Mr. Chairman and Members of the Committee:

Thank you for this opportunity to provide testimony.

My name is Alon Hillel-Tuch. I am a co-founder and Chief Financial Officer of RocketHub. RocketHub is an established crowdfunding platform that has initiated over 40,000 campaigns, and has provided access to millions of dollars' worth of capital, for entrepreneurs and small businesses in over 180 different countries. My testimony today is based on my field experience working closely with new and small-businesses.

Domestic job growth comes from the new and small-business sector. Approximately 90% of U.S. firms employ 19 or fewer workers, and these companies create jobs at nearly twice the rate of larger companies.[1] According to January's ADP National Employment Report,[2] between December and January, small businesses with fewer than 50 employees added 75,000 positions. That is more than double the number of jobs large business created in the same period. Job creation is most prevalent in new companies, and if our goal is to drive job growth within the United States, our focus should be on new business formation.

The spirit of entrepreneurship in the United States is unparalleled, and as a result more Fortune 500 companies exist in the U.S. than anywhere else in the world. Those large companies are serviced well by big banks and the public markets, but new and small-businesses often find it difficult to access capital. In the U.S., investment capital is mainly limited to regions such as New York City, Boston, and Silicon Valley, and most new and small-businesses do not have access to these capital zones, let alone the innovation hubs recently created by the White House. Crowdfunding platforms, such as RocketHub, provide capital access to new and small-businesses that are either neglected by large banks or face unmanageable interest rates due to the different risk mechanism involved.

Until recently, the crowdfunding market was allowed to evolve and innovate without government oversight. Platforms sprouted and the public quickly adopted this social form of capital formation. Equity crowdfunding was the next evolutionary step in the market, and the first time Congress became involved. The House of Representatives passed several bills focused on economic revitalization, and democratizing access to capital, which eventually become the JOBS Act that the President signed it into law April 5th, 2012. But since then, implementation delays have been significant. It took the SEC 566 days to release proposed rules for Title III of the JOBS Act. In the meantime, basic forms of equity crowdfunding have been operational for almost three years in the United Kingdom and The Netherlands, and for nearly five years in Australia..[3]

The U.S. market is a magnet for domestic and foreign entrepreneurs, but they must have the necessary tools available within the United States to innovate and grow. Other countries are

---

[1] http://blogs.wsj.com/economics/2014/02/24/say-it-together-new-businesses-not-small-ones-drive-job-growth/

[2] http://www.adpemploymentreport.com/2014/January/NER/NER-January-2014.aspx

[3] The Australian Small Scale Offerings Board has been operational since 2007 operating with a maximum investment cap of $5M having generated over $135MM of investment capital for entrepreneurs.

actively pursuing these entrepreneurs. For example, Chile has a special visa program for foreign entrepreneurs that includes a $40,000 grant, and they also proactively approached RocketHub and discussed leveraging crowdfunding, including equity based crowdfunding, within the Chilean market. I have personally had similar discussions with the foreign direct investment agency of France, as well as the Ontario Securities Commission in Canada.

The World Economic Forum's Global Competitive Report (2013-2014) identifies the U.S. as an innovation powerhouse, yet the U.S. ranks only 5th in competitiveness.[4] Certain countries that ranked lower in competitiveness, such as The Netherlands (8th) and the United Kingdom (10th), are catching up. They are doing this by being forward thinking market innovators and encouraging new capital formation policies, such as equity-based crowdfunding, well in advance of the United States.

Crowdfunding is not a brand new market, it is an existing market that has had its wings clipped in the United States by over-regulation. Crowdfunding is an important economic tool to help new and small-businesses grow and drive job creation, and if it is not allowed to continue to develop in the U.S., ultimately the market will continue to develop outside of this country. The JOBS Act, and Title III in particular, was intended to mandate low-cost regulation that relied on individuals within the market place and their socially informed investment appetite. However, it has evolved into a high-cost solution relying heavily on frameworks developed over 80 years ago.

