

Mr. Chairman and Members of the Committee:

Thank you for this opportunity to provide testimony on the implementation of the JOBS Act and the proper elimination of government barriers to small business capital formation.

My name is Alon Hillel-Tuch. I am a co-founder and CFO of RocketHub. RocketHub is an established crowdfunding website, having provided a platform for the launch of over 8,000 campaigns and raised over \$2 million to support entrepreneurs and small businesses. These successful campaigns have provided funding to businesses of all types, from a local bakery to a start-up developer of medical devices to enabling the financing of a film production.

Crowdfunding is the application of new technology to an old idea. People have always sought support in their community to help raise money for new businesses. The advent of web-based social networking allows people to expand their community to their on-line friends and to benefit from the lower costs of a web-based platform.

Thanks to Title III of the JOBS Act, crowdfunding in the U.S. will soon expand to permit the sale of stock by these entrepreneurs to their supporters. We at RocketHub, look forward to this development, and we intend to register as a crowdfunding portal as provided in the JOBS Act.

While I believe that the JOBS Act will benefit small businesses in the U.S., I also believe that its impact can be improved through the proper use of the Securities and Exchange Commission's discretion in rule making, and through certain amendments to the Act.

In the JOBS Act, Congress provided that issuers utilizing crowdfunding platforms must provide investors with certain information, including audited financial statements where the issuer seeks to raise more than \$500,000, or such other amount as the Commission may establish. I believe this \$500,000 threshold is too low, and that audited financial statements should not be required unless the issuer seeks to raise \$1 million. Crowdfunding typically attracts start-up companies and small businesses. *Audited* historical financial statements of these types of companies, which may have little or no operations, do not provide investors with more meaningful information as compared to unaudited financial statements, yet they impose a significant cost on the entrepreneur. Making this change could save small businesses tens of thousands of dollars while opening up the opportunity for them to take full advantage of the crowdfunding platform.

A second area where the Commission should exercise its discretion in rule-making is by minimizing up-front expenses to entrepreneurs and small businesses that seek to crowdfund. Crowdfunding platforms usually charge fees for successful projects. This allows small businesses to access crowdfunding at minimal initial cost. If they attract support for their project, then they have the funds to pay fees. If their idea does not attract support, their costs are minimal, no supporter is charged, and the entrepreneur can come back in the future with a new idea. In implementing the JOBS Act, the Commission should be careful to preserve this fee structure. Platforms should be able to charge fees on successful projects, while not imposing costs on projects that do not attract funding. This fee structure will allow more small companies to use crowdfunding, while reducing their risk if they are unable to attract financing.

One area that Congress should address to improve the JOBS Act is to raise the crowdfunding exemption to \$5 million from \$1 million. The higher amount will allow more small businesses who need capital to utilize the cost-effective crowdfunding method. Currently, a company that seeks more than \$1 million is unable to use crowdfunding and must rely on traditional venture capital and angel investors, credit card debt, or small business loans. These sources may not be available to all businesses, especially start-ups, women and minority led businesses, and those traditional small businesses that fall outside of the high-tech model. Raising this limit would allow crowdfunding to more effectively compete as a source of funds with venture capital and banks, giving small businesses more options and driving down financing costs.

Crowdfunding can be an important economic tool to help small businesses grow and drive job creation. I believe that by: raising the aggregate limit for crowdfunding to \$5 million; limiting the costs associated with audited financials to raises above \$1 million; and aligning the interests of companies, investors and platforms with a success fee structure, we can increase the economic benefit provided by crowdfunding.

These reforms will increase the number and type of companies that choose to raise capital through crowdfunding. By expanding the role of crowdfunding in small business finance, we also expand the opportunities and benefits to crowdfunding investors. These small investors will have the ability to participate in the growth and success of a wider range of companies, including companies in their communities.

I'm very excited by the opportunities provided by crowdfunding, and I again thank the committee for the opportunity to speak with you here today.

If time is available I would like to address the following points and common questions regarding crowdfunding.

Q: Won't crowdfunding lead to a lot of fraud by issuers?

A: Every securities market and/or offering has the potential for fraud, but crowdfunding structures help minimize that risk. Crowdfunding is highly transparent, and there is substantial feedback from other community participants. The crowd helps police players and keeps them honest. Portals provide a clear and central location for communication by potential investors to analyze and share their views on offerings. The web based structure also allows portals and regulators to provide risk disclosure and investor education. In addition, we expect portal operators will undertake a gatekeeping role in authenticating issuer identity and requiring minimum standards for issuers.

Q: What potential does Title III of the JOBS Act have to create new domestic jobs?

A: As shown in the July, 2010 Kaufman Foundation report ("The Importance of Startups in Job Creation and Job Destruction"), startups are the job creation engine in the American economy. Without startups there is no net job growth. Access to capital for small business is a challenge; small businesses have relied on financing from community members as well as sources such as credit card debt, loans, and angel investors. Debt structures often come at a high cost and burden to entrepreneurs, who may lack regular cash flow, during the growth stages of their companies. Furthermore, traditional sources of capital have strict guidelines to the nature of the businesses

they support, excluding a wide range of domestic businesses. Crowdfunding is especially important for women and minority owned businesses that may not have traditional access to funding sources. By using a web-based platform, crowdfunding drives down the cost to companies of raising capital and allows companies to reach out to their natural investor base.

Q: How will crowdfunding investors receive liquidity in their investment positions?

A: As with any private placement we expect that investors in crowdfunded projects seek long term alignment with the issuers. We do not believe this industry is conducive to rapid trading, we believe the industry consists of smaller investors that are looking to participate in long term opportunities they are familiar with and understand.

Q: Why is crowdfunding good for investors?

A: Before the JOBS Act the ability of small investors to participate or invest in private businesses has been limited. The JOBS Act now enables small investors to provide support to capital seeking entrepreneurs. Crowdfunding portals and regulators are able to drive standardized and understandable terms across offerings. This allows crowdfunding investors to become educated and aware of the offering terms and risks. Investors in crowdfunding offerings are able to clearly see the terms and success of an offering, and are able to directly communicate with the issuer and other investors.

RELATED EXPERIENCE

RocketHub Inc. - New York, NY November 2010 - present
Co-Founder and Chief Financial Officer

- Create, communicate, execute, and sustain strategic initiatives
- Evaluate current operational systems and assess optimization opportunities
- Develop partnerships in order to optimize company growth
- Collaborate with team to ensure seamless operation of business
- Assess and manage Company's capital requirements
- Manage overall Company health

BCMS Corporate LLC, Mergers & Acquisitions - New York, NY December 2007 - January 2011
Head of Prospect Generation & Special Situations Manager - North America

- Positioned as head of the Prospect Generation department managing staff located across North America
- Responsible for developing and implementing the restructuring of the North American offices
- Reviewed, modified, and approve all current documentation outgoing on any North American project
- Work with the President and CEO to establish and grow Private Equity relationships, and manage BCMS' corporate relationships with Private Equity, Venture Capital, Wealth Management, Accounting, and Law firms
- Work closely with legal to analyze and negotiate all NDAs for the Prospect Generation department
- Designed and created the firm's Private Equity database and software, which evolved into a relationship management tool of 800+ PE firms leading to more opportunities to win engagements to sell portfolio companies to PE firms
- Managed the hiring and work load of the entire North American BCMS internship program
- In management role revised all department processes, achieving higher response rates in half the time previously needed while reducing department overhead
- Started at the firm entry-level and worked way up to management position

"Sports Social Media Startup" - New York, NY March 2008 – December 2010
Interim Chief Technical Officer and Executive Consultant

- Guided firm through initial stages and assisted in securing seed capital from investors
- Developed business plan and strategy for year one and two
- Consulted on product development and refined business model to optimize value creation of company upon launch.
- Worked with executive team on business operation, customer service, and client relations
- Guided development team during project development and creation
- Developed key partnerships with other firms in order to accelerate company growth

EDUCATION

Columbia University - New York, NY
Master of Science 2011- Negotiation and Conflict Resolution
Fellow at the Advanced Consortium for Cooperation, Conflict, and Complexity (AC4) - Earth Institute, Columbia University
Research Participant at the International Center for Cooperation and Conflict Resolution (ICCCR) – Teachers College

Hamilton College - Clinton, NY
Bachelor of Arts 2007, Honorable Member Phi Sigma Iota Honor Society
Major: Economics (International Finance, Industrial Organization), Minor: Chinese Language (Mandarin) & Culture

Columbia University - New York, NY Summer 2006
Economic Game Theory (Higher Level)

Accredited Colleges in China (ACC) - Beijing, China Spring 2006
Selected to attend intensive Chinese culture and language immersion program