



**EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503**

April 26, 2016
(House Rules)

STATEMENT OF ADMINISTRATION POLICY

H.R. 4498 – Helping Angels Lead Our Startups Act

(Rep. Chabot, R-OH, and 11 cosponsors)

The Administration is committed to helping entrepreneurs and small business owners access the capital they need to innovate, grow their enterprises, and create jobs. H.R. 4498, the Helping Angels Lead Our Startups (HALOS) Act, seeks to further these objectives by creating a new exemption to the prohibition of general solicitation for companies issuing private securities. Specifically, the bill would require the Securities and Exchange Commission (SEC) to revise Regulation D so that the prohibition against general solicitation does not apply to presentations or communications made at an event sponsored by certain organizations.

Although H.R. 4498 seeks to increase opportunities for companies to access investment capital, the Administration is concerned that the bill does not properly weigh the need for, and importance of, appropriate investor protections. Title II of the Jumpstart Our Business Startups (JOBS) Act requires that issuers selling securities in private markets through general solicitation take "reasonable steps" to verify that all purchasers are "accredited investors." This requirement helps ensure that unsophisticated investors do not make investments when they may not understand the attendant risks. Creating a new exemption to this requirement may make it easier for companies to access necessary capital, but providing such an exemption comes at the cost of potentially increasing undue risk for certain investors.

Additionally, the SEC already has sought to alleviate some of the burden on startups and other small companies by exempting them from the "reasonable steps" requirement when the companies have a pre-existing, substantive relationship with the potential investors or have contacted the potential investors through a personal network before making a general solicitation. The SEC determined that these relationships or communications were a sensible substitute for the "reasonable steps" otherwise required to assure that all purchasers were accredited investors, and did not unreasonably undermine investor protection.

The JOBS Act charged the SEC with implementing its titles through a robust rulemaking process, and the agency has done so by taking into account both the importance of access to capital for companies, as well as the importance of investor protection, both of which are essential for a well-functioning marketplace. Any legislation that seeks to facilitate greater capital formation by clarifying or amending Federal securities law should similarly take both of these considerations into account. We look forward to working with the Congress on this legislation as it moves forward.

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