



August 20, 2018

NASAA Legal Department
Mark Stewart, Counsel
NASAA
750 First Street, NE, Suite 1140
Washington, DC 20002

Re: Comments regarding two proposed model rules that would facilitate secondary trading in securities of issuers

Dear Mr. Stewart:

On behalf of CrowdCheck, Inc., a market leader providing small and early stage companies assistance with online capital formation, we applaud the North American Securities Administrators Association (“NASAA”) efforts to amend the Uniform Securities Act to account for increased availability of current information in electronic format. We would like to offer the following comments regarding the proposed model rules issued on July 19, 2018.

First Proposed Model Rule: Recognition of Current Information Sources for Purposes of the Manual Exemption

We support the proposed model rule. We are familiar with the disclosure standards imposed by OTC Markets and the monitoring and review processes that OTC utilizes to enforce these standards. The disclosure standards go beyond what is required by the existing manual exemption and OTC’s enforcement of those standards is robust. The end result is disclosure that permits investors in early-stage companies to make an informed investment decision. We would further note that other markets, such as the “venture exchanges” that many small business advocates believe should be encouraged to stand up, should be treated the same way, provided that their disclosure standards and enforcement processes are as robust as OTC’s.

Second Proposed Model Rule: Secondary Trading Exemption for Securities of Regulation A – Tier 2 Issuers

We support the general concept of the proposed model rule; however, we believe no conditions beyond ongoing reporting compliance should be imposed, even if a state’s existing regulations for the manual exemption impose additional conditions. We believe that compliance with the ongoing reporting requirements of Regulation A should be sufficient to provide investor protection on a standalone basis,

without any additional conditions, in either option. Tier 2 of Regulation A requires timely provision of audited and unaudited financial information, and the conditions to reliance on Regulation A for the primary offering already precludes blank check companies. Financial statements, including pro forma financial statements, are required to be provided in the event of mergers or combinations. The ongoing reporting requirements apply as soon as the Regulation A offering statement is qualified, and thus no waiting period is necessary. We believe that Section 2(E) of Option 2 (and corresponding requirements under existing state laws) unnecessarily discriminates against very early-stage and small companies and would deny their investors liquidity for no good reason.

We would, however, suggest a wording change to the exemption: it is arguable that a company could be “current” in its filings even when it has few enough investors to file a Form 1-Z to exit the ongoing reporting system. For that reason, we would suggest that the rule require that the issuer be subject to as well as current in their ongoing reporting requirements.

We appreciate the opportunity to comment on this initiative and NASAA’s willingness to support liquidity for early-stage companies.

Respectfully submitted,
Andrew Stephenson
Chief Product Officer
CrowdCheck, Inc.

cc: William Beatty, Chair of the Corporation Finance Section
Faith Anderson, Chair of the Small Business/Limited Offerings Project Group
Christopher Staley, NASAA Assistant General Counsel