

WASHINGTON (November 3) – Two bills creating new sources of capital for small businesses to grow and create jobs garnered overwhelming, bipartisan support in the House of Representatives today. Yesterday, the House approved two other bills spearheaded by the Financial Services Committee that eliminated government barriers to capital formation and job creation. All four capital formation bills considered by the House this week received more than 400 votes.

Small businesses raise capital either by obtaining a loan from a financial institution or through equity financing. As a result of the economic crisis, small businesses have experienced a difficult time obtaining loans. Equity financing can fill that void, but outdated and onerous regulations often hamper the ability of small businesses to access capital markets.

Financial Services Committee Chairman Spencer Bachus said, “Today we continued our efforts to ensure government regulations facilitate, rather than hinder, small business access to capital. Small businesses are the jobs engine of our economy. We must break down regulatory barriers that stand in the way of small business growth and new jobs.

“The House has acted once again to support private sector job growth. These are bipartisan bills and the President has voiced his support for them. But they can’t become law unless the Senate stops stalling and starts passing these jobs bills,” Chairman Bachus concluded.

The following bills were approved by the House of Representatives:

H.R. 2940, the Access To Capital For Job Creators Act

H.R. 2940, introduced by Rep. Kevin McCarthy, removes a regulatory ban that prevents small businesses from using advertisements to solicit investors. The bill was approved by a vote of 413 to 11. H.R. 2940 allows small companies offering securities under Regulation D to utilize advertisements or solicitation to reach investors and obtain capital. The SEC’s ban on solicitation, first adopted in 1982, limits the pool of potential investors and severely hampers the ability of small companies to raise capital and create jobs. Rep. McCarthy said, “In order to flourish, entrepreneurs and small business owners need fewer regulatory restrictions and greater access to capital to start and grow companies and get more people working. This capital allows ideas to become real products and services, which in turn create jobs in communities

and value for consumers. That's why I've introduced the Access to Capital for Job Creators Act, to unshackle small businesses and allow them to create jobs.”

H.R. 2930, the Entrepreneur Access To Capital Act

H.R. 2930, introduced by Rep. Patrick McHenry, removes SEC restrictions that prevent “crowdfunding” so entrepreneurs can raise equity capital from a large pool of small investors who may or may not be considered “accredited” by the SEC. The bill was approved by a vote of 407 to 17. H.R. 2930 allows companies to pool up to \$1 million without registering with the SEC or up to \$2 million if the company provides investors with audited financial statements. Individual contributions are limited to \$10,000 or 10 percent of the investor’s annual income, whichever is less. The Administration announced its support of the legislation in a Statement of Administration Policy released yesterday. Rep. McHenry said, “It’s clear that we need new ways to help small businesses and entrepreneurs take their ideas from the dinner table to the production line. The first step is to modernize outdated regulations that stand as barriers to American innovation. This legislation will ensure that our small businesses are not left behind. Crowdfunding can help give them the means to create jobs for hard-working individuals here at home.” “Crowdfunding” is an innovative and popular method of capital formation. This technique allows individuals to pool money to fund businesses. H.R. 2930 ensures individuals can invest in innovative start ups and government regulations facilitate small businesses obtaining the investment capital they need to finance their operations.