At this point legislative support is needed to assist the SEC in creating functional rules for Title III of the JOBS Act. Checks and balances within emerging markets are critical, not only for consumer protection purposes, but also to generate trustworthiness in the market place. I believe appropriate regulation, leveraging a soft yet informed approach, is crucial in the United States. With Congressional support, we can increase the economic benefit provided by crowdfunding and remain competitive in the international market. The current market dynamics abroad, demonstrated by countries such as Canada, the United Kingdom, The Netherlands, Australia, and Italy, make it clear that only a pro-active approach in ensuring functional regulation will enable the United States to maintain a dominant international position for new and small-business formation.

I hope to have the opportunity to elaborate further on key-provisions that need to be addressed, and I thank you for your time.

---

[4] http://www3.weforum.org/docs/WEF_GlobalCompetitivenessReport_2013-14.pdf

Securities and Exchange Commission Proposed Rules Summary

RocketHub acknowledges the Commission's diligence and effort in producing the proposed regulations. We believe, however, that the proposed rules fail to address the realities of operating a crowdfunding Portal,[5] and fail to respond to the needs of an issuer considering a Section 4(a)(6) offering. The proposed rules need to be more cost-sensitive, less burdensome and more realistic to permit the development of a vibrant, sustainable, and scalable securities crowdfunding market, as envisioned by the JOBS Act.

In RocketHub response paper available at http://www.sec.gov/comments/s7-09-13/s70913-206.pdf, RocketHub argues that the proposed regulations are cumbersome and expensive. We believe the Commission has not taken full advantage of the opportunity provided by the JOBS Act to craft rules for a low-cost, web-based offering exemption and has instead imported expensive concepts from traditional regulatory frameworks. This is amply demonstrated by Rockethub's cost-analysis of the filing and audit requirements,[6, 7] which establish an upfront cost that is too high for small businesses to accept. These proposed regulations also require businesses to engage an excessive amount of outside expert advice, which is not appropriate for the size of the market. Furthermore, Portals are saddled with misplaced liability, hindering their ability to operate in the market alongside other intermediaries.

RocketHub is concerned that the Commission too frequently relies on traditional concepts, instead of addressing and exploring the modern social media marketplace that underpins this new market. The complexity of the proposed regulations (585 pages) will increase costs associated with compliance, and discourage issuances. One reason that crowdfunding has become so popular is its low barrier to entry. Project leaders can leverage RocketHub's system to test the market, see if there is support for their ideas, and use that information to inform their decisions on how to move forward. Under the proposed rules, issuers will be faced with significant upfront costs, and the real possibility of a failed offering leaving them in a worse position than before the attempt.

In the response paper RocketHub has endeavored to bring operational insight, and an experienced crowdfunding & technology industry perspective to the discussion of the proposed rules. RocketHub believes that this perspective will benefit the Commission, allowing them to create regulation that will provide adequate protection of the consumer, and opportunity to the issuer. While we will continue to push for legislation that will reduce costs to the market, we urge the Commission to reexamine its approach in implementing the crowdfunding provisions of the JOBS Act. As part of this witness testimony RocketHub has included a summary of critical points.

---

[5] Funding Portal as defined in section 3(a)(80) of the Securities Exchange Act of 1934, as amended.

[6] See Appendix I, II and III

[7] See page 8

Overview of Responses to the Commission's Request for Comments

Ongoing Reporting Requirements

This is in response to the following requests for comment: 17, 18, 24, 25, 26, 29, 30, 31, 32, 33, 34, 36, 37, 38, 41, 42, 72, 73, 74, 75, 79, 84, 92, 93, 94, 96.

As currently proposed, the initial and ongoing reporting requirements for issuers impose unnecessary costs and complexity, which fail to take advantage of the web-based nature of crowdfunding, and are not supported by the JOBS Act.

