

Via electronic mail at rule-comments@ sec.gov

January 24, 2014

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549

**Re: Crowdfunding  
File No. S7-09-13**

Dear Ms. Murphy:

Thank you for the opportunity to provide comments to the Securities and Exchange Commission on its proposed rules for Crowdfunding.

AngelList is a web-based platform that helps connect startups in need of financing with accredited investors. While we operate only with accredited investors, we believe that our experiences operating a platform that is in some ways similar to what's envisioned under the Crowdfunding rules may help inform your deliberations as you work on the new Crowdfunding rules.

Over time, we have developed a set of mechanisms that work well for a large investor base to ensure that things flow smoothly and without fraud on both the investor and company side. While there are many alternative ways to accomplish the same thing, we do believe that allowing platforms like ours to extend a similar model to the crowd would be valuable.

We were very pleased to see that the Crowdfunding regulations do allow a simultaneous Reg D offering; this will allow the crowd to get the benefit of a sophisticated investor group vetting the company and terms.

We believe there are several improvements that could further improve the likelihood of a functioning Crowdfunding marketplace within the scope of the JOBS Act:

1. **Allow issuers to “test the waters”**. The proposed regulations don't allow companies to “test the waters” by seeing what investor interest would be before bearing the regulatory expense. We believe the same investor protection goals could be met by requiring the disclosures, bad actors checks, etc., 15 days before *accepting cash* rather than before just soliciting interest. Using the SEC's own regulatory burden estimates, the current regulations would imply \$350,000 of expenses for every successful raise if Crowdfunding issuers see the same success rate as open non-equity crowdfunding portals or foreign equity crowdfunding portals (1 success for every 10 tries, but with all 10 companies bearing the costs of trying).

2. **Allow Funding Portals to curate opportunities.** While we are mindful that the law bans “investment advice or recommendations” from Funding Portals, we are looking to the Commission to clarify the line between curation and recommendation. We believe the proposed regulations go too far by banning any form of judgment, including which issuers to allow on the Funding Portal.

AngelList would not function if we could not provide that service for accredited investors. We do not make recommendations to our investors (they would ignore them if we did). However, investors value that we rank order investments by likelihood of interest to them and only feature or notify them of those most likely to be worth reviewing. With near 100,000 companies, the site would fail if we did not, as investors would find themselves seeing poor quality businesses next to great startups. The net effect would be the same as your email provider or ISP not being allowed to provide the service of filtering out spam. Your ISP is not “recommending” the emails that pass the filter, but if they didn’t provide that service, you would be awash in junk.

Our ability to use our judgment to sort, filter, and feature (while not crossing over into telling investors what they should and shouldn’t invest in) is critical to the fact that over 1,300 companies have found investors on AngelList and we have 0 reported instances of fraud. I would be very concerned about removing that important protection from the market, which the current proposal appears to do.

Likewise, I’m uncertain what protection is added by banning the intermediary from that critical function. There is a very important distinction between screening & sorting (which is done absent any judgment to customize to specific users or to identify specific portfolios to invest in) as separate from recommendations or investment advice (whereby we would select specific companies for investors and recommend they buy into them).

3. **There should be no “issuer liability” for the intermediary.** The JOBS Act is quite specific about liability. For example, it extends the definition of issuer to include individuals associated with the company. However, it does not place additional liability on the intermediary. We were surprised to see an opinion in the regulations that the intermediary bears liability as an issuer. When combined with the ban on Funding Portals choosing who can be an issuer on the platform, this appears to make Funding Portals untenable.
4. **Encourage intermediaries to take equity for services.** The current proposal bans the intermediaries from taking equity in the underlying company in return for services. So long as the program was consistently applied without judgment by the intermediary, the net effect would purely be to align the interests of the intermediary with the investor. In a market characterized by such extreme information asymmetries, this is an important investor protection. The proposals

appear to go to the other extreme and ban this important investor protection in a way that doesn't appear to be based on the requirements of the law.

We would be happy to make ourselves available to discuss our views on this at more detail at your convenience if you would like to know more about how AngelList handles the investor protection issues that arise in a marketplace similar to this one.

Sincerely,

A handwritten signature in black ink, appearing to read 'Naval Ravikant', with a horizontal line underneath it.

Naval Ravikant  
CEO, AngelList