



Consumer Federation of America



March 7, 2012

Dear Representative:

As the House of Representatives prepares to vote today and tomorrow on the JOBS Act, we are writing on behalf of the Consumer Federation of America¹ and Americans for Financial Reform² to reiterate our opposition to this ill-conceived legislation. Because the bill increases risks for investors, reduces market transparency, and fails to address the true causes of a recent drop in small company IPOs, it offers little prospect that it will promote job growth. On the contrary, assuming investors behave rationally, there is every reason to believe it will drive up the cost of capital for the small companies it purports to help. Thus, it is not only bad for investors, it is bad for business.

Several amendments have been proposed that would make modest, incremental improvements to the bill's investor protections. While they cannot redress the legislation's fundamental flaws, the following amendments deserve your support:

- Vote YES on **Ellison-Capuano Amendment #6** to remove the legislation's exemption from say-on-pay and golden parachute votes for emerging companies.
- Vote YES on **Miller-Watt Amendment #10** to restore state authority to oversee crowd-funding under a streamlined approach coordinated with the Securities and Exchange Commission (SEC).
- Vote YES on **Peters Amendment #4** to require public companies to disclose the number of domestic and foreign workers they employ.
- Vote YES on **Jackson Lee Amendment #19** that would eliminate companies that have issued more than \$1 billion in non-convertible debt over the previous three years from the definition of emerging company.

¹ The Consumer Federation of America (CFA) is a nonprofit association of some 280 state, local and national organizations founded in 1968 to represent the consumer interest through research, education and advocacy.

² Americans for Financial Reform (AFR) is a coalition of over 250 national, state, and local groups who have come together to advocate for reform of the financial industry. Members of AFR include consumer, civil rights, investor, retiree, community, labor, faith based and business groups along with prominent independent experts.

- Vote YES on **Jackson Lee Amendment #21** to limit pre-offering test-the-waters communications to Qualified Institutional Buyers only.
- Vote YES on **Capuano Amendment #15** to require the SEC to study whether changes are needed to the definition of “held of record” to prevent evasion of registration and reporting requirements.

Our organizations also support **Connolly Amendment #7** which, while not directly related to the bill’s investor protections, does address a pressing problem for consumers and businesses alike – excessive financial speculation in the oil and gas markets. The amendment’s required study of the effect of such speculation on emerging companies should add to the growing body of evidence in support of strong regulations to control excessive speculation.

While we strongly support narrowing the definition of emerging companies, our organizations cannot support **Himes Amendment #1**. The amendment lowers the revenue test for emerging companies from \$1 billion to \$750 million, which we support, but it offsets that modest improvement by eliminating the \$700 million market capitalization prong of the definition. Because so few companies are likely to be captured by the revenue test, even with the amendment’s improvements the likely net effect would be to expand, not narrow the exemption.

For American investors who have endured over a decade of unremitting frauds, scandals, and financial crises, the JOBS Act promises more of the same. Its underlying message, that the way to grow the economy is to reduce regulation, has been proven wrong time and time again, with devastating results for investors and the health of the economy. We urge you to vote no.

Respectfully submitted,

Consumer Federation of America
American for Financial Reform