



745 Atlantic Avenue  
Boston, MA 02111  
Phone: (617) 352-1230  
goconnor@gpoconnorlaw.com  
www.gpoconnorlaw.com

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Office of the Secretary of the Commonwealth  
Massachusetts Security Division  
John W. McCormick Building  
One Ashburton Place  
Boston, 02108 MA

via email: [securitiesregs-comments@sec.state.ma.us/sct/](mailto:securitiesregs-comments@sec.state.ma.us/sct/)

**Re: Comments on “Crowdfunding Exemption” Rules, 950 CMR 4.402(B)(13(o))**

Ladies and Gentlemen:

This letter is to provide comments on the above-referenced regulation permitting intra-state crowdfunding securities offerings (the “Massachusetts Crowdfunding Regulations”). Specifically, I urge the Office of the Secretary to continue to implement the regulations as initially promulgated, with no further limitations or conditions.

The Massachusetts Crowdfunding Regulations are limited, in that they require adherence to the conditions of Section 3(a)(11) and Rule 147, including the use of a Massachusetts-formed entity, sales only to Massachusetts residents, and the other requirements of the federal rule. However, these rules still provide a critical path for financing for many companies that would otherwise find it impossible to raise venture capital private equity.

The Massachusetts Crowdfunding Regulations contain significant advantages over the so-called “Title III” crowdfunding regime contemplated by the federal JOBS Act. For example, the Massachusetts Crowdfunding Regulations permit companies to raise up to \$1 million without requiring audited financial statements, compared to the proposed limitation of \$500,000 under the federal law. It seems extremely unlikely to anyone experience in the world of start-up financing that any company with business activities sufficient to warrant audited financial statements which seek recourse to equity crowdfunding of the sort enabled by the Massachusetts Crowdfunding Regulations. Also, the Massachusetts Crowdfunding Regulations do not require the use of a registry portal, another advantage.

These regulations could enable small entrepreneurs to raise funds for local start-ups that might not be candidates for other types of start-up financing, such as community solar projects,


restaurants and real estate development projects. They could also be used enable community co-investment in local real estate and commercial developments.

In order to give the Massachusetts Crowdfunding Regulations the best chance to succeed, it is critical to let entrepreneurs, funding sources and their respective advisers and intermediaries to find the right way to utilize them, without imposing any additional barriers at this time. To the extent that the Office of the Secretary perceives a risk to unsophisticated investors, I suggest that this risk be addressed through investor education efforts on the opportunities and risks of participating in crowdfunding, rather than imposing any further conditions or limitations at this time on the availability to small business owners of this potentially valuable tool.

Thank you for your attention to this letter.

Very truly yours,

O'Connor Law Office, P.C.

By:   
Gerard P. O'Connor