c) offerings. So unfortunately, for a Funding Portal to conduct a side-by-side offering and receive compensation, it must charge an up front fee, which does not work from a business standpoint, as issuers would be unwilling to pay it without knowing the outcome of the capital raise.

Since the disclosure requirements of a Regulation Crowdfunding offering are significantly higher than a 506(C) offering and Funding Portals are not allowed to recommend investments, we see no practical reason that a Funding Portal should not be allowed to charge transactional based income in 506(c) offerings.

Therefore, we recommend that an exemption be made to allow Funding Portals to charge Transactional Based Income on a 506(c) offering if they are also conducting a Regulation Crowdfunding offering side-by-side.

Investing in Regulation Crowdfunding with credit cards

While we note that in the Final Rules on Regulation Crowdfunding it is stated that intermediaries can choose to allow certain payment methods, including credit cards, at their discretion. We would like to bring this matter to the Commission's attention once again. We note by allowing credit cards in investing it encourages unnecessary risk taking and will likely lead to investor losses significantly beyond their initial investment. It is our belief that investors should only be able to invest in Regulation Crowdfunding investments with money they currently have, rather than by borrowed money from credit card companies with 20%+ interest rates. In the interest of investor protection, we would advocate to revise current regulations to prevent utilization of credit cards or other forms of credit as a capital source for investment.

Other Recommendations

In addition to the above areas of recommendations, please also consider our responses to the Commission's questions as outlined in Appendices B & C and summarized in Appendix A. The recommendations contained in this executive summary are not intended to outweigh the recommendations in Appendices B & C and we note that all recommendations should be considered in context together.

Conclusion

Working with small business owners and empowering them to access capital through Regulation Crowdfunding has been an incredible and eye-opening opportunity. We are passionate about creating economic opportunities in communities across the United States and are confident that these regulations are a powerful tool for economic growth. However, within the past year of MainVest's operations, we have uncovered opportunities for improvement within the regulatory framework to better meet the needs of both investors and business owners, especially at a hyperlocal level. We hope that our unique perspective provides valuable insight on these important matters and thank you again for taking the time to solicit feedback from companies utilizing this new framework. Please contact the undersigned at (978) 572-0719 or by email at info@mainvest.com if you have any questions or comments regarding this letter.

Sincerely,

Nicholas Mathews

Nicholas Mathews
Co-Founder and CEO
MainVest, Inc.

Benjamin Blieden

Benjamin Blieden, CFA
Co-Founder and CFO
MainVest, Inc.

Appendix A: Summary of Recommendations

Category	Recommendation	Reference	Purview for Change
Differentiation between Debt and Equity	Create an exemption for Debt Issuers that differentiates between issuers offering non-convertible debt securities and equity. Exemption includes: 1. Remove CPA review/audit requirement for Debt Issuers. 2. Remove ongoing reporting requirement for Debt Issuers (subject to limitations). 3. Allow for Funding Portals to show IRR/APY calculations for debt securities with proper disclosures. 4. Create a safe harbor allowing Funding Portals to charge modest repayment fees throughout the life of a loan.	Executive Summary, Question 79 in Appendix B and Appendix C	SEC General Exemptive Authority
Update Issuer Offering Limits	1. The maximum rolling 12 month limitation on capital raised by issuers through Regulation Crowdfunding should be raised from \$1,070,000 to \$5,000,000. 2. The financial review requirement should be changed from the current limit of \$107,000 to a new limit of \$500,000, reducing burden on smaller companies where the cost of a third party financial review exceeds the value it provides. 3. The financial audit requirement should only apply to companies that have already raised \$500,000 or more through Regulation Crowdfunding and are attempting to do another raise.	Question 82 in Appendix B	SEC General Exemptive Authority
Adjust CPA review/audit thresholds	1) For companies with greater than 1 year of operations: do not require CPA reviews for issuers who are raising less than \$500,000.	Question 86 in Appendix B	SEC General Exemptive Authority

