January 30, 2014

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549-1090

Re: File No. S7-09-13

Dear Ms. Murphy,

Return on Change ("RoC" or "we") appreciates the opportunity to comment in response to the Commission's proposals for Regulation Crowdfunding. Return on Change is a crowdinvesting platform for companies in the cleantech, life sciences, edtech, technology, and social enterprise industries. RoC has long advocated alternative financing strategies while actively promoting regulatory compliance among founders of innovative businesses. It is with the mutual goals of facilitating capital formation and ensuring investor protection that we submit this comment letter for review.

After careful examination of the proposals, we would like to thank the Commission for creating a flexible and progressive framework from which this exciting new industry can emerge. We have responded to several questions posed in the proposed rules that pertain to issuer disclosure, investment limitations, and intermediary responsibilities. We respectfully submit the comments below in hopes of creating an environment optimally prepared to foster entrepreneurial growth as well as a regulatory terrain that both intermediaries and startups can navigate with efficiency and prudence.

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Request for Comment

Question 1. Should we propose that the $1 million limit be net of fees charged by the intermediary to host the offering on the intermediary's platform? Why or why not? If so, are there other fees that we should allow issuers to exclude when determining the amount to be raised and whether the issuer has reached the $1 million limit?

Response: The $1 million limit should be net of fees charged by the intermediary to host the offering on the intermediary's platform. It is common practice to include transactional costs within use of funds during a capital raise for a company. The lower threshold of $1 million creates unnecessary friction for a small issuer, and as such all intermediary costs should be excluded from the $1 million limit. Furthermore, transaction costs associated with the capital raise (accounting, legal, reporting, etc.) should not be included within the $1 million cap. For the sake of clarity, to the extent that transaction costs would be 10% of a $1 million capital raise, total amounts permitted under the crowdfunding exemption in any given 12 months should be $1.1 million.

Question 2. As described above, we believe that issuers should not have to consider the amounts raised in offerings made pursuant to other exemptions when determining the amount sold during the preceding 12-month period for purposes of the $1 million limit in Section 4(a)(6). Should we require that certain exempt offerings be included in the calculation of the $1 million limit? If so, which types of offerings and why? If not, why not? As noted above, at this time the Commission is not proposing to consider the amounts raised in non-securities-based crowdfunding efforts in calculating the $1 million limit in Section 4(a)(6). Should the Commission propose to require that amounts raised in non-securities-based crowdfunding efforts be included in the calculation of the $1 million limit? Why or why not?

Response: No other exempt offerings should be included within the calculation of the $1 million limit. The crowdfunding exemption should be considered and treated as an independent, exempt offering that is not in conjunction with any other offering. Non-securities-based crowdfunding efforts are unrelated to the securities that an issuer would be offering and should not be included in the calculation of the $1 million limit. Non-securities-based crowdfunding does not stipulate any promise of economic return and should be considered as a donation activity, which is entirely unregulated.

Question 3. As described above, we believe that offerings made in reliance on Section 4(a)(6) should not necessarily be integrated with other exempt offerings if the conditions to the applicable exemptions are met. How would an alternative interpretation affect the utility of crowdfunding as a capital raising mechanism? Are there circumstances under which other exempt offers should be integrated with an offer made in reliance on Section 4(a)(6)? If so, what are those circumstances? Should we prohibit an issuer from concurrently offering securities in reliance on Section 4(a)(6) and another exemption? Why or why not? Should we prohibit an issuer from offering securities in reliance on Section 4(a)(6) within a specified period of time after or concurrently with a Rule 506(c) offering under Regulation D involving general solicitation? Why or why not? Should we prohibit an issuer from using general solicitation or general advertising under Rule 506(c) in a manner that is intended, or could reasonably be expected, to condition the market for a Section 4(a)(6) offering or generate referrals to a crowdfunding intermediary? Why or why not? Should issuers that began an offering under Section 4(a)(6) be permitted to convert the offering to a Rule 506(c) offering? Why or why not?

Response: Offerings made in reliance on Section 4(a)(6) should be designed to provide startups and small businesses access to capital where traditional sources have failed. The true goal is to support further economic prosperity and job creation and to decrease the friction of capital formation for these types of businesses. While the effort is to create a prudent marketplace for both issuers and

investors, increasing restrictions around other exemptions compromises the spirit of creating an effective framework for the Section 4(a)(6) exemption. Regulation crowdfunding should enable additional capital raising methodologies instead of preventing issuers from utilizing tried and true exemptions.

