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November 3, 2014

To: Mary Jo White, Chair
Elizabeth M. Murphy, Secretary
Charles Kwon, Office of Chief Counsel,
Division of Corporation Finance
Securities and Exchange Commission
100 F Street, NE, Washington, DC 20549-1090
CC: rule-comments@sec.gov

From: Jason Coombs, Co-Founder and CEO
Public Startup Company, Inc.
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Re: File No. S7-11-13, http://www.gpo.gov/fdsys/pkg/FR-2014-01-23/pdf/2013-30508.pdf
JOBS Act legislation URL http://www.gpo.gov/fdsys/pkg/BILLS-112hr3606enr/pdf/BILLS-112hr3606enr.pdf

Please pass final Rules for Title II, Title III and Title IV of the JOBS Act by year-end so the JOBS Act Rules and in particular the new Regulation A+ can finally go into full effect by the end of the first quarter of 2015.

Please preempt state regulatory review and all Blue Sky laws for all Title IV (Regulation A+) Offerings, but please strike a balance for JOBS Act Regulation A+ versus classic Regulation A Offerings by limiting issuer eligibility for conducting Regulation A+ Offerings to issuers who intend to engage in **substantial** inter-state commerce. Any issuer who does business substantially within a single geographic region that does not reach multiple states should not be permitted to conduct a Regulation A+ Offering and should be required instead to follow the securities regulations of their own state when conducting an unregistered securities Offering to the general public, even in the case where the proposed Offering targets investors located in other states.

I strongly believe that Regulation Crowdfunding (JOBS Act Title III) Offerings will satisfy the needs of all but the largest of such “local issuers” and therefore state securities regulators will not be asked by smaller local issuers to review and qualify any substantial number of Regulation A Offerings under the “coordinated review” scheme being developed by certain states for multi-state unregistered public Offerings. However, the Commission should adopt a balanced preemption that leaves the door open for state regulators to prove themselves capable of regulating startup capital in the digital age with their “coordinated review” scheme.

To achieve this balance, and to keep the state regulators in the loop for the only Offerings that I believe they can legitimately serve a valid and constructive regulatory purpose, please expressly **PROHIBIT** issuers in a Regulation A+ Offering from paying any commissions or other compensation to any third-party broker or to an outside salesperson. Issuers should be permitted to conduct their own Regulation A+ Offerings and to do whatever they believe is best to advertise and to market these Offerings to the general public in compliance with Regulation A+ including through testing-the-waters pre-Offering communications deemed permissible by final Rule but issuers relying on the new Regulation A+ should not be allowed to hire third-party brokers and outside salespeople to advertise, market or test-the-waters for an Offering pursuant to Regulation A+.

If an issuer wishes to retain a third-party broker or outside salesperson to market an Offering to the general public, the issuer should be required to comply with pre-existing federal securities and state Blue Sky laws that permit such public Offerings marketed through brokers, commissioned salespeople or financial advisers only after qualification by or registration with state and federal regulators. In my view, limited deregulation of public Offerings, especially via the Internet, was the clear intent of Congress. It is the intent, within Title II, III and IV of the JOBS Act, to preempt direct public offerings that are marketed by issuers themselves. It is clearly NOT the intent of Title IV to preempt state Blue Sky law for Offerings marketed through brokers. If an issuer intends to pay commissions to brokers or financial advisers then clearly the old Rules still apply.

