



June 13, 2016

Dear Chairman Hensarling and Ranking Member Waters:

On behalf of the Competitive Enterprise Institute – a free-market think tank long concerned with lifting barriers to innovation and expanding opportunities for entrepreneurs, investors and consumers – I write to express CEI’s full support for HR 4854 and HR 4855, respectively the Supporting American Innovators Act and the Fix Crowdfunding Act.

Introduced by Rep. Patrick McHenry, vice chairman of this Committee, the Fix Crowdfunding Act makes needed changes to Title III, the equity crowdfunding provisions of the Jumpstart Our Business Startup (JOBS) Act of 2012. In significant part, the Act is a restoration of the strong crowdfunding provisions of the House version of the JOBS Act, which both of you voted in favor of, that were unfortunately gutted when it went through the Senate.

In May, more than four years after President Obama signed the JOBS Act into law, the Securities and Exchange Commission finally put Title III of the JOBS Act into effect. Yet many entrepreneurs are finding difficulty utilizing the provisions because of burdens added by both the Senate changes and the unduly restrictive SEC implementation of the rule.

As a result, many talented startup entrepreneurs will be unable or unwilling to pursue this option, to the detriment of their firms and the middle-class investors who could grow wealthy with them. These undue restrictions are also detrimental to the economy as a whole, as dynamic new firms are responsible for the bulk of job growth according to many studies.

The Fix Crowdfunding Act makes commonsense changes in the spirit of the original JOBS Act that would put the US in line with other countries that are liberalizing equity crowdfunding. The bill, for instance, raises the annual threshold an entrepreneur can raise from Title III from \$1 million to \$5 million.

Recent international evidence shows that the current \$1 million threshold, lowered dramatically in the Senate after a he House passed the bill original JOBS Act, is likely too low to attract many promising small firms. Under the crowdfunding rules of the United Kingdom, for instance, Camden Town Brewery raised 2.7 million British pounds (about \$3.8 million) from ordinary British investors. These investors were rewarded handsomely earlier this year when the brewery was purchased by InBev



Anheuser Busch, which gave shareholders a 68 percent return with the purchase price. American middle-class investors shouldn't be denied this kind of opportunity to build wealth because of unduly restrictive rules, and the commonsense approach of the Fix Crowdfunding Act will help see that they won't.

Similarly, the Supporting American Innovators Act, also introduced by Vice Chairman McHenry, updates securities laws so that limited liability companies (LLCs), the preferred structure of many small businesses, can have a maximum of 500 investors without triggering SEC registration requirements. The JOBS Act rightly raises the shareholder threshold for SEC registration for corporations, and this bill provides a needed parity for entrepreneurs and investors who choose to utilize LLCs.

HR 4854 and HR 4855 both continue the bipartisan progress of the JOBS Act in lifting barriers to access to capital and access to wealth creation. They deserve this Committee's support.

Sincerely

John Berlau

Senior Fellow, Competitive Enterprise Institute

cc: Vice Chairman Patrick McHenry