

By Email (rule-comments@sec.gov) and U.S. Mail

June 13, 2012

Elizabeth M. Murphy
Secretary
U.S. Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Re: SEC Regulatory Initiatives under the JOBS Act: Title II, Access to Capital for Job Creators

Dear Ms. Murphy:

Thank you for the opportunity to provide comments as you develop the regulations surrounding the implementation of the JOBS Act. I am the CEO and founder of Cambridge Innovation Center, an organization that houses approximately 450 startup companies in a 160,000 square foot office tower in Kendall Square, Cambridge. CIC is the largest cluster of startups in one building anywhere in the world. More than \$1.7 billion dollars has been invested in these companies, and we have been a launch pad for several well-known companies, most famously Google Android which was co-founded here by Rich Miner.

As one of those called to testify before the Senate Banking Committee on the JOBS Act, I have been following this legislation and its associated rule-making process closely. This is important legislation. As I noted in my Senate testimony, a Kauffman Foundation/US Census Bureau study shows that new enterprises are the engine of job growth in our country. Between 1980 and 2005, startups generated about 3 million net new jobs per year, while all other businesses lost about 1 million jobs per year. A successful JOBS Act has great potential to keep this flow of new jobs strong.

That said, while I and many others in the startup community are thrilled about this new legislation, we want to limit the potential for its abuse. One provision of the act which gives rise for concern is the Title II right to general solicitation as part of Rule 506 financings targeting accredited investors. The worry is that unscrupulous individuals might use it to advertise investment opportunities that ostensibly target sophisticated, accredited investors, but are in fact money traps intended to take in unwary investors of all types. Unlike the crowd-funding rules, which require a licensed and regulated intermediary to police the deals, Rule 506 financings have the potential to become a "wild west" where wrongdoing thrives.

I believe that sophisticated investors ought to be able to make their own choices, and I think it's beneficial to the world of innovation to have a relatively "regulation free" zone for transactions amongst sophisticated investors. Angel investing today relies on Rule 506, and it is a very powerful force for the creation of new enterprises in this country.

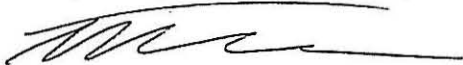
My concern is narrow, and is specifically sparked by the possibility that general solicitation may cause bad investments to be presented to people unprepared for this type of investment. This could occur if offerers hoodwink non-accredited investors into participating in accredited-investor-only financings, and it could occur if there is participation from unsophisticated investors who nevertheless meet the current accredited investor definition.

I would like to suggest that the SEC consider two possible mechanisms to reduce the likelihood of the above.

1. *Light touch.* What if the SEC were to require all Rule 506 investors to complete a standard, SEC-designed form (available in both paper and electronic formats) that tests for investment sophistication, in addition to the usual financial thresholds for accreditation? The form could warn of the dangers of private investing, and ask questions that help the investor understand if he or she is indeed prepared to make this kind of investment. The goal would be to a) reduce the possibility that an investor is duped into thinking he or she is accredited, and b) genuinely educate the investor through the form itself. While not a watertight solution, this might impede the worst abuses. Offerers who don't obtain this completed form from investors could be easily prosecuted.

2. *Out of the box.* The SEC could consider offering investor education courses online and via SBA SBDCs. Those passing a qualifying test could be granted "accredited investor" status—much like taking a driving test grants driving privileges—with a lower threshold than usual for becoming an accredited investor. This lower threshold would provide an incentive to use the courses. After implementing these courses, the SEC could analyze the incidence of fraud. If victims tend to come from the rich but untutored segment of the market (those who had not taken this course), laws could then be changed to require more stringent financial thresholds for those who do not take the courses.

Thank you for your work on this important matter.



Tim Rowe
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