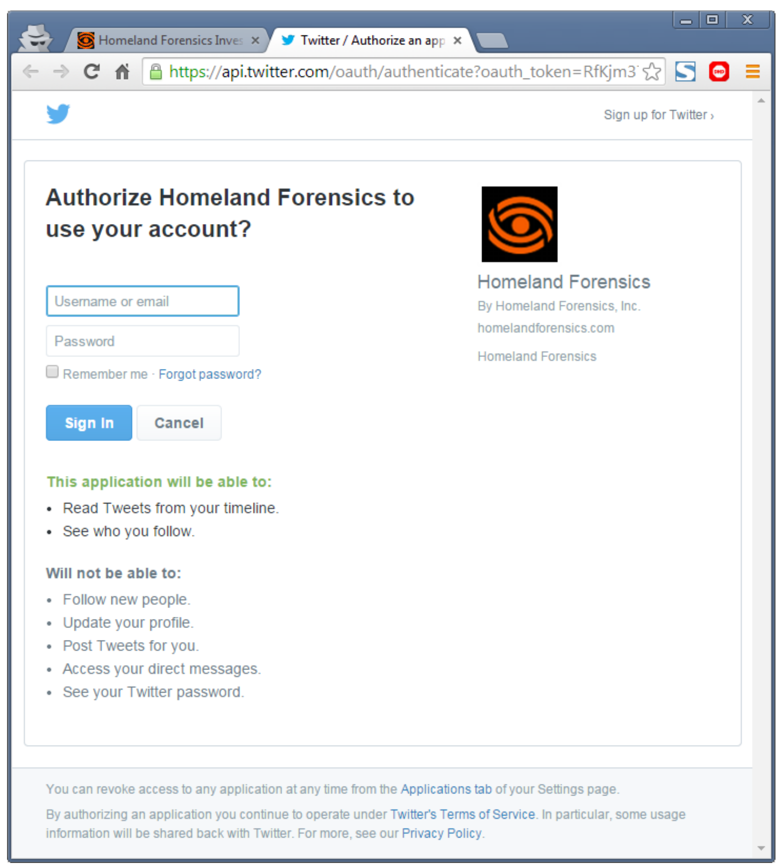
This is to say that Title IV clearly was not intended to circumvent the reasonable safeguards and regulatory compliance requirements imposed on licensed brokers and other licensed or unlicensed intermediaries who help bring non-Accredited buyers to issuers' unregistered securities Offerings. Even if the Commission does declare Title IV to be applicable to Offerings that are brokered by intermediaries, I do not believe reputable brokers and ethical financial advisers will recommend such Offerings to their clients unless there is already an established and liquid secondary trading market for the securities with adequate public information about the issuer. Nobody wants to recommend a security if they cannot first see for themselves that the issuer is already communicating and behaving honestly and respectfully with the issuer's existing minority investors.

If the Commission does preempt state regulators, therefore, in the manner described in the proposed Rule, in my opinion Regulation A+ will only truly benefit issuers whose securities are quoted Over The Counter.

If it seemed reasonable to expect a substantial number of reputable brokers and experienced third-parties who know how to sell securities (and who have existing relationships with clients who would like to make investments in Regulation A+ Offerings) to bring buyers into the Regulation A+ market by virtue of a new Rule that permits intermediaries to earn commissions in this manner, then I would urge the Commission to fight for the rights of issuers and to enact a broad federal preemption precisely as proposed. This just isn't going to happen, so fighting to enact such Rule is pointless. What will happen if the Reg A+ preemption is reasonably-limited to only direct public Offerings marketed by the issuers themselves is that a substantial number of quality issuers will conduct Regulation A+ Offerings as the new "on-ramp" to exchange listing.

Please also enact final Rules that permit self-certification of financial statements for Regulation A+ issuers that are pre-revenue or with paid-in capital, assets and revenues below a modest threshold. Nobody should be expected to spend substantial time or money preparing elaborate financial statements certified by some certified public accountant or auditor when the business in question is an early-stage startup. Issuers should be trusted to self-certify or "self-audit" financial statements that reflect essentially zero value, so that the important subset of Regulation A+ issuers whose legitimate investable opportunity represents an idea whose time has come will not be told to go raise capital first before they can start raising capital using Reg A+.

The Commission needs to try very hard to get in front of the curve of technological change in the way people discover each other and form capital for startups. Former vice chairman of NASDAQ David Weild (the "Father of the JOBS Act") has provided extensive testimony and guidance to regulators, showing the way to rebuild markets that can sustain a steady influx of new startups which will eventually become exchange-listed.



David Weild Speaks on the New Regulation A+
http://crowdfundbeat.com/video/?p=8351

I urge the Commission to listen to David Weild. He makes compelling arguments in favor of a return to markets supported by commissions and bid/ask spreads larger than a penny per share for companies who struggle today with little or no secondary market for their shares. However, in considering what new policies to enact, consider that issuers who do their own JOBS Act-based technology-assisted public offerings can now easily make their own primary and secondary market by using social media APIs like OAUTH.