- The requirement for issuers to file a Form C with the SEC prior to making an offering on a Portal imposes an up-front cost on issuers with no benefit to investors. The up-front cost is that issuers need to incur the time and expense of completing the Form C. This is especially troublesome for issuers who are ultimately not successful in completing their capital raise. The Form C, however, is neither reviewed, nor declared effective by the SEC. As a result, there is no countervailing benefit to investors in terms of rule compliance or anti-fraud. Instead, all potential investors in the offering will be viewing the materials that are posted and available on the Portal's site. A better solution would be to only require a Form C be filed upon the completion of the offer. This "final" Form C would include the final versions of materials disclosed to investors during the offering process. The "final" Form C should be filed exclusively electronically, and should allow for reference to materials on the Portal's website (if the Portal has agreed to keep such information available).

- The requirements for issuers to file "Form C-U" progress updates are similarly flawed. If an offering is unsuccessful, the requirement that issuers make a filing upon reaching the 50% commitment threshold is irrelevant. If an offering is successful, the requirement that issuers make a filing upon reaching the 50% commitment threshold is useless because the issuer will have disclosed reaching 100% of funding. These progress updates also fail to account for (i) the various lengths of offering periods, (ii) the nature of the timing of funding commitments (which may all come in at the end of the funding period, making interim filings irrelevant), and (iii) the visibility of funding status to all potential investors on the Portal's website. As a result, these progress reports (which are not required for other types of offerings) add a layer of useless regulation and cost on small business issuers.

The proposed rules seek to implement a pre-offering filing requirement with subsequent amendments (analogous to a registered offering) which is inappropriate for an exempt offering that utilizes social media and web-based communications. All potential crowdfunding investors have access to all information posted on the funding Portal's website, either by the issuer or by other potential investors contemplating an investment. The issuer has the opportunity to engage in public discussion with the investors, and the investors have the opportunity to raise concerns and request additional information. We do not expect that many (or any) investors will look to

the EDGAR system over having the same information provided (and discussed) on the funding Portal's website. The rules as proposed fail to integrate this reality in their approach and as a result, impose unnecessary filing requirements.

While such filings may serve certain statistical compilation purposes, they do not provide a direct benefit to investors, and impose real costs on issuers. As such, we urge the SEC to revisit their approach in providing information to investors and reduce the filing requirements.

Instead, the Commission should set minimum reporting requirements with the understanding that such requirements can be enhanced or adjusted through collective decisions by issuers and investors. If too many disclosures, filings, reports, and forms are required, issuers will face unnecessary hurdles and costs. Issuers would also be better positioned to serve their investors' interests if not distracted from successfully building and running their enterprises.

The Commission should generally rely on investors to ensure adequate disclosure through the initial offering materials. As discussed throughout, if the investors do not feel that sufficient information has been disclosed, they are free to simply not invest or request further information. The crowd will be able to compel the issuer to make the requested disclosure in order to attract or retain investors. The Commission should also specify the material changes that would trigger an issuer's responsibility to disclose such information. The Commission should provide a list similar to that accompanying Form 8-K; however, the list should be modified to appropriately acknowledge the difference between public and private companies, and the different types of material events that early growth companies experience. Issuers would then be able to easily identify and comply with their reporting obligations. While investors would then have access to this information, they would also retain the ability to request disclosure of additional material changes from the issuer. Rather than create a rigid, one-size-fits-all solution, this would enable investors to determine what changes they deem material to their particular investment.

Material changes should be disclosed by the issuer on the Portal, where they can be used by investors and potential investors to make informed decisions. This method of disclosure will also permit issuers to use various media to communicate with investors (e.g., written statements, video presentations, etc.).

Ability of Intermediaries to Define and Police their Platforms

This is in response to the following requests for comment: 15, 103, 104, 113, 114, 115, 116, 133, 134, 135, 166, 167, 168, 169, 170, 219, 220, 221, 222, 223.

