

To Whom It May Concern:

I would like to comment on the role of “funding portals” in equity based crowd funding. Specifically, I would like to discuss why a funding portal (or an officer of a funding portal) is prohibited from having equity in an offering listed on its platform.

I understand that if an intermediary was also an investor, it might be seen as a conflict of interest. However, I believe that allowing intermediaries to take equity in offerings on their platform would actually be beneficial for all. If a funding portal were to have equity in a business that uses its platform, an intermediary would have a financial incentive to see the business succeed as opposed to simply reaching the target-offering amount. Given the current state of the economy it isn't enough just to simply create new small businesses. When it comes down to it, it is in everyone's best interest to see these businesses prosper in the long run.

If an intermediary were allowed to have equity in the businesses using its platform, the intermediary's interests would also coincide with the interests of the other investors. Funding portals and brokers would be highly motivated to screen all issuers for potential fraud or wrongdoing. Intermediaries could even offer accounting services to help guarantee that businesses are maximizing profits and that investors are not being taken advantage of. Ultimately, the goal would be for an intermediary to be a mediator or liaison between issuers and investors as opposed to an independent source of funding.

For the reasons mentioned above, I truly believe that allowing funding portals to have a stake in the companies would not be a conflict of interest. In fact, I think this suggestion would actually help align the interests of issuers, investors, and intermediaries and help promote successful entrepreneurship.