



Consumer Federation of America



March 22, 2012

Vote YES on Merkley-Bennet-Brown and Reed Amendments To Strengthen JOBS Act Investor Protections

Dear Senator:

We are writing on behalf of the Consumer Federation of America and Americans for Financial Reform to urge you to support two important pro-investor amendments to the JOBS Act being voted on today. These amendments address serious short-comings in the House bill that would increase the risk of fraud and undermine market transparency. Even with these amendments, the legislation would still do more harm than good. We therefore urge you to oppose H.R. 3606 unless many more changes are made to fix its array of dangerous provisions. Failing that, we urge you to take at least this modest step to minimize the harm this legislation poses to vulnerable investors and to the health and integrity of our capital markets.

- **Vote YES on the Reed Amendment** to limit the ability of large companies with large numbers of investors to escape the public reporting requirements on which market transparency depends. The Reed amendment eliminates the ability of companies to game the system by grouping together a large number of beneficial owners as a single shareholder of record. When added to the language in the underlying House bill, it offers a reasonable compromise that significantly increases the number of shareholders a company can have before triggering public reporting requirements, takes employees out of the count, but ensures that the count will be based on actual numbers of shareholders and not some easily manipulated statistic.
- **Vote YES on the Merkley-Bennet-Brown Amendment** to provide a reasonable level of regulatory oversight and investor protections to the crowd-funding market. Without these improvements, crowd-funding will become a mecca for the fraud that will hurt both small investors and the honest companies that seek to benefit from this innovative new mechanism for capital formation. The amendment achieves a reasonable balance between flexibility for crowd-funding issuers and intermediaries and protection for crowd-funding investors.

Both these amendments were included in the Reed-Landrieu-Levin amendment that won the support of a majority of senators yesterday. We urge senators to maintain their support now by voting for the pro-investor amendments. There must be no flip-flop on investor protection.

Even with these changes, however, other provisions of the bill would unleash a new wave of damaging fraud in the private offering market, make it easier to commit accounting fraud, reignite the abusive securities analyst practices that fueled the tech stock boom and bust, undermine comparability of financial reporting, enable the Regulation A small offering exemption to be gamed by mid-sized companies seeking to evade public reporting requirements, and create a myriad additional problems. As a result, even with these changes, this bill does not deserve your vote. We urge you to vote NO on H.R. 3606's dangerous invitation to fraud and abuse in our capital markets.

Respectfully submitted,

Consumer Federation of America
Americans for Financial Reform