Intermediaries require the ability to define their market position and "police" their platform for inappropriate use. To do so, intermediaries must be allowed to determine the content that will

appear on their platforms and be allowed to select certain issuers (and exclude others) based on predefined criteria. Such criteria could include, but would not be limited to:

- Issuer's industry (i.e., permitting industry specific intermediaries);
- Type of securities being offered (i.e., permitting offering term specific platforms);
- Size of offering;
- Geographic location of issuer's business;
- Stage and operating history of company;
- Valuation methodology; and
- Securities and background check results (i.e., permitting intermediaries to impose higher standards than the Commission).

Regulation should likewise not interfere with a Portal's ability to use its discretion to accept or reject certain campaigns. Similar to specialty stores, Portals may specialize by industry, size of the offering, geography, and investor type or issuer history. This may improve disclosure and investor protection, as (i) investors may more easily compare investment opportunities in similar businesses (and educate themselves) on a Portal that specializes in that industry, (ii) competition may drive market norms (Portals or investors may decide that "idea only" companies are too risky and not worth their attention, or that such companies provide the only attractive returns), and (iii) Portals may develop special knowledge regarding the industry or class of issuer which may help reduce fraud and improve disclosure to investors. Such decisions should not be interpreted as an endorsement of individual campaigns or provision of investment advice, and should not be subject to intrusive regulation.

Portals must also maintain the ability to "police" their own platforms for inappropriate content. For example, nearly every web-based business, which allows users to post comments or content, moderates the forums where content is posted. Intermediaries must be allowed to remove content that is unlawful, harmful, threatening, abusive, harassing, defamatory, vulgar, obscene, invasive of another's privacy, hateful, or racially, ethnically or otherwise objectionable. Intermediaries must also be allowed to suspend or ban users who repeatedly abuse the system.

Issuer's Ability to Restrict the Offer

This is in response to the following request for comment: 15.

An issuer should be allowed to determine the nature of its own offering by restricting the investors it chooses to accept. For example, an issuer my wish to leverage Section 4(a)(6) specifically to formalize a "friends and family" investment round. To facilitate such an offering, the issuer should be allowed to make the offering "invite only" by delivering invitations to a specified list of perspective investors while restricting all others from viewing the offering.

Issuers should be permitted to choose investors based on specific criteria, such as the size of the required investment, the investor's geographic location, or any other legal, non-discriminatory metric. Issuers should also be permitted to approve or reject individual investors before the offering is formally closed. Receipt of an indication that a perspective investor would like to invest in the issuer should not obligate the issuer to accept that investor. As long as the issuer's justification for rejecting an investor is not discriminatory in nature, issuers should not be obligated to explain such decisions to investors, intermediaries, the SRO, or the Commission.

This approach is consistent with basic legal principles and other private placements in which the issuer has the right to determine to whom to make offers to participate.

Promotion by the Portal

This is in response to the following requests for comment: 99, 100, 101, 187, 216, 217, 218, 220, 223.

Portals should be permitted to advertise to: (i) draw interest to their sites generally, and (ii) encourage issuers to fund through them. Portals should be barred from language that implicates the level of risk involved in the investment or the overall quality of the investment opportunity. Nevertheless, if a Portal chooses to feature or highlight certain offerings based on its discretion or the use of specific metrics (e.g. topic, press, or momentum), such decisions should not be viewed by the Commission as investment advice, a recommendation, or a solicitation. Portals need the ability to feature campaigns to compete with other Portals.

Portals should be barred from soliciting investments for any specific campaign by providing offering details outside of the Portal itself. However, Portals should be allowed to advertise more generally, as well as highlight ongoing offerings through various communication channels. Additionally, like other businesses, Portals may have staff dedicated to handling business development and marketing initiatives. Such standard business practices should not be limited.

Promotion by the Issuer

This is in response to the following requests for comment: 97, 100, 101, 103, 105, 106, 108.

