



*Congress of the United States  
House of Representatives  
Washington, D.C. 20515*

*Anna G. Eskoo  
Fourteenth District  
California*

February 7, 2011

The Honorable Barack Obama  
President of the United States  
The White House  
1600 Pennsylvania Avenue, N.W.  
Washington, D.C. 20500

Dear President Obama,

I'm writing to commend you and your Administration on the recently announced "Startup America" initiative. This campaign recognizes that promoting high-growth entrepreneurship will require significant investment from the private sector as well as the support of Federal agencies, including the Small Business Administration, the Commerce Department and the Department of Energy. Public-private partnerships have historically been essential to the growth of startups in Silicon Valley, the District I'm privileged to represent, and can have a significant impact on communities around the nation.

The initiative also acknowledges the serious barriers facing the continued growth of small businesses. To spur new startups and expand capital formation, the Administration should consider increasing the offering limit under the U.S. Securities and Exchange Commission (SEC) Regulation A. As you may know, SEC Regulation A originated during the Great Depression as a way to facilitate the flow of capital into small businesses. Since that time, Congress has raised the cap on five occasions, the most recent being more than 30 years ago. At this time, I understand that the SEC possesses the requisite authority to raise the Regulation A offering limit through its general exemptive authority, found in Section 28 of the Securities Act.

In December, I testified before the House Financial Service Committee regarding a proposal to raise the offering limit from \$5 million to \$30 million. This increase would help small issuers, such as venture-capital backed companies, gain access to middle-tier capital without the costs and delays of a full-scale securities registration process. We need to look at creative solutions for job creation, and raising the offering limit under Regulation A would be a fiscally prudent way to do so.

Promoting investment and innovation, and creating 21<sup>st</sup> century jobs are essential to maintaining our nation's competitive edge. Thank you for your leadership and I look forward to working with you on this important initiative.

Sincerely, *and gratefully,*

A handwritten signature in blue ink, appearing to read "Anna C. Eshoo". The signature is stylized with a large loop at the beginning and a long horizontal stroke at the end.

Anna C. Eshoo  
Members of Congress

Enclosures

U. S. House of Representatives  
Committee on Financial Services  
2129 Rayburn House Office Building  
Washington, DC 20515

December 16, 2010

The Honorable Mary L. Schapiro  
Chairman  
U.S. Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549

Dear Madam Chairman:

On December 8<sup>th</sup>, the Financial Services Committee held a hearing to discuss a proposal for an increase in the offering limit under SEC Regulation A. That regulation currently allows small companies to raise up to \$5 million per year from public investors without full registration.

Witnesses at the hearing observed that Regulation A is used infrequently because of the low dollar limit relative to the cost of the offerings. They argued that a \$5 million infusion of capital falls well short of the amount that many companies need to develop promising new technologies, especially in fields such as alternative energy and the life sciences, and that there is no alternative public funding mechanism that can provide a middle-tier level of capital at a reduced regulatory cost. While all of the witnesses believed that the offering limit should be raised, they also agreed that the SEC should have the authority to establish additional requirements, such as requiring audited financial statements, which would provide greater protection for investors.

Although the witnesses urged Congress to raise the limit by amending Section 3(b) of the Securities Act of 1933, we understand that the SEC already has the requisite authority to institute such a change through its general exemptive authority, found in Section 28 of the Securities Act. I urge the SEC to exercise that authority and to increase the Regulation A offering limit in a way that helps small companies raise needed capital while protecting investors and maintaining confidence in the integrity of our capital markets.



BARNEY FRANK  
Chairman



UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

THE CHAIRMAN

January 11, 2011

The Honorable Barney Frank  
Ranking Member  
Committee on Financial Services  
U.S. House of Representatives  
2129 Rayburn House Office Building  
Washington, DC 20515

Dear Representative Frank:

Thank you for your December 16, 2010 letter urging the Commission to increase the Regulation A offering limit in a way that helps small companies raise needed capital while protecting investors and maintaining confidence in the integrity of our capital markets.

I share your commitment to small business capital formation and appreciate hearing your input in this area. I have asked the staff of the Division of Corporation Finance to consider whether the Regulation A exemption should be changed to make it more responsive to the needs of small business, consistent with investor protection. We recognize that raising the Regulation A ceiling may be a way to do this, and will give careful consideration to this option, including reviewing the testimony from your recent hearing. As you recognize in your letter, an important part of this consideration is whether additional investor safeguards would be appropriate to address the risks that investors may face with larger offerings.

Thank you for taking the time to share your thoughts on this issue. Please do not hesitate to contact me, or have a member of your staff contact Eric Spitler, Director of the Office of Legislative and Intergovernmental Affairs, at (202) 551-2010, if you would like to discuss this further.

Sincerely,

A handwritten signature in cursive script that reads "Mary L. Schapiro".

Mary L. Schapiro  
Chairman