



# ROCK THE POST

“Innovation and Micro Financing”  
Alejandro Cremades Testimony

Mr. Chairman and other members of the Committee on Small Business.

Thank you very much for the kind introduction and for having me here today. I am particularly interested in sharing my thoughts and experience with regard to the difference crowdfunding is already having, at this early stage, on small businesses in the US, and the positive impact that services like RockThePost provides.

According to a Kauffman report, new firms add an average 3 million jobs in their first year while older companies lose 1 million jobs annually. Unfortunately, 65% of these new firms go out of business within the first 4 years due mainly to lack of access to financing.

Traditional methods of financing are very limited. Out of the 6 million businesses that launch every year in the US, only 400 of them get Venture Capital money at an early stage. The rest rely on angel investors, which represents less than 1% of the US population or friends and family.

With equity crowdfunding offered via services like RockThePost, startups are able to gain exposure in front of thousands of

investors. In the offline world, startups take on average 8 months to close a Seed round. Via RockThePost, startups and small businesses fundraise their round between 60 or 90 days with minimal road show distractions. Success stories like Villy Custom Bicycles, a Shark Tank backed company with high profile investors like Mark Cuban and Barbara Corcoran, raised their funding goal in just two weeks on RockThePost or Musicx.fm in little over a month. RockThePost's crowdfunding platform not only helps entrepreneurs access funding, but reduces the fundraising time significantly, which allows them to focus on growing their business, which is the most critical for the bottom line.

However, we are operating under a lot of restrictions, which makes it challenging to truly innovate and pioneer this new industry. The general public solicitation rule is the most difficult challenge to overcome. Secondly, the fact that only accredited investors are allowed to make investments is also a big obstacle. Even though the law allows up to 34 unaccredited investors per offering, we feel that the amount of disclosures required to comply with this exemption kills the attractiveness for a platform like RockThePost to get involved, not to mention the burden entrepreneurs are faced with in providing additional disclosure materials. Allowing non-accredited investors to partake in private offerings will open the door to over \$400 million Americans in comparison to the 7 million accredited people that are currently in the US.

With that been said, I believe that we are far behind and every day that passes without the JOBS Act being implemented is another day that startups need to fight for survival. Pandora for example was rejected over 300 times from financial institutions and thank god they did not give up on their business. I invite you all, present in this room today, to create a unified voice in order to reduce the delay of the JOBS Act implementation. There are many cases like

Pandora out there, and unfortunately many of them end up giving up in the process.