As shown in my screen shot, a Twitter account or other social media profile is all that is required, technically, today for any person to authorize an issuer to communicate and to form direct semi-automated investor relationships. Once issuers and investors are connected with each other in this way, purchases of securities can easily occur (if the Commission's Rules allow) and obviously a shareholder or debt investor who wishes to find a buyer for the securities they already own can easily locate a buyer through the issuer's own social media page.

To permit this new form of semi-automated investment relationship and secondary market the only thing the Commission needs to do is tell everyone it is okay to do this provided that we all comply with regulations to ensure that fraudsters don't abuse this new technology. Secondary market transactions that occur between an existing investor and a new investor are clearly already exempt from registration pursuant to Section 4(a)(1) of the 1933 Securities Act, or "transactions by any person other than an issuer, underwriter, or dealer." See:

http://pillsburylaw.com/siteFiles/Publications/RobbinsSalesandResalesunder4112andRule144A2013.pdf

A secondary market created in the traditional manner where shares are held in "street name" with brokerage accounts and with trading conducted semi-anonymously where buyer and seller do not know who the other is prior to brokered sales, serves a purpose whose continued importance is questionable. Like Bitcoin, many of its uses serve to empower and enrich corrupt or illegal schemes for which anonymity and instant liquidity are harmful to victims or hazardous to the public welfare. The technology to facilitate low-cost peer-to-peer securities trading in the new cyber finance marketplace that grows up around the JOBS Act is imminently achievable, it's only a matter of writing the code in such a way as to comply with the Commission's Rules.

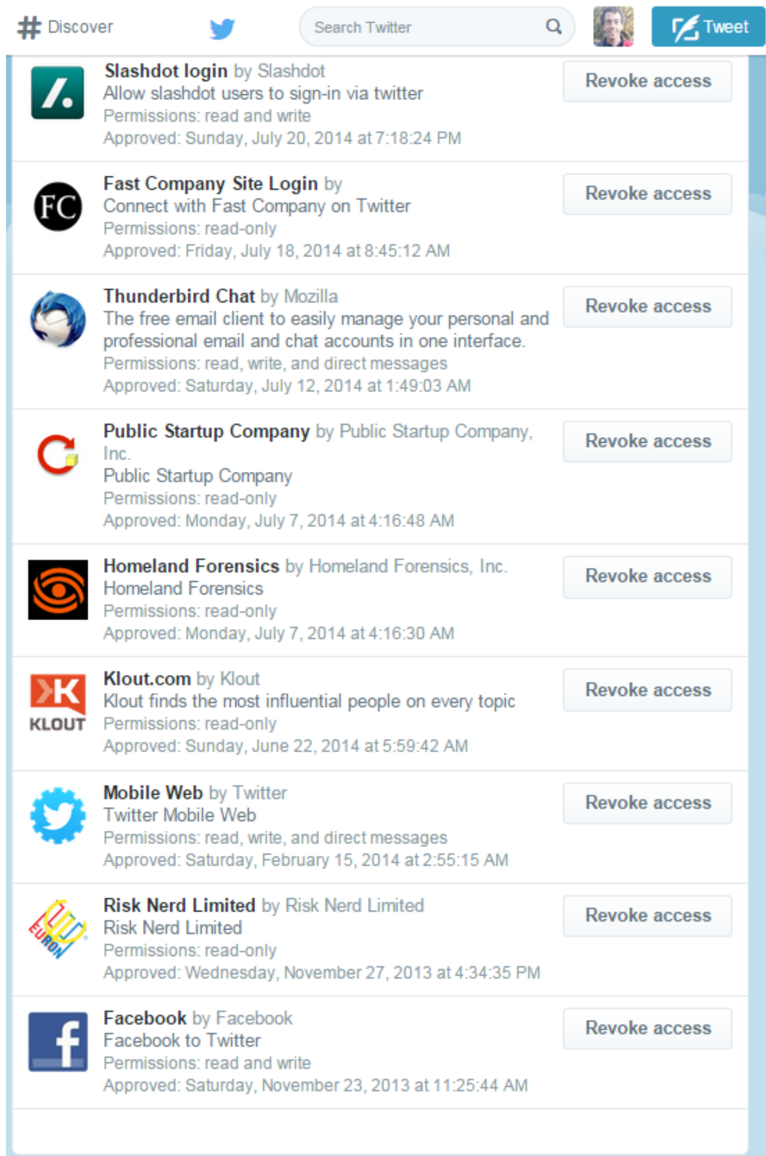
If the Commission does not want the people who buy my securities to be able to offer to resell them to new investors (after a legitimate investment holding period that complies with the spirit and the letter of the Rule prohibiting unregistered resales by underwriters) who the seller locates in a private, members-only social media page or App that my investors and prospective investors receive access to only after granting my company OAUTH permission to learn who they are and communicate with them directly on social media, then the Commission is going to need to be clear about PROHIBITING such exercise of private economic freedom. Resales of securities for which there is no public trading market, where Rule 144 would otherwise apply, cannot lawfully be prohibited by the Commission without infringing constitutional rights. In my view it is necessary for Congress to legislate such a prohibition in order for the Commission to enact it, but such legislation would immediately be challenged as unconstitutional, and only a corrupt Supreme Court that ignores the U.S. Constitution could possibly uphold such a prohibition. What the Commission can do, what it should do, that it has not done historically, is make it clear what regulation it wishes to impose for the safety and protection of the public on Section 4(a)(1) private resales.