	2) For companies that are pre-revenue and have less than 1-year since incorporating, do not require a CPA review. For these companies, investors make their investment decisions more so on projections and less so on historical financials. In most cases, adding the CPA review to the upfront costs, provides almost no value to investors and adds an often prohibitive cost to entrepreneurs. 3) Remove the CPA review/audit requirement for Debt Issuers as addressed in our section Differentiation between Debt and Equity in the executive summary. 4) For companies raising under the “CPA review limits”, do not require accounting statements to comply with US GAAP. As mentioned above, the cost of a compilation is almost as expensive as a review, and without paying for a compilation a small business has no way of truly complying with the rigorous accounting standards required by US GAAP. a) In the case of not requiring US GAAP, we would recommend requiring an explanation of accounting method utilized by the issuer (e.g. “Our financial statement reports are generated by QuickBooks and are on a Cash Basis”). b) Additionally, for these issuers, we would recommend to not require (1) the Statement of Changes in Ownership Equity or (2) the Notes to Financial Statements. These reports are not standard outputs in accounting software and provide little extra value for analyzing small businesses. Further we note these		

	items can be best addressed in the Financial Condition section.		
Update Investor Limits	1.) The maximum individual investor limit should be raised to $250,000 for any investor that meets that criteria, including accredited investors. 2.) The inflection point in which the individual investor cap moves from 5% (of net worth/income) to 10% should be removed, replaced with a flat 10%. 3.) The calculation for qualifying individual investor cap should move to 10% of income OR net worth, not the lesser of the two. We believe that mirroring the logic previously defined for investor accreditation creates clarity for all investors and gives more middle class Americans access to investment opportunities previously limited only to high net worth individuals, as aligned with the spirit of the regulations.	Question 87 in Appendix B	SEC General Exemptive Authority
Side-by-side offerings	Create an exemption to allow Funding Portals to charge Transactional Based Income on a 506(c) offering if they are also conducting a Regulation Crowdfunding offering side-by-side for that issuer.	Executive Summary	SEC General Exemptive Authority
On “Testing the Waters”	1.) We believe that businesses should be able to engage in general solicitation and advertising prior to the filing of a Form C, but that some limitations need to be in place to ensure adequate investor protection. 2.) Communication limitations should be oriented around “testing the waters” and better understanding market needs.	Question 88 in Appendix B	SEC General Exemptive Authority
Off-platform Communication	1.) Issuers should be able to engage with potential investors off-platform, including term-based communications, provided that:	Question 89 in Appendix B	SEC General Exemptive Authority

	a.) No material information, beyond that which is provided on the offering page, divulged to any subset of potential investors. b.) No misleading or exaggerated statements are communicated or divulged to any subset of potential investors. 2.) If any material information that is otherwise divulged in private is communicated, the issuer should have to file a Form C/A and notify potential investors.		
Section 12(g) limitations	We believe that small businesses should not be constrained by the Section 12(g) requirements and that the exemption for Regulation Crowdfunding issuers should either be increased or lifted altogether until other thresholds have been exceeded.	Question 90 in Appendix B	Legislative
SPV and Entity Limitations	We recommend to remove the SPV limitation and allow companies to utilize SPVs in their Regulation Crowdfunding raises, so long as they are adequately communicating dilution implications and voting rights due to the structuring of the SPVs. Additionally, Investment Funds should be able to invest in regulation crowdfunding without the same caps and limitations duly imposed onto individual investors.	Question 85 in Appendix B	Legislative
On Investing with Credit	In the interest of investor protection, we would advocate to revise current regulations to prevent utilization of credit cards or other forms of credit as a capital source for investment.	Executive Summary	Legislative
On Exemptive Authority vs. Legislative Needs	In utilizing the Section 28 Exemptive Authority, the Commission has the ability to look back on Regulation Crowdfunding and make educated changes to the regulations that will have important	Question 92 in Appendix B	Null

	impacts on capital formation and investor protection.		

