



June 24, 2024

*Via U.S. Mail and Email to [ombuds@finra.org](mailto:ombuds@finra.org), [supervision@fdic.gov](mailto:supervision@fdic.gov), and [ombudsman@fdic.gov](mailto:ombudsman@fdic.gov)*

Robert W. Cook, CEO  
FINRA  
1700 K Street, NW  
Washington, DC 20006

Katherine Bayer, Regional Director  
FINRA Northeast Region  
200 Liberty Street  
New York, NY 10281

Martin J. Gruenberg, Chairman  
Federal Deposit Insurance Corporation  
550 17th Street, N.W.  
Washington, D.C. 20429

**Re: Protecting Small Businesses And Investors Following Mainvest's Collapse**

Dear CEO Cook, Regional Director Bayer, and Chairman Gruenberg:

With the recent collapse of [Mainvest](#), an equity crowdfunding platform that has helped entrepreneurs raise capital since 2018, we are calling upon the Financial Industry Regulatory Authority (FINRA) and the Federal Deposit Insurance Corporation (FDIC) to take immediate action to protect small businesses and investors in the fallout. As federal institutions charged with protecting America's investors and depositors against loss, your third-party oversight is critical to ensure that community investors and small businesses are protected following the Mainvest collapse.

Many of the businesses affected by the dramatic closure of Mainvest are clients of Lawyers for Civil Rights (LCR), an organization that works with communities of color, immigrants, and low-income communities to fight discrimination and foster equity through creative and courageous legal advocacy, community education, and economic empowerment. Our BizGrow initiative focuses on ensuring that small businesses – particularly minority-owned and women-owned businesses – have opportunities to grow and thrive.

Mainvest and other non-traditional investment platforms are critical for small businesses that have historically faced discrimination and other barriers in accessing capital. Through our BizGrow network, we know small businesses and investors who are affected by Mainvest's

collapse and extremely concerned about invested funds that are currently frozen. We are working with small business owners who are suddenly faced with the legal and operational implications of distribution of funds to their community of investors. Other entrepreneurs who were on the cusp of opening a business have had to halt their plans due to lack of access to funds they raised through the Mainvest platform.<sup>1</sup>

The Mainvest equity crowdfunding platform allowed everyday people to invest in their own communities by contributing as little as \$100, helping independently-owned businesses to launch and build more vibrant and community-supported mainstreets. In Boston, Mainvest supported the launch of businesses ranging from James Beard-award winning restaurants like Comfort Kitchen to coveted neighborhood bakeries like Third Cliff Bakery. Women, people of color, and immigrant entrepreneurs tend to rely heavily on raising money through crowd-funded investment platforms like Mainvest. These entrepreneurs pull together resources from hundreds of investors to open their first brick-and-mortar location, a path to upward mobility and wealth generation. In its six year tenure, Mainvest provided a space for approximately 30,000 investors to invest \$30 million in more than 450 businesses. BizGrow works directly with many of these local small businesses and community investors.

As of June 14, 2024, with limited notice, Mainvest collapsed and ceased operations. Reportedly, this came after Synapse, a financial intermediary that the platform relied on, filed for bankruptcy in April 2024. This alarming cascade of closures has left small businesses' and investors' funds frozen and inaccessible. Through the Mainvest platform, investors would loan funds to small businesses, and would be paid back over a period of years. The funds that were paid back to investors remained in a custodial account in the Mainvest platform, called the "Mainvest Wallet," to encourage people to re-invest their repayments. When Mainvest announced its closure, it alerted investors to complete all withdrawals from the site before June 12. However, "two days after notifying investors of business closure, Mainvest sent another email communication that two of its financial service providers, Synapse Financial Technologies Inc. and Evolve Bank & Trust, are experiencing disruptions in service, which is impacting withdrawals, investments, refunds, and repayments on the site."<sup>2</sup> The disruption has left investors and small businesses nationwide reeling – waiting with limited information – and unable to access their funds, an estimated \$2.4 million.<sup>3</sup> For community investors and small businesses this represents a fortune, and warrants immediate intervention from FINRA and FDIC.

