

STATEMENT
CHAIRMAN SPENCER BACHUS

Subcommittee on Capital Markets Government Sponsored Enterprises Hearing on
H.R. 3606, the "Reopening American Capital Markets to Emerging Growth Companies Act"
December 15, 2011

Thank you, Mr. Garrett, for convening today's very important hearing which continues the Committee's efforts to facilitate capital formation.

Last month the House overwhelmingly passed four bills that originated in our Committee to help companies raise desperately needed equity capital and create desperately needed jobs. Today we are reviewing thoughtful and bipartisan legislation, H.R. 3606, introduced by our colleagues Mr. Fincher and Mr. Carney, of which I am proud to be an original cosponsor. In this struggling economy, Congress should be doing everything it can to make it easier for small businesses to grow and create new jobs. Proposals like H.R. 3606 that foster the formation of capital or relieve some of the regulatory burdens that impede the formation of capital must be among our top priorities.

As we all know, our country's initial public offering market has stalled. Indeed, there were fewer venture-backed IPOs in 2008 and 2009 than in any year since 1985. This legislation is designed to change this situation. It will encourage more entrepreneurs to start businesses and allow more start-ups to become public companies.

Many emerging growth companies remain private to maintain greater flexibility and control and to avoid the increased costs associated with becoming a public company. To attract employees and conserve capital for research and development, startup companies often award their employees stock options in lieu of higher salaries. Because private companies are taking longer to go public than they have in the past, employees' stock options are increasingly vesting before the companies go public. Small private companies may thus find themselves subject to the same requirements as a listed company before they are ready to face the legal and regulatory burdens of public companies.

Mr. Fincher and Mr. Carney are to be commended for introducing a bill that recognizes not all companies are the same and that emerging growth companies are vitally important to the future of our economy.

I thank our witnesses for joining us and I yield back the balance of my time.