Appendix B: Responses to Questions on Regulation Crowdfunding

Question 79: *Do the requirements of Regulation Crowdfunding appropriately address capital formation and investor protection considerations? Do the costs associated with conducting a Regulation Crowdfunding offering dissuade issuers from relying on the exemption? If so, can we alleviate burdens in the rules or reduce costs for issuers while still providing adequate investor protection? For example, should we simplify any of the disclosure requirements for issuers in small offerings under Regulation Crowdfunding? For example, as recommended by the 2017 and 2018 Small Business Forums, for offerings under $250,000, should we limit the ongoing reporting obligations to actual investors (rather than the general public) and scale the disclosure requirements to reduce costs? Alternatively, as recommended by the 2016 Small Business Forum, should we allow issuers to provide reviewed rather than audited financial statements in subsequent offerings unless audited financial statements are available? How would such changes affect capital formation and investor protection? How would changes to the requirements affect issuer interest in the exemption and investor demand for securities offered under Regulation Crowdfunding? Would legislative changes be necessary or beneficial to make such changes?*

MainVest Response: From our experience in facilitating Regulation Crowdfunding offerings, as well as conducting significant research on Regulation Crowdfunding offerings, as compared to securities regulations for other exemptions, we have found that the requirements meet and exceed an appropriate level of capital formation and investor protection considerations. Where applicable, various changes should be made to alleviate the burden of conducting a Regulation Crowdfunding raise while maintaining an appropriate level of investor protection.

The costs of conducting a regulation crowdfunding raise, in its current form, often inhibit an entrepreneur to use this method for raising capital. As a result, most entrepreneurs will likely go through more traditional private placements. For those entrepreneurs with a less wealthy network, they are specifically disadvantaged and need to be able to access a wider net of capital. Regulation Crowdfunding, in theory, is a powerful method of solving this challenge, however, due to the considerable costs, these entrepreneurs face a significantly higher cost of capital than otherwise should be necessary.

The biggest challenge has been for small business owners who are using Regulation Crowdfunding as a means to raise debt capital (e.g. Revenue Sharing Notes or term loans). Debt issuers should not have the same ongoing reporting requirements, specifically, if they have already started repayments on loans or are not in default. We understand that ongoing reporting requirements may be necessary for equity holders, since they are not provided with any short term liquidity or cash flow from the investment. However, it is our opinion that debt holders who are still in good standing with their investors should not have the same requirements to provide annual updates to investors. Further, debt issuers should not have the same requirements for CPA review or that requirement should be extended for all issuers up until a higher limit. Please see our response on Question 86 in regards to increased limits for the CPA review overall. However, if the commission finds it is unable to increase the thresholds on the CPA reviews/audits, we would recommend it to consider separating these requirements for debt issuers.

Question 80: *Should we retain Regulation Crowdfunding as it is?*

MainVest Response: Regulation Crowdfunding has shown to be an incredible tool that increases access to capital for small businesses and startups and opened up the potential for VC-level returns for retail investors. However, it is our opinion that, after many learnings of these new laws, the Commission and Congress should take certain steps to improve Regulation Crowdfunding and ultimately help American businesses. Please see Appendix A for our summary of recommendations, prefixing our direct comments on questions.

Question 81: *Are there any data available that show fraudulent activity in connection with offerings under Regulation Crowdfunding? If so, what are the causes or explanations and what should we do to address them?*

MainVest Response: We are not aware of any fraudulent activity in the Regulation Crowdfunding space that led to investor losses. We note several instances of potential misconduct that were identified in the June 2019 Report on Regulation Crowdfunding. We believe the current framework for the Bad Actor disqualification, overall disclosure requirements, and risk disclosures to potential investors has deterred potential fraudulent activity adequately. Additionally, having regulated intermediaries to act as the gatekeepers of Regulation Crowdfunding has shown to be a success to deter fraud, as these intermediaries are well aligned to act in their own self interest to avoid the potential for any fraud on their platforms.

Question 82: *Should we increase the $1.07 million offering limit? If so, what limit is appropriate? For example, should we, as recommended by the 2017 Small Business Forum and the 2017 Treasury Report, consider increasing the offering limit to $5 million? What are the appropriate considerations for a maximum offering size? Should additional investor protections and/or disclosure requirements depend on the size of the offering? If the individual investment limits are preserved as they currently exist, will there be adequate investor demand to justify an increase in the offering limit, or would an increase in the individual investment limits also be required? Would legislative changes be necessary or beneficial to increase the offering limit?*

MainVest Answer: Businesses in 2019 and beyond will need an increasing amount of capital in order to achieve milestones and secure additional capital. As technology becomes more complex, salaries for technical workers become higher, and regulatory landscapes become more complex, $1.07 million will not be enough for many ventures to achieve milestones and move forward. This is evident in many studies including TechCrunch's study[1] showing the average seed round has increased from $1.3 million in 2010 to $5.6 million in 2018. By keeping the maximum static, we are accomplishing two misdeeds: (1) companies cannot raise enough capital to hit these important milestones and as a result are less likely to succeed and (2) companies with a higher probability of success avoid Regulation Crowdfunding creating a suboptimal investment opportunity pool for non-accredited investors.