There is a clear distinction between an issuer hiring an individual or entity for promotion and more standard web-based advertising, such as Google ads, Facebook ads, or sponsored tweats. When an issuer hires an individual or entity for promotion, investors may not be aware of the commercial relationship between the parties. The Commission should not enact rules that may

interfere with promotional compensation, but should rather require simple disclosure of a commercial relationship where it would not otherwise be apparent to investors.

Notice to investors can be achieved by highlighting comments or postings by promoters or affiliates of the issuer. To avoid confusion, the Commission must also provide clear definitions regarding what constitutes compensation and payment for promotion. A simple disclosure by the issuer on its offering page that compensation was provided to select promoters should suffice. The Commission should also supply examples of the application of these definitions in major social media outlets (e.g., the use of hashtags on Twitter), where traditional recognition of a commercial relationship may not be possible.

We anticipate that most promotions will be limited to notices that direct investors to the intermediary's platform, which are not prohibited by the proposed rules. We also anticipate that when investors or potential investors have questions or comments for an issuer, they may publicly tweet an issuer or post a question on the issuer's Facebook account. If the question pertains to the offering, the issuer should be able to respond to the investor with a link directing the investor to the public communication channel on the intermediary's platform. While the link the issuer provides could technically be considered a communication, we believe any communication directing an investor to the compliant communication offered through the Portal should be permitted.

Liability of Funding Portals

This is in response to the following requests for comment: 129, 130, 131, 134.

We disagree with the SEC's commentary in the proposing release that, "it appears likely that intermediaries, including funding Portals, would be considered issuers for purposes of [liability under Section 4A(c)]". In this context it would be akin to holding a securities exchange liable for fraud committed by an issuer listed on such exchange.

To resolve any dispute, however, we encourage the SEC to adopt a clear position and safe-harbor that acknowledges that a Portal providing the services permitted under applicable rules is not an "issuer" for purposes of the Securities Act. This position is consistent with the historical treatment of securities marketplaces and the common (and statutory) understanding of the term "issuer". Failure to address this provision exposes Portals to misplaced liability and threatens the fundamental economics of the crowdfunding marketplace.

While funding Portals can perform basic background checks on the issuer and certain disclosed equity holders, they have neither the resources, nor the expertise to examine statements to determine truth (or detect omissions). Issuers will make statements regarding business plans,

affiliate transactions and contracts which Portals will have no ability to verify. Exposing the Portals to liability as an issuer requires that the Portal conduct diligence as if it were the issuer. As the Portal does not receive the economic benefit of the issuer, this burdens the Portal with risks that are not commensurate with the reward.

Investors should be informed of the explicit and limited steps to police fraud that the Portal has undertaken, and acknowledge that their recourse for misstatements lies solely against the issuer of the securities. Investors will instead be protected through disclosure regarding the risks of investing and the receipt of adequate disclosure from the issuer. Investors will have the opportunity to perform diligence and pose questions to the issuer. Each investor will then have the ability to review the issuer's responses, as well as feedback on those responses from other potential investors. The nature of crowdfunding encourages disclosure of relevant information through the negotiation and agreement that will occur between the issuer and investors.

Viewing Portals as issuers (or underwriters) misstates their role in the marketplace and threatens to create economic disincentives so extreme as to eliminate any possibility of non-Broker[8] / Dealer[9] Portals operating under the proposed rules.

Financial Statements

This section is in response to the following requests for comment: 12, 18, 19, 20, 29, 31-33, 47-48, 50-58, 60-62, 64-66, 69, 71, 80, 85, 86, 88, 122-127.

After assessing the proposed rules, the dynamics involved in a crowdfunded offering, and the types of issuers most likely to seek to leverage Section 4(a)(6), there appear to be significant costs which are structured in a manner that will jeopardize the viability of the potential market for a crowdfunded offerings. Since there is no guarantee of an offering's success, excessive up-front costs will penalize issuers and create an issuer oriented risk-exposure to debt (due to regulatory compliance costs) that may cripple the very small businesses the JOBS Act was designed to support.

