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March 21, 2014

Ms. Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Proposed Rule Amendments for Small and Additional Issues Exemptions Under
Section 3(b) of the Securities Act
(Rel. No. 33-9497; 34-71120; 39-2493; File No. S7-11-13)

Dear Ms. Murphy:

I write in response to the request by the U.S. Securities and Exchange Commission ("SEC") for comments on the rule amendments to Regulation A to implement Section 401 of the Jumpstart Our Business Startups ("JOBS") Act. Section 401 of the JOBS Act added Section 3(b)(2) to the Securities Act which directs the Commission to adopt rules exempting offerings of up to \$50 million of securities annually from the registration requirements of the Securities Act (referred to herein as "Regulation A+" offerings).

Texas is home to a large, diverse, and innovative community of entrepreneurs, small businesses and startup companies. As the second most populous state in this country, it is also home to an exceptionally large community of individual investors. The Texas State Securities Board diligently works to ensure that it remains responsive to the particularized needs of these constituencies and that it maintains a regulatory balance that achieves the statutory objective of protecting investors while encouraging capital formation and minimizing, as appropriate, the regulatory burdens on issuers, particularly small businesses. While I believe that this work is generally done well, as noted in the 2012 report issued by Government Accountability Office ("GAO")¹ there are opportunities for improvement in Texas and other states with respect to certain multistate offerings.

Although the GAO report cited four nonexclusive factors that have contributed to a decrease in the use of SEC Regulation A over time, state securities regulators, coordinating their work through the North American Securities Administrators

¹ U.S. GOV'T ACCOUNTABILITY OFFICE, GAO-12-839, 8-9, SECURITIES REGULATION: FACTORS THAT MAY AFFECT TRENDS IN REGULATION A OFFERINGS (2012).

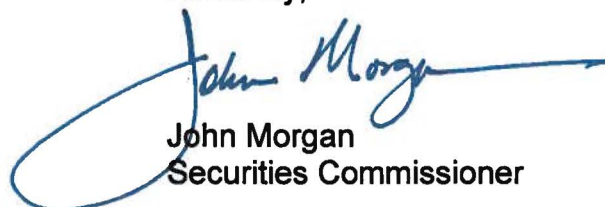
March 19, 2014

Association ("NASAA"), closely reviewed that part of the report covering state securities laws. The GAO report stated that, "[o]fficials from organizations that work to develop capital intensive businesses agreed that in order for small businesses to use the Regulation A exemption, the process to register in multiple states needed to be more streamlined and entail minimal cost and greater efficiency."² The report further stated that NASAA planned to work with the states to promote a more uniform state-level registration process for larger offerings and planned to coordinate with the SEC on new disclosure forms that can be used at the federal and state level."³

As you may know, a new Coordinated Review Program for offerings exempt from registration under Section 3(b)(2), or Regulation A+ offerings, has indeed been developed by the states that will entail a more uniform and streamlined registration process. Filings will be made with one program coordinator and distributed to states where registration is sought. "Lead" examiners will be the primary point of contact for both disclosure and merit review states and will communicate with the applicant and the states to resolve any deficiencies. The GAO report cited the length of the review process by both the SEC and the states as a factor in the limited use of Regulation A. The Coordinated Review process is complete 21 days after the initial filing, assuming there are no deficiencies in the application. If, however, there are deficiencies after 21 days, the lead examiners must reply to an issuer's response within 5 business days. Thus, any delay in the clearing of an application is directly tied to the issuer's response time.

Unfortunately, the proposed rule amendments to Regulation A to implement Section 401 of the JOBS Act would preempt state review of Regulation A+ offerings -- an approach that does not appear consistent with the federal legislation or warranted in light of the creation of the state Coordinated Review Program. If state review in this area is preempted, investors could be placed at increased risk, opportunities for greater coordination and regulatory efficiencies between federal and state regulators will be lost, and states will be removed from a process in which they have a direct and significant regulatory interest. Accordingly, I respectfully request that the SEC reconsider the approach set forth in the proposed rules and that it accommodate in its final rulemaking appropriate state oversight of offerings made pursuant to Section 3(b)(2) of the Securities Act.

Sincerely,



John Morgan
Securities Commissioner

² *Id.* at 15.

³ *Id.*