WIth all of the many disclosures required by Regulation Crowdfunding, increasing the maximum raise to $5 million is a reasonable target and Regulation Crowdfunding will start seeing more established companies using its exemption. The financial review should be required for any company raising between $500,000 and $5 million and the audit requirement should only apply to companies that have already raised at least $500,000 using Regulation Crowdfunding who are then doing an additional raise. The investor limits need to be simplified and increased in order to achieve these targets.

With the goal of empowering issuers to raise capital targets that enable them to succeed in an increasingly complex economic environment, our recommendation is as follows:

1.) The maximum rolling 12 month limitation on capital raised by issuers through Regulation Crowdfunding should be raised from $1,070,000 to $5,000,000.
2.) The financial review requirement should be changed from the current limit of $107,000 to a new limit of $500,000, reducing burden on smaller companies where the cost of a third party financial review exceeds the value of the additional capital being raised.
3.) The financial audit requirement should only apply to companies that have already raised $500,000 or more through Regulation Crowdfunding and are attempting to do another raise.

Question 83: *If we were to increase the offering limit, would Regulation Crowdfunding overlap with Rule 504 of Regulation D or with Regulation A? If there is overlap, should we still retain the overlapping exemptions? How could we rationalize and streamline these offering exemptions?*

Answer: Given the significantly higher limits on Regulation A, we do not believe this would cause concern for redundancy and confusion within the exemptions. Regulation Crowdfunding

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[1] https://techcrunch.com/2019/04/25/a-quick-look-at-how-fast-series-a-and-seed-rounds-have-ballooned-in-recent-years-fueled-by-top-investors/

and Regulation A will still have their seperate places. Given that Regulation D cannot accept accredited investors in the same manner as Regulation Crowdfunding, we also believe Regulation D would still be required as a separate exemption. Our hope would be that as more companies use Regulation Crowdfunding over Regulation D 503(c), regulators may be able to converge the exemptions and move towards a single solution for conducting seed-level capital raises online. However, for the time being we do not believe there to be an unnecessary overlap in the exemptions.

Question 84: *Should we modify the eligibility requirements for issuers or securities offered under Regulation Crowdfunding? Should we extend the eligibility for Regulation Crowdfunding to Canadian issuers or all foreign issuers? Should the eligibility requirements for Regulation Crowdfunding mirror the Regulation A eligibility requirements? For example, should we exclude issuers subject to a Section 12(j) order? Should we amend the types of securities eligible under Regulation Crowdfunding? Should we extend the eligibility for Regulation Crowdfunding to issuers subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act? Are there other eligibility limitations we should consider? Would legislative changes be necessary or beneficial to make such changes?*

MainVest response: Simply put, we believe the eligibility requirements for Regulation Crowdfunding have satisfied the spirit of the regulations and have not either put investors at unnecessary risk or stifled capital formation. Therefore, we do not believe any changes to eligibility need to be made at this time.

Question 85: *Should we, as recommended by prior Small Business Forums, permit issuers to offer securities through SPVs under Regulation Crowdfunding? If so, are there additional requirements that would be appropriate to ensure investor protection? Would legislative changes be necessary or beneficial to make such changes? Are there other ways we should modify our regulations to allow investors to invest in pooled crowdfunding vehicles that are advised by a registered investment adviser?*

MainVest Response: In our experience, as a company that has raised angel capital and subsequently secured venture capital for our firm, as well as our experience in working with issuers hoping to do equity raises through Regulation Crowdfunding, companies should have the ability to raise capital through an SPV in order to be able to sustainably manage their cap table and secure future capital. We recommend to remove this limitation and allow companies to utilize SPVs in their Regulation Crowdfunding raises, so long as they are adequately communicating dilution implications and voting rights due to the structuring of the SPVs.

