

# dbbmckennon

*Certified Public Accountants  
Registered Firm - Public Company Accounting Oversight Board*

October 1, 2014

To: rule-comments@sec.gov  
Re: File Number S7-09-13

To the Honorable Commissioners and Staff of the SEC:

Our firm, *dbbmckennon*, has been following crowdfunding since the passage of the Jumpstart Our Business Startups Act ("JOBS Act") in 2012, which was one of the driving factors in opening an office in the startup-rich community of West Los Angeles/Santa Monica, California. We have a long history of working with small private and public companies and understand the price sensitivity these companies have with professional services. We recognize the SEC's important role in protecting investors and investees listing on Title III crowdfunding portals to ensure that the vast majority of the funds from investors land with a well vetted investee.

We have reviewed the estimates published by the SEC as it pertains to expected professional fees in connection with financial statement reviews and audits performed by certified public accountants. We believe the SEC's estimates are reasonable for an established company with historical operations and revenues; however, these estimates are high for newly formed or start-up companies with limited operating history.

We believe, based on discussion with individuals following Title III crowdfunding, that a large majority of companies looking to obtain capital through Title III crowdfunding portals will be newly formed and have limited historical operations. Accordingly, these companies will generally be serviced by smaller local or regional CPA firms which do not have the same cost structures as larger regional and national firms. Based on our experience, newly formed companies are generally easier to review and audit as their legacy issues are not as significant, their transactions are limited, and their accounting principles can be applied appropriately since inception. In addition, the reporting burden of development stage disclosures under generally accepted accounting principles was recently eliminated by the Financial Accounting Standards Board through ASU 2014-10. Accordingly, we expect that the cost of reviews and audits will be less than the SEC has estimated when applied to newly formed companies.

Based on our experience, smaller audit firms seek hourly rates from \$125 to \$175 per hour. We estimate that a typical financial statement audit for a start-up company, with few complexities, can be performed in approximately 30 to 50 hours. Accordingly, a range of fees for audit services would be approximately \$4,000 to \$9,000 in year one. We believe that audits can be performed in accordance with auditing standards generally accepted in the United States with fees in the range above.

We urge the SEC to pass the proposed rules for Title III to assist in job creation for United States economy.

Best Regards,



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