[8] Broker as defined in Section Section 3(4) of the Securities Exchange Act of 1934, as amended.
[9] Dealer as defined in Section Section 3(a)(5) of the Securities Exchange Act of 1934, as amended.

Figure 1.1[10, 11]

	Offerings of $100,000 or less	Offerings of more than $100,000, but not more than $500,000	Offerings of more than $500,000
Compensation to the intermediary. **A**	$2,500 - $7,500	$15,000 - $45,000	$37,500 - $112,500
Costs per issuer for obtaining EDGAR access codes on Form ID. **B**	$60	$60	$60
Costs per issuer for preparation and filing of Form C for each offering. **C**	$6,000	$6,000	$6,000
Costs per issuer for preparation and filing of the progress updates on Form C-U. **D**	$400	$400	$400
Costs per issuer for preparation and filing of annual report on Form C-AR. **E**	$4,000	$4,000	$4,000
Costs for annual review or audit of financial statements per issuer. **F**	Not Required	$14,350	$28,700
Costs per issuer for preparation and filing of Form C-TR to terminate reporting. **G**	$600	$600	$600

Figure 1.1 can be used to model issuers' potential cost structures. An issuer conducting an offering to raise $501,000 would have to allocate 21.15%[12] of the total amount raised in costs, with $34,760 in potential up-front costs.[13] On a $101,000 raise, if one year of accountant-reviewed financials is required, the predicted costs amount to **40.01%**[14] of the total raise, with at least $20,410 in anticipated up-front costs.[15] This percentage increases to **54.22%** if two years' worth of accountant reviewed financial statements are required.[16] Given these proposed rules, more funds would be spent on compliance costs than retained by the issuer.

[10] Securities and Exchange Commission, Release Nos. 33-9470; 34-70741; File No. S7-09-13, Pg. 358, http://www.sec.gov/rules/proposed/2013/33-9470.pdf, October 23, 2013

[11] See Appendix I

[12] See Appendix III.A

[13] See Appendix III.F

[14] See Appendix III.C

[15] See Appendix III.G

[16] See Appendix III.C

These calculations do not include additional costs that will be imposed on issuers and Portals to ensure compliance. Therefore, these figures understate the true cost of the proposed rules.