---

<sup>1</sup> Scott Kirsner, "Mainvest helped people 'invest in Main Street.' It's shutting down in June," Boston Globe (May 31, 2024), *available at* <https://www.bostonglobe.com/2024/05/31/business/mainvest-salem-crowdfunding-june/>

<sup>2</sup> Isabel Tehan, "Salem investment startup Mainvest is shutting down," Boston Business Journal (May 17, 2024), *available at* <https://www.bizjournals.com/boston/news/2024/05/17/salem-investment-startup-mainvest-is-shutting-down.html>

<sup>3</sup> Scott Kirsner, "Mainvest helped people 'invest in Main Street.' It's shutting down in June," Boston Globe (May 31, 2024), *available at* <https://www.bostonglobe.com/2024/05/31/business/mainvest-salem-crowdfunding-june/>

Now that Mainvest has fully ceased operations, FINRA and FDIC must take immediate steps to protect investors and small business owners:

### **1. Ensure The Proper Disbursement Of All Funds**

FINRA and FDIC should ensure the proper disbursement of Mainvest user funds immediately. Entrepreneurs are currently waiting on funds raised through the Mainvest platform, and investors are waiting on funds left in limbo through the “Mainvest Wallet.” FINRA and FDIC should work with Synapse Financial Technologies, Inc., Evolve Bank & Trust, as well as Lineage and AMG banks, where the outstanding funds are reportedly held, to make sure these transfers are effectuated properly and promptly.<sup>4</sup>

### **2. Issue More Guidance**

Since the Mainvest collapse, affected communities have not received clear guidance or information about what path both small business owners and investors should take to access funds or transfer management of disbursement. FINRA and FDIC should develop and maintain a dedicated direct hotline for expedited communication during urgent moments of institutional collapse and transition like this. A hotline – along with active communication and transparency – would help to restore public trust and confidence.

### **3. Guard Against Predatory Practices**

With the abrupt closure of Mainvest, many small business owners have been left to find new platforms to help manage and disburse the repayments to their investors. This quick shift and dire need can lead to predatory practices during the fallout and transition. Without regulating bodies like FINRA and FDIC to help determine which platforms are safe, secure, and legitimate, small business owners are left vulnerable without a guide.

### **4. Provide More Oversight Going Forward**

More platforms like Mainvest continue to open and operate. FINRA and FDIC should take a more active approach in managing the agreements, flow of funds, and contingency plans in the case of business closure so that entrepreneurs and investors alike can feel secure and protected by federal regulators. Platforms such as Mainvest provide a critical means for small, minority-owned, women-owned, and immigrant-owned businesses to access capital. Federal oversight of these platforms – particularly when they close – is equally critical. With businesses in our BizGrow project directly impacted by this collapse and lack of direction, we stand ready to assist FINRA and FDIC as you continue to respond. As part of that response, we request that

---

<sup>4</sup> Mainvest indicates that it is working with FINRA, but no information is available on the process. See Mainvest, available at <https://mainvest.com/> (noting that “Mainvest leadership remains in direct contact with FINRA, Lineage Bank, and AMG”).



FINRA and FDIC hold an open meeting so that you can hear directly from the affected community – both investors and small business owners – to learn about the specific challenges and needs during this time. We would welcome the opportunity to assist in convening such a meeting. Please contact Roz Freeman, LCR's Entrepreneurship Manager at [rfreeman@lawyersforcivilrights.org](mailto:rfreeman@lawyersforcivilrights.org).

Sincerely,

Roz Freeman, Entrepreneurship Manager  
Oren Sellstrom, Litigation Director  
Ivan Espinoza-Madriral, Executive Director  
Lawyers for Civil Rights