



NASAA

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March 22, 2012

Senator Jack Reed  
728 Hart Senate Office Building  
Washington, DC 20510

Re: Senate Amendment #1931

Dear Sen. Reed:

On behalf of the North American Securities Administrators Association (NASAA), I am writing to express my strong support for Amendment #1931 to the JOBS Act (H.R. 3606) as passed by the House, which represents an important, and long-overdue step, toward protecting investors in both the private and public securities arena.

State securities regulators and NASAA believe that the JOBS Act represents the greatest threat to investor protection laws that currently protect “mom and pop” retail investors. Although the JOBS Act remains deeply flawed, your amendment brings the securities laws one step closer to a balanced regime that protects investors without sacrificing capital raising efforts.

One of the fundamental tenets of securities law is that an investor is protected when the seller of securities is required to disclose sufficient information so that an investor can make an informed decision. The current “holder of record” definition creates confusion and threatens investor confidence in the marketplace.

Section 12(g) of the Securities Exchange Act of 1934 was enacted to ensure that as companies grew in size and complexity, so did their investor disclosures. Rather, companies could not avoid becoming public reporting companies once their shareholder base reached a certain threshold (currently, 500 shareholders). The change proposed by Senator Reed in the definition of “shareholder” from record holder (or holder of title) to include “beneficial owner” will ensure that investors have sufficient, and consistent, information—that required of all public companies—to make informed investment decisions.

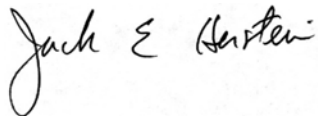
Amendment #1931 also corrects an outdated model. In many instances, the current shareholder definition bears little correlation to actual shareholder qualifications. Most shareholders rely on brokers, banks and other intermediaries to conduct transactions on their behalf. Although only shareholders themselves (i.e., beneficial owners) are entitled to vote on and sell their shares, the current

shareholder definition would count these third parties intermediaries, rather than the beneficial owners, as record holders. Thus, many small and large private companies can avoid reporting requirements by creative shareholder recording methods.

The JOBS Act will, among other things, prevent state securities regulators from protecting unsophisticated retail investors. However, the current shareholder definition, if left unchanged, weakens investor protections and furthers investor distrust. Investors should be entitled to the same disclosures (quarterly and annual reports, audited financial statements, insider transaction notifications, etc.) from all companies meeting the shareholder threshold requirement regardless of the use of intermediaries. If investors don't trust the market and the companies they have invested in, they will stop investing, and efforts to facilitate reasonable small business capital formation will be in vain.

Thank you again for your offering Amendment 1931, and your efforts to improve the JOBS bill to the benefit of the investing public throughout the United States.

Respectfully,

A handwritten signature in cursive script that reads "Jack E. Herstein". The signature is written in black ink on a white background.

Jack E. Herstein  
NASAA President  
Assistant Director, Nebraska Department of Banking & Finance, Bureau of Securities