

The House Financial Services Committee
The House Oversight And Government Reform Committee
Joint Subcommittee Hearing on JOBS Act Implementation
September 13, 2012

Written comments for the record
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Chairman McHenry and Garrett, and Ranking Members Quigley and Waters, and the rest of the Committee Members, thank you for this opportunity to speak.

I am the founder and CEO of AngelList, the largest service in the world for connecting technology startups and sophisticated investors. With support from backers like the Kauffman Foundation, AngelList has connected over 1,500 new companies with thousands of angel investors and Venture Capital firms that backed them. Our alumni companies have gone on to raise over \$1.1 Billion to hire people and build self-sustaining businesses. Companies that used AngelList, like Uber, Pinterest, and BranchOut are well on their way to becoming household names.

We also regularly feature startups outside of Silicon Valley and New York that may otherwise escape investor attention. For example, Veenome and FastCustomer, based right here in DC, Precog, based in Boulder, Colorado, Ordoro, based in Texas, and dozens of other companies located outside of major funding hubs have recently found investors via AngelList.

A few months ago, we launched AngelList Talent to place job-seekers into these fast-growing young companies. In less than six months, we have arranged around 14,000 interviews between hiring startups and people looking for work. Kickstarter, Khan Academy, Votizen, blogging giant Wordpress, and 1,300 other fast-growing companies are meeting potential employees on AngelList. Today's small startups are tomorrow's Fortune 500 employers. According to the Kauffman Foundation, companies less than 10 years old are responsible for all net job growth in the US, and we want to make that easier and faster to accomplish.

We are grateful for The JOBS Act as it updates regulations designed for a pre-Internet era, and allows us to roll out new services that help young companies. For example, enabled by provisions in the JOBS Act, we launched "AngelList Docs." This product automates the financing and regulatory compliance process for new startups. We have reduced the time and burden for legal closings of financing rounds from months to days, and from tens of thousands of dollars to zero. Law firms like Wilson Sonsini Goodrich & Rosati have lent their support by offering to close the financings for free if their clients use AngelList Docs. When was the last time your lawyer did anything for free?

Companies using AngelList Docs are saving \$20,000 of dead-weight loss in a financing where as little as \$100,000 might be raised - money better used to hire, and time better used to innovate.

Of course, most of the impact on the startup community is yet to come.

First up, General Solicitation. We support the SEC's reasons for proposing tighter verification of accredited status when a company discusses their financing publicly. We also appreciate that the SEC left the existing rules in place for companies that do not. Under the SEC's latest proposal, the existing "reasonable belief" standard will continue to apply when the offerings remain private, as they do today when conducted through AngelList.

However, when implementing the tighter verification standard when general solicitation is employed, we respectfully ask that the SEC consider that the tens of thousands of new companies using AngelList are tiny and under-resourced. Rules that seem obvious to us may confuse and distract entrepreneurs. Just as we maintain workflow processes and terms of service to track and simplify compliance with the current rule against general solicitation, we will attempt to automate the new standards that evolve under the heightened verification requirement. If platforms like AngelList can take the burden off entrepreneurs by providing 3rd party verification of investor accredited status, we can help startups remain compliant.

Second, Crowdfunding. We realize that the SEC has a very difficult task ahead of it. Critics have argued loose rules may invite fraud. Rules that are too tight, however, may repel the good companies - the ones who drive all of the economic returns for investors. We should avoid a perverse outcome in which crowdfunding becomes associated with desperate companies guaranteed to be bad investments. We should not create a mechanism in which a company must choose either crowdfunding or sophisticated, accredited funding. One of the best mechanisms to protect the crowd is to ensure that a self-interested, sophisticated investor has purchased the same security on similar terms.

Tim Rowe's congressional testimony cited AngelList as a model for how Funding Portals envisioned in the JOBS Act could avoid fraud. We respectfully offer several suggestions based on our experience:

1. Discourage fraud by allowing Funding Portals to "curate" – decide what gets featured and what gets buried on the site and in communications. Non-equity crowdfunding sites such as Kickstarter, curate heavily to avoid becoming hotbeds of fraud. Clearly, funding portals should not receive separate compensation tied to such curation.

2. Provide clarity on what qualifies as errors and omissions. The different liability rules for crowdfunding and accredited investments means that companies may be pushed to choose between them rather than doing both.
3. Keep crowdfunding compatible with fundraising from accredited investors. We **must** encourage sophisticated, accredited investors and the crowd to invest in the same security. Otherwise there is nobody to thoroughly vet the companies and negotiate the terms for the crowd.

We support the SEC in its rulemaking here, and encourage the Self-Regulating Organization efforts. However, AngelList will not offer crowdfunding unless we are sure the regulations will allow us to attract and curate good companies, and allow those companies to raise without creating undue liability for themselves.

A final thought - I encourage the SEC to move with all due speed and clarity. In our fast-moving tech startup world, we are witnessing the premature launch of businesses that provide crowdfunding-like services of questionable legality, putting both investors and companies at risk. This puts competitive pressure on the others – by our count there are over a hundred companies waiting in the wings to try this and may be tempted to jump the gun. Delays in enforcement or clarity about when regulations are enacted will feed this fire.

Finally, we want to say Thank You to Washington. The JOBS Act is a rare bipartisan success, and helps one of the least connected but most important constituents - companies that don't yet exist. The startup community isn't accustomed to this attention and help from both sides of the aisle, and we deeply appreciate it. Thank you for helping these future companies. They will create the jobs that don't yet exist, pay the taxes that aren't yet paid, and create the incredible products and services that we cannot yet imagine.