Rule 506(c) offerings and offering securities in reliance on Section 4(a)(6) are distinctly different in their purpose and intent, and their concurrent execution should not be prohibited in any shape or form. Securities offered in reliance on Section 4(a)(6) are open to the general public with investment limitations based on personal income or net worth, while Rule 506(c) offerings are reserved exclusively for accredited investors. Additionally, Rule 506(c) offerings feature heightened standards for accredited investor verification that provide sufficient investor protection. Although both offering types permit advertising, the verification standards as well as investment thresholds of Rule 506(c) and Section 4(a)(6) are distinctly different and should be regarded as such.

Securities offering under Section 4(a)(6) should be permitted to convert the offering to a Rule 506(c) offering. There are no additional disclosure requirements that would be in question for a conversion of this kind.

Question 5. Under the proposed rules, the definition of issuer would include any predecessor of the issuer. Is this approach appropriate? Why or why not? Should an issuer aggregate amounts sold by an affiliate of the issuer when determining the aggregate amount sold in reliance on Section 4(a)(6) during the preceding 12-month period? Why or why not? If so, how should we define affiliate?

Response: The affiliate and/or predecessor of an issuer need to be clearly defined. Oftentimes small businesses expand and/or relocate due to unforeseen circumstances and may require additional capital raising efforts relying on Section 4(a)(6). Definition of an affiliate should exclude substantial changes in control of the business, material change or transfer of intellectual property, material change in business operations and/or location, and distinct discontinuity in financial statements of the company.

Question 6. While we acknowledge that there is ambiguity in the statutory language and there is some comment regarding a contrary reading, we believe that the appropriate approach to the investment limitations in Section 4(a)(6)(B) is to provide for an overall investment limit of $100,000 and, within that limit, to provide for a "greater of" limitation based on an investor's annual income or net worth. In light of ambiguity in the statutory language, we are specifically asking for comment as to the question of whether we should instead require investors to calculate the investment limitation based on the investor's annual income or net worth at the five percent threshold of Section 4(a)(6)(B)(i) if either annual income or net worth is less than $100,000? Similarly, for those investors falling within the Section 4(a)(6)(B)(i) framework, should we require them to calculate the five percent investment limit based on the lower of annual income or net worth? Should we require the same for the calculation of the 10 percent investment limit within the Section 4(a)(6)(B)(ii) framework? If we were to pursue any of these calculations, would we unnecessarily impede capital formation?

Response: The clarification provided in the proposal is a flexible solution to the ambiguity of the original statutory language. The "lesser of" investment limitation, on the other hand, is an excessive measure given that an overall limit of $100,000 has already been proposed for the Section 4(a)(6)(B)(ii) framework. The "greater of" test for investors within the Section 4(a)(6)(B)(i) framework sufficiently determines a reasonable threshold while providing flexibility for investors. As long as these limitations are in place, we believe that investors should be given the discretionary power to determine appropriate amounts to invest. The marginal investor protection that the

"lesser of" limitation would provide is greatly overshadowed by its adverse effects on capital formation.

Question 8. We are proposing to permit an issuer to rely on the efforts that an intermediary takes in order to determine that the aggregate amount of securities purchased by an investor will not cause the investor to exceed the investor limits, provided that the issuer does not have knowledge that the investor had exceeded, or would exceed, the investor limits as a result of purchasing securities in the issuer's offering. Is this approach appropriate? Why or why not? Should an issuer be required to obtain a written representation from the investor that the investor has not and will not exceed the limit by purchasing from the issuer? Why or why not?

Response: We believe that prior to a sale of securities, an intermediary should be able to obtain electronically a written representation from the investor that the investor has not and will not exceed the limit by purchasing from the issuer on the portal. This method of self-certification strikes a balance between regulating the investment limitation and freeing issuers from undue burdens.

Question 9. Should institutional and accredited investors be subject to the investment limits, as proposed? Why or why not? Should we adopt rules providing for another crowdfunding exemption with a higher investment limit for institutional and accredited investors? If so, how high should the limit be? Are there categories of persons that should not be subject to the investment limits? If yes, please identify those categories of persons. If the offering amount for an offering made in reliance on Section 4(a)(6) is not aggregated with the offering amount for a concurrent offering made pursuant to another exemption, as proposed, is it necessary to exclude institutional and accredited investors from the investment limits since they would be able to invest pursuant to another exemption in excess of the investment limits in Section 4(a)(6)?

