To Whom It May Concern:

From our reading of the proposed rules, we understand that there are additional requirements placed on companies seeking to be funded through funding portals, at least as compared to current regulated investing services, like traditional broker-dealers.

It seems reasonable for us to believe that this is because the SEC thinks that non-accredited investors need to be protected in ways that accredited investors do not. Putting aside the moral argument, we recognize that the SEC is charged with protecting all investors. This begs the question: what risks does the SEC want to protect all investors from as it relates to the private securities realm?

We all understand that the risks associated with investing in private securities (or any investment) are various and not required to be mutually exclusive. However, that doesn't mean that they can't be individually identified. We understand the full set of risks facing an investor to be the following:

- The chance that the opportunity is actually a scam
- The chance that the company can't execute effectively
- The chance that the product does not have sufficient demand in the market
- Some miscellaneous risk

Any company that fails to produce a return on investment will do so due to at least one of these factors. It is in the SEC's best interest, then, to analyze the reasons why actual companies have failed in the past and how that has affected the actual return on investments, that is, risk. Restated, why are companies currently failing and failing to produce returns on investment?

- Is it because of fraud?
- Is it because companies aren't executing?
- Is it because companies aren't making products or services that people will use and continue to use?
- Is it due to any other complex thing that can occur?

Certainly the first and last points could be considerable, but analysis of the market tells us otherwise. We believe that the coefficient on the fraud or miscellaneous risk factors has largely been reduced via current regulations or business practices that will naturally extend or lend themselves to funding portals. An analysis of the start-up market shows little information or data regarding the hazards of fraud, again likely a reflection of the effectiveness of current regulation.

Additionally, there are many reasons to believe that funding portals will naturally be better at blocking fraud; it's harder to dupe hundreds of investors at one time than it is a few. Besides, broker dealers tend to use referral networks to find companies anyways, a process that is easily replicated with web-based portals.

Instead, common criticism of the market focuses on the other two problems investors face: Their ability to gauge whether a company can execute and their ability to gauge whether the company can create a product that is desirable. These are the classic business problems, and we believe that funding portals are uniquely positioned to alleviate them.

Because of all of the intangibles that can affect a company's execution, there is no reason to believe that funding portals will provide less effective or abundant resources than current funding methods. Both traditional broker-dealers and funding portals can connect companies to resources and knowledge capital.

This leaves an understanding of the product's desirability as the last factor, and one that, theoretically, funding portals can improve more meaningfully than broker-dealers. This is because a crowd-funded product or service demonstrates a more representative signal of a product's desirability than one funded by a small group of investors, who can rely only on surveys or other existing methods to try to understand a product's demand. In other words, funding portals can more effectively predict a product or service's demand.

If there can exist a more meaningful signal of investment strength via funding portals, then funding portals may indeed lower the number of investments in companies whose products were never desired; in other words, bad investments.

Additionally, the creation of Title III is going to grow the crowd-funding market dramatically, which combined with the market signals described above, can potentially have a compounding effect on the economy.

It will be in the interest of both funding portals and the SEC to find ways to optimize this.

Therefore, we believe that it is against the SEC's interest to require companies to undergo additional disclosures if they choose to raise money on funding portals. As argued here, there is no reason to expect that funding portals will be riskier than current venture capital, and every reason to believe that they are a natural evolution and improvement over the current investment industry.

We do not see why it would be in the SEC's interest to treat non-accredited investors significantly differently than those who are accredited. And, at the very least, disclosure agreements should be equal to those of broker dealers. Ideally, the SEC should be incentivizing companies to list on funding portals in order to incentivize this economic benefit.

It would also be in the best interest of the SEC to incentivize investors to invest small amounts and often. This would simultaneously promote a diverse investment portfolio while also spurring the production of this market demand signal, which our convictions tell us is an economic benefit.

We hope you receive these comments well.

Sincerely,

Sean Osterday & Pete Wild

Vest Inc.