

The General Solicitation Ban Lift Can Change Startup Investing Forever

Written by Australian Business

NEW YORK, Sept. 20, 2013 /PRNewswire/ -- The SEC will be lifting the ban on general solicitation on Monday, September 23. With this implementation, the startup ecosystem will see an 80-year-old securities law modified for modern times, allowing private companies – startups in particular – to publicly advertise that they are seeking investments.

Among the exciting developments, leading startup investing platform [RockThePost](#) will unveil the following, in conjunction with Title II of the JOBS Act taking effect on Monday:

- 1) Prominent featuring of startups publicly announcing investment rounds
- 2) Investor verification system that shifts the burden off startups
- 3) Secure transactions where Escrow accounts act as a safe haven for early committed investors
- 4) Full transparency – third party identity checks and legal business verification, crowdsourced due diligence, bank-level security
- 5) Smart matching of investors to startup investments that match their preferences

RockThePost CEO, Alejandro Cremades, notes that "our startups have had mixed feelings on

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general solicitation, but the ones who are planning to take advantage of it are really excited about the exponential exposure from which they can benefit tremendously."

According to the Center for Venture Research, only 258,000 investors have made an angel investment out of the 8.7 million accredited investor households eligible to invest in the U.S. The general solicitation ban lift will allow startups to publicly fundraise via methods such as [equity crowdfunding](#), harnessing the power of the internet and social media to reach potential investors in all corners of the country. We expect a large jump in angel activity in the coming years as individual investors seek higher returns on investment and feel more comfortable investing in startups.

The nature of startup investing is risky, but to grow the nest egg, investor money has to be put to work. With a financial shift underway in which low yields and high interest rates are prevalent, investors are forced to look beyond traditional investment avenues to reach their financial goals.

A 2013 UBS report, *Investment Strategy Guide*,¹ recommends that 7 to 11% of any given investment portfolio be allocated to new alternative investments, which includes buying equity in early stage companies (note that only accredited investors may participate in private offerings).

Startup investing involves high risk. However, investing early in startups has the potential of yielding high returns as seen below.

- \$1,000 in Facebook in 2005 = \$624,500 today
- \$1,000 in Airbnb in 2009 = \$589,667 today
- \$1,000 in Dropbox in 2008 = \$391,500 today

RockThePost does believe that openly fundraising in the [startup investing](#) world could significantly help startups gain access to capital in an economic environment in which investors are more readily looking for high-return investments.

General solicitation will potentially increase the number of transactions happening between investors and startups. RockThePost expects these changes to drive the U.S. economy as small businesses have created almost 65% of the net new jobs for the past 17 years.

About RockThePost Launched in 2011 and located in the SoHo neighborhood of New York City, [RockThePost](#)

is an online investment platform that connects high quality startups with accredited investors. By democratizing access to startup capital for entrepreneurs and bringing startup investment opportunities to a new investor demographic, RockThePost aims to be the go-to destination for both startups and investors.

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