Response: Institutional and accredited investors should not be restricted in the amount they are allowed to invest. Under other types of offerings currently allowed, these types of investors make their own informed decisions around investment amounts, and we view crowdfunding to be a securities offering similar to those that currently exist. These types of investors will continue to make their own informed decisions around appropriate investment amounts.

Question 12. The proposed rules would prohibit an issuer from conducting an offering or concurrent offerings in reliance on Section 4(a)(6) using more than one intermediary. Is this proposed approach appropriate? Why or why not? If issuers were permitted to use more than one intermediary, what requirements and other safeguards should or could be employed?

Response: This approach is appropriate. Regulations should prevent additional complications that may arise by allowing issuers to use various intermediaries for a single offering. The issuers should do their own diligence around the benefits of using an intermediary and make informed decisions regarding which one would be most appropriate to them.

Question 13. Should we define the term "platform" in a way that limits crowdfunding in reliance on Section 4(a)(6) to transactions conducted through an Internet website or other similar electronic medium? Why or why not?

Response: We are in agreement that the transaction and disclosure of information in crowdfunding offerings should be conducted online. This serves the dual purpose of engaging the collective wisdom of the crowd and preventing information asymmetry. We do not believe there is an adequate substitute for the internet's ability to uniformly convey information in a timely manner as

well as provide an open forum for evaluative discourse. Moreover, as mentioned in the proposal, the ubiquity of internet access does not preclude certain individuals from participating in such offerings.

Question 14. Should we permit crowdfunding transactions made in reliance on Section 4(a)(6) to be conducted through means other than an intermediary's electronic platform? If so, what other means should we permit? For example, should we permit community-based funding in reliance on Section 4(a)(6) to occur other than on an electronic platform? To foster the creation and development of a crowd, to what extent would such other means need to provide members of the crowd with the ability to observe and comment (e.g., through discussion boards or similar functionalities) on the issuer, its business or statements made in the offering materials?

Response: Crowdfunding transactions made in reliance on Section 4(a)(6) should only be conducted through a medium provided by a broker dealer or an intermediary's electronic platform. Opening up multiple avenues for this type of offering will add additional layers of complexities that we may not be able to foresee in the immediate future – transactional recordkeeping is best kept to one repository. The intermediaries should be allowed to create communities on their platforms whereby investors and issuers have a forum for evaluative communication around potential questions and updates that may arise during an issuance.

Question 15. Should we allow intermediaries to restrict who can access their platforms? For example, should we permit intermediaries to provide access by invitation only or only to certain categories of investors? Why or why not? Would restrictions such as these negatively impact the ability of investors to get the benefit of the crowd and its assessment of an issuer, business or potential investment? Would these kinds of restrictions affect the ability of small investors to access the capital markets? If so, how?

Response: The intermediaries should not be limited to whom they can provide access. Intermediaries should be required to keep basic information around the users of their platform, and once investors wish to make a commitment for an issuance, a more thorough background check should be required for these investors.

Question 19. What specific risks do investors face with "idea-only" companies and ventures? Please explain. Do the proposed rules provide sufficient protection against the inherent risks of such ventures? Why or why not?

Response: We believe that there are risks associated with both "idea-only" and early-stage issuers. However, we believe that the wisdom of the crowd will be able to determine the difference between a company that has the ability to grow an idea into a profitable business and a company that may be perceived as ill-conceived or too risky. The ability for investors to access a forum where they can engage in open dialogue with the founders will be an important way for this type of interaction to occur. Crowdsourced due diligence has the potential to enhance insight into a specific market even if the venture itself may be at the idea phase.

Question 35. The proposed rules would require an issuer willing to accept investments in excess of the target offering amount to provide, at the commencement of the offering, the disclosure that would be required in the event the offer is oversubscribed. Is this approach appropriate? Why or why not?

Response: We believe disclosure of oversubscription should be required. As oversubscription is a common and likely outcome of an issuance, investors must be properly informed of what actions need to be taken in the event that oversubscription occurs.

