



1423 Leslie Avenue
Alexandria, VA 22301

November 30, 2020

Ms. Vanessa A. Countryman
Secretary
Securities and Exchange Commission
100 F St. NE
Washington, DC 20549

Re: File No. S7-13-20, Proposed Exemptive Order Granting Conditional Exemption from the Broker Registration Requirements of Section 15(a) of the Securities Exchange Act of 1934 for Certain Activities of Finders

Dear Ms. Countryman:

Thank you for the opportunity to comment on the proposed exemptive relief to natural persons engaged in certain limited activities on behalf of issuers without registering as brokers under Section 15 of the Exchange Act. We wish to express our support for the proposal, which we believe will assist early-stage companies to raise capital and remove a significant source of uncertainty from that capital-raising.

The Notice effectively summarizes the issue: early stage companies rely on unregistered “people who know people” to introduce them to potential investors because they cannot raise any more funds from their own friends and family and are of no interest to VC funds or brokers. The reasons for inability to engage professional investors or intermediaries are varied: the issuer may be in a region where there is little investment activity, the issuer’s business may not be in an area favored by professionals (such as consumer electronics or software) or the issuer’s founders may be what the Notice tactfully calls “underrepresented founders” – people of color, people without elite credentials, women and older people. Crowdfunding may help to fill some of the funding gap, but where an issuer is looking for investors who can write larger checks than is usual on crowdfunding platforms, being introduced to local investors who can meet the founders in person and take a deeper dive into the business is essential.

The uncertain regulatory status of the persons who make these introductions presents risks to the issuers since the use of finders who should register as brokers and yet did not means that the securities so sold may be subject to rescission. And yet it happens again and again. Why? Because early-stage companies are desperate for capital, and even if they realized the risk of rescission existed (and many do not) would choose to take that potential future risk over the immediate risk of their business failing for lack of capital.

We have reviewed the many negative responses to the proposal, and there are many good points made in the letters in opposition. For example, there is an urgent need for coordination with the states. There is a need to provide, once and for all, an actionable definition of what it means to be in the business of a broker dealer. But we would urge the Commission not to let the perfect be the enemy of the good. If you do not take this action, nothing will change. Small companies will continue to look to local community leaders to help them find investors, or to unscrupulous promoters taking outsized fees and engaging in violative activities. They will continue to expose themselves to risk.

While we support the proposals, we would make the following suggestions:

- It would be appropriate not only to limit the exemptions to non-reporting issuers, but also to issuers below a certain market cap.
- Please provide guidance as to what is meant by “one capital raising transaction . . . within a 12-month period.” Many issuers are continually raising funds and a single offering could well last 12 months or more.
- Please provide guidance as to the circumstances under which registered broker-dealers would be able to interact with, and compensate, persons acting as finders.
- Please provide guidance as to whether a finder would be able to provide standardized documentation to issuers and investors. We understand that finders may not “participate in the preparation” of sales materials, but this would be a different function.
- We agree that the exemption should apply to natural persons only, but the fact that those natural persons are acting through “pass-through” entities should not prevent reliance on the exemption.
- While finders should not be permitted to promote their business on the basis of their due diligence activities, they should not be prohibited from conducting basic due diligence for their own purposes, such as ascertaining parties’ “bad actor” status.
- We believe that it would now be appropriate to withdraw the *Paul Anka* letter.
- In a market where there is very little data, requiring a simple filing along the lines of a Form D would provide useful information to both federal and state regulators.

We would be happy to answer any questions the Commission or the Staff may have on any of the issues identified.

Sincerely,

/s/ Sara Hanks
CEO
CrowdCheck, Inc.