



**Opening Statement of the Honorable Mick Mulvaney
Committee on Small Business
Subcommittee on Economic Growth, Tax and Capital Access
Equity Finance: Catalyst for Small Business Growth
April 19, 2012**

All of us in this room today know that small businesses are important to job creation and the economy. But, how does a business go from an idea to an engine of job creation? One thing that entrepreneurs need to grow a business is access to capital. Most businesses begin with an original investment from the entrepreneur or borrowed funds from friends and family.

In these early-growth stages, the future is very uncertain. Entrepreneurs are trying to prove that their idea is viable and attract customers for their product or service. For successful ventures, once the idea shows promise, the entrepreneur will need more capital to expand.

Because of the high failure rate of new companies, financing from a lending institution can be difficult to come-by. So, where do entrepreneurs go when they are turned away from a bank? They must rely on outside investors who share in the vision of the entrepreneur that the new company can be successful.

While equity investment can come in many forms, an entrepreneur receives funding in exchange for stake in the success of a company. While this is a risky proposition for the investor, they are motivated by the belief that they can add value to the company and one day profit from their investment.

We are here today to hear from a distinguished panel of witnesses about the current state of the entrepreneurial finance ecosystem, recent legislative changes impacting this environment and what can be done to focus our efforts on job creation.

With that, I yield to Ranking Member Schrader for his opening statement.