David Weild asserts that the financial markets must be rebuilt around guaranteed profits for market makers and brokers in order for startups to have access again to these markets. Although his arguments and his data are very compelling in my opinion it would be even more compelling for regulators to expressly and clearly authorize Section 4(a)(1) private resales through the issuer's own cyber communities and investor tools.

Issuers can easily verify that each seller is a legitimate holder of lawfully-issued securities issued previously by the issuer. Issuers can easily verify that each seller has held their securities for sufficient time so as to be given the benefit of a safe harbor affirming that the seller will not be deemed an underwriter by such resale. Issuers can also easily verify that each seller is not an insider or affiliate whose resale should be governed by Rule 144 or similar regulation designed to limit the rate at which resales can occur, and to provide for a legal remedy in the future if the buyer discovers they have been deceived by the seller who traded based on material non-public information.

The structure and function of secondary markets for public companies under the JOBS Act might look more like peer-to-peer cryptocurrency trading than the old semi-anonymous public markets made via brokerages.

I believe that such peer-to-peer and issuer-centric cyber finance tools will create primary and secondary markets in the way that investors and issuers decide to support, unless the Commission tells us all what it has decided we should do instead. I strongly believe the Commission should be retooling EDGAR, its Rules and interpretive guidance so as to facilitate and require, among other things, the use of a REST API and OAUTH for secure automated submissions of Form 3 and Form 4 filings when buyers and sellers who are insiders or affiliates of an issuer transact in the issuer's securities, wherever in cyberspace the exchanges of securities happen to occur.



Each insider or affiliate who wishes to participate in the peer-to-peer cyber finance marketplace can be required to submit a Form ID to obtain an EDGAR profile and can be required to grant the Commission permission via OAUTH to publish a notice of sales and purchases to the person's social profile, so that anyone who is interested in receiving such notices can easily do so in the same way that issuers and officers of issuers are already permitted to do by the Commission's social media guidelines.

The screen shot to the right shows how easy it is for users to revoke OAUTH access after permission has been granted, and which permissions have been granted for each Twitter App created by websites and mobile App programmers who make use of Twitter's social APIs.

This is the standard of practice in cyber tech for creating quality user experiences that enable people to control which third-parties have permission to connect via API to the user's social profiles to read, write and send direct messages.

The Commission has previously approved the use of social media for company announcements, and clearly this same mechanism can be used for capital formation activities to inform investors and potential investors.

SEC Says Social Media OK for Company Announcements if Investors Are Alerted
http://www.sec.gov/News/PressRelease/Detail/PressRelease/1365171513574

Clearly, obviously, just as people who meet each other in-person can freely transact with crowdfund backers it will become commonplace for people who meet each other in cyberspace to freely transact with investors.

The Power of Face-to-Face Crowdfunding
http://crowdfundbeat.com/video/?p=8360

Prior to the existence of the Internet, the financial markets were centralized and dependent on brokers. Now the Internet has disintermediated nearly everything, everywhere, except for capital formation by startups.

http://en.wikipedia.org/wiki/Disintermediation

Please craft your final JOBS Act Rules, and Regulation A+ in particular, to support those of us who do not believe in middle-men. With all due respect and appreciation to the Father of the JOBS Act, David Weild's vision of a return to the glory days of pre-Internet financial markets seems out of touch or dystopian to me.