August 18th. 2012

REF: Crowdfunding Portals' Revenue Model

To be consistent with Congress' intent and keep the cost of fund raising to a minimum for Growing Companies, we propose the following Revenue Model for the Regulated (under HR3606 Act, Title III) Crowdfunding Portals:

To eliminate fraud, we strongly oppose the model, where Issuers self-uploading their issues and related documents to Intermediaries website, like the current popular but underperforming, donation and rewards based Crowdfunders are practicing.

According to Wired Magazine's pie-chart (seen on www.RFPIA.org) only about 3% of fully or over funded "tin-cup baggars" are completing their proposed project and fulfilling their obligations to donors. An alarming 97% failure rate among a few spectacular exemptions ! No Brick & Mortal company would ever get out of starting gate with that performance.
That model would not work either for Investors expecting above average returns on their investment.

Therefore Funding Portals will have to spend considerable time and effort, finding quality Issuers, interviewing them or even visit them if practical. Futhermore, Issuers will require coaching, guidance and "hand holding" or even consulting by Funding Portals as to what steps needed to be taken and referring them to qualified CPA and attorneys for advise. Funding Portals should do the *due diligence* of their own, beside the SEC's, focusing on the merit of technology or services offered.
Therefore, Funding Portals should be entitled to a minimum $3,500 USD none refundable up front fee, at the time of listing the issues on their website to re-coop some of their upfront direct expenses. A small price to pay to weed out the useless and bad apples and strengthen the good once ! Thereby boosting Investors confidence in this program.

Funding Portals will have just as much expenses as regular Stock Brokerage firms or Investment Bankers. For those of you lucky enough, and never worked at an Accounts Payable desk, here is a short list of expenses: beside the payroll and employment taxes there are large IT related expenses like maintaining Servers, T-1 lines, resident geek's expense, advertising for Investors, rent, utilities, legal fees, travel to meetings, licenses & fees by the City and State, business, liability, Errors and Omissions and Workman's Comp. insurance and general overhead among others. Most of them mandatory. Therefore if an issue is funded or over funded, Funding Portals would require at least a 4.9% of that total sum just to stay solvent.
One must keep in mind, that out of 10 issues on a site for TWO or THREE weeks maximum, (Investors would not wait any longer in the days of day trading) may be THREE Issues will be fully funded, especially at the beginning ! Most of them being in the below $250,000 range.

Since we are on this subject, we would like to limit the over funding to 20% maximum. Early investors will not be very happy, if they invested at the beginning to see their Stocks are diluted already. Nor will it be any incentive to start the subscription early.

Should we allowed to use Escrow or Bank Client Trust Accounts like attorneys are permitted, Issuers would wind up with considerable more funds in their Bank account than going through Amazon or PayPal, as is the norm today.

Obviously, Issuers will have their own up front expenses estimated about $10,000 USD for participating, like expenses for CPA, Attorney, Business Plan writing, Stock Certificates or Consultants, among other items.
But again, if one can NOT come up with at least $10,000 USD for up front fees, he/she has no business to ask for a million Dollar from Investors. Those funds would not last very long !
Respectfully submitted.

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