

Michael H. Shuman, Esq.

1 June 2020

TO: SEC

FROM: Michael H. Shuman

RE: Facilitating Capital Formation and Expanding Investment Opportunities by Improving Access to Capital in Private Markets

I am an attorney who has written three recent books on local investment: *Put Your Money Where Your Life Is* (Berrett-Koehler, 2020), *The Local Economy Solution* (Chelsea Green, 2015), and *Local Dollars, Local Sense* (Chelsea Green, 2012). I have engaged in extensive writing and advocacy on behalf of promoting grassroots investment in local and small businesses. And I am co-director of web site call the Maryland Neighborhood Exchange that strengthens the ability of grassroots investors and small businesses to participate in federal crowdfunding transactions. With these credentials, I would like to speak to just one of the rule changes proposed by the SEC.

I strongly support the proposal to allow a generic solicitation of interest as set forth in proposed Rule 241. My colleagues and I are seeing a growing need for grassroots investors and small businesses to engage freely in discussions about potential crowdfunding campaigns. Moreover, because of the COVID-19 crisis and because of the exigencies of modern communications, these discussions are more likely to proceed online than in person. Especially with the notifications the SEC requires be posted, investors will be absolutely clear that these communications are simply designed to "test the waters," and businesses will know whether it is worth several months of effort and thousands of dollars of expenditures to engage in a serious crowdfunding campaign. Small businesses urgently need additional capital after being shut down for several months during the COVID crisis, and this rule change should be enacted as soon as possible.

In the discussion of the proposed rule, however, there is a statement that "the issuer would not be able to follow a generic solicitation of interest that used a general solicitation with an offering pursuant to an exemption that does not permit general solicitation, such as Rule 506(b), if the offerees contacted in connection with the Rule 506(b) offering were solicited by means of the general solicitation."

This is a very difficult provision to understand, let alone support. One potential interpretation is that even if a generic solicitation of interest using general solicitation occurred months or even years before an offering pursuant to an exemption that does not permit general solicitation, no one

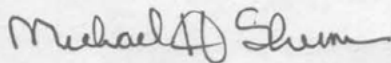
who saw the generic solicitation could *ever* invest in an issuer pursuant to a private offering (unless there is a pre-existing substantive relationship).

There is no coherent reason for such a restriction. It is hard to conceive of any real-world market advantages small actors could obtain from such conversations that require restricting later investments. Preliminary conversations among grassroots investors and small businesses should be encouraged, not penalized. The SEC should want more capital to flow into these businesses, not less, whether such capital comes from crowdfunding or subsequent private offerings.

My colleagues and I urge you to eliminate any limitations on later investments based on these initial discussions.

We very much appreciate the opportunity to submit these comments.

Sincerely,

A handwritten signature in cursive script that reads "Michael H. Shuman". The signature is written in dark ink and is positioned above the typed name.

Michael H. Shuman, Esq.