Question 86: *Should we revise the rules that require issuers to provide reviewed or audited financial statements? If so, how? At what level should issuers be required to provide reviewed* *or audited financial statements? For example, if we were to increase the offering limit, should reviewed financial statements only be required for offerings over $1 million and audited financial statements only be required for offerings over another higher limit, such as the Regulation A Tier 1 limit? Would legislative changes be necessary or beneficial to make such changes?*

MainVest Response: In our time as a Funding Portal we have had the pleasure of meeting with hundreds of small business owners. In that time, we have not once had exposure to a company that was seaking under $1 million of funding and had a CPA review or audit for other purposes. Furthermore, from our experience, the up front cost of a CPA review has been the largest driver of companies not wanting to use Regulation Crowdfunding.

Additionally, we have interviewed dozens of CPA firms and found that the average cost of reviewing a company that has two years of financial history is at least $6,000. These CPA firms have even gone on to say that the cost of the review (or even a true compilation), under current US GAAP, is almost as costly as an audit. For a company with no history, this quote (from many CPA firms) has been in the $1,500 to $2,500 range. Furthermore, a company with no operating history simply does not have historical financial information that can be reviewed. Issuers on our platform unfortunately are required to get CPA reviews of a balance sheet with almost no zeros. This adds practically no value to investor protections and significantly increases up-front costs to companies. However, we do understand the importance of the CPA review for companies who are raising a more significant amount of money.

From a cost benefit analysis, our recommendation is as follows:

1.) For companies with greater than 1 year of operations: do not require CPA reviews for issuers who are raising less than $500,000.
2.) For companies that are pre-revenue and have less than 1-year since incorporating, do not require a CPA review. For these companies, investors make their investment decisions with more weight placed on projections and less weight on historical financials. In most cases, adding the CPA review to the upfront costs, provides almost no value to investors and adds an often prohibitive cost to entrepreneurs.
3.) Remove the CPA review/audit requirement for Debt Issuers as addressed in our section Differentiation between Debt and Equity in the executive summary.
4.) For companies raising under the “CPA review limits”, do not require accounting statements to comply with US GAAP. As mentioned above, the cost of a compilation is almost as expensive as a review, and without paying for a compilation a small business has no way of truly complying with the rigorous accounting standards required by US GAAP.

A.) In the case of not requiring US GAAP, we would recommend requiring an explanation of accounting method utilized by the issuer (e.g. “Our financial statement reports are generated by QuickBooks and are on a Cash Basis”).
B.)Additionally, for these issuers, we would recommend to not require (1) the Statement of Changes in Ownership Equity or (2) the Notes to Financial Statements. These reports are not standard outputs in accounting software and provide little extra value for analyzing small businesses. Further we note these items can be best addressed in the Financial Condition section of the Form C.

Question 87: *As generally recommended by the 2015, 2017, and 2018 Small Business Forums and the 2017 Treasury Report, should we eliminate, increase, or otherwise amend the individual investment limits? If we should change the investment limits, what limits are appropriate and why? Should we require verification of income or net worth for larger investments, such as $25,000 and higher? Should certain investors be subject to higher limits or exempt from the limits altogether? For example, should accredited investors be exempt from the investment limits or should accredited investors be subject to higher limits? If accredited investors are subject to higher investment limits or exempt from investment limits, should we require verification of accredited investor status? Should we make changes to rationalize the investment limits for entities by entity type, not income? If investment limits are raised to allow an offering to be successful with fewer investors, would such a change have an effect on the use of the exemption? Would legislative changes be necessary or beneficial to make such changes? The 2017 Treasury Report and the 2015 Small Business Forum recommended basing investment limits on the greater of an investor’s annual income or net worth rather than the lesser, to increase the amount that individual investors are permitted to invest. See 2017 Treasury Report; 2015 Forum Report.*

MainVest Response: Firstly, we would like to say that we believe individual investor limits are integral to maintaining an equitable market that protects individuals from potential investment mistakes that could drastically affect their livelihood. In other sections of this response, we highlight one of our biggest concerns within the current regulatory framework that we believe poses a much higher risk than removing individual investor limits; the ability to invest via credit card.

