



**Opening Statement of Chairman David Schweikert
House Committee on Small Business
Subcommittee on Investigations, Oversight and Regulations
Hearing: "SEC's Crowdfunding Proposal: Will it Work for Small Businesses?"
January 16, 2014**

Good Morning. The hearing will come to order.

The JOBS Act, which became law in April 2012, established the foundation for a regulatory structure for startups and small businesses to raise capital using crowdfunding. Since then, we have been waiting for the SEC to implement this portion of the law. After a year and a half, and over a year late, the SEC brought us a complex and overly-burdensome 585-page set of proposed rules that threaten crowdfunding's usability for small businesses.

Currently, a small business seeking capital through crowdfunding can only offer a token of value or pre-purchase of a finished product in exchange for a contribution from an investor. Small businesses can raise equity capital from accredited-investors, but this subset of investors excludes 98 percent of the U.S. population.

The JOBS Act changed the game by creating a regulated system for equity-based crowdfunding from non-accredited investors. Through this Act, Congress intended to lower regulatory barriers in order to give small companies and startups a larger pool of investors from which to raise capital. However, the SEC did not follow this path. Rather, the SEC issued complicated proposed rules that impose new compliance, disclosure, and reporting requirements on both small businesses and the online intermediaries that connect investors and entrepreneurs.

Some of these provisions are extremely costly for small businesses seeking capital from the crowd. For a startup that has little capital but a promising idea -- the type of businesses for which crowdfunding was designed -- having to pay tens of thousands of dollars in compliance costs in order to access capital is an immediate deal-breaker. If this type of startup can't tap the crowd, what have we achieved with this model?

We are fortunate to have with us a group of leaders within the crowdfunding community, and I look forward to learning first-hand how the panel sees the proposed rules shaping crowdfunding's operability for small businesses. We invited the SEC to this hearing in order to hear directly from the Commission regarding their intentions with the proposed rules. Regrettably, they were not interested in testifying.

With that, I would like to thank our distinguished panel of witnesses for being here today and I now recognize the Ranking Member for her opening statement.