

August 31, 2012

By Email (pubcom@finra.org,)

Ms. Marcia E. Asquith
Office of the Corporate Secretary, FINRA
1735 K Street NW
Washington, DC 20006

**Re: FINRA Regulatory Notice 12-34 – Request for
Comments on Regulation of Crowdfunding
Activities.**

Dear Ms. Asquith:

The Financial Industry Regulatory Authority (FINRA) published Regulatory Notice 12-34 (Regulatory Notice) seeking comments on proposed regulation of Crowdfunding Activities by FINRA member firms. The comments requested are directly related to recently passed legislation, The Jumpstart Our Business Startups Act (JOBS Act). The JOBS Act focused on increasing American job creation and economic growth, relying in part on provisions relating to securities offered or sold through “crowdfunding.” To that end, FINRA is soliciting public comment on the appropriate scope of FINRA rules that should apply to member firms engaging in crowdfunding activities, either as funding portals or as brokers.

As the primary focus of The LeGaye Law Firm PC is the representation of professionals in the securities industry with respect to regulatory compliance and securities law matters, we respectfully offer the comments set forth below in response to the Regulatory Notice. The opinions expressed herein are our own and do not necessarily reflect the opinions of any of our clients.

1. General Comment as to the Regulatory Structure

In general, the rules promulgated by FINRA should comply with the underlying FINRA standard that the rules and regulations implemented are not based upon a “one size fits all” platform, and as such, are structured and implemented so as allow for multiple business models to be utilized by FINRA members firms, and allow FINRA member firms to remain competitive with the crowdfunding portals utilized by non-member firms.

2. Independent Verification of Accredited Investor Standards

In setting forth the reasonable steps to be taken to verify that purchasers of the securities offered by means of general solicitation or general advertisement in Rule 506 offerings are accredited investors, the proposed rules should reflect current custom and practice, and in fact, FINRA should not impose higher standards with respect to independent

verification than the Securities and Exchange Commission (“SEC”). Additionally, what might constitute reasonable steps may depend upon particular facts and circumstances and the applicable accredited investor category, we believe that FINRA’s rules should reflect current custom and practice which take these considerations into account. Especially because the purpose of the JOBS Act is to encourage and support capital formation, any requirement that imposes additional burdens on issuers or on purchasers would contravene the fundamental impetus for the JOBS Act. In this regard, we believe that FINRA should be sensitive to the legitimate privacy concerns of purchasers.

3. Due Diligence

The member firms of FINRA are held to high moral and ethical standards, including the member firms obligations related to due diligence and suitability obligations with respect to the securities product marketed to the investing public by such broker-dealers. However, we would note that FINRA needs to carefully balance investor protection against the legislative intent of the JOBS Act to encourage and support capital formation. FINRA rules should not impose due diligence obligations that are so structured and strict that they may be unnecessarily burdensome on small private issuers and start-up companies, and or place unnecessary and disproportionate due diligence costs on a broker-dealer engaged in crowdfunding. Ultimately, by “pricing” broker-dealers out of crowdfunding due to the cost of due-diligence would ultimately hurt both small private issuers and investors by moving them to other potential intermediaries and portals that are not subject to the same moral and ethical standards that are currently imposed on FINRA member firms.

Issuers engaged in crowdfunding offerings will operate under a distinct safe harbor provided by new Section 4A of the Securities Act and will be required to make written disclosures and regulatory filings to this effect. To this end, due diligence and suitability obligations for FINRA member firms engaged in crowdfunding activities and offerings should be structured narrowly to address the specific requirements Section 4A of the Securities Act. FINRA member firms should be permitted to reasonably rely upon written representations of the issuer, its duly authorized officers and directors, and to be allowed to exercise professional judgment as to additional due diligence requirements that would address general anti-fraud provisions.

4. Qualification, Registration and Membership Issues

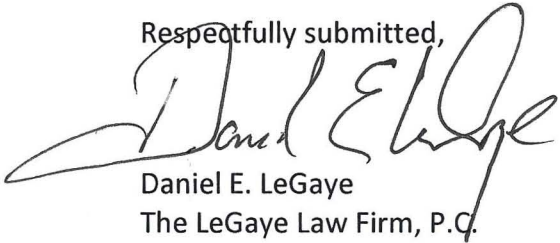
The activities related to crowdfunding are analogous to the private placement of securities. As such, it should not be deemed a material change to a member-firms business to engage in crowdfunding, provided the member firms are currently approved to engage in the private placement of securities. Additionally, to the extent a firm’s registered personnel are qualified to engage in the private placement of securities, no new qualifying exam should be necessary. The underlying intent is to protect the investor and the existing qualifying exams have been structured to assure persons registered to market private placements are in fact aware of the importance of customer protections.

In the alternative, in the event FINRA does in fact believe that new registration qualifications are in the best interest of the industry, FINRA should consider grandfathering persons currently qualified to market private placements, and include crowdfunding issues in the regulatory element of the continuing education program that has been implemented by FINRA.

Conclusion

We appreciate the opportunity to submit these comments and your thoughtful consideration of same. Should you have any questions, please contact the undersigned at 281-367-2454.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel E. LeGaye". The signature is fluid and cursive, with a long horizontal stroke extending to the left.

Daniel E. LeGaye
The LeGaye Law Firm, P.C.