Regarding investor limitations, the biggest feedback we’ve gotten from investors on our platform is confusion around the calculations, especially for accredited investors. Additionally, non-accredited investors with high net worth, but who have elected jobs with potentially lower incomes (examples including start-up founders, non-profit workers, state employees) are disproportionately prohibited from investing and supporting ventures through Regulation Crowdfunding.

From a goal of creating an equitable and easily understandable framework for investor protections, our recommendations are as follows:

1.) The max individual investor limit should be raised to $250,000 for any investor that meets that criteria, including accredited investors.
2.) The inflection point in which the individual investor cap moves from 5% (of net worth/income) to 10% should be removed, replaced with a flat 10%.
3.) The calculation for qualifying individual investor cap should move to 10% of income OR net worth, not the lesser of the two. We believe that mirroring the logic previously defined for investor accreditation creates clarity for all investors and gives more middle class Americans access to investment opportunities previously limited only to high net worth individuals, as aligned with the spirit of the regulations.

Question 88*: As generally recommended by the 2016 and 2017 Small Business Forums, should we allow issuers to test the waters or engage in general solicitation and advertising prior to filing a Form C? If so, should we impose any limitations on such communications to ensure adequate investor protection? Would legislative changes be necessary or beneficial to make such changes?*

MainVest Response: Working specifically with small businesses who take the majority of their investment from people in their geographic and socioeconomic circles, this issue is one that has come up with more and more prevalence as our platform expands. The primary motivation for businesses to “test the waters” hasn’t been for general solicitation purposes, but sensibly to be able to go to friends, family, and community and assess the markets appetite and valuing of their business.

From a goal of empowering issuers to gauge community interest and price their securities based on input and feedback from the market (avoiding a potentially costly unsuccessful fundraise from lack of interest or a mispriced security) our recommendations are as follows:

1.) We believe that businesses should be able to engage in general solicitation and advertising prior to the filing of a Form C, but that some limitations need to be in place to ensure adequate investor protection.
2.) Communication limitations should be oriented around “testing the waters” and better understanding market needs.

Question 89*: As recommended by the 2018 Small Business Forum, should we allow for more communication about the offering outside of the funding portal’s platform channels? If so, what* *would be the benefits of allowing more communications? Would there be investor protection concerns? Are there limitations we should impose on those communications?*

MainVest Response: From a practical standpoint, we believe that communication about the offering outside of the Funding Portal's channels should be allowed. Specifically, in situations where businesses are brick and mortar locations creating value in their communities, the current framework creates situations in which customers will enter an issuer's place of business asking about their offering, putting small business issuers in uncomfortable positions, since they cannot engage in discussions about their offering. For businesses with physical locations where the majority of their investment is coming from a community geographically relevant to that location, these personal conversations are inevitable and the regulations shouldn't prohibit off-platform discussion.

From a goal of empowering issuers to engage with their local communities during their offering period, our recommendations are as follows:

3.) Issuers should be able to engage with potential investors off-platform, including term-based communications, provided that:
    a.) No material information, beyond that which is provided on the offering page, divulged to any subset of potential investors.
    b.) No misleading or exaggerated statements are communicated or divulged to any subset of potential investors.
4.) If any material information that is otherwise divulged in private is communicated, the issuer should have to file a Form C/A and notify potential investors.

Question 90: *Should the Section 12(g) exemption for securities issued in reliance on Regulation Crowdfunding be modified? For example, should it be revised to follow the Section 12(g) exemption for Regulation A Tier 2 securities?*

MainVest Answer: We believe that small businesses should not be constrained by the Section 12(g) requirements and that the exemption for Regulation Crowdfunding issuers should either be increased or lifted altogether until other thresholds have been exceeded.

