To whom it may concern;

This is to offer comment on the crowd funding element of the JOBS bill recently passed by Congress. I am speaking on my own behalf as an M&A practitioner and Business Broker.

In the process of creating Crowd funding rules FINRA should consider "investor protection" slightly above and ahead of "small business capital interests" to avoid longer term problems. To the maximum extent possible, the SEC and FINRA should make best efforts to keep the crowd funding process and investor experience as transparent and honest as possible.

To that end, I would respectfully request consideration the following suggestions;

1. Requiring that portals and BD's provide a open means of investor and issuer feedback.
2. Requiring portals and BD's to publicly post (via website) all investor feedback.
3. Requiring that portals and BD's conduct an annual survey of all investors asking (among other things) if there crowed funding investment experience has thus far been excellent, good, fair or poor.
4. Requiring portals and BD's to submit the results of investor surveys to the SEC and/or FINRA who would then aggregate the data and provide investors honest statistical data regarding the risk and reward profiles of crowd funding, to differentiate good BD's and portals from bad ones, etc. If it turns out that 6 of every 7 investors loose all there money in there crowd funding ventures then FINRA and the SEC really need to have some way to verify and communicate the facts with the investor community.
5. As a default position, it may make sense to require that issuers provide each investor with contact information on all other investors in the deal. This would allow investors the opportunity to communicate with one another when needed. Investors that wish to remain "private" should be allowed to opt out of such a requirement.
6. Require that issuers hire at least one person to represent the interests of crowd funding investors. That person (or persons) should be allowed a seat on the issuers Board of Directors, with full privileges, as well as a responsibility to report or forward company results to the crowd funding investors.
7. Require that all issuers participating in crowd funding provide audited financials to potential and current investors, the SEC and/or FINRA.
8. The SEC and FINRA should consider hiring adequate additional staff to respond quickly to crowd funding complaints. Absent a dedicated enforcement effort in the early going, fraud and bad issuer actors will likely populate and prevail, just as they did back in the 1920's.
9. Ultimately the issuer (more than the intermediary or salesperson) needs to be held responsible and accountable to the facts presented to the investor. Punishing an intermediary or portal for passing along small company provided information is a little like shooting the messenger rather than the author. The existing system of requiring a BD to perform extensive due diligence on an issuer prior to raising capital does not work with smaller companies because these companies typically do not have the money available to pay the up front costs associated with a thorough investigation, audit, due diligence and proper packaging. Most small companies do not even keep good financial records and to a highly "creative" extent tend run there businesses largely from a tax avoidance / "family farm" perspective. A BD cannot typically effect the now required, upfront due diligence / investigation on straight contingency basis because in many cases the investigation and due diligence reveals things that cause the BD good reason to exit the engagement. Keep this fact in mind as you go forward with crowd funding rule making. With small business, rest assured, FINRA and the SEC are largely in a much, much different space than they are accustomed to dealing with. Look before you leap.
10. If some of the enforcement efforts will fall under the State Securities Administrators and SEC then make sure some discussion and agreement occurs between FINRA the SEC and State Security

Administrators. States do not respond well to unfunded mandates because in today's times most States cannot handle there existing backlogs of alleged violators.

Final thought--- We seem to live in a time where jobs mean much and people with money to invest seem to mean less. Yet the truth is this --- Capital markets only work when a high level of investor confidence exists. If little or no investor confidence exists, (due to bad actors, marginal enforcement or too many crowd funding "losers") then selling the concept of investing in small business will likely become even more difficult than it is today. If that were to become the case then Congress, FINRA and the SEC could have actually done more harm than good to small American business.

Overall my point is this. Please look carefully before you leap, think long term putting the interests of the investor above all other concerns and then carefully figure out the what, where, when, how and who to the question of taking down bad issuers, bad actors and fraud.

Best of luck with your efforts and thank you for allowing me the opportunity to comment on crowd funding.

Sincerely,

Bryan

Bryan Spaulding
Spaulding Group Inc.
813-453-2298
bspaulding@spauldinggroupinc.com