

# Comment on Ways to Harmonize Private Securities Offering Exemptions

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One of the first qualified Reg A Tier 1 companies under the Job's Act

1. Ways to simplify, harmonize, and improve the exempt offering framework:
  - a. Modernize Edgar to catch up to current desktop publishing technology to allow filers to submit registration statements in various formats including pdf, doc and text files.
  - b. Upgrade the Edgar filing system to read, identify, extract and organize content such as XBML
  - c. Integrate the same technology that is used in identifying plagiarism by colleges and public schools in order to read the Edgar filing content.
  
2. How to expand investment opportunities:
  - a. Create a web-based registration statement form similar to the format crowdfunding sites use. It's clean and efficient. This shall be managed by the SEC.
  - b. Eliminate barriers to entry caused by unnecessary legal and accounting fees
  - c. Consolidate Tier 1 and Tier 2, capped at \$50 million (even \$20 million is more than enough to get started.)
  - d. Eliminate the requirement for an independent audit and enforce federal exemption of state registration
  - e. Eliminate the requirement for independent audits for Reg A Tier 2
  - f. Implement an exemption for independent audited financials for start ups with less than \$1 million in revenue and/or that are less than 2 years old.
  - g. Create state filing exemption for Tier 1.
  - h. Allow Reg D shares that are sold prior a Regulation A qualification to be registered with the offering.
  - i. Require Registered investment advisors, brokers and dealers to take continuing education credits for the changes in Regulation A and D. They simply do not know about the value of Reg A in most cases.
  
3. Maintaining appropriate investor protections:
  - a. Create a "debit card" for small investors, so they can do charge backs if the issuer is convicted of fraud.

- b. Allow investors to invest in a company from a dedicated bank account where the investment income is distributed equally each month remaining in the calendar tax year in which the investment is made.
- 4. Promote capital formation
  - a. Lift marketing restrictions for promoting offerings to beyond Reg D 506(c)
  - b. Require the offerings where the restrictions for promotions is removed to be sold through a Crowdfunding style platform created by the SEC.
  - c. Remove crowdfunding portal qualification restrictions created by FINRA. FINRA is abusing the portal qualification process with excessive fees.
- 5. Ensure that our multifaceted private offering framework works for investors
  - a. Create an SEC portal for small issuers under \$50 million similar to crowdfunding platforms.
- 6. Ensure that our multifaceted private offering framework works for entrepreneurs
  - a. Create a special account similar to a health savings account where the account places the burden of tracking permissible investment limits on the investor, not the small company.
- 7. Changes to be made to improve the consistency, accessibility, and effectiveness of the Commission's exemptions for both companies and investors.
  - a. Consolidate Crowdfunding, Reg A Tier 1 and Reg a Tier 2. All three are unnecessary.
- 8. Potential overlap or gaps within the framework:
  - a. Currently there is a loop-hole for Reg A tier 1 where the Reg A can bypass blue sky registration by following the Reg D exemptions for each state.
  - b. Note: there is a contradiction in Reg A tier 1 rules where investors are unfairly discriminated against from purchasing stock if the issuer doesn't register the stock in their state. It creates an unfair advantage in states where the Reg A tier 1 filing is registered. Investors get an early edge if the company up-lists.
  - c. Tracking the limitations on who can invest in certain exempt offerings, or the amount they can invest is too costly for a small business to manage.
- 9. Provide an appropriate level of investor:
  - a. Allow a unique ID to be used in lieu of a social security number when purchasing stock. KYC is validated by the bank from where the investor is making the transaction in most cases.
  - b. A small investor debit card/checking account will allow necessary controls to be put in place.

- c. The debit card can be managed same way as an HSA where automatic limits are placed on how much a potential investor can fund and invest
- d. Reduce the risk on both issuers and investors by offering tax credits for investing in small business.

#### 10. Secondary Trading

- a. Remove contradictions in Tier 1 and Tier 2 qualification on secondary trading rules
- b. Allow crowdfunding portals to offer secondary sales by the shareholders.