Question 91: *Do the costs associated with facilitating offerings under Regulation Crowdfunding or operating as a Crowdfunding intermediary dissuade intermediaries from facilitating offerings under the exemption? If so, should we modify the requirements to alleviate burdens or reduce costs for crowdfunding intermediaries while still providing adequate investor protection? If so, which ones and how? Should we modify any of the requirements regarding crowdfunding intermediaries to better meet the needs of issuers and investors? If so, which ones and how? For example, as recommended by the 2017 and 2018 Small Business Forums, should we allow* *intermediaries to receive as compensation securities of the issuer having different terms than the securities of the issuer received by investors in the offering; or to co-invest in the offerings they facilitate? In addition, as recommended by the 2018 Small Business Forum, should we clarify the ability of funding portals to participate in Regulation A and Rule 506 offerings? Would legislative changes be necessary or beneficial to make such changes?*

MainVest Response: It is our belief that the costs associated with facilitating Regulation Crowdfunding offerings can be high, but the major ones are necessary to a healthy Regulation Crowdfunding ecosystem (e.g. Bad Actor Checks and Escrow). Further, we do think it would pose a conflict of interest and insert further confusion into these offerings, to allow intermediaries to accept compensation in the form of other securities or to co-invest in the offerings.

Question 92: *To the extent not already addressed in the questions above, would legislative changes be necessary or beneficial to address any recommended changes to Regulation Crowdfunding? Alternatively, should we consider using our exemptive authority under Section 28 of the Securities Act to adopt an alternative exemption for crowdfunding offerings to complement Section 4(a)(6)? If so, how should we structure the exemption to facilitate capital formation while still ensuring adequate investor protection? Is there anything else we should do to reduce the accounting, legal, and other inelastic costs associated with Regulation Crowdfunding?*

MainVest Response: The General Exemptive Authority of the commission is an important tool that allows the Commission to make exemptions that benefit the public interest and stay consistent with investor protections. In the spirit of the regulations, we believe that many of the recommendations contained herein should be modified using Section 28 Exemptive Authority.

Many of the aspects of Regulation Crowdfunding were intended to protect non-accredited investors and have unfortunately been at the cost of capital formation and entrepreneurial success. Additionally, these aspects have adversely resulted in non-accredited investors having access to less potential investment opportunities they otherwise could. In utilizing the Section 28 Exemptive Authority, the Commission has the ability to look back on Regulation Crowdfunding and make educated changes to the laws that will have important impacts on capital formation and investor protection. Please refer to our summary of recommendations section prefixing our responses to questions, which includes our comments on which changes should be made under Section 28 and which should be legislative in nature.

Appendix C: Responses to Questions on Micro-offerings

Question 93: *Should we add a micro-offering or micro-loan exemption? If so, please describe the parameters of such a potential exemption. In suggesting parameters, consider how the small offering size should affect the potential requirements.*

MainVest Response: As discussed in our executive summary, we note the important differences between issuers who offer debt securities and those who offer equity securities. We believe creating an exemption within Regulation Crowdfunding for Debt Issuers will alleviate capital markets to facilitate better access to capital for small businesses without compromising additional risk to investors. Please see our section titled *Differentiation between Debt and Equity* in the executive summary for more details on our recommendations for creating this exemption.

Question 94: *Should there be limits on the types of securities that may be offered under such an exemption? For example, should the exemption be limited to debt securities? Are there inherent differences in debt offerings, such as the general liquidation preference of debt holders, which would protect investors in these types of offerings? Does the inclusion of equity or other types of securities in this type of offering raise concerns for investors or does it expand investor options in a way that would benefit them?*

MainVest Response: We believe that Regulation Crowdfunding (with our proposed recommendations) along with other securities exemptions, adequately cover equity and other securities exemptions. It is our belief that issuers of debt should not be constrained by the same disclosure requirements as SAFEs, token offerings, convertible instruments, or standard equity instruments. Since debt has a stipulated return element with full liquidation preference of principal and that companies that issue debt securities generally have inherently different risk profiles, these issuers are substantially different in nature.

Question 95: *What would be the appropriate aggregate offering limit for such an exemption? For example, would $250,000 or $500,000 in a 12-month period be appropriate? Would 471 See 2012 Forum Report. 472 See 2017 Forum Report; 2018 Forum Report. 157 another limit be appropriate? What are the appropriate considerations for the offering limit?*

MainVest Response: Based on our experience of working with different issuers in different industries, we do not recommend adding a cap to this exemption above the Regulation Crowdfunding cap. From our experience, issuers will not opt to raise significantly more debt capital than they otherwise need, since issuers are aware of the implications of principal and debt repayments. This is in contrast to equity, where issuers are primarily only giving up dilution, which will not have an immediate impact on cash flow after the raise is complete. Additionally, we understand that different small businesses will need different levels of capital and, therefore, should not be constrained by any limits other than Regulation Crowdfunding. Additionally, we note that the maximum loan amount in the Small Business Administration 7(A) loan program[2], which includes loans for new businesses and expansion projects, is $5 million. We believe that our prior recommendation to increase the Regulation Crowdfunding limit to $5 million and the specific Debt Issuer exemptions to that amount will minimize confusion on the regulations and significantly improve small business access to capital.

