

Washington D.C. – Congressman Kevin McCarthy introduced the Access to Capital for Job Creators Act today. This legislation would widen the universe of potential investors for small businesses allowed under the Securities Act of 1933 without subjecting these businesses to the onerous costs of registration with the Securities and Exchange Commission (SEC). As a result, small businesses would have increased access to capital, allowing them to grow and create jobs at a time when persistently high unemployment plagues our nation's economy.

"The economic engine of America is small business and we must ensure federal regulations provide minimal interference so that businesses can grow and create jobs," McCarthy said. "Exempting small businesses from the burdensome cost of SEC registration will allow them to find investors in order to expand their companies and grow their workforce, providing jobs across the country. House Republicans want to get America back to work, and the Access to Capital for Job Creators Act is a meaningful step in achieving that goal."

Legislative Background

Any company looking to sell securities must register with the SEC or meet qualifications under Regulation D of the Securities Act of 1933 in order to be exempt from SEC registration. Regulation D exemptions are designed so that small companies can access capital markets without bearing the costs of SEC registration. Under Rule 506 of Regulation D, certain companies may be exempt from SEC registration if they meet specific conditions, including a prohibition on "general solicitation."

The general solicitation prohibition has been interpreted to mean that potential investors must have a pre-existing relationship with an issuer or intermediary before the potential investor can be notified that unregistered securities are available for sale. Accordingly, this ban severely hampers the ability for small companies to obtain needed capital from investors, and as a result, many companies are limited to only to the universe of investors with which they clearly have pre-existing relationships. This legislation would remove the solicitation prohibition and allow small businesses to attract capital from accredited investors nationwide, or even globally, in order to grow their company.

McCarthy's legislation is scheduled to be discussed by Capital Markets and Government Sponsored Enterprises Subcommittee of the Financial Services Committee as part of the

hearing to discussing promoting small business capital formation on Wednesday, September 21, 2011 at 10:00am ET.

House Republican Jobs Agenda

Republicans have passed eleven bills out of the House of Representatives that are designed to promote job creation, and are focused on promoting legislation aimed at repealing job-destroying regulations and reducing tax burdens on job creators. McCarthy's legislation complements the House Republican jobs agenda by eliminating the cost burden associated with SEC registration that small businesses face.