Question 45. Is it appropriate to require a description of any prior exempt offerings conducted within the past three years, as proposed? Why or why not? Would another time period (e.g., one year, five years, etc.) or no time limit be more appropriate?

Response: An issuer should be required to be transparent about their prior exempt offerings as it will be an important diligence item for potential investors. We believe that three years is an appropriate time period as it will be a good reflection of how the company has evolved since its previous offerings.

Question 77. If an issuer amends its Form C, should the intermediary be required to notify investors? If so, should we specify the method of notification, such as via e-mail or other electronic means?

Response: Yes. Updates to Form C, as well as any updates that might impact the diligence process of a potential investor should be notified to the investors. The issuer should work with platforms to make sure there are methods for electronic notifications to be disseminated to potential investors. While we believe that electronic communications – e-mail or platform communications tools – are ideal, we do not propose specifying what method of notification should be required.

Question 79. Should we require issuers to amend Form C to reflect all changes, additions or updates regardless of materiality so that the Form C filed with us would reflect all information provided to investors through the intermediary's platform? Why or why not?

Response: The aforementioned amendments should not be required prior to the closing of an issuance. This places undue burden on the issuer and also has the potential of delaying said issuance to the extent that the offering is prevented from taking place. While due diligence remains essential in early stage finance, efficiency and deliberate action are even more critical for the success of small businesses and startups.

Online disclosures are ever changing and we believe issuers who rely on crowdfunding transactions will not have the resources to make frequent filings with the SEC. As many commenters have previously noted, many issuers will also lack the legal sophistication to discern materiality. We believe that requiring such frequent changes will impede crowdfunding efforts and lead to instances of unintended noncompliance.

Question 80. Should we require ongoing annual reports, as proposed? Why or why not? Should we require ongoing reporting more frequently than annually? Why or why not? If so, how often (e.g., semi-annually or quarterly)?

Response: Quarterly reporting is far too onerous for issuers who lack the time and resources to make these filings. As one commenter has already noted, many traditional angel investors are hesitant to participate in crowdfunding transactions because of the possibility of their investments being used for burdensome reporting requirements.

Question 99. Should we restrict the media that may be used for the advertising of notices (e.g., prohibit advertising via television, radio or phone calls)? If so, why and what media should we restrict? What media should we permit? Please explain.

Response: The media for which advertising notices are made should not be restricted in scope. We do not perceive any harm in opening up the avenues for advertising. The transactions would still occur through an intermediary platform and would serve as a gateway for online crowdfunding. With this information funnel, we do not feel that any types of advertising should be prohibited.

Companies are often mentioned over multiple media sources, which may include information on the online crowdfunding raise. This facilitates small business capital formation and has an overall beneficial effect for the issuer involved.

Question 103. The proposed rules would allow an issuer to communicate with investors and potential investors about the terms of an offering through communication channels provided by the intermediary on the intermediary's platform, so long as the issuer identifies itself as the issuer in all communications. Is this approach appropriate? Why or why not? If not, why not?

Response: The communication portal provided by the intermediary's platform should allow for open discourse between investors and issuers. Transparency and the transfer of information on an intermediary platform would not only facilitate capital formation, but also increase access to information that investors will need to make well-informed investment decisions.

Question 105. The proposed rules would prohibit an issuer from compensating or committing to compensate, directly or indirectly, any person to promote its offering outside of the communication channels provided by the intermediary, unless the promotion is limited to notices that direct investors to the intermediary's platform. Is this approach appropriate? Why or why not?

Response: The issuer should have the option to compensate a person who promotes its issuance, regardless of whether or not it is through a channel provided by the intermediary. As long as the issuer is transparent in this regard, we believe this is an option that the issuer may want to consider when determining best methods of acquiring the required capital.

Question 108. Should the issuer provide disclosure of any person who receives compensation from the issuer to promote an issuer's offering? Why or why not?

Response: Any compensation that will be paid from the issuer should be disclosed. This is important information around the sources of funds that a potential investor would want to consider before making an informed investment decision.

Question 122. Should we permit an intermediary to receive a financial interest in an issuer as compensation for the services that it provides to the issuer? Why or why not? If we were to permit this arrangement, the proposed rules on disclosure requirements for issuers would require the arrangement to be disclosed to investors in the offering material. Are there other conditions that we should require? If so, please identify those conditions and explain.