Question 96: *What type of investor protections should be required? For example, should investors be limited on how much they can invest in any one offering? If so, what should the limit be? Are there other protections we should consider? Should there be investor requirements, such as a financial sophistication requirement?*

MainVest Response: We believe that the same protections should exist for debt offerings as in Regulation Crowdfunding, except those previously addressed in our section titled Differentiation between Debt and Equity in the executive summary.

Question 97: *Should the issuer be prohibited from engaging in general solicitation or advertising to market the securities?*

MainVest Response: We believe that the same rules for general solicitation and advertising should exist for debt offerings as in Regulation Crowdfunding. This is important to creating streamlined rules that can be utilized and understood by all small business owners and entrepreneurs.

Question 98: *Should there be disclosure requirements or notice filing requirements?*

MainVest Response: As discussed in our section titled Differentiation between Debt and Equity in the executive summary, we believe that Debt Issuers should be subject to the Form C disclosures and related notice filings with certain exemptions specific to Debt Issuers.

Question 99: *Should we require the offering to take place through a registered intermediary, such as broker-dealer or funding portal?*

MainVest Response: We believe the exemption for debt offerings for private businesses should be under Regulation Crowdfunding and, therefore, take place through a broker-dealer or funding portal. Having these offerings take place through a registered intermediary creates a clear lane for regulatory compliance and accountability and reduces the overall burden on regulatory

[2] https://www.sba.gov/sites/default/files/articles/Loan_Chart_HQ_February_2017_Version_B.pdf

oversight and enforcement. It also provides a clear framework on a federal level to ensure investor protections, consistency, and accelerated economic development aligned with the spirit of the regulations.

Question 100: *Should the securities issued under the exemption contain resale restrictions? If so, what resale restrictions are appropriate? Should the securities be deemed "restricted securities" under Rule 144(a)(3) (similar to securities acquired from the issuer that are subject to the resale limitations of Rule 502(d)) or have a 12-month resale restriction (similar to Regulation Crowdfunding)?*

MainVest Response: We believe the exemption for debt offerings for private businesses should include the same resale restrictions as outlined in Regulation Crowdfunding.

Question 101: *Should the securities sold in the transaction be considered a "covered security" such that the issuer would not be required to register or qualify the offering with state securities regulators?*

MainVest Response: We believe the exemption for debt offerings for private businesses qualify as covered securities in the same manner as outlined in Regulation Crowdfunding.

Question 102: *Should there be issuer eligibility requirements, such as bad actor disqualification provisions or exclusion of investment companies or non-U.S. issuers?*

MainVest Response: We believe the exemption for debt offerings for private businesses should include the same eligibility requirements as outlined in Regulation Crowdfunding.

Question 103: *Are there other perceived gaps in the current exempt offering framework that we should address? If so, why are the existing exemptions from registration inadequate? For example, are the existing exemptions unavailable due to the nature of the securities being offered or characteristics of the issuer? Or are the existing exemptions not feasible or attractive to issuers due to compliance costs or similar concerns? Are regulatory changes needed in light of the geographic concentration of certain types of offerings?*

MainVest Response: We believe there is a gap in the current offering exemption framework and that by distinguishing between debt issuers and equity issuers, the Commission can best address access to capital challenges for small businesses. The primary cost to Regulation Crowdfunding issuers is by far the CPA review requirement. By eliminating this requirement for debt issuers, accessing capital through Regulation Crowdfunding will become significantly more feasible for a significant number of small business, which will ultimately level the playing field for these issuers and allow investors to diversify their investment portfolio into local investment opportunities. We believe these changes can be made under the Commission's General Exemptive Authority rule of Section 28.