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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: Crowdfunding
Release Nos. 33-9470 and 34-70741 (File No. S7-09-13)

Dear Ms. Murphy,

As the Commissioner of Securities for the State of Missouri, I appreciate the opportunity to comment on the Commission's proposed crowdfunding rules.[1] These are important rules, necessary to address today's increasingly Internet-oriented entrepreneurship. Small businesses in Missouri and across the country will benefit from these rules' reduction of capital-formation costs.

The Commission and its staff have done a commendable job in attempting to carry out Congress's directives in the Jumpstart Our Business Startups Act (the JOBS Act) while balancing investor protection with small-business capital formation. Summarily stated, my comments on those efforts are threefold. *First*, I urge the Commission to amend the proposed rule to more closely follow Congress's dictate in Section 4(a)(6) limiting any crowdfunding issuer to raising $1 million total in any of its offerings during the relevant 12-month period. *Second*, the proposed rule should be amended to require that intermediaries prominently post the online identities of the issuer's paid promoters in the provided communication channels. And, *third*, consider amending the proposed rule to require that intermediaries use only interest-bearing accounts to hold investors' funds.

[1] Crowdfunding, 78 Fed. Reg. 66,427 (proposed October 23, 2013) (to be codified at 17 C.F.R. pts. 200, 227, and 232 et al. and 239) ("Proposing Release").

I. The Commission should not exempt Section 4(a)(6) crowdfunded offerings from the integration doctrine.

With the proposed rule, the Commission has proposed to exempt Section 4(a)(6) offerings from the integration doctrine. But this does not comport with the Section 4(a)(6)'s plain text, which only exempts from Section 5's registration requirement those issuers' transactions that, in "the aggregate amount,"[2] are limited to $1 million for the requisite 12-month period. The statute's reference to "any amount sold in reliance" on the crowdfunding exemption shows that Congress intended to include such amounts, for purposes of calculating the $1 million cap, into any other offerings during the 12-month time.

Accordingly, I urge the Commission to amend the proposed rule in accordance with the limitations found in Section 4(a)(6)'s plain text.

II. The Commission should require that intermediaries prominently post the online identities of the issuer's paid promoters.

The Commission has proposed allowing a crowdfunding issuer to pay individuals to promote the issuer's offering in the provided communication channels. As the Commission notes,[3] an issuer's paid promoter may be more motivated by compensation than by his or her duty, as the issuer's agent, to make the proper disclosures to investors. This possibility potentially compromises investor protection. The Commission has attempted to ameliorate this potential conflict of interest by requiring that issuers take reasonable steps to ensure that its paid promoters clearly disclose their status with the issuer in each communication with potential investors.[4]

Still, it is fair to expect that there will be occasions when the paid promoters' required disclosures will be overlooked, inadequate, or deliberately omitted. To further reduce the risks from this eventuality, I urge the Commission to consider amending the proposed rule in two ways.

First, amend the proposed rules to require issuers to provide intermediaries notice of who their paid promoters are.[5] *Second*, and in conjunction with that requirement, require the intermediaries to prominently display on the issuer's dedicated communication channels the online identities of the issuer's paid promoters. For instance, an intermediary could format its communication channels to always display the paid promoters' onscreen names, along with other information such as the issuer's name, security, and offering amount. Alternatively, some

[2] 15 U.S.C. § 77d(a)(6).
[3] Proposing Release at 66456 ("We believe it would be important for potential investors to know whether persons using these communication channels are the issuer, persons on behalf of the issuer or persons receiving compensation from the issuer to promote the issuer's offering because of the potential for self-interest or bias in communications by these persons.").
[4] Proposed Rule 205(a).
[5] Investor protection does not seem to require disclosure of the amount of compensation.

intermediaries could configure their communication channels to display paid promoters' names and onscreen communications in noticeably different font or text color to signal their relationship to the issuer.

These requirements would create a net benefit because easily identifying paid promoters in the communication channels is a low-cost way to ensure potential investors understand with whom they are discussing the investment's merits.

To enforce this requirement, also consider amending the rule to disqualify any issuer from the exemption for a specified time if that issuer pays any promoter who (1) is not disclosed to the intermediary and (2) promotes the offering in the communication channels. Placing the burden of notification on the issuer seems appropriate since the issuer is best positioned to establish both who its paid promoters are and that the required notice is provided to the intermediary.

III. The Commission should require that all investors' funds be kept in an interest-bearing account until released to the issuer.

Necessarily, the proposed rule contemplates that investors' funds be held in third-party escrow accounts until disbursed to the issuer. The Proposing Release does not specify that those accounts must be interest bearing. Yet, by contributing funds to the amount to be raised, investors lose their contributed funds' growth potential. Similarly, the issuer's and investors' mutual endeavor loses the benefit of accrued interest on those funds while the offering is open.

Thus, I urge the Commission to amend the proposed rule to require that such accounts be interest bearing and that either (1) the investors' funds be returned to them with their pro rata portion of the interest in the event the offering is canceled, or (2) the funds and the accrued interest be dispersed to the issuer upon the offering's successful closing.

In closing, I support the Commission and its staff in their attempts to enact rules consistent with legislative directives and crowdfunding's potential for capital raising. I urge you to consider the above comments as well as those of my fellow state securities regulators on this important topic. Thank you for your consideration.

Sincerely,

Andrew M. Hartnett
Commissioner of Securities