Response: Intermediaries should be allowed to receive a financial interest in an issuer. We believe an intermediary plays an important role for an issuer even after a close, such as maintaining communications between an issuer and its investors. Additionally, compensation in the form of financial interest creates a long-term-value relationship which may be considered more valuable than success-based compensation in the form of immediate cash. Directly aligning the interests of intermediaries and their clients will result in a mutually beneficial system that will support the industry as a whole.

Question 124. One commenter suggested that an intermediary should be able to receive a financial interest under the same terms as other investors participating in an offering made in reliance on Section 4(a)(6).345 We request comment on this suggestion. How could an intermediary address potential conflicts of interest that may arise from this practice? Would disclosure of the arrangement be sufficient? Please explain.

Response: We agree with this specific commenter. As long as information around financial interests are disclosed, investors will be able to take into consideration this factor when determining whether an investment opportunity is appropriate for them.

Question 187. Should we permit an intermediary to compensate a third party for directing potential investors to the intermediary's platform under the limited circumstances described above? Why or why not? Should any disclosures be required? Why or why not? Please identify reasonable alternatives to this approach, if any.

Response: Any agreement that an intermediary might have with a third party for directing potential investors to the intermediary's platform should be allowed. An intermediary is responsible for bringing together investment opportunities and potential investors; it should be granted flexibility in doing so as long as compensation is independent of any fees charged for the issuances.

Question 200. Is it appropriate for us to require a funding portal to have a fidelity bond? Why or why not?

Response: We believe that a fidelity bond is not appropriate for a funding portal. The funding portal should not be liable for fraudulent activities that occur via the portal as long as it makes reasonable efforts to provide issuers with the option to undergo background checks.

Question 222. Under the proposed safe harbor, should we permit a funding portal to post news, such as market news and news about a particular issuer or industry, on its platform? Why or why not? If so, what restrictions, conditions or other safeguards should apply, in particular so that a funding portal would not be providing impermissible investment advice? For example, are there certain types of news or news feeds that should or should not be permitted, or should we restrict a funding portal from posting only positive news coverage? Should a funding portal be able to freely select the news stories it posts, or should there be some objective criteria? Please explain.

Response: We believe that a funding portal should be an educator to potential investor. Posting news is an appropriate method of disclosing all market-related information. Funding portals should all be aware of the types of material posted via their portal and should be held responsible for any inappropriate information (i.e. impermissible investment advice) that is posted.

Question 224. Should we permit a funding portal to receive transaction-based compensation for referring potential investors to a registered broker-dealer? Why or why not? If so, should we impose disclosure requirements or other measures to mitigate potential conflicts? What should those requirements be and why? Should we permit a funding portal to receive transaction-based compensation from an affiliate? Why or why not?

Response: Crowdfunding may not always be the most appropriate form of securities offering a company can seek. Therefore, it is important for funding portals to be able to have relationships with broker-dealers to assist companies with the different types of offerings available. We believe transaction-based compensation that a funding portal can receive allows issuers to enjoy access to broader ways of receiving investments.

Question 288. How, and to what extent, would the collective knowledge of crowdfunding investors (i.e., the "wisdom of the crowd") provide investor protections and mitigate potential fraud or unspecified offering risks at the time of issuance? Would "the wisdom of the crowd" provide ongoing investor protections to the community of securities-based crowdfunding investors? If so, how and to what extent?

Response: We believe that unsophisticated investors compensate what they may lack in training or experience with aggregated wisdom. The “wisdom of the crowd’ is a phenomenon by which the collective opinion of a crowd can lead to far more accurate outcomes than the input of individuals within the group. Applying this to online crowdfunding implies that the crowd is not disadvantaged for being unsophisticated investors, but actually advantaged for having diversified perspectives that converge. There have already been numerous cases in online donations/rewards-based crowdfunding in which the crowd has performed effective due diligence by crowdsourcing information in order to make contribution decisions.

Crowdfunding will bring together both new and old investors (in terms of their experience in the investment world). The diverse views that are assembled through a combination of all types of investors will only provide additional benefits to due diligence.

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Closing

We respectfully submit this letter with the hope that it will deepen the SEC’s capacity for realizing the full transformative power of the JOBS Act.

Return on Change is at your disposal to provide further insights during your deliberations and rulemaking process.

Sincerely,

Sang H. Lee
CEO
Return on Change