Figure 1.2

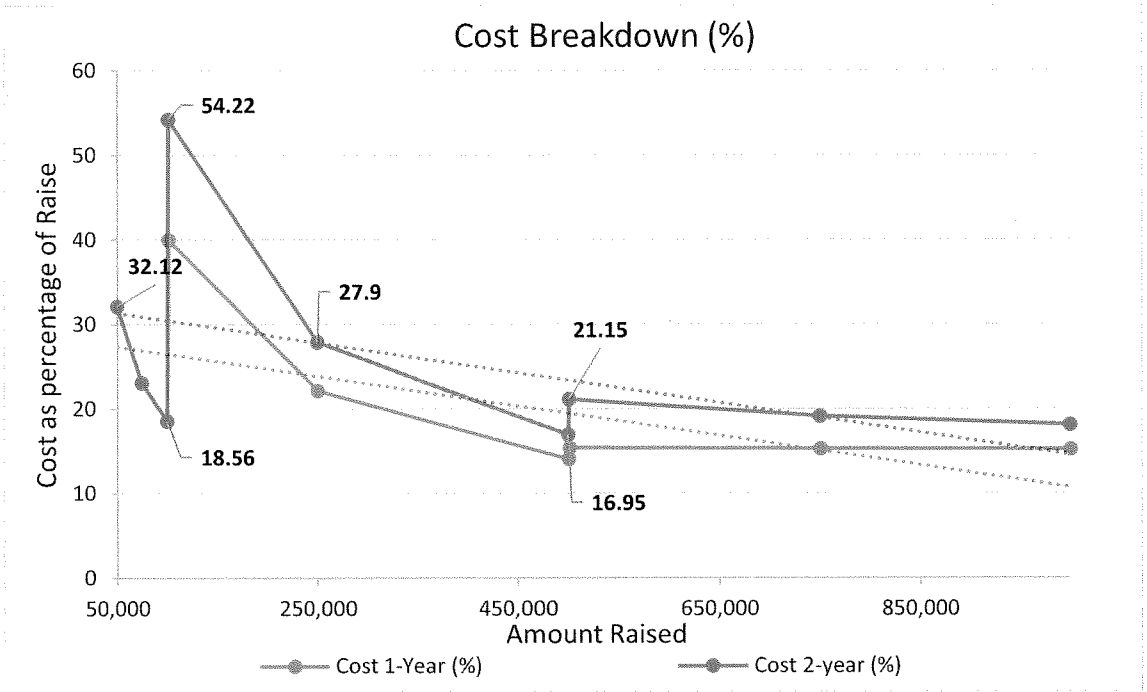

Figure 1.2 demonstrates that the proposed rules create resistance points in the amount being raised..[17] This structure creates a disincentive to raise amounts in excess of the resistance point, unless an issuer can raise considerably more and mitigate the cost. This could force increased dilution or a larger capitalization table than desired. Although some aspects of the resistance points can only be reduced through legislative change, a considerable up-front cost component imposed by the Commission can be avoided. The bulk of these upfront costs are associated with preparing filings for the Commission, obtaining an EDGAR access code, and using the proposed Form C..[18]

RocketHub believes that the Financial Condition of Issuer requirements are excessive in cost and misguided in intent. While subsection Sec.302(b)/Sec4A.(b)(1)(D)(i)(II) requires issuers to provide certified financial statements, an early stage company may not have historical financial

---

[17] These points are $100,000 & $500,000, respectively.

[18] This becomes very apparent for an issuance of less than $100,000. Using the function $ax + by + c = 0$, $y = 0.05x + 13{,}560$. When the slope of the linear line is marginal (0.05), but the y-intercept point (when amount raised [x] is equal to zero) is a large portion of total range of ($0 \leq x \geq 100{,}000$) this means that the up-front cost component is the largest influencer. At the high-end of the range, when x = 100,000, up-front cost is equal to 13.56% of the total amount raised, which is the best case scenario.

statements to provide. "Financial statements" should therefore be interpreted to mean "historical financial statements" only for periods that the issuer has been in existence. Moreover, not all issuers will have historical financial information that can be audited, and the prohibitively expensive nature of audits contradicts the spirit of the Act. Regardless of historical financials, the requirements when applied to offerings of less than $1,000,000 highlight that the funds appropriation ratios are excessive.

Sec.302(b)/Sec4A.(b)(1)(D)(iii) explicitly permits the Commission to adjust the target offering amount where audited financials are required. As audited financials are generally not required for angel investments or venture capital investments of this size (largely due to the cost incentives described above), the target offering amount should be raised to an amount in excess of $1,000,000. This will permit elimination of the audit component of the proposed requirements for offerings of less than $1,000,000.

Request for Comment 58 specifically addresses the ability to require issuers to provide financial statements that are certified by the principal executive officer to be true and complete in all material respects for issuers looking to raise more than $100,000 but less than $500,000. RocketHub fully supports certification by the principal executive officer in lieu of the costly accounting requirements, though we recognize that legislative support may be necessary to accomplish this. The ability to self-certify would help reduce up-front costs. Furthermore, a serious reduction in the unnecessary rate of reporting through Form-C would further reduce the up-front costs, making Section 4(a)(6) viable for the market the JOBS Act is intended to support.

Rescission Period

This is in response to the following requests for comment: 34, 171-172, 182-186.

We support the Commission's position on not prescribing how oversubscribed offerings would be allocated, as well as the simple disclosure of the target offering amount and oversubscription cap. However, the Commission has included proposed rules on the process to cancel commitments without requesting comment. RocketHub has serious concerns with the process as proposed. The Commission's proposal leaves investors open to considerable risk of "pump & rescind" schemes..[19] It also leaves issuers at risk of "short fall" situations..[20] Investors must have

[19] Pump & Rescind: An unscrupulous issuer could have fake investors "pump up" the campaign by committing large dollar amounts up-front, in order to create the appearance of momentum, thereby attracting other investors. According to the proposed rules, at the end of the offering, those initial investors could slowly "rescind" their investments, leaving only the new investors committed. This amounts to fraudulent promotion through faux-investing, and should not be permitted.

[20] Short Fall: Investors who are allowed to rescind their commitments to invest, after the campaign has reached the target amount, may cause the campaign to fall short of the target amount. This short fall may jeopardize the entire offering if the issuer does not have enough time to replace the lost investors before the campaign expires.

the ability to cancel their commitments within a reasonable time limit. However, as provided in the proposed rules, the right to rescind exposes both the investor and issuer to specific types of fraud and risk, and the proposed rules methodology unnecessarily exceeds the JOBS Act's requirements.

RocketHub suggests that once an investor expresses an intent to invest, the investor's investment should be placed in a "pending" state for 24-hours. After that 24-hour rescission period expires, the investor's funds should transition from "pending" to "committed," and should be held in escrow until transferred to the issuer. Notices of commitment can be submitted to investors after their rescission period has ended, and a secondary notice can be submitted to investors at the completion of the issuance. If the offering does not reach its funding target before the campaign deadline, the investor's funds should be released from escrow and returned to the investor.

As described in the proposed regulations, the Commission allows for a rescission period that is as long as the offering itself. This does not reflect the dynamics of crowdfunding. As Sec.302(b)/Sec4A.(a)(6) requires a minimum offering period of 21 days, the investor should have enough time to review the investment opportunity before investing, rendering a longer rescission period unnecessary. A short rescission period will protect investors from "pump & rescind" schemes and minimize an issuer's exposure to the risk of "short fall."

Intermediary's Ability to Provide Ancillary Services

This is in response to the following requests for comment: 76, 77, 78, 79, 80, 81, 82, 94, 96, 102, 105, 106, 107, 108, 114, 116, 128, 140, 146, 187, 226.

An intermediary may initially seem to serve solely as the platform on which an issuer's offering appears. In actuality, the intermediary creates the user experience and the user interface for both issuers and investors. The intermediary also creates the system through which issuers and investors interact with one another and third-party service providers. For example, whether or not a Portal uses a third-party payment service or its own technology, the issuer will perceive them as one and the same.

It would be impractical to have issuers and investors switching between various parties' software (i.e., EDGAR) in order to complete tasks. Intermediaries, and in particular Portals, are centrally located and will be able to unify the experience for issuers and investors, thereby increasing compliance and oversight.

Examples of services Portals seek to offer include, but are not limited to:

- Form-C filing;
- Form-C update filing;

- Amendment filing;
- Additional investor and issuer education;
- Direct registration of securities;
- Allocation and disbursement of funds as appropriate;
- Assist issuer with corporate structure;
- Connect issuer and investors with qualified service providers (including lawyers, accountants, etc.);
- Assist with and/or directly perform background checks and income verification;
- Post-issuance investor relations;
- Financial statement construction; and
- Copywriting, and video production.

Fundamentally, the crowdfunding market is designed to enable fundraising by issuers that represent idea-only, early stage, and small businesses. These issuers seek to actively engage with investors who have a genuine interest in the success of their businesses, often for reasons that are not limited to a return on investment. This includes family and friends that are connected with the issuers via online and offline social networks. These businesses may not be venture capital ready, or may not be traditionally venture-backable, and their Section 4(a)(6) offerings may be their first exposure to securities regulation. Therefore, allowing Portals to provide the necessary ancillary services will not only facilitate a smooth offering, but also ensure investors and issuers are fully protected, compliant, and informed.