

CHAMBER OF COMMERCE  
OF THE  
UNITED STATES OF AMERICA

R. BRUCE JOSTEN  
EXECUTIVE VICE PRESIDENT  
GOVERNMENT AFFAIRS

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TO THE MEMBERS OF THE U. S. HOUSE OF REPRESENTATIVES:

The U.S. Chamber of Commerce, the world's largest business federation representing the interests of more than three million businesses and organizations of every size, sector and region strongly supports the "Jumpstart our Business Startups Act" (JOBS Act). The JOBS Act would enhance capital formation needed to build new businesses, expand existing businesses and create jobs. The JOBS Act is a legislative package comprised of multiple bills including: H.R. 1070, the "Small Company Capital Formation Act of 2011," H.R. 2167, the "Private Company Flexibility and Growth Act," H.R. 2930, the "Entrepreneur Access to Capital Act," and H.R. 2940, the "Access to Capital for Job Creators Act," H.R. 3606, the "Reopening American Capital Markets to Emerging Growth Companies Act of 2011," and H.R. 4088, the "Capital Expansion Act." While the JOBS Act is a strong legislative package, the Chamber believes the package could be improved and strengthened in several ways to provide for more efficient capital formation for emerging growth companies. The Chamber urges the House to approve this important legislation.

The JOBS Act would put in place several important and in some cases overdue reforms that would incentivize Initial Public Offerings (IPOs). The JOBS Act would create a new category of public companies called emerging growth companies, and would exempt them from certain requirements and regulations that are unduly burdensome and costly for IPOs. The JOBS Act would raise the Exchange Act's cap on shareholders from 499 to 999 and would establish that direct accredited investors and employees who received securities pursuant to an employee compensation plan would not count towards the cap. Additionally, the JOBS Act would establish a new Securities Act exemption for small investments in small issuances, regardless of investors' accredited status, and would exclude investors in such issuances from the Exchange Act's 499 shareholder cap. Furthermore, this legislation would remove the prohibition against general solicitation or general advertising for certain small issuances, provided that all purchasers of the securities are accredited investors, would raise the Exchange Act's shareholder cap from 499 to 1,999 shareholders for banks and permits banks with less than 1,200 shareholders to cease its reporting requirements under the Exchange Act and help insure that small businesses have access to a variety of capital sources.

The corporate governance issues addressed by the JOBS Act are important, but Congress should recognize that these issues are impediments for *all* U.S. public companies. The Chamber asks Congress to investigate these issues for all public companies in order to halt the decline in publicly listed companies in the United States.

The Chamber believes that the disclosure exemptions should include the requirements regarding Chairman and CEO structures found in section 972 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) and the Conflict Minerals disclosure requirements mandated in section 1502 of the Dodd-Frank Act.

Strong founder participation in an emerging growth company is an important prerequisite for investors and the long-term health of a company. Warren Buffet, Bill Gates and Sam Walton each held the Chairman and CEO role of their companies and successfully grew them creating thousands of jobs and untold wealth for investors and the economy overall. A company should be able to decide the best management structure for a company without government interference.

While the Chamber is sympathetic to the intent of Section 1502 to address human rights atrocities in the Congo, the corporate disclosure regime provided in Section 1502 would be an unviable attempt to address this important problem. Estimates for the costs of compliance with the Conflict Minerals provisions for public companies range from \$9-16 billion, while hundreds of thousands of non-public companies will also be impacted. The SEC has not quantified these costs for non-public companies and the Small Business Administration has expressed serious concerns regarding this lack of analysis of small business impacts of this provision.

Effective financial reporting is an important cornerstone for companies of any size. The Chamber strongly supports a ban on mandatory audit firm rotation and believes that the ban should be expanded to include all public companies. Mandatory audit firm rotation will decrease audit quality, potentially increase the incidence of fraud and leave certain industries without adequate audit resources. Similarly, the Chamber is concerned that an op-out for new accounting and auditing standards would create a bi-furcated financial reporting system with less certainty and comparability for investors, while creating increased liability risk for board of directors, audit committees and Chief Financial Officers. While the Chamber opposed the original language in the bill, the amended language inserted by the House Financial Services Committee represents an appropriate compromise that addresses these concerns.

The Chamber believes that the JOBS Act would likely increase the availability of information regarding emerging growth companies. However, as currently drafted, there may be a blurring of boundaries that could create potential conflicts of interests between the research and investment components of broker-dealers. Accordingly, the Chamber urges the House to amend the bill to include a study by the SEC or General Accounting Office after three years of enactment of the legislation to determine if the availability of information for emerging growth companies has increased and if there are any issues regarding conflicts of interest.

While the Chamber strongly supports the ability of small investors to provide capital to IPOs, the Chamber urges Congress to work with the Securities and Exchange Commission (SEC) to insure that strong and effective investor protections are in place.

The Chamber believes that the passage of the JOBS Act would assist in the capital formation needed by IPOs and help provide the means of robust growth and job creation that is needed at this critical juncture for the American economy. The Chamber strongly supports this legislative package and urges you vote in favor of the JOBS Act.

Sincerely,

A handwritten signature in black ink, appearing to read "R. Bruce Josten", written in